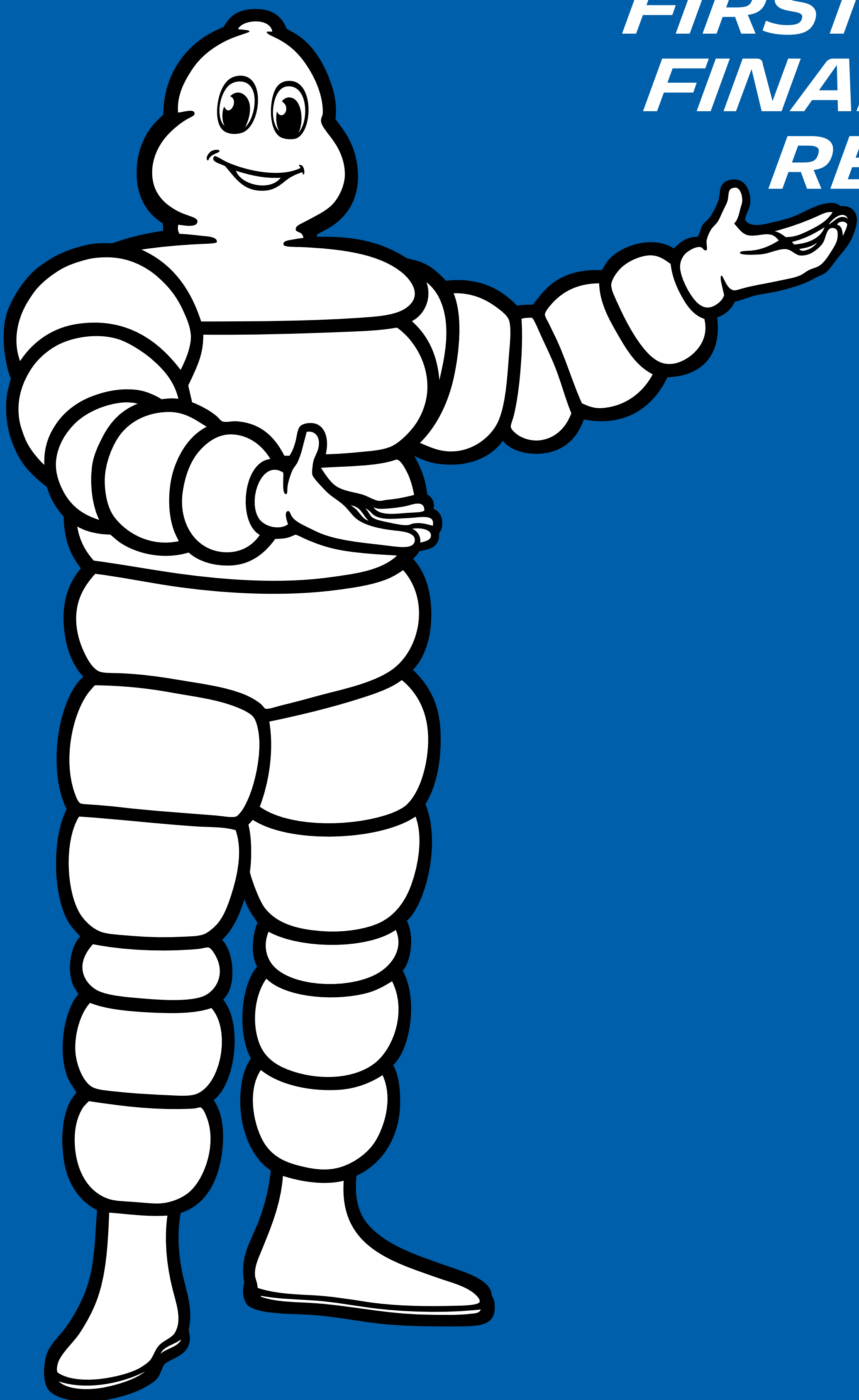
MICHELIN
A BETTER WAY FORWARD

2019 FIRST-HALF FINANCIAL REPORT



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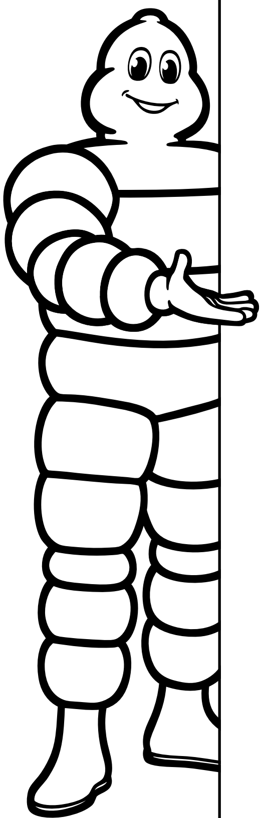

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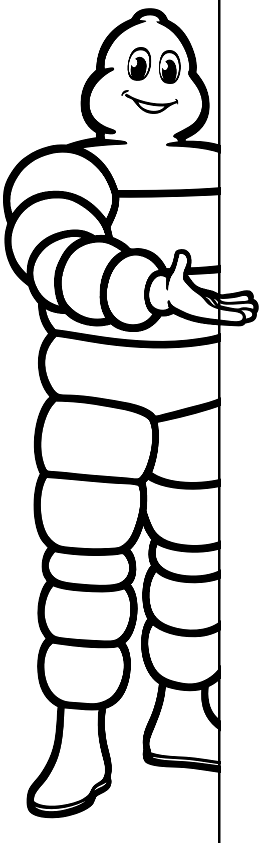
PRESS RELEASE



PRESS RELEASE

Clermont-Ferrand, France, July 25, 2019

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Financial information for the six months ended June 30, 2019

In a more difficult than expected environment, segment operating income up 8% to €1,438 million
Rigorous price mix steering and competitiveness plan management
Contribution of acquisitions as expected
Guidance confirmed with a lowered market scenario

- In weaker than expected markets, Michelin's volumes declined by 0.9%, with in particular:
  - Group positions maintained in Passenger car and Light truck tires, in markets down 2% due to the fall-off in Original equipment demand.
  - Stable volumes in Truck tires, in a market down 1%, benefiting notably from the deployment of Services and Solutions.
  - Further growth in the mining tire business, helping to offset the steep drop in agricultural tire volumes, due to declining markets.
- The price-mix/raw materials effect added a net €79 million, thanks to sustained price discipline and continuous enhancement in the value of the mix.
- €40 million in competitiveness gains, net of inflation.
- €101 million contribution from recently acquired Fenner and Camso, as expected.
- Acquisitions of Multistrada and Masternaut in line with the Group's growth strategy.

  Florent Menegaux, Chief Executive Officer, said: "In highly volatile markets, the Group demonstrated its ability to protect its margins by tight price steering, and by rigorously implementing its competitiveness plan. It also benefited from strong contribution from its recent acquisitions. In this persistently uncertain business environment, the Group pursues its competitiveness initiatives, its firm pricing policy in order to maintain its leadership in its tire businesses, and to continue the deployment of its growth strategy."
- Guidance confirmed:

  In 2019, the Passenger car and Light truck tire markets are expected to decline by 1%, as the modest 1% growth in the Replacement segment fails to offset the steep 4.4% contraction in the Original equipment segment. The Truck tire markets are expected to decline more quickly in the second half, to end the year down 2%. Mining and aircraft tire markets should continue to expand, offsetting the steep drop in agricultural tire markets and in Original equipment demand in construction tire markets. The full-year impact of raw materials costs and customs duties is estimated at around a negative €100 million, as forecast.

  In this scenario, Michelin confirms its guidance for 2019, with volume growth in line with global market trends; segment operating income exceeding the 2018 figure at constant exchange rates and before the estimated €150 million contribution from Fenner and Camso; and structural free cash flow of more than €1.45 billion[1].

(1) Of which €150 million from the application of IFRS 16.

(in € million)	First half 2019*	First half 2018 (Restated)	First half 2018 (Reported)
Sales	11,781		10,603
Segment operating income	1,438		1,327
Segment operating margin	12.2%	12.5%	12.5%
Automotive and related distribution(1)	10.3%	11.3%	11.5%
Road Transportation and related distribution(1)	8.9%	8.1%	7.0%
Specialty businesses and related distribution(1)	19.3%	22.7%	22.0%
Other operating income and expenses	(90)		23
Operating income	1,348		1,350
Net income	844		917
Earnings per share	4.74		5.12
Segment EBITDA	2,296		1,985
Capital expenditure	665		588
Net debt	6,664		3,753
Gearing	54%		33%
Employee benefit obligations	3,976		3,904
Free cash flow(2)	(592)		(2,049)
Employees on payroll(3)	125,400		113,600

(1) Following the acquisition of Camso and the merger of the Off-the-road businesses, certain minor adjustments have been made to the composition of the segments.
(2) Free cash flow: net cash from operating activities less net cash used in investing activities less net cash from other current financial assets, before distributions.
(3) At period-end.
** Including IFRS16 impact.*

MARKET REVIEW

Passenger car and Light truck tires

First half 2019/2018 *(in number of tires)*	Europe including Russia & CIS(1)	Europe excluding Russia & CIS(1)	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original equipment	-6%	-7%	-3%(2)		-1%	-9%	-15%	**-7%**
Replacement	-2%	-2%	+4%	-0%	-4%	+2%	+1%	**+1%**

Second quarter 2019/2018 *(in number of tires)*	Europe including Russia & CIS(1)	Europe excluding Russia & CIS(1)	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original equipment	-8%	-9%	-1%(2)		+3%	-11%	-18%	**-8%**
Replacement	-2%	-3%	+1%	-2%	-1%	+4%	+1%	**+1%**

(1) Including Turkey.
(2) North America and Central America.

The number of Original equipment and Replacement Passenger car and Light truck tires sold worldwide declined by 2% in the first half of 2019, dragged down by the 7% fall in Original equipment demand.

/ Original equipment

- In Western Europe, demand contracted by 7% in the first half due to the continued adverse impact of the roll-out of WLTP standards (mainly in the first quarter) and the economic crisis in Turkey. In addition, European export sales were dampened by the slowdown in the Chinese economy and the introduction of US protectionist measures. In Eastern Europe, Original equipment demand remained on an upward trend, rising by 5% in the first half.
- In North and Central America, despite a favorable economic environment, softening domestic demand caused markets to slide by 3% overall in the first half, seeming to signal a downturn when compared with the 2% gain in second-half 2018.
- Demand in Asia (excluding India) ended the first half down 9%. The Chinese market collapsed over the period, losing 15% in line with the second-half 2018 trend. Already hard hit by the trade war with the United States, OE demand has been further reduced by inventory drawdowns ahead of deployment of the China 6 standard in certain major cities. Demand in the rest of Asia held firm, with a slight 2% increase in the second quarter despite a contraction in South Korea.
- Although they saw a 3% rebound in the second quarter, markets in South America were heavily impacted by the economic crisis in Argentina and ended the first half down 1% overall.

- In the Africa/India/Middle East region, the OE market plunged 15% over the first half of 2019, primarily reflecting the decline in domestic demand in India due to the weaker rupee and tighter credit, as well as the Iranian crisis.

/ Replacement

- The European Replacement tire market contracted by 2% overall year-on-year.
- The Replacement tire market in Western Europe declined by 2%, in both the first and second quarters, as the economic crisis in Turkey and the adverse effects of inventory drawdowns in Germany continued to weigh heavily on demand. Markets further weakened in France (down 2%) and Spain (down 3%), primarily as a result of high dealer inventories. In this environment, demand for All-Season tires remains as robust as ever.
- In Eastern Europe, the market rose by 1% overall, as a 4% decline in the first quarter caused by softer demand in Russia gave way to a 7% gain in the second quarter, led by an upturn in the Russian market and buoyant demand in Ukraine over the entire first half.
- The North American market climbed 4% over the first six months of 2019, with a steep slowdown in the United States in the second quarter (to a 1% increase from a 8% gain in the first quarter). The growth was led by the 10% increase in the "non-pool" market, which is highly volatile at a time when the trade war between the United States and its trading partners is prompting dealers to stock up on entry-level tires. Demand for "pool" market tires was stable over the period, in line with the trend in kilometers traveled.
- Demand in Asia (excluding India) ended the first half up 2%. The Chinese Replacement market continued to rebound, with a 4% gain for the six-month period, including 5% in the second quarter alone. Demand in the rest of Asia edged up 1% overall in first-half 2019, as the 2% decline in Japan was offset by brisk growth in South Korea (up 8%) and Indonesia (up 3%).
- The Central American market was stable for the first six months of the year, with a particularly sudden 3% slowdown in Mexico in the second quarter even as demand remained generally unchanged over the full period in the rest of the region.
- In South America, the market ended the first half 4% lower overall, with a 7% drop in the first quarter reflecting a 22% plunge in Argentina due to the financial crisis and a 6% decline in Brazil, and with the regional decline easing to just 1% in the second quarter as Brazilian demand leveled off.
- Compared with second-half 2018, growth in Replacement tire demand in the Africa/India/Middle East region cooled to 1% in first-half 2019, mainly due to slower momentum in India (up 4%) and the sharp 3% contraction in the Middle East in an increasingly tense geopolitical environment.

Truck tires (radial and bias)

First half 2019/2018 *(in number of tires)*	Europe including Russia & CIS(1)	Europe excluding Russia & CIS(1)	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original equipment	-4%	-4%	+9%	-40%	+32%	-0%	+9%	**+2%**
Replacement	-1%	-1%	-10%	-2%	-2%	-2%	-1%	**-2%**

Second quarter 2019/2018 *(in number of tires)*	Europe including Russia & CIS(1)	Europe excluding Russia & CIS(1)	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original equipment	-7%	-8%	+6%	-68%	+32%	-2%	+8%	**+0%**
Replacement	+2%	+3%	-12%	-1%	-3%	-4%	-1%	**-4%**

(1) Including Turkey.

Global demand for new Original equipment and Replacement Truck tires declined by 1% in number of tires sold in the first six months of 2019, primarily due to the sharp 2% slowdown in Replacement markets even as OE demand continued to trend upwards over the period (by 2%).

/ Original equipment

- In Western Europe, where OE demand retreated by 4% overall, the first quarter saw a 1% decline, caused primarily by the Turkish economic crisis and the contraction in Spanish and UK demand. This was followed by a much steeper 8% drop in the second quarter, with a 19% fall-off in Germany and a downturn in France, where the market swung from a 6% gain in the first quarter to a 2% decline in the second. Following a sharp 11% plunge in the first quarter, demand in Eastern Europe leveled off with a 1% gain in the second quarter, to end the period down 4% overall.
- In a still fast-expanding economy, the North American market rose by 9% in the first half of 2019, reflecting a high basis of comparison in the prior-year period (up 16%). Momentum slowed in the second quarter, however, to 6% from 12% in the first quarter.
- Demand in Asia (excluding India) was stable for the period. After rising 2% in the first quarter, led by gains in China (up 1%), Japan (up 2%) and Indonesia (up 6%), demand turned downwards in the second quarter, losing 2% overall as contractions in China (down 2%) and Indonesia (down a steep 17%) offset continued growth in Japan (up 3%).
- In Central America, the Mexican market plummeted 40%.
- Demand in South America climbed by 32%, lifted by the sustained 34% growth in the Brazilian market.
- In the Africa/India/Middle East region, the market expanded by 9%, led by a 12% increase in Indian demand, while the Middle East market suffered from the worsening conflict in the region.

/ Replacement

- In Western Europe, Replacement tire demand declined by 1% over the first half. First-quarter performance was muted primarily by unfavorable bases of comparison (due to early buying in first-quarter 2018 ahead of the anti-dumping measures introduced in May to counter Chinese tire imports) and by the Turkish economic crisis. Although still impacted by that crisis, the market improved by 3% in the second quarter, led by more favorable prior-year comparatives and the sustained growth in freight demand.
- The North American market lost a steep 10% overall, with a faster 12% drop in the second quarter. Despite the robust growth in freight demand, Replacement tire markets were held back by (i) the strong expansion in OE demand in the United States, which has lasted for more than a year now; and (ii) the massive drawdown of Asian import inventories between late 2018 and early 2019 ahead of the introduction of customs duties in mid-February.
- Demand for Replacement tires in Asia (excluding India) was down by 2% in the first half. In China, demand declined by 2% over the period, with a sharp 5% drop in the second quarter in a particularly uncertain economic environment. In Southeast Asia, demand ended the first half down 1% after a 1% gain in the first quarter was erased by a 3% fall in the second quarter, when markets turned downwards, by 10%, in Indonesia and Malaysia. Demand in Japan and South Korea rose by an anemic 1% over the full six-month period.
- In Central America, markets slid 2% overall, with a 4% decline in Mexico.
- While demand held firm in Brazil, the South American market declined by 2% as a whole, hurt by the financial crisis in Argentina (down 12%) and the downturn in Colombia (from a 17% gain in the first quarter to a 7% decline in the second).
- The Africa/India/Middle East market edged down 1%, reflecting slower growth in India and the generally unstable economic and geopolitical conditions prevailing in the rest of the region.

Specialty tires

- **Mining tires:** The mining tire market is still seeing robust demand from copper, iron, coal and other mining companies.
- **Agriculture and Construction tires:** In the Agricultural segment, OE markets declined in Europe, due to the economic crisis in Turkey, and in South America, following the introduction of new regulatory standards in early 2019. Demand for Replacement tires also contracted in Turkey and fell precipitously in North America (due to floods and the decline in farm revenue) and, more recently, in Italy. Infrastructure tire sales rose during the period, but the segment is showing signs of slowing down after two and a half years of growth and a record high in 2018.
- **Two-wheel tires:** Motorcycle and scooter tire markets enjoyed further growth in Europe, but declined in North America. Demand in the Commuting segment continued to trend upwards in the new markets.
- **Aircraft tires:** Led by the sustained increase in passenger traffic, which has slowed somewhat in China and India, the commercial aircraft tire market is continuing to expand, with gains that remain more pronounced in the Radial segment.

FIRST-HALF 2019 SALES AND RESULTS

Sales

Sales for the first six months of 2019 totaled €11,781 million, an increase of 11% from the year-earlier period that was attributable to the net impact of the following factors:

- the 0.9% decrease in volumes, primarily stemming from the sharp decline in demand for Original equipment Passenger car and Light truck tires, but also from the slowdown in Replacement tire markets, in both the Passenger car and Light truck and Truck segments. At the same time, strong growth in the mining business was offset by a downturn in agricultural tire markets;
- the highly positive 1.7% price-mix effect (2.0% in the first quarter and 1.4% in the second), resulting from the Group's €93 million price discipline in the more competitive environment created by cooling markets. The €83 million positive mix effect primarily reflected the sustained success of the MICHELIN brand's premium strategy and the rebound in the mining businesses, as well as the favorable impact of the relative performances of OE and Replacement tire sales;
- the positive 1.9% currency effect, mainly due to the US dollar's rise against the euro, an impact that was dampened by the sustained decline in certain currencies such as the Russian ruble, the Argentine peso, the Turkish lira and the Brazilian real over the period;
- the highly favorable 8.5% impact from changes in the scope of consolidation, led by the very strong performance from Fenner and Camso, which were acquired in 2018 to drive faster expansion in the tire business and in high-tech materials.

Results

Segment operating income amounted to €1,438 million or 12.2% of sales, *versus* €1,327 million and 12.5% in first-half 2018.

The first-half 2019 performance reflected (i) a €101 million increase from changes in the scope of consolidation following the inclusion of Fenner and Camso and the removal of TCi; (ii) a €49 million decrease from the 0.9% decline in volumes and the €15 million fixed cost shortfall; (iii) a robust €176 million increase from the price-mix effect thanks to disciplined price management, which cushioned (iv) the €97 million adverse impact from raw materials costs (including customs duties). The €97 million increase in costs was more than offset by €137 million in competitiveness gains. Depreciation and amortization expense rose by €43 million and start-up costs by €31 million. Other factors totaled a negative €20 million for the year. Lastly, the currency effect added €34 million to the reported figure.

Other operating income and expenses amounted to an expense of €90 million, half of which, €45 million, corresponded to the amortization of intangible assets acquired in a business combination.

In all, net income came to €844 million for the period.

Net financial position

Free cash flow ended the period at a negative €592 million, a €1,457 improvement from first-half 2018, which was impacted by the acquisitions of Fenner and A.T.U. and the creation of the TBC joint venture with Sumitomo Corporation. Gearing stood at 54% at June 30, 2019, based on net debt of €6,664 million. Of the €2,608 million increase from the restated December 31,2018 figure(1), €815 million corresponded to the impact of applying IFRS 16, €665 million to the payment of dividends and €592 million to the negative free cash flow for the period.

Segment information

	Sales			Segment operating income			Segment operating margin		
(in € million)	**H1 2019**	**H1 2018 (Restated)(*)**	**H1 2018 (Reported)**	**H1 2019**	**H1 2018 (Restated)**	**H1 2018 (Reported)**	**H1 2019**	**H1 2018 (Restated)**	**H1 2018 (Reported)**
Automotive and related distribution	5,658	5,603	5,607	585	635	646	10.3%	11.3%	11.5%
Road Transportation and related distribution	3,144	3,046	2,782	279	248	195	8.9%	8.1%	7.0%
Specialty businesses and related distribution	2,979	1,954	2,214	574	444	486	19.3%	22.7%	22.0%
GROUP	**11,781**	**10,603**	**10,603**	**1,438**	**1,327**	**1,327**	**12.2%**	**12.5%**	**12.5%**

(*) Following the acquisition of Camso and the merger of the Off-the-road businesses, certain minor adjustments have been made to the composition of the segments.

/ Automotive and related distribution

Sales in the Automotive and related distribution segment rose by 1% to €5,658 million, from €5,603 million in the first six months of 2018.

Segment operating income amounted to €585 million or 10.3% of sales, *versus* €635 million and 11.3% in first-half 2018.

The decrease was primarily due to (i) the decline in volumes in line with the 2% contraction in the Passenger car and Light truck tire market; (ii) the fixed cost shortfall; and (iii) the rise in raw materials costs following the late 2018 increase in butadiene prices. However, these negative impacts were partially offset by the positive price-mix effect stemming from the Group's disciplined price management and the growing proportion of 18-inch and larger tires in the sales mix. In addition, the consolidation of Multistrada and start-up costs at the León plant reduced segment operating margin by 0.5 points.

/ Road Transportation and related distribution

Sales in the Road Transportation and related distribution segment amounted to €3,144 million in first-half 2019, a 3.2% increase from the €3,046 million reported a year earlier.

Segment operating income totaled €279 million or 8.9% of sales, *versus* €248 million and 8.1% in first-half2018, confirming the sustained improvement in segment operating margin. The increase in segment operating income reflected the stability of volumes in a market down 1%, gains in the Services and Solutions business and a robust price-mix effect. These positive factors were somewhat mitigated by a temporary €20 million increase in customs duties. In addition, the first half saw the sustained success of the MICHELIN Agilis Cross Climate global All-Season tire range for light trucks and vans, as well as the expansion of the Services and Solutions business, which now has more than one million vehicles under contract following the acquisition of Masternaut in Europe.

/ Specialty businesses and related distribution

Sales in the Specialty businesses and related distribution segment rose by 52.5% to €2,979 million, from €1,954 million in the first six months of 2018.

Segment operating income came to €574 million or 19.3% of sales, *versus* €444 million and 22.7% in first-half 2018.

The increase in segment operating income was primarily attributable to the consolidation of Fenner and Camso, whose results were in line with expectations. However, their consolidation reduced segment operating margin by 3.7 points.

At constant scope of consolidation, segment operating income improved to 23% from 22.7% a year earlier, led by (i) the 1% increase in volumes, as the very strong performance by the mining tire business was partially dampened by the decline in agricultural tire volumes following the market downturn; and (ii) the robust price effect, with in particular a priority focus on margin integrity in the OE agricultural tire segment.

(1) The consolidated balance sheet for the year ended December 31, 2018 did not include the opening balance sheet for Camso, whose acquisition price was accounted for as preliminary goodwill. Following Camso's consolidation in first-half 2019, the opening balance sheet was restated.

FISRT-HALF 2019 NON-FINANCIAL RATINGS

In the first half of 2019, Michelin was recognized for its sustainable development and mobility approach through a number of certifications and ratings:

ISS oekom – On July 5, 2019, Michelin was ranked at the top of the 66 manufacturing companies.

Responsible Procurement – In June 2019, Michelin was awarded the Supplier Relations and Responsible Purchasing Label. To date, Michelin is the only company to have been recognized by the Label for all of its purchasing operations worldwide. At the same time, in May 2019, Michelin received certification that its purchasing practices were mature with regard to the new international ISO 20400 Sustainable Procurement standard.

These ratings are testimony to Michelin's unwavering commitment to sustainable mobility and development.

Diversity – In a commitment to combatting gender wage inequality, France's Secretary of State for Gender Equality and the Ministry of Labor introduced a gender equality index in 2019. With Michelin France rated 94/100, the index indicated that the company's gender equality in the workplace program has had a very positive impact.

FIRST-HALF 2019 HIGHLIGHTS

- At the Geneva International Motor Show, Michelin presents the two latest additions to the MICHELIN Pilot Sport family: the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup2 R tires (March 5, 2019).
- Michelin is named "Tire Manufacturer of the Year" during the 2019 Tire Technology Expo in Germany, in recognition for its environmental initiatives, product innovation and research on worn tire performance (March 8, 2019).
- Faurecia and Michelin join forces to create a future world leader in hydrogen mobility (March 11, 2019).
- The new MICHELIN Anakee Adventure motorcycle tire is introduced in one of the most dynamic, competitive and innovative markets (March 21, 2019).
- Investor Day held in Almeria and €500 million share buyback program announced, to be implemented between 2019 and 2023 (April 4, 2019).
- Michelin extends its X Multi regional truck tire range with a drive axle tire, the X Multi HD D, and a low-loader trailer tire, the X Multi T2 (May 3, 2019).
- Gulf Air chooses Michelin as exclusive tire supplier, to equip its entire fleet with MICHELIN Air X tires (May 3, 2019).
- Michelin announces the acquisition of Masternaut, one of Europe's largest telematics providers, thereby stepping up deployment of its telematics solutions across the region (May 16, 2019).
- Florent Menegaux, Managing General Partner, becomes Managing Chairman following the Annual Shareholders Meeting (May 17, 2019).
- Michelin acquires a 22.8% stake in a unique public-private partnership to create Hympulsion, whose mission is to encourage renewable hydrogen-powered mobility in the Auvergne-Rhône-Alpes region (May 20, 2019).
- Inaugural edition of the MICHELIN Guide California, featuring a curated selection of 90 starred restaurants (June 4, 2019).
- Michelin and General Motors present a new generation of airless wheel technology for passenger vehicles – the MICHELIN Uptis Prototype (Unique Puncture-proof Tire System) – at the Movin'On Summit (June 4, 2019).
- 2019 World Endurance Championship – 24 Hours of Le Mans 2019: Toyota Gazoo Racing's double win clinches Michelin's 22nd straight victory (June 17, 2019).
- BMW chooses the MICHELIN Pilot Sport 4S* as a tire fitment for its new X3 M and X4 M models (June 18, 2019).
- Michelin and Safran announce successful flight tests of the first connected aircraft tire on a Dassault Falcon 2000S (June 19, 2019).
- Following the acquisition of an 87.59% stake in leading Indonesian tire manufacturer PT Multistrada ArahSarana TBK (March 8, 2019), the Group launches a public offer for the remaining outstanding shares (April 16, 2019). Michelin now holds an additional 12.05% of the share capital, bringing its interest in Multistrada to 99.64% (June 19, 2019).
- Michelin presents the safety, purchasing power and environmental benefits of its LONG LASTING PERFORMANCE approach in Vienna. The approach has been recognized by the European Parliament, which has added worn tire testing to EU safety regulations from 2022 (July 1, 2019).

A full description of first-half 2019 highlights may be found on the Michelin website: http://www.michelin.com/en

Presentation and conference call

First-half 2019 results will be reviewed with analysts and investors during a presentation today, Thursday, July 25, 2019 at 6:30 p.m. CEST. The event will be in English, with simultaneous interpreting in French.

Webcast

The presentation will be webcast live on: https://www.michelin.com/en/finance/

Conference call

Please dial-in on one of the following numbers from 6:20 pm CEST:

- In France: +33 (0)1 70 71 01 59 (French) PIN code: 33918850#
- In France: +33 (0)1 72 72 74 03 (English) PIN code: 43603957#
- In the United Kingdom: +44 (0) 207 194 3759 (English) PIN code: 43603957#
- In North America: +1 (646) 722 4916 (English) PIN code: 43603957#
- From anywhere else: +44 (0) 207 194 3759 (English) PIN code: 43603957#

The presentation of financial information for the six months ended June 30, 2019 (press release, presentation, financial report) may also be viewed at http://www.michelin.com/eng, along with practical information concerning the conference call.

Investor calendar

Financial information for the nine months ended September 30, 2019: Thursday, October 24, 2019 after close of trading.

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Disclaimer

This press release is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documents filed in France with *Autorité des marchés financiers,* which are also available from the Michelin website https://www.michelin.com/en.

This press release may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions 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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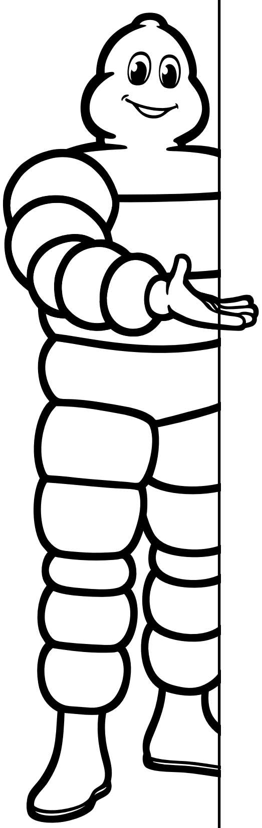
SLIDESHOW



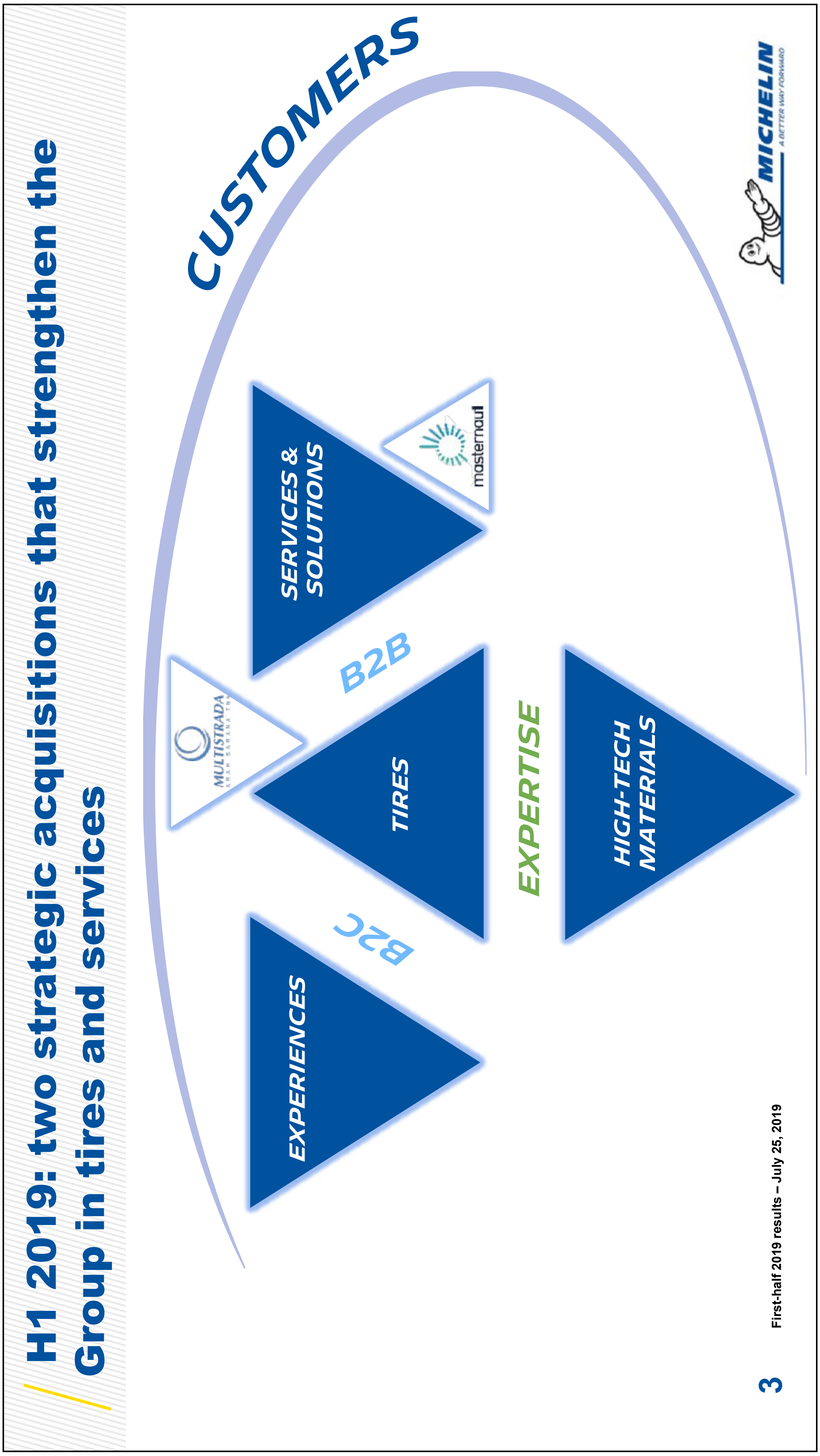

MICHELIN
A BETTER WAY FORWARD
FIRST-HALF 2019 RESULTS
JULY 25, 2019

In a difficult environment, segment operating income rose by 8% to €1,438m, led by a robust price-mix, the competitiveness plan and acquisitions

- In weaker than expected markets, volumes declined by 0.9%, with in particular:
  - Group positions maintained in Passenger Car and Light Truck tires, in markets down 2% due to the fall-off in Original Equipment demand.
  - Stable volumes in Truck tires, in a market down 1%, benefiting notably from the deployment of Services and Solutions.
  - Further growth in the mining tire business, helping to offset the steep drop in agricultural tire volumes, due to declining markets.
- The price-mix/raw materials effect added a net €79m, thanks to sustained price discipline and continuous enhancement in the value of the mix
- €40m in competitiveness gains, net of inflation
- €101m contribution from recently acquired Fenner and Camso, as expected
- Acquisitions of Multistrada and Masternaut in line with the Group's growth strategy
- The Group lowers its 2019 market scenario and confirms its guidance in this environment.

2 First-half 2019 results – July 25, 2019

MICHELIN A BETTER WAY FORWARD


H1 2019: two strategic acquisitions that strengthen the Group in tires and services
CUSTOMERS
EXPERIENCES
B2C
TIRES
B2B
SERVICES & SOLUTIONS
MULTISTRADA
masternaut
EXPERTISE
HIGH-TECH MATERIALS
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First-half 2019 results – July 25, 2019

Recognition for the economic and environmental benefits of Michelin tires' long-lasting performance

- By offering customers tires that deliver high performance until 1.6mm wear indicators appear

Michelin is improving the tire industry's environmental footprint

- *by avoiding raw material waste*
- *by reducing carbon emissions*

Michelin is improving consumer purchasing power

- *by increasing the time between tire changes*
- *by improving, with worn tires, the fuel efficiency**

* Up to a 20% reduction in rolling resistance

- Michelin's approach is supported by:
  - The automotive industry
  - The European Parliament

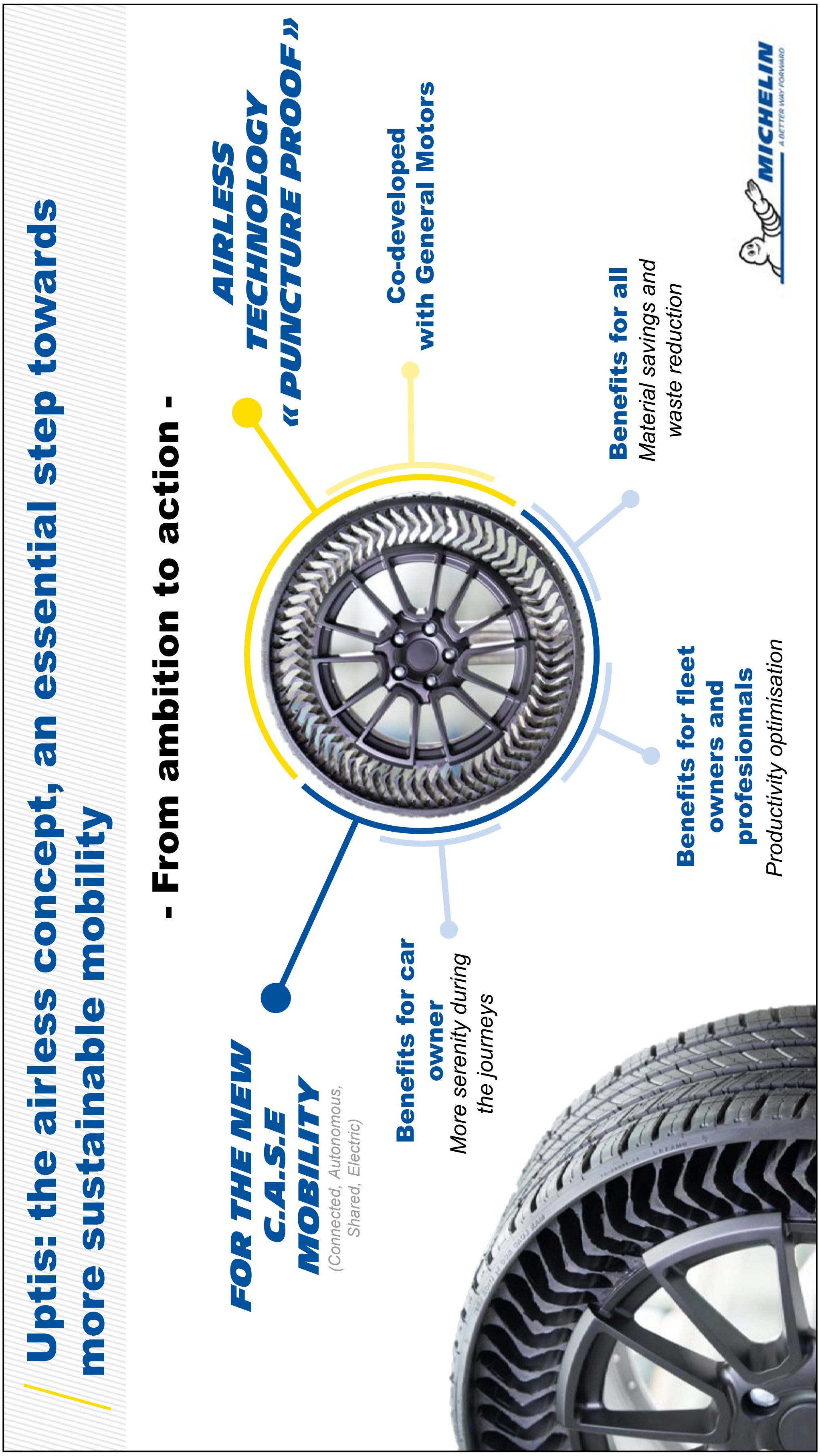
2019

The European Parliament approves worn tire testing

2022

In Europe, long-lasting performance will be a prerequisite for every tire

4 First-half 2019 results – July 25, 2019


Uptis: the airless concept, an essential step towards more sustainable mobility
- From ambition to action -
AIRLESS TECHNOLOGY « PUNCTURE PROOF »
Co-developed with General Motors
Benefits for all
Material savings and waste reduction
Benefits for fleet owners and profesionnals
Productivity optimisation
Benefits for car owner
More serenity during the journeys
FOR THE NEW C.A.S.E MOBILITY
(Connected, Autonomous, Shared, Electric)
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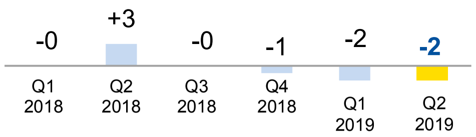
H1 2019 SOI up
8% to €1,438m
July 25, 2019
First-Half 2019 Results

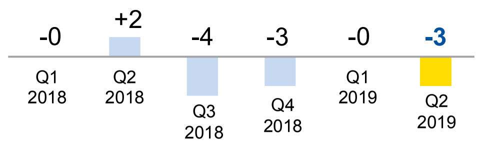
H1 2019 demand: plunging in PC/LT OE, down in Truck and mixed in the Specialties

PC/LT H1 2019: -2%



- OE: worldwide demand down 7% (-8% on Q2), especially in China and Europe
- RT: lower demand in Europe and slower growth in North America
- Return to growth in the Chinese RT market

TRUCK H1 2019: -1%



- OE: sustained strong momentum in North America, but slowing in Q2; contraction in Europe
- RT: steep drop in demand in the Americas, and to a lesser extent in Europe and China

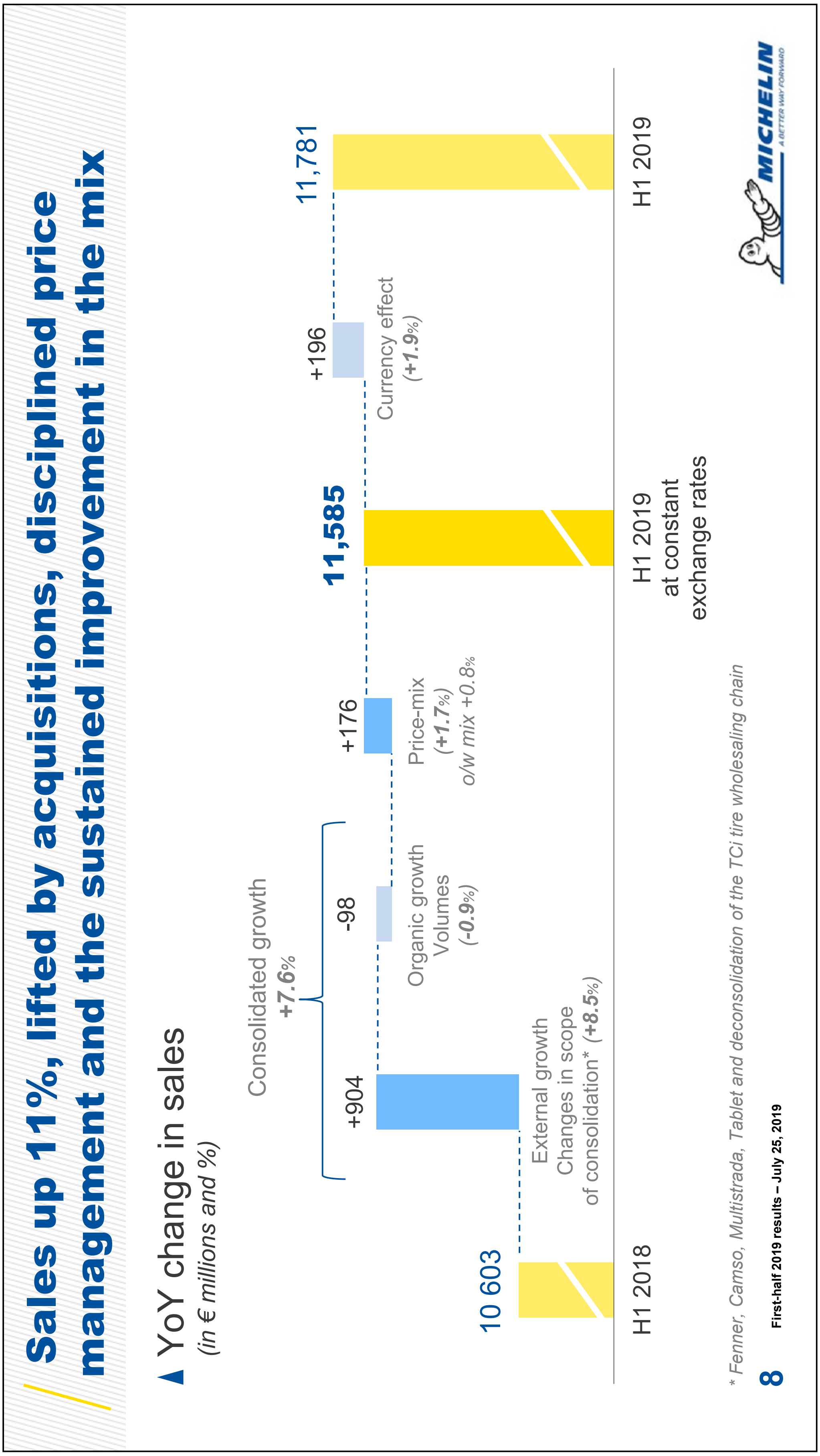
SPECIALTIES*: ~ +2%

** Estimated full-year 2019*

- Mining tires: sustained 4%-5% growth in demand, in line with actual tire consumption
- Off-the-road: downturn in the agricultural tire market and cooling demand in OE Infrastructure tires
- Growth in the two-wheel commuting and aircraft segments

Source: Michelin

7 First-half 2019 results – July 25, 2019


Sales up 11%, lifted by acquisitions, disciplined price management and the sustained improvement in the mix
YoY change in sales
(in € millions and %)
Consolidated growth
+7.6%
10 603
+904
-98
+176
11,585
+196
11,781
External growth
Changes in scope
of consolidation* (+8.5%)
Organic growth
Volumes
(-0.9%)
Price-mix
(+1.7%)
o/w mix +0.8%
Currency effect
(+1.9%)
H1 2018
H1 2019
at constant
exchange rates
H1 2019
* Fenner, Camso, Multistrada, Tablet and deconsolidation of the TCi tire wholesaling chain
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First-half 2019 results – July 25, 2019
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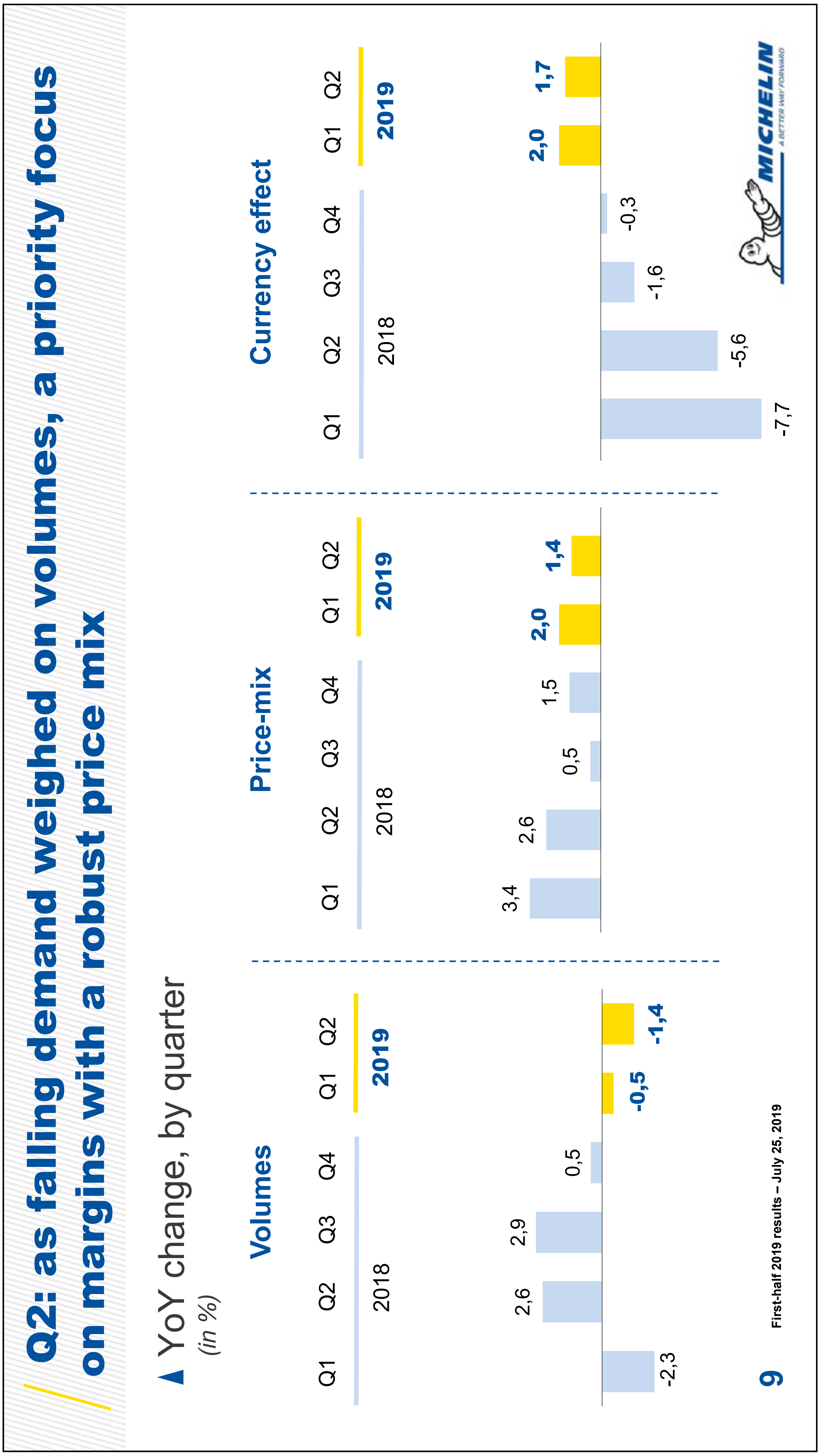
Q2: as falling demand weighed on volumes, a priority focus on margins with a robust price mix
YoY change, by quarter
(in %)
Volumes
Q1 Q2 Q3 Q4 Q1 Q2
2018 2019
-2,3 2,6 2,9 0,5 -0,5 -1,4
Price-mix
Q1 Q2 Q3 Q4 Q1 Q2
2018 2019
3,4 2,6 0,5 1,5 2,0 1,4
Currency effect
Q1 Q2 Q3 Q4 Q1 Q2
2018 2019
-7,7 -5,6 -1,6 -0,3 2,0 1,7
9
First-half 2019 results – July 25, 2019
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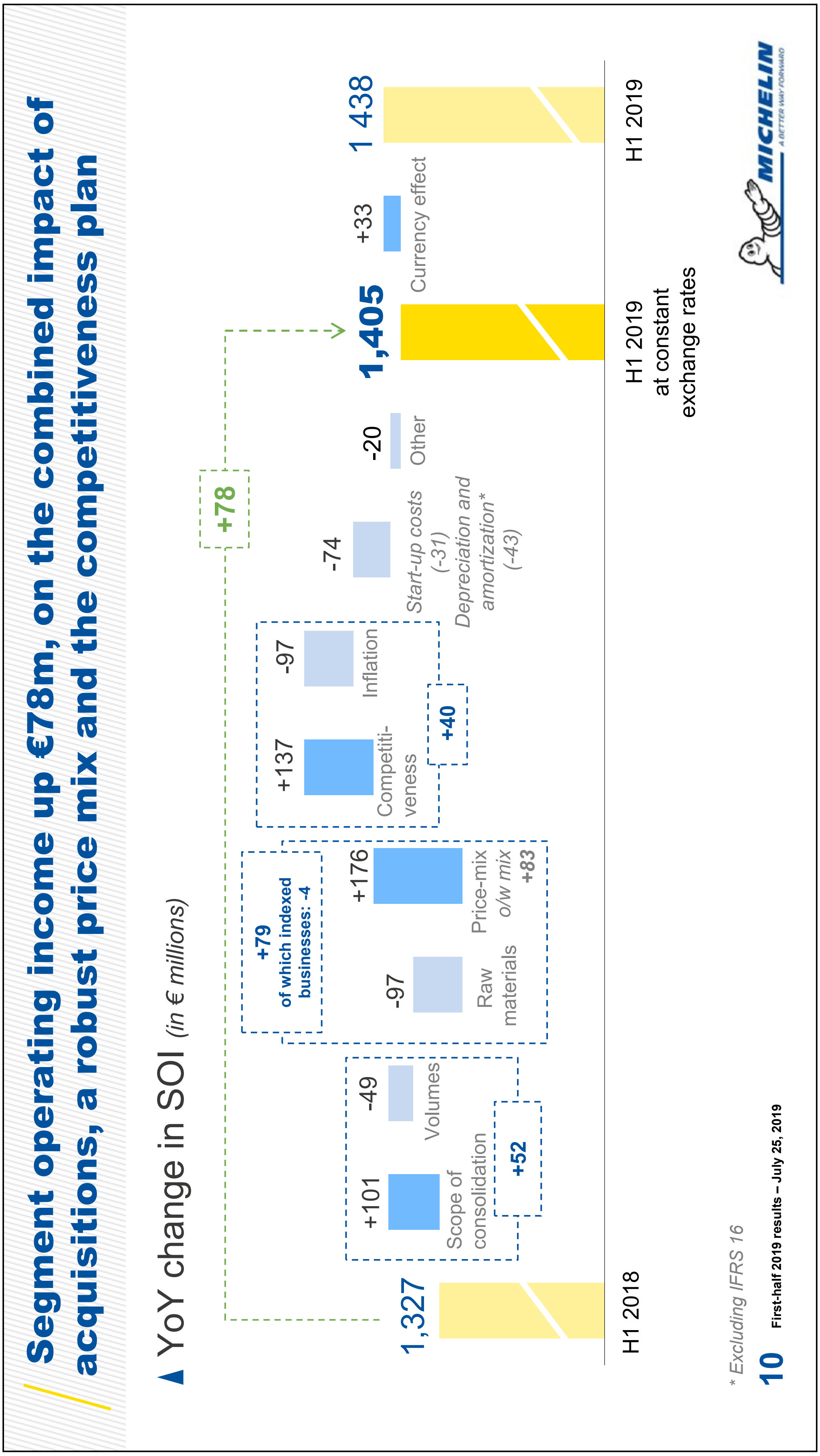
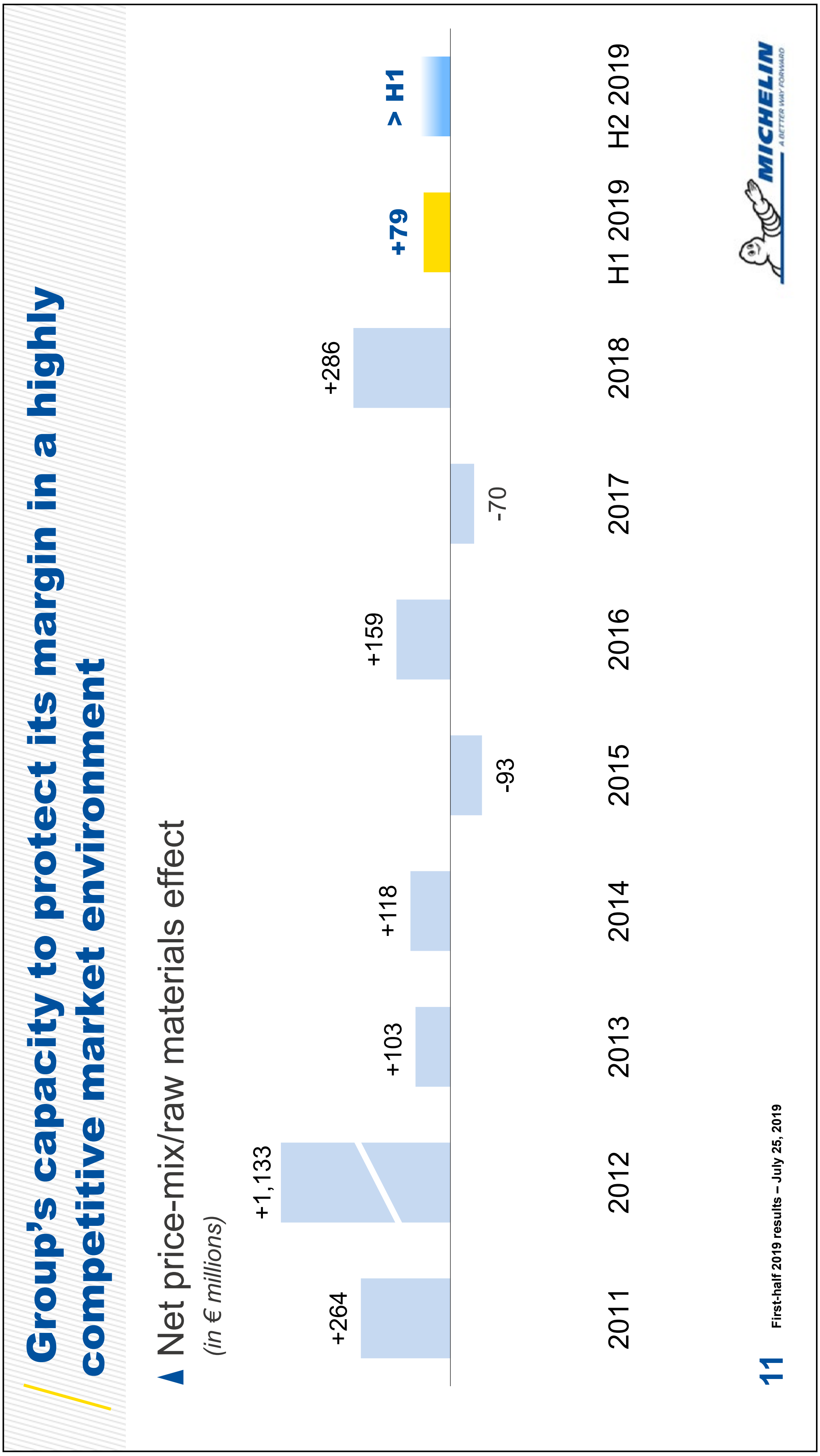

Segment operating income up €78m, on the combined impact of acquisitions, a robust price mix and the competitiveness plan
YoY change in SOI (in € millions)
1,327
H1 2018
+101
Scope of consolidation
-49
Volumes
+52
+79
of which indexed businesses: -4
-97
Raw materials
+176
Price-mix
o/w mix
+83
+137
Competitiveness
-97
Inflation
+40
-74
Start-up costs
(-31)
Depreciation and amortization*
(-43)
+78
-20
Other
1,405
H1 2019
at constant exchange rates
+33
Currency effect
1 438
H1 2019
* Excluding IFRS 16
10
First-half 2019 results – July 25, 2019


Group's capacity to protect its margin in a highly competitive market environment
Net price-mix/raw materials effect
(in € millions)
+264
+1,133
+103
+118
-93
+159
-70
+286
+79
> H1
2011
2012
2013
2014
2015
2016
2017
2018
H1 2019
H2 2019
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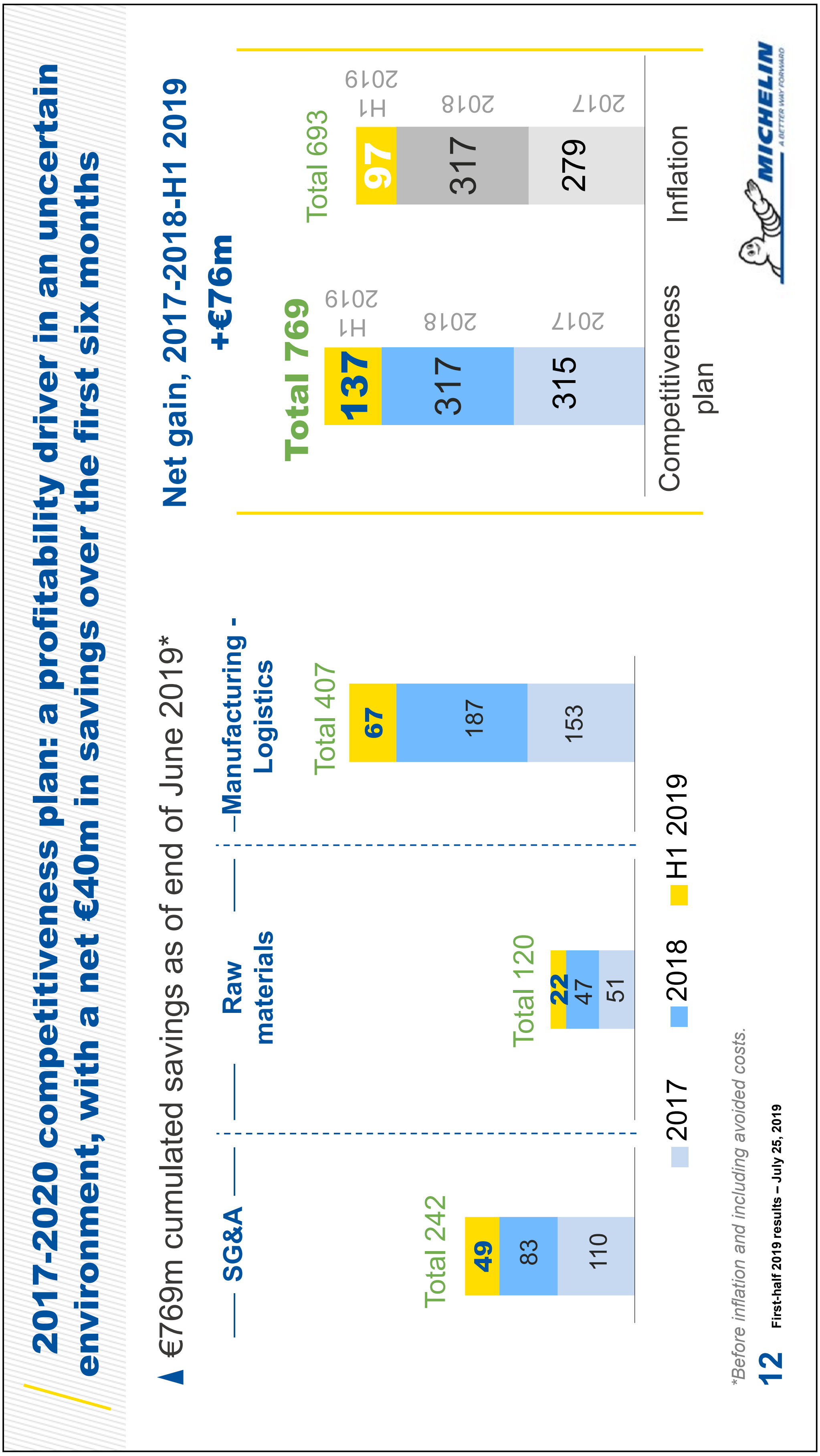
First-half 2019 results – July 25, 2019


2017-2020 competitiveness plan: a profitability driver in an uncertain environment, with a net €40m in savings over the first six months
€769m cumulated savings as of end of June 2019*
SG&A
Raw materials
Manufacturing - Logistics
Total 242
49
83
110
Total 120
22
47
51
Total 407
67
187
153
2017
2018
H1 2019
Net gain, 2017-2018-H1 2019
+€76m
Total 769
137
317
315
H1 2019
2018
2017
Total 693
97
317
279
H1 2019
2018
2017
Competitiveness plan
Inflation
*Before inflation and including avoided costs.
12
First-half 2019 results – July 25, 2019
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Auto: negative impact of lower volumes partially offset by the move upmarket in the mix and robust price steering

(in € millions)	**H1 2019**	H1 2018 restated	*Change*	H1 2018 reported
RS1 sales	5,658	5,603	+1.0%	5,607
Operating income*	*585*	*635*	-7.9%	*646*
Operating margin*	10.3%	11.3%	-1.0 pt	11.5%
Operating margin at constant scope of consolidation	*10.5%*	*11.3%*	*-0.8 pt*	

*For the segment

- Positions maintained in a market down 2%, impacted by the 7% fall-off in OE demand
  - Fixed costs under absorption due to weaker demand and ramp-up costs at the Leon (Mexico) plant reduce margin by around 0,5 pt
  - business particularly hard hit by the increase in butadiene prices in H2 2018
  - Restructuring the NTW network, in line with the business plan, led to a decline in its inventory in H1 2019
- Higher proportion of 18"+ tires in the sales mix (41% in H1 vs. 39% in 2018), led notably by the success of the MICHELIN Pilot Sport 4 SUV

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Michelin is meeting the EV challenge
Increasing range
the major challenge for EVs
Reducing cockpit noise
Coping with torque
Supporting heavy batteries
By reducing rolling resistance, with the right materials, and aerodynamic drag, with the right tire design (Slimline)
By using Michelin Acoustic Technology and adjusting tread design
By improving tread rigidity and contact patch friction
By designing tires capable of both carrying heavier loads and reducing rolling resistance
Consumer and commercial EVs
• Renault Zoé – MICHELIN Energy E-V
• Tesla, the world leader – MICHELIN Pilot Sport
• Renault Kangoo Z.E. and Z.E.H2 – MICHELIN Energy Saver
• GM Bolt/Volt…
Asia
• Certified by a large number of Chinese OEMs*
• Partnership with Hyundai for its EV line
Racing
• Formula E – MICHELIN Pilot Sport
* Xiaopeng, WM Motors, Human Horizons, Iconiq, SAIC, BAIC, Guangzhou Autos, FAW
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First-half 2019 results – July 25, 2019

Road transportation: sustained improvement in margins, led by a solid price-mix and the success of Michelin offers

(in € millions)	H1 2019	H1 2018 restated	Change	H1 2018 reported
RS2 sales	3,144	3,046	+3.2%	2,782
Operating income*	*279*	*248*	+12.5%	*195*
Operating margin*	8.9%	8.1%	+0.8 pt	7.0%

*For the segment

- Volumes stable in a market down 1%
- Sustained improvement in operating margin thanks to disciplined price management
- Successful sales of Services and Solutions and faster deployment in Europe with the acquisition of Masternaut: more than one million vehicles under contract worldwide
- Continued success of the MICHELIN AGILIS CrossClimate global all-season tire range
- Temporary impact of customs duties between China and the US: €20 million in H1; €30m over the full year

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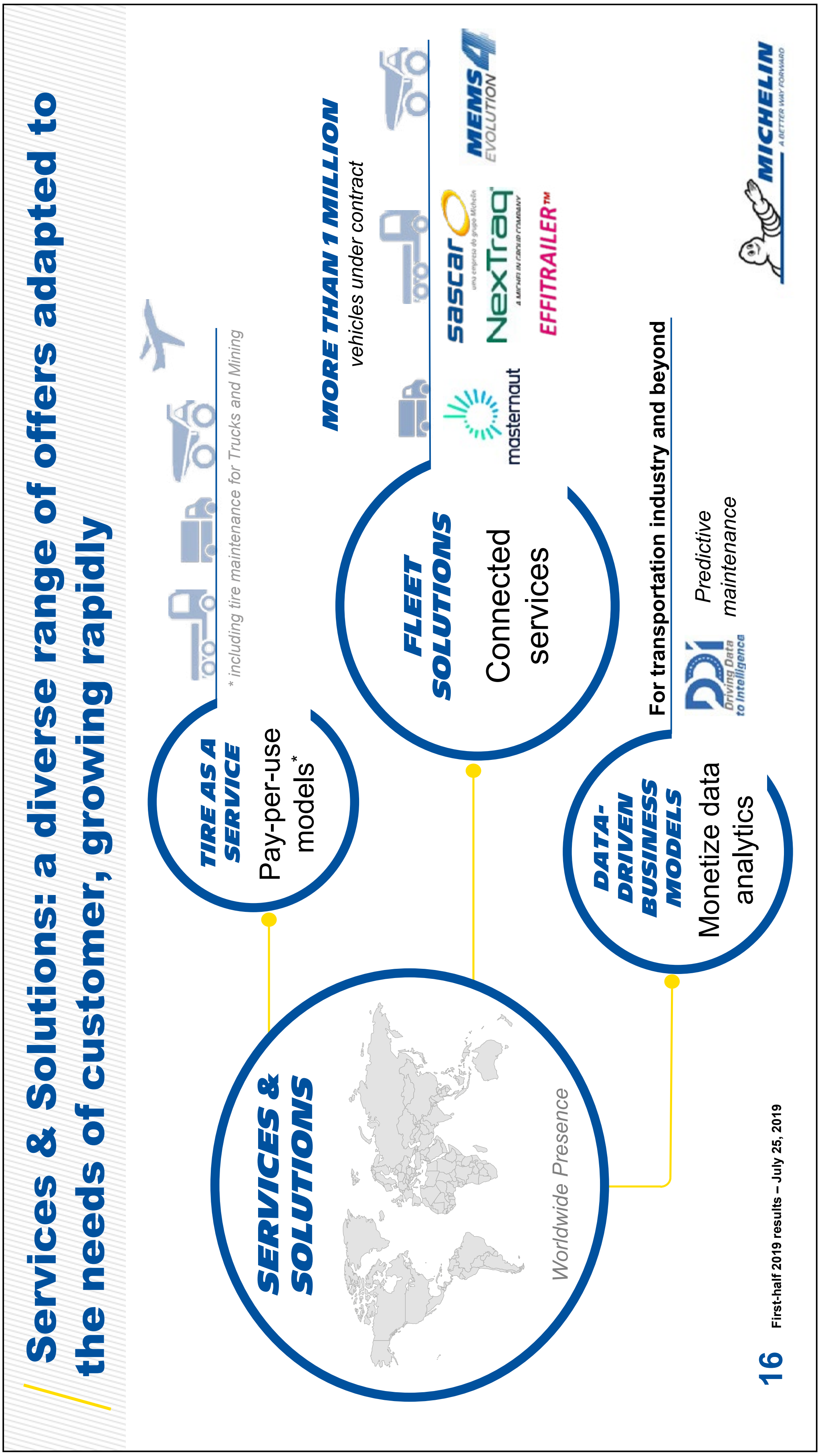
Services & Solutions: a diverse range of offers adapted to the needs of customer, growing rapidly
SERVICES & SOLUTIONS
Worldwide Presence
TIRE AS A SERVICE
Pay-per-use models*
* including tire maintenance for Trucks and Mining
FLEET SOLUTIONS
Connected services
MORE THAN 1 MILLION
vehicles under contract
masternaut
sascar
NexTraq
EFFITRAILER™
MEMS EVOLUTION
DATA-DRIVEN BUSINESS MODELS
Monetize data analytics
For transportation industry and beyond
Driving Data to Intelligence
Predictive maintenance
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First-half 2019 results – July 25, 2019

Specialties: continued growth in mining tires, and a focus on margin integrity in every business

(in € millions)	H1 2019	H1 2018 restated	Change	H1 2018 reported
RS3 sales	2,979	1,954	+52.5%	2,214
Operating income*	*574*	*444*	+29.3%	*486*
Operating margin*	19.3%	22.7%	*-3.4 pt*	22.0%
Operating margin at constant scope of consolidation	*23.0%*	*22.7%*	*+0.3 pt*	

*For the segment

- Robust price-mix in every division
- Tire volumes up 1%, with:
  - strong growth and market share gains in the mining business
  - Off-the-road business hard hit by the downturn in the agricultural tire markets; improved margins following price repositioning in OE agricultural
- Camso and Fenner: performance in line with expectations and smooth integration of the new operations

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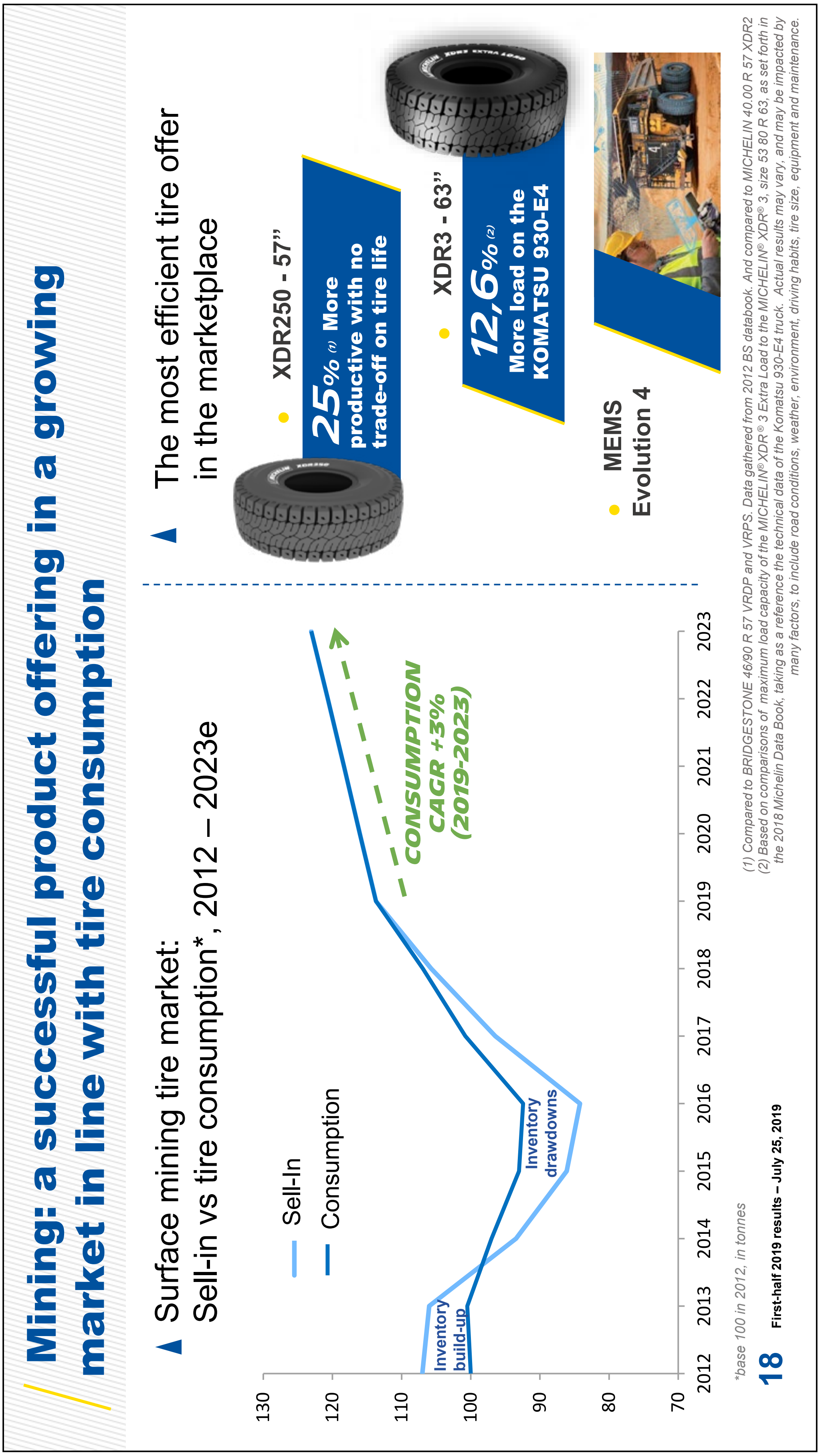
Mining: a successful product offering in a growing market in line with tire consumption
Surface mining tire market:
Sell-in vs tire consumption*, 2012 – 2023e
Sell-In
Consumption
130
120
110
100
90
80
70
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Inventory build-up
Inventory drawdowns
CONSUMPTION CAGR +3% (2019-2023)
*base 100 in 2012, in tonnes
The most efficient tire offer in the marketplace
XDR250 - 57"
25% (1) More productive with no trade-off on tire life
XDR3 - 63"
12,6% (2) More load on the KOMATSU 930-E4
MEMS Evolution 4
(1) Compared to BRIDGESTONE 46/90 R 57 VRDP and VRPS. Data gathered from 2012 BS databook. And compared to MICHELIN 40.00 R 57 XDR2
(2) Based on comparisons of maximum load capacity of the MICHELIN® XDR® 3 Extra Load to the MICHELIN® XDR® 3, size 53 80 R 63, as set forth in the 2018 Michelin Data Book, taking as a reference the technical data of the Komatsu 930-E4 truck. Actual results may vary, and may be impacted by many factors, to include road conditions, weather, environment, driving habits, tire size, equipment and maintenance.
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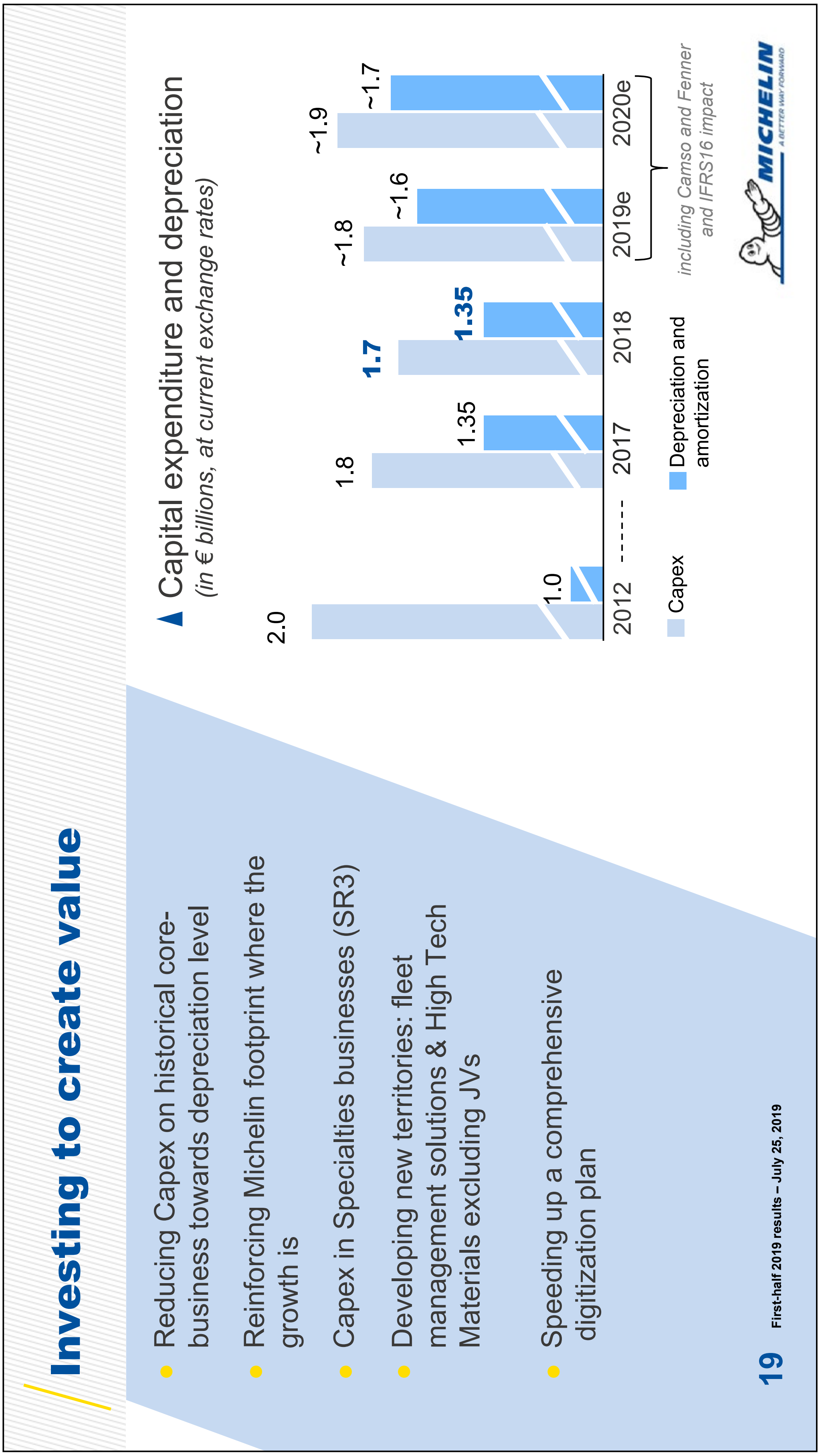
First-half 2019 results – July 25, 2019


Investing to create value
Reducing Capex on historical core-business towards depreciation level
Reinforcing Michelin footprint where the growth is
Capex in Specialties businesses (SR3)
Developing new territories: fleet management solutions & High Tech Materials excluding JVs
Speeding up a comprehensive digitization plan
Capital expenditure and depreciation
(in € billions, at current exchange rates)
2.0
1.0
1.8
1.35
1.7
1.35
~1.8
~1.6
~1.9
~1.7
2012
2017
2018
2019e
2020e
Capex
Depreciation and amortization
including Camso and Fenner and IFRS16 impact
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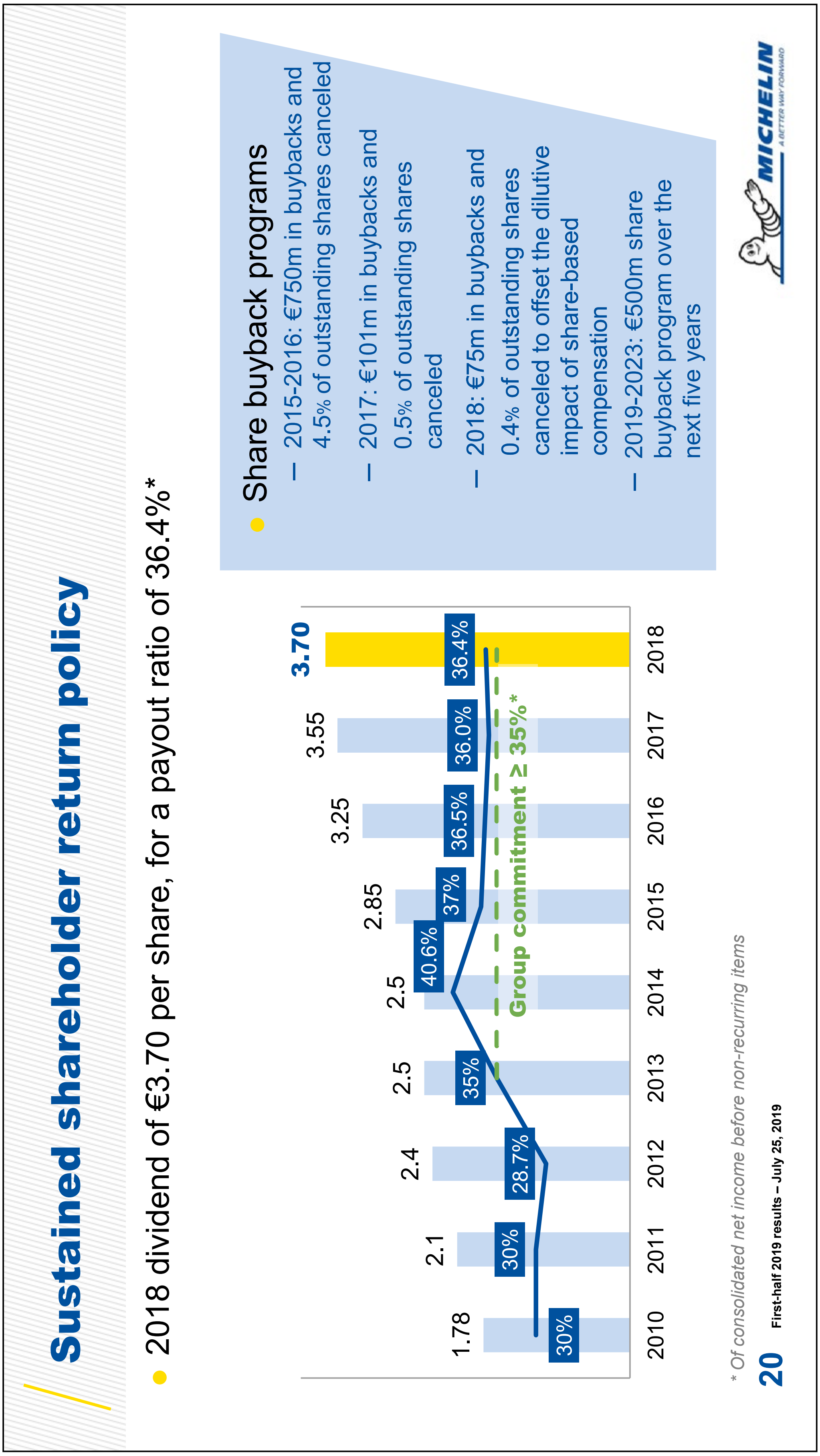
First-half 2019 results – July 25, 2019


Sustained shareholder return policy
2018 dividend of €3.70 per share, for a payout ratio of 36.4%*
1.78
2.1
2.4
2.5
2.5
2.85
3.25
3.55
3.70
30%
30%
28.7%
35%
40.6%
37%
36.5%
36.0%
36.4%
Group commitment ≥ 35%*
2010
2011
2012
2013
2014
2015
2016
2017
2018
Share buyback programs
– 2015-2016: €750m in buybacks and 4.5% of outstanding shares canceled
– 2017: €101m in buybacks and 0.5% of outstanding shares canceled
– 2018: €75m in buybacks and 0.4% of outstanding shares canceled to offset the dilutive impact of share-based compensation
– 2019-2023: €500m share buyback program over the next five years
* Of consolidated net income before non-recurring items
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2019 guidance
confirmed
July 25, 2019
First-Half 2019 Results

2019 market scenario: PC/LT down for the year, hurt by OE; contracting Truck tire demand; mixed growth in the Specialties

PC/LT: ~ -1%
vs. +0%/+1%

- OE: sustained decline in demand in every region (-4,4%)
- RT: markets up slightly in every geography with a slight pick-up in Chinese demand
- RT ≥18” demand up by around 10%

TRUCK ~ -2%
vs. ~ -1%

- OE: slowdown in North America; contraction in Europe
- RT: further decline in demand in North America; slight increase in the European market
- Chinese market down

SPECIALTIES: ~ +2%
vs. +3%/+5%

- Mining tires: sustained 4%-5% growth in demand, in line with actual tire consumption
- Off-the-road: downturn in the agricultural tire market and stable demand in infrastructure
- Growth in the two-wheel commuting and aircraft segments

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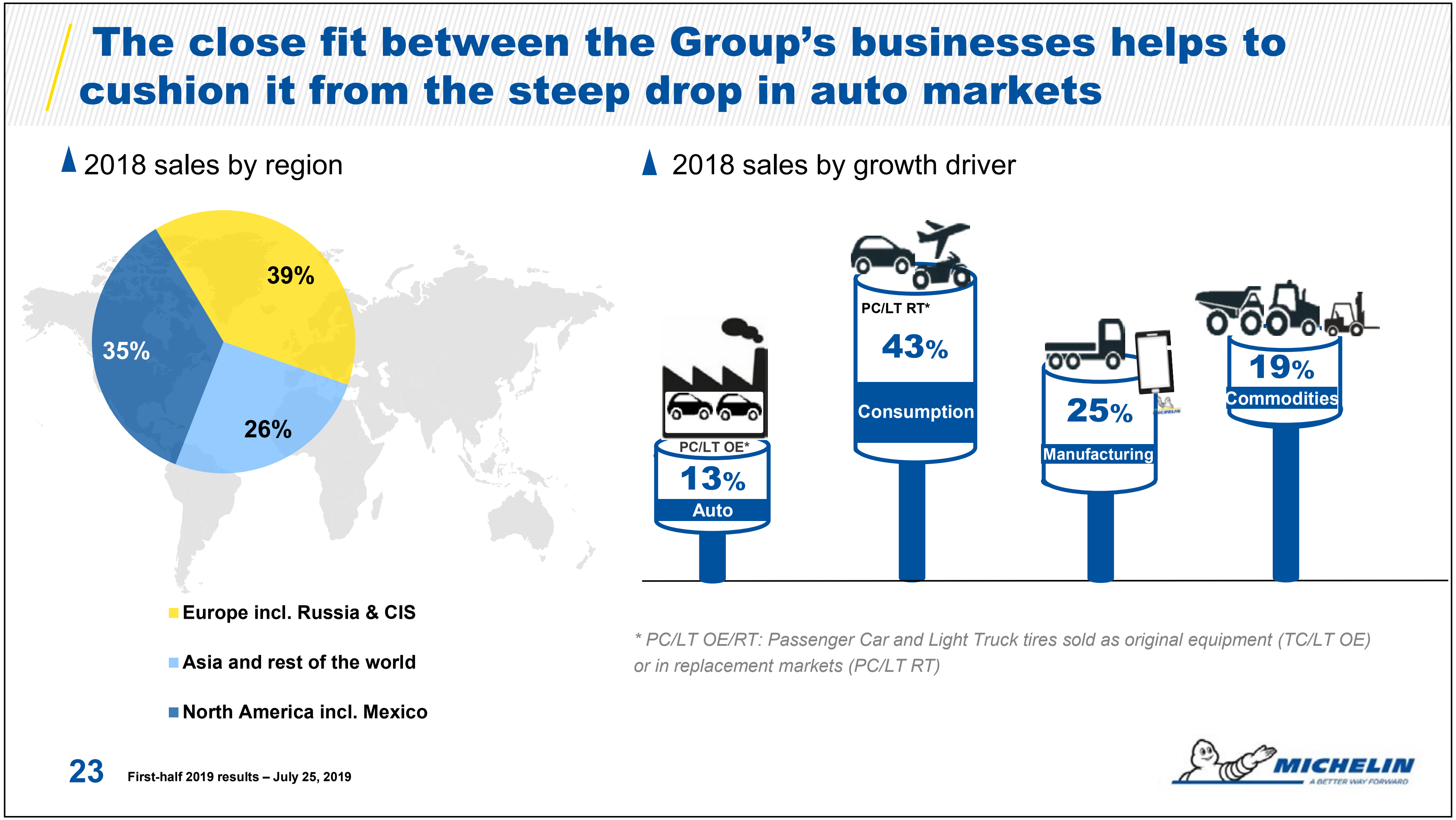
The close fit between the Group's businesses helps to cushion it from the steep drop in auto markets
2018 sales by region
39%
35%
26%
Europe incl. Russia & CIS
Asia and rest of the world
North America incl. Mexico
2018 sales by growth driver
PC/LT OE*
13%
Auto
PC/LT RT*
43%
Consumption
25%
Manufacturing
19%
Commodities
* PC/LT OE/RT: Passenger Car and Light Truck tires sold as original equipment (TC/LT OE)
or in replacement markets (PC/LT RT)
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First-half 2019 results – July 25, 2019
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2019 scenario*

	2019
Cost impact of raw materials prices and customs duties	~ - €100m
Currency effect	Slightly positive **
Effective tax rate	Standard ETR reduced to 26%***
Net price-mix/raw materials effect	Between €100m and €200m
Competitiveness plan gains vs. inflation	Positive

** Based on the following average prices and exchange rates for 2019: Natural rubber: $1.49/kg; butadiene (US, Europe and Asia): $1,026/t; Brent: $69/bbl; EUR/USD: 1.12*

*** Based on June 2019 rates. See slide 45*

****Based on currently available information*

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2019 guidance confirmed

	2019
Volumes	Growth in line with the markets
Segment operating income at constant exchange rates *before the estimated €150m additional contribution from Camso and Fenner*	> 2018
Structural FCF *including the positive €150m accounting impact from IFRS 16*	> €1,450m

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OUT THERE, YOU'RE
ALWAYS IN CONTROL.
MICHELIN PILOT SPORT 4 SUV
MICHELIN
NEW
MICHELIN PILOT SPORT 4 SUV
SPECIALLY MADE FOR PREMIUM SUV
IN HERITAGE OF MICHELIN PILOT SPORT FAMILY MEMBER, PILOT SPORT 4 SUV TIRE TELLS A STORY BEHIND THE BADGE. IT ENABLES YOU CONQUER FROM CITY JUNGLE TO CURVED ROADS, WHILST ALWAYS DELIVERING ULTIMATE PLEASURE IN DRIVING EXPERIENCE THANKS TO COMFORT AND PRECISE HANDLING.
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First-Half 2019 Results – July 25, 2019


July 25, 2019
First-Half 2019 Results
Appendices
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Investor Calendar

- **Up-coming events:**
  - **October 24, 2019 (after close of trading)** : Third-quater and 9 months 2019 sales

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Reported H1 2019 and H1 2018 financial highlights

(in € millions)	**H1 2019***	H1 2018
Sales	**11,781**	10,603
Segment EBITDA	**2,296**	1,985
Segment EBITDA margin	**19.4%**	18.7%
Segment Operating income	**1,438**	1,327
Segment Operating margin	**12.2%**	12.5%
Other Operating income and expenses	**(90)**	23
Net income	**844**	917
Basic earnings per share (in €)	**4.74**	5.12
Capital expenditure	**665**	588
Free cash flow**	**(592)**	(2,049)
Gearing	**54%**	33%

** Including IFRS 16 impact*

*** Net cash from operating activities less net cash used in investing activities less net cash from other current financial assets, before distributions.*

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Sales and SOI by SR: 2018 reported and restated

(In € millions)	2018 restated	2018 reported	Change
SR1 Sales	**11,332**	11,340	*- 0 %*
Operating income*	***1,295***	1,314	*- 1 %*
Operating margin*	11.4 %	11.6 %	*- 0.2 pt*
SR2 Sales	**6,378**	5,852	*+ 9 %*
Operating income*	***612***	513	*+ 19 %*
Operating margin*	9.6 %	8.8 %	*+ 0.8 pt*
SR3 Sales	**4,318**	4,836	*- 11 %*
Operating income*	***868***	948	*- 8 %*
Operating margin*	20.1 %	19.6 %	*+ 0.5 pt*

** For the segment*

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Restatement of the cost of sales of services in the dealership networks from SG&A expense to gross income

(in € millions)	**2018 reported**	Restatement	2018 restated	As a % of sales: **2018 reported**	As a % of sales: 2018 restated
Sales	**22,028**	-	22,028		
Cost of sales	**(14,912)**	(605)	(15,517)	67.7%	70.4%
Gross income	**7,116**	(605)	6,511	32.3%	29.6%
Sales and marketing expenses	**(1,862)**	595	(1,267)	8.5%	5.8%
Research and development expenses	**(648)**	10	(638)	2.9%	2.9%
General and administrative expenses	**(1,826)**	-	(1,826)	8.3%	8.3%
Other segment income and expenses	**(5)**	-	(5)	0.0%	0.0%
Segment operating income	**2,775**	-	2,775	12.6%	12.6%

- The restatements had no impact on the competitiveness plan

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Estimated impact of applying IFRS 16 on the 2019 balance sheet, income statement and statement of cash flows

(in € millions)	Income statement
EBITDA	~ +170
Depreciation and amortization	~ -160
SOI	~ +10
Net financial income	~ -20
Net income	~ -10

(in € millions)	Balance sheet
Net assets	~ +800
Net debt	~ +800

(in € millions)	Cash flows
EBITDA	~ +170
Net financial income	~ -20
Impact on structural cash flow	**~ +150**
Cash flows used in financing activities (debt repayment)	-150
Net cash impact	**0**

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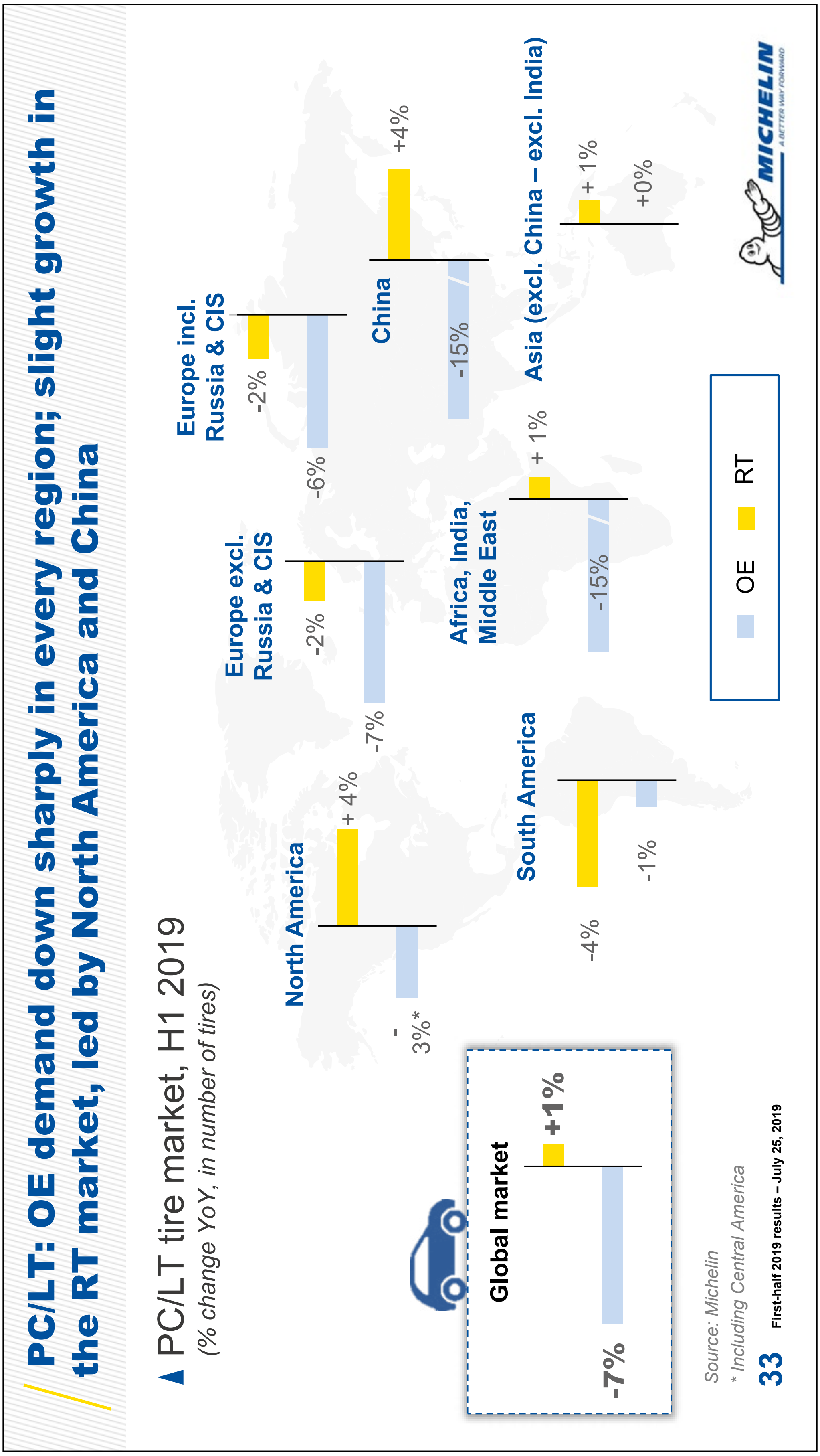
PC/LT: OE demand down sharply in every region; slight growth in the RT market, led by North America and China
PC/LT tire market, H1 2019
(% change YoY, in number of tires)
Global market
+1%
-7%
North America
+ 4%
- 3%*
Europe excl. Russia & CIS
-2%
-7%
Europe incl. Russia & CIS
-2%
-6%
China
+4%
-15%
Africa, India, Middle East
+ 1%
-15%
South America
-4%
-1%
Asia (excl. China – excl. India)
+ 1%
+0%
OE
RT
Source: Michelin
* Including Central America
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First-half 2019 results – July 25, 2019
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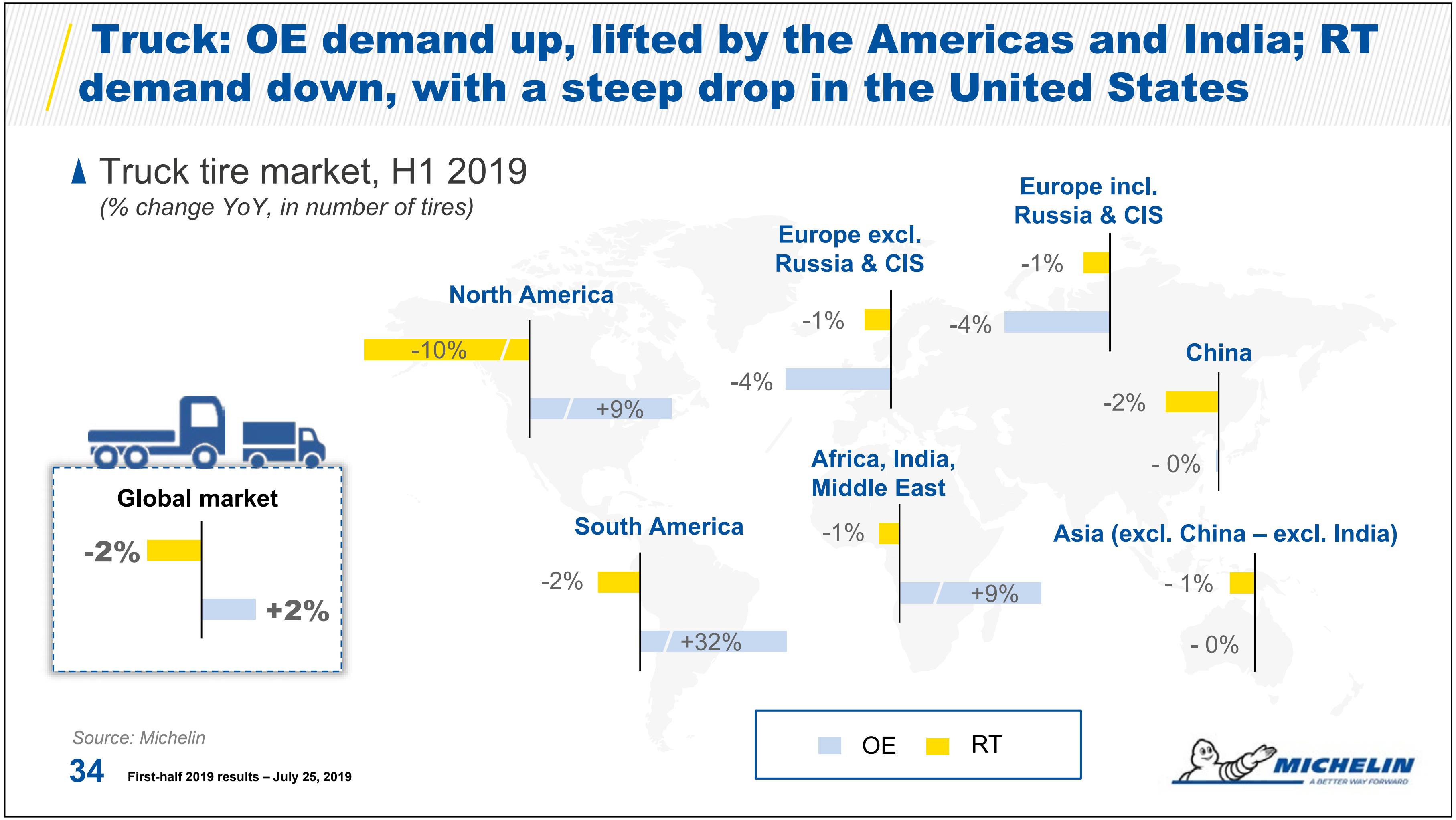
Truck: OE demand up, lifted by the Americas and India; RT demand down, with a steep drop in the United States
Truck tire market, H1 2019
(% change YoY, in number of tires)
Global market
-2%
+2%
North America
-10%
+9%
South America
-2%
+32%
Europe excl. Russia & CIS
-1%
-4%
Europe incl. Russia & CIS
-1%
-4%
Africa, India, Middle East
-1%
+9%
China
-2%
- 0%
Asia (excl. China – excl. India)
- 1%
- 0%
OE
RT
Source: Michelin
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First-half 2019 results – July 25, 2019
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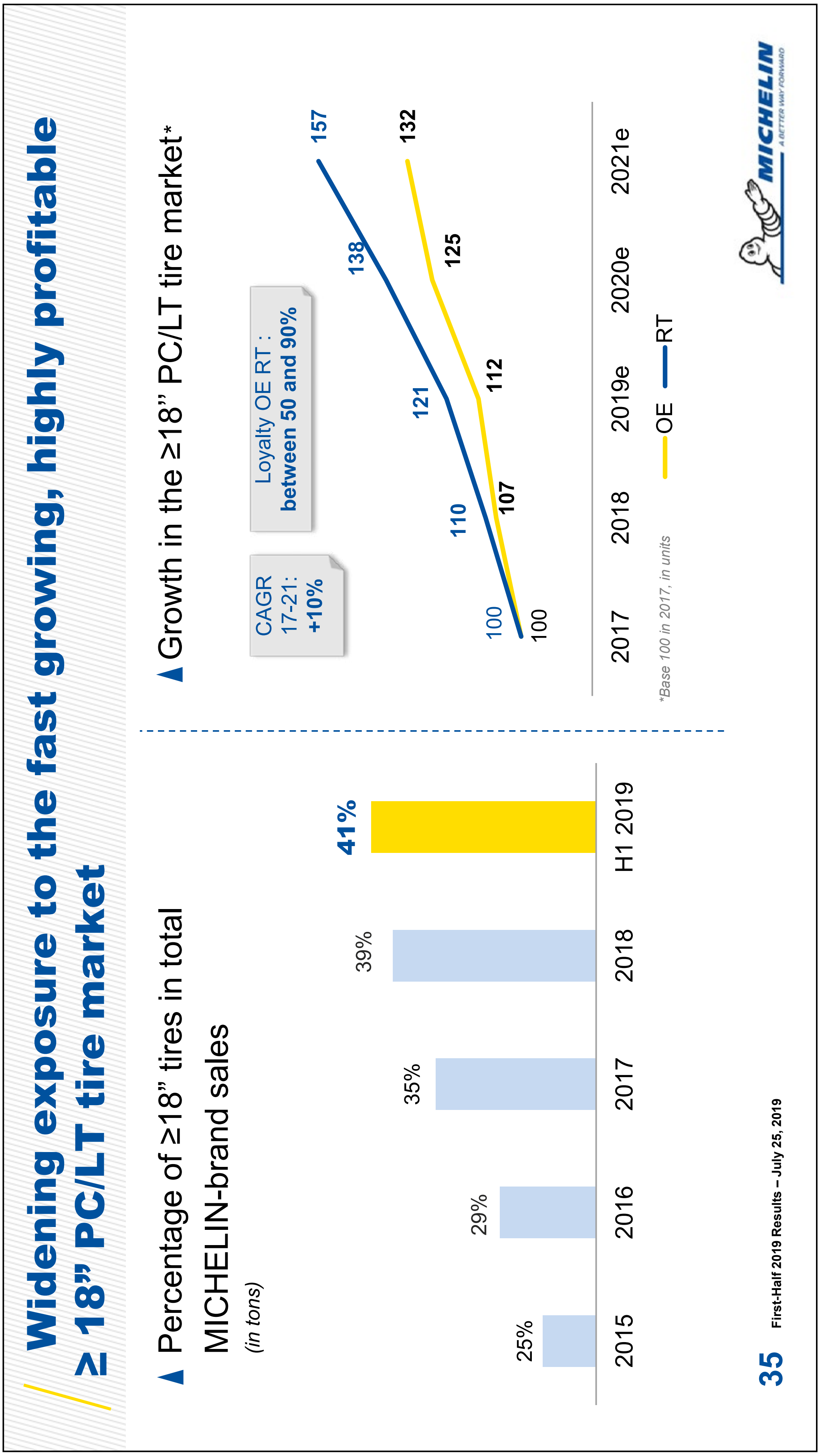
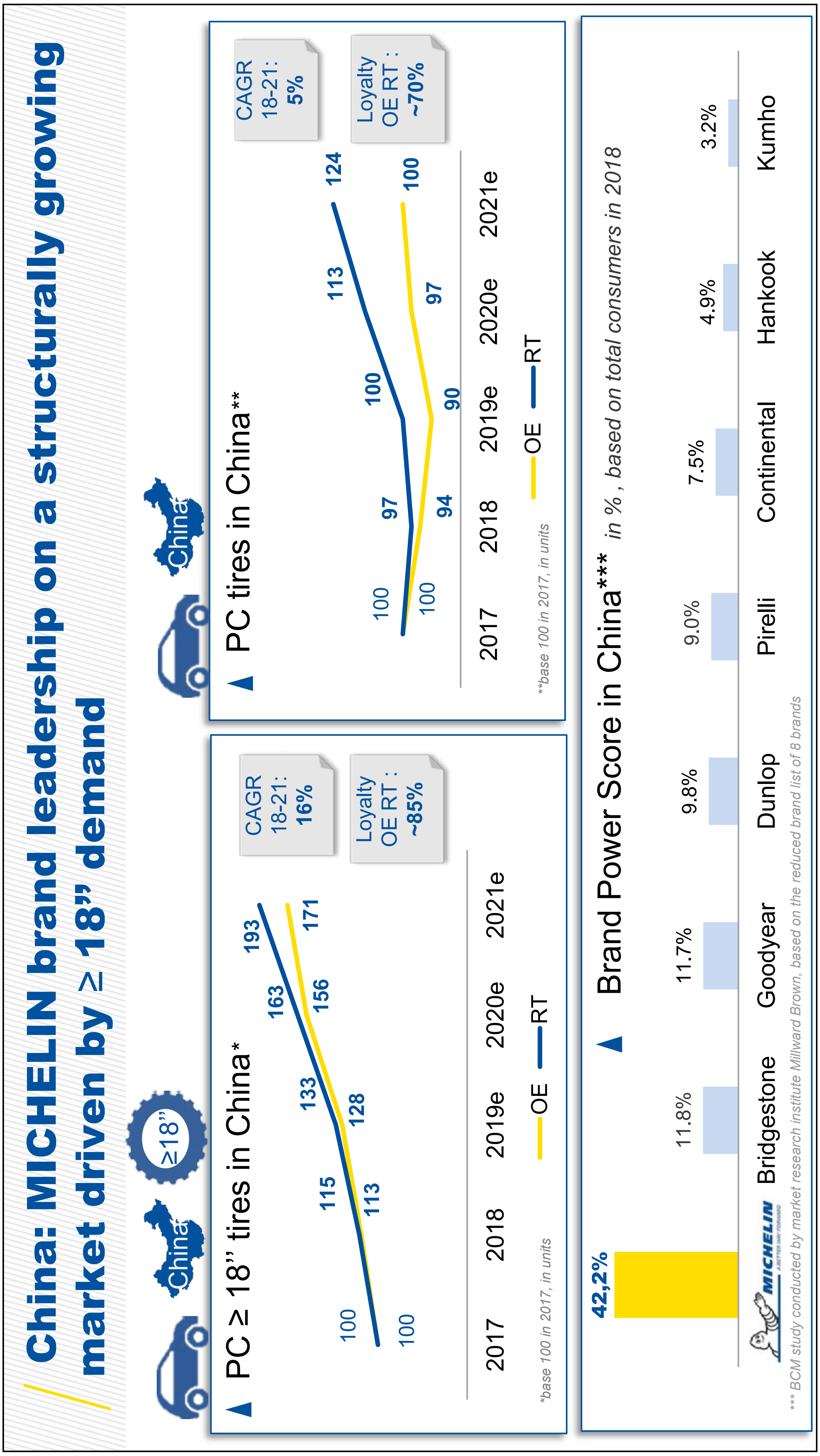
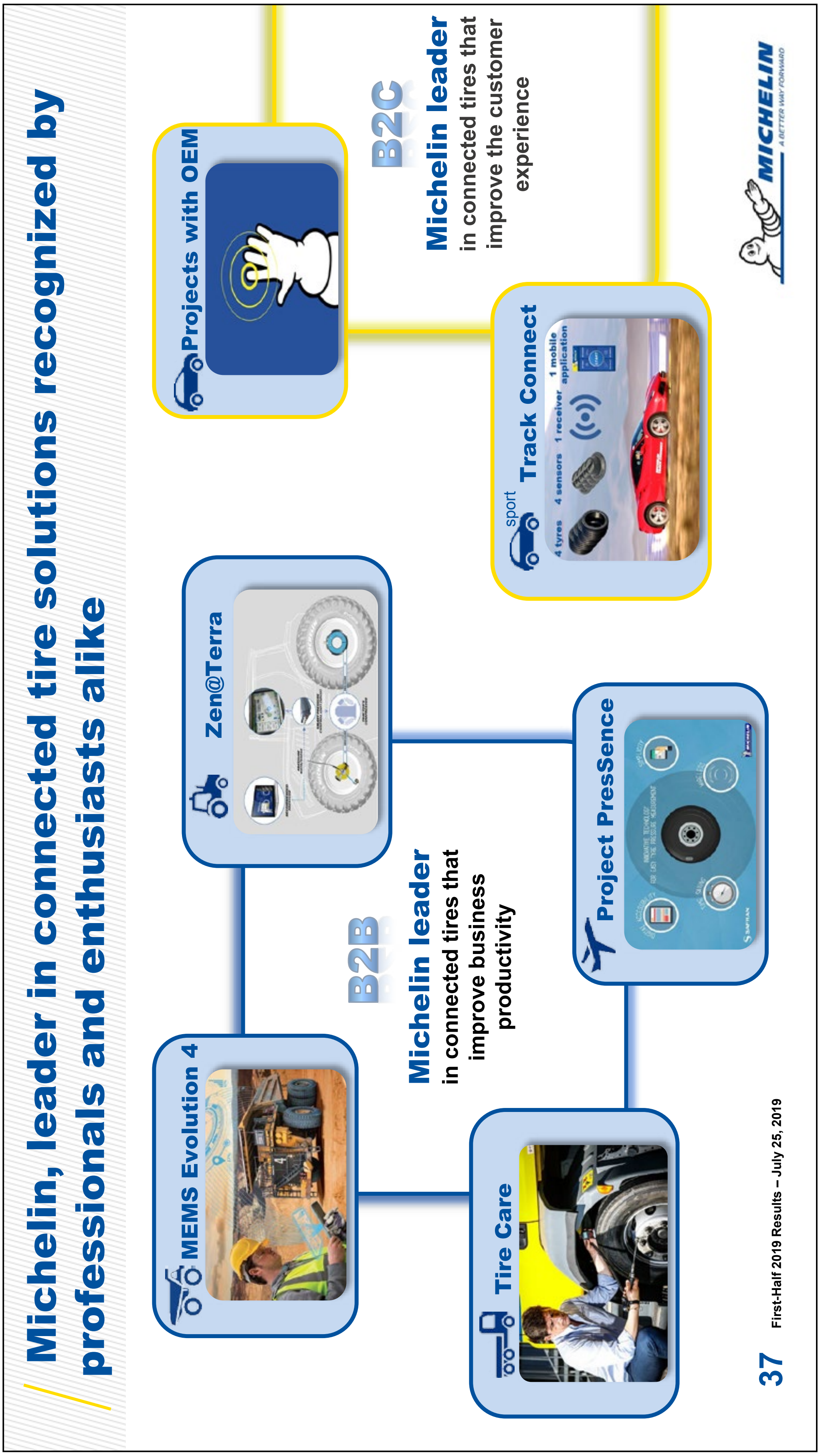

Widening exposure to the fast growing, highly profitable ≥ 18" PC/LT tire market
Percentage of ≥18" tires in total MICHELIN-brand sales
(in tons)
25%
29%
35%
39%
41%
2015
2016
2017
2018
H1 2019
Growth in the ≥18" PC/LT tire market*
CAGR 17-21: +10%
Loyalty OE RT : between 50 and 90%
100
110
121
138
157
100
107
112
125
132
2017
2018
2019e
2020e
2021e
*Base 100 in 2017, in units
OE
RT
35
First-Half 2019 Results – July 25, 2019


China: MICHELIN brand leadership on a structurally growing market driven by ≥ 18" demand
PC ≥ 18" tires in China*
100
115
133
163
193
100
113
128
156
171
CAGR 18-21: 16%
Loyalty OE RT : ~85%
2017
2018
2019e
2020e
2021e
OE
RT
*base 100 in 2017, in units
≥18"
China
PC tires in China**
100
97
100
113
124
100
94
90
97
100
CAGR 18-21: 5%
Loyalty OE RT : ~70%
2017
2018
2019e
2020e
2021e
OE
RT
**base 100 in 2017, in units
Brand Power Score in China*** in % , based on total consumers in 2018
42,2%
11.8%
11.7%
9.8%
9.0%
7.5%
4.9%
3.2%
Bridgestone
Goodyear
Dunlop
Pirelli
Continental
Hankook
Kumho
*** BCM study conducted by market research institute Millward Brown, based on the reduced brand list of 8 brands


Michelin, leader in connected tire solutions recognized by professionals and enthusiasts alike
MEMS Evolution 4
Zen@Terra
Tire Care
Project PresSence
B2B
Michelin leader
in connected tires that improve business productivity
Projects with OEM
sport
Track Connect
4 tyres
4 sensors
1 receiver
1 mobile application
B2C
Michelin leader
in connected tires that improve the customer experience
MICHELIN
A BETTER WAY FORWARD
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First-Half 2019 Results – July 25, 2019

MICHELIN, THE premium brand

Michelin position at Super Sport OEMs

Leader	Leader	Leader	Leader	Leader	Leader	Co-leader	Co-leader
M	TESLA	BUGATTI	CORVETTE	AMG DRIVING PERFORMANCE	Ferrari	FORD PERFORMANCE	PORSCHE

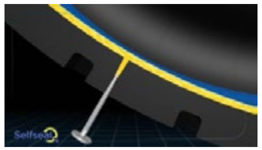
representing 98 % of Super Sport OEMs market

Technologies

Acoustic

MICHELIN Acoustic technology enhances the driving experience by significantly reducing vehicle interior noise

Selfseal



A technology that allows the immediate and definitive self-repair of the tire

Track connect

The first connected tire available on the market to upgrade the performance on track

Premium Touch

A unique sidewall with a patented "velvet-effect" finish

Acorus

A flexible wheel that eliminates flat tires due to potholes and curb-shocks, for a hassle-free driving experience

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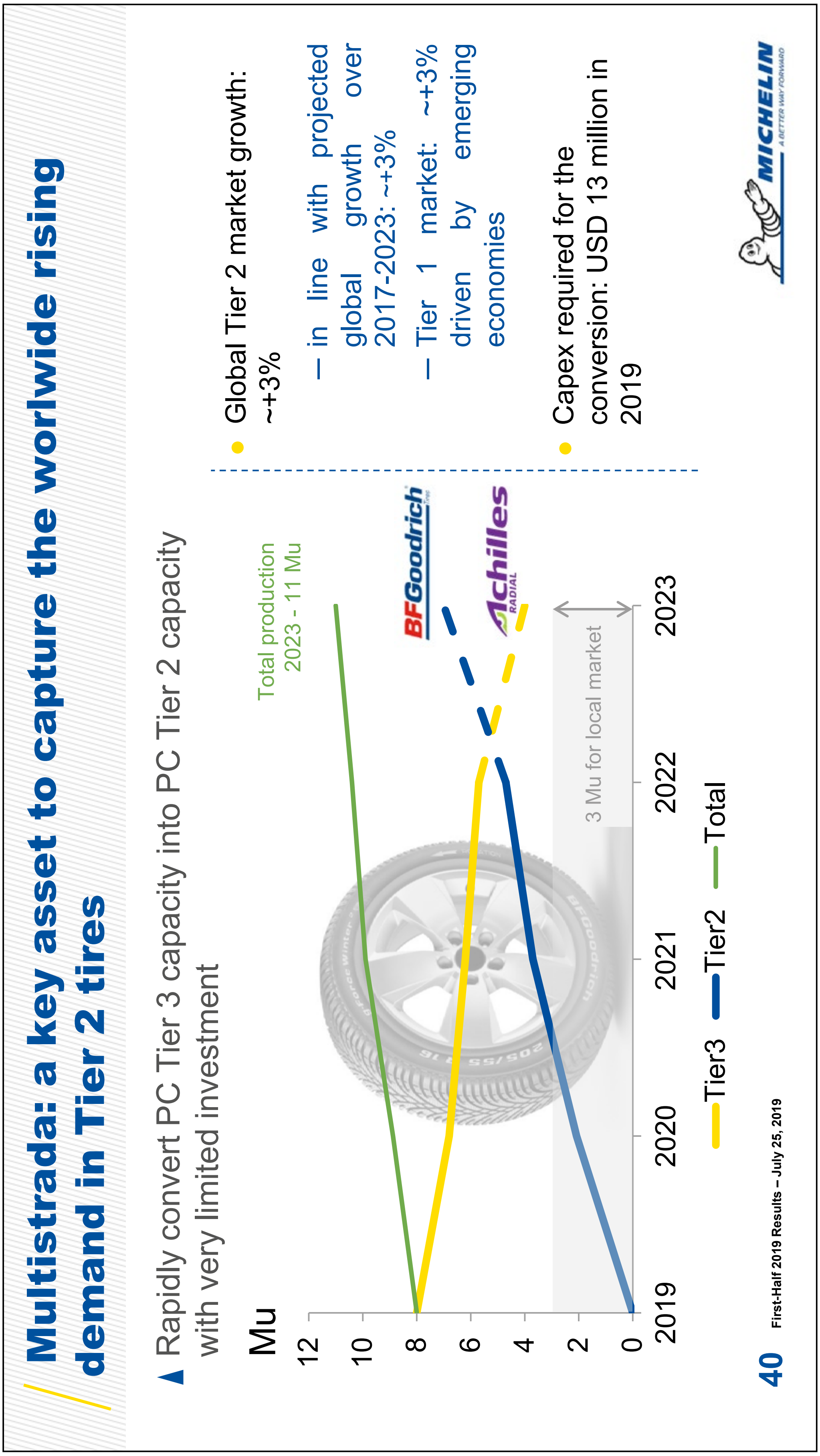
Partner dealership chains* that showcase the Group's products

- Michelin boasts industry-leading global coverage

- Partner wholesalers: NTW, Ihle, Meyer Lissendorf
- A vast network of strategic retailers* as of late 2018: ~ 7,400 including Penta in Indonesia following the acquisition of Multistrada

*Proprietary or franchised dealers, plus minority stakes in partners

39 First-Half 2019 Results – July 25, 2019


Multistrada: a key asset to capture the worlwide rising demand in Tier 2 tires
Rapidly convert PC Tier 3 capacity into PC Tier 2 capacity with very limited investment
Mu
12
10
8
6
4
2
0
2019
2020
2021
2022
2023
Total production 2023 - 11 Mu
3 Mu for local market
BFGoodrich
Achilles RADIAL
Tier3
Tier2
Total
Global Tier 2 market growth: ~+3%
– in line with projected global growth over 2017-2023: ~+3%
– Tier 1 market: ~+3% driven by emerging economies
Capex required for the conversion: USD 13 million in 2019
MICHELIN A BETTER WAY FORWARD
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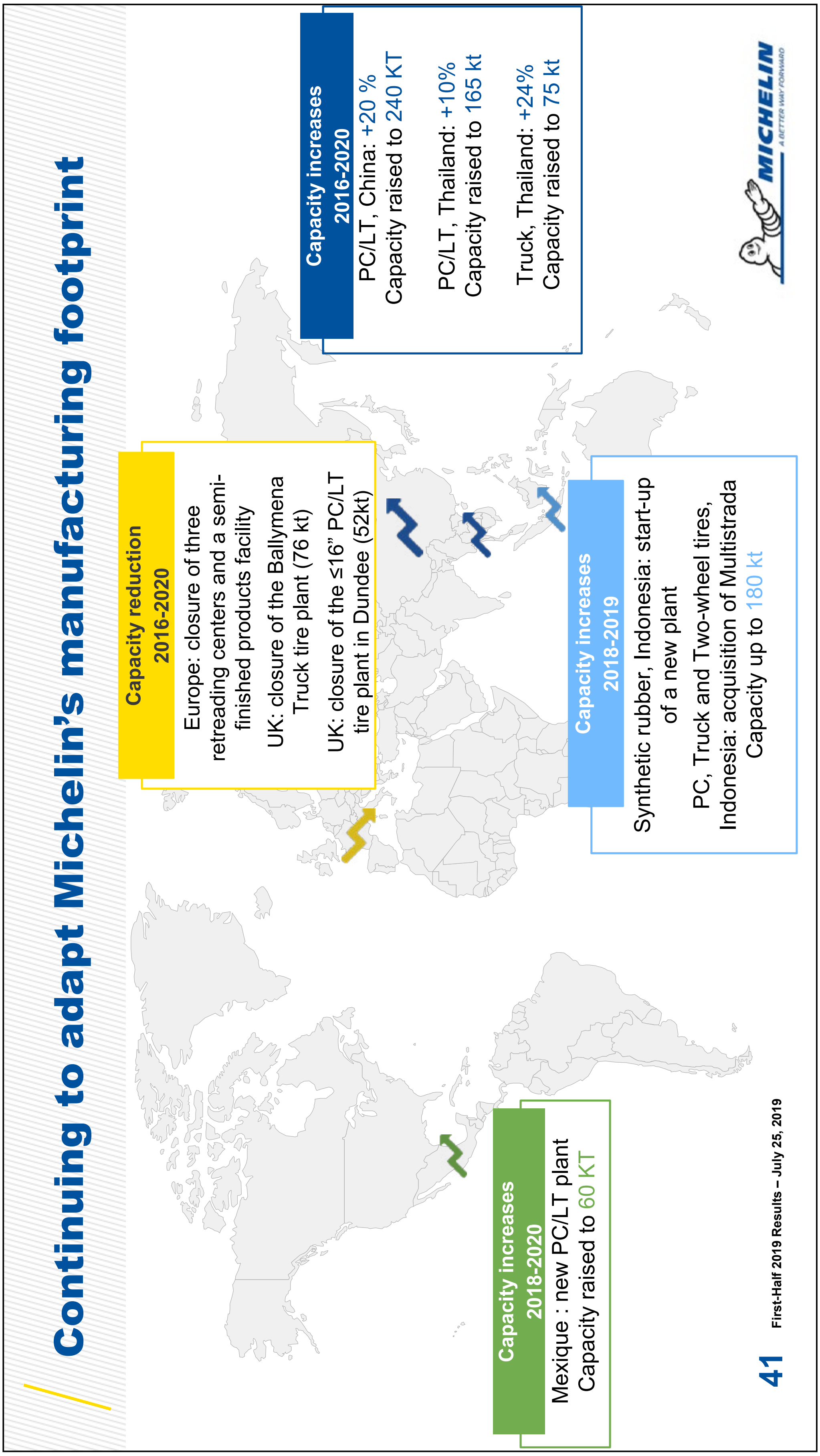
First-Half 2019 Results – July 25, 2019


Continuing to adapt Michelin's manufacturing footprint
Capacity reduction
2016-2020
Europe: closure of three retreading centers and a semi-finished products facility
UK: closure of the Ballymena Truck tire plant (76 kt)
UK: closure of the ≤16" PC/LT tire plant in Dundee (52kt)
Capacity increases
2016-2020
PC/LT, China: +20 %
Capacity raised to 240 KT
PC/LT, Thailand: +10%
Capacity raised to 165 kt
Truck, Thailand: +24%
Capacity raised to 75 kt
Capacity increases
2018-2019
Synthetic rubber, Indonesia: start-up of a new plant
PC, Truck and Two-wheel tires, Indonesia: acquisition of Multistrada
Capacity up to 180 kt
Capacity increases
2018-2020
Mexique : new PC/LT plant
Capacity raised to 60 KT
MICHELIN
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First-Half 2019 Results – July 25, 2019

Michelin, a committed and leading player in the Hydrogen sector

SYMBIO
A MICHELIN GROUP HYDROGEN COMPANY

- With its expertise in the hydrogen fuel cell, notably with Symbio, Michelin is accelerating the deployment of zero-emission mobility:
  - by partnering with Faurecia to create a leading hydrogen fuel cell system
  - by participating in the Zero Emission Valley project (Hympulsion), in Auvergne Rhône Alpes

Symbio

A supplier who designs and industrialises, based on Michelin's production strength, hydrogen fuel cell kits

+300
Renault Kangoo ZE H2, Symbio equipped, circulate in Europe

H2 fuel cell for trucks, light trucks, buses…

Hympulsion

A Joint venture created as part of the Zero Emission Valley project in Auvergne Rhône Alpes, involving public-private partners and including Michelin (22.8%). The objective of first phase is to deploy:

20 H2 stations
15 electrolysers
1000 vehicles

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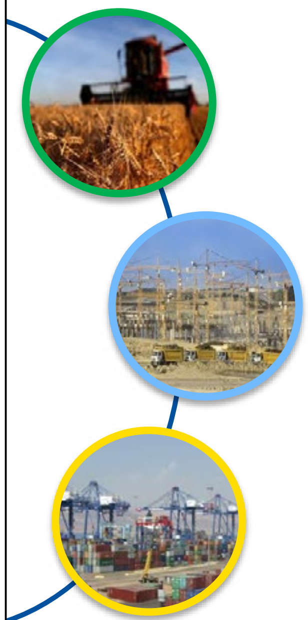
MICHELIN A BETTER WAY FORWARD

Michelin Off-Highway Transportation: to sustainably contribute to build, and feed & protect people



- **OHT customers** operate in
  - Agriculture
  - Construction
  - On-site Logistics
  - Defense
- They face challenges to operate sustainably
  - Lack of productive land
  - Material scarcity, pollution, safety risks
- In demanding, unpredictable conditions and constrained timing
- Benefitting from long term fundamental growth

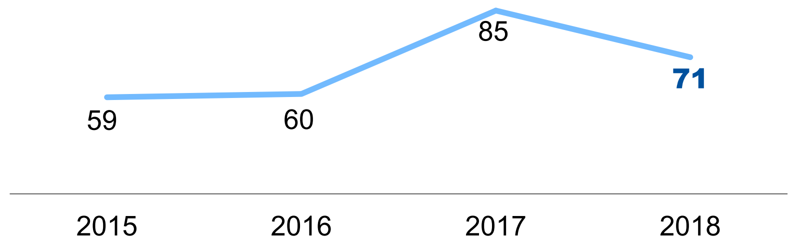
- **Tires, tracks & related services:** a key asset to improve profitability and sustainability

43 Résultats 1er semestre 2019 – 25 juillet 2019

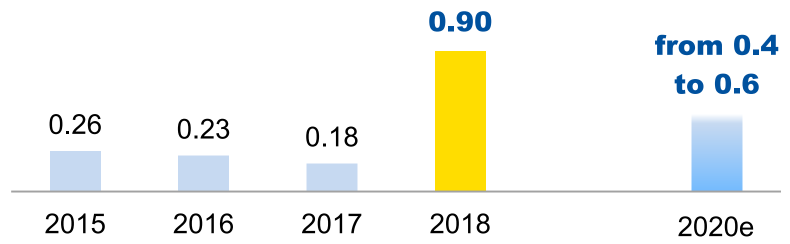
High free cash flow and a robust financial position

Cash conversion ratio

(in % - structural free cash flow/net income before non-recurring items)



Net debt*/EBITDA*



- The net debt/EBITDA ratio peaked in 2018 due to cash out for acquisitions during the year, but is expected to ease to between 0.4 and 0.6 by 2020
- Moody's, Standard & Poor's and Fitch all confirmed Michelin's A-/A3 credit rating
- Two successful bond issues in 2018 totaling €2.9bn (of which a 20-year tranche for €750m)

**See the 2018 Registration Document, notes 3.7.2 and 26 to the consolidated financial statements*

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2019 : Sales by currency and EBIT impact

% of sales		H1 2019 € change vs. currency	Dropthrough sales/EBIT*
AUD	3%	2%	80% / 85%
BRL	3%	5%	-20% / - 30%
CAD	3%	-2%	25% / 30%
CHF	1%	-3%	80% / 85%
CNY	5%	-1%	25% / 30%
EUR	32%	-	-
GBP	3 %	-1%	25% / 30%
INR	1%	0%	25% / 30%
JPY	1%	-6%	80% / 85%

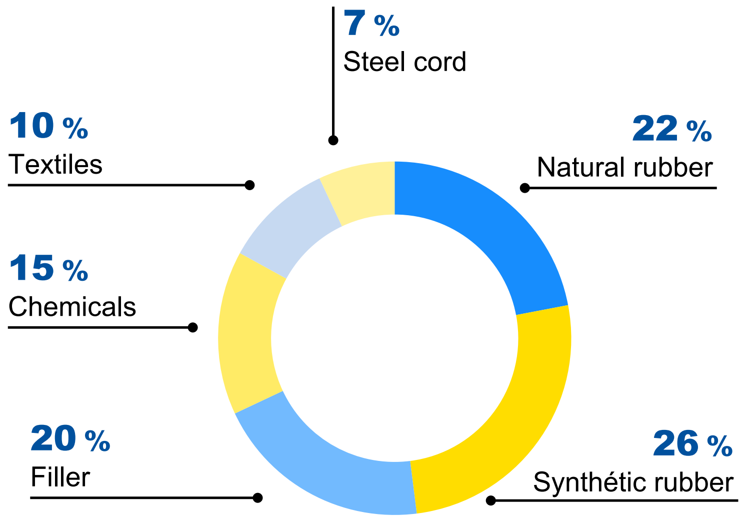
% of sales		H1 2019 € change vs. currency	Dropthrough sales/EBIT*
MXN	1%	-6%	25% / 30%
PLN	1%	+2%	25% / 30%
RUB	1%	+3%	25% / 30%
SEK	1%	+4%	80% / 85%
THB	1%	-7%	-100% / -130%
TRY	1%	+29%	80% / 85%
USD	36%	-7%	25% / 30%
ZAR	1%	+8%	80% / 85%
Other	5%		80% / 85%

* *Dropthrough* dépendant de la base d'exportation / fabrication / vente

45 Résultats 1er semestre 2019 – 25 juillet 2019

Raw materials

Raw material purchases in H1 2019 *(€2.5bn)*

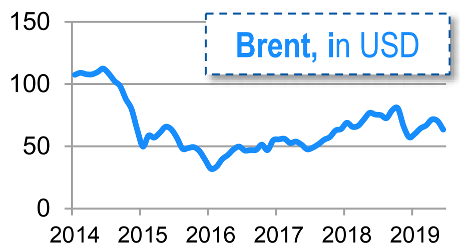


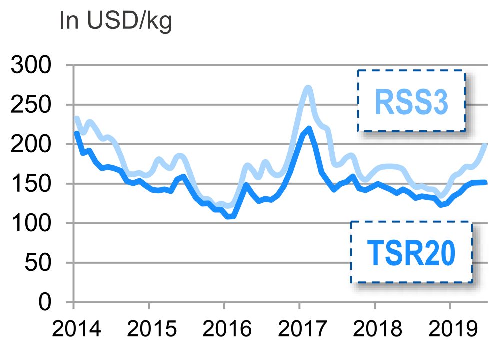
€/$ exchange rate:

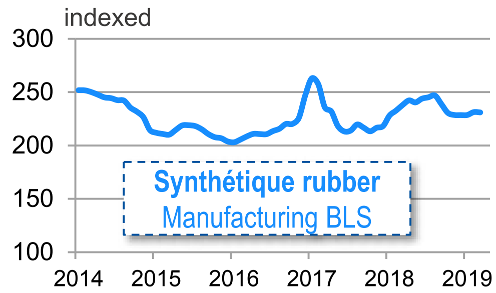
Average H1 2018 : **1,211**

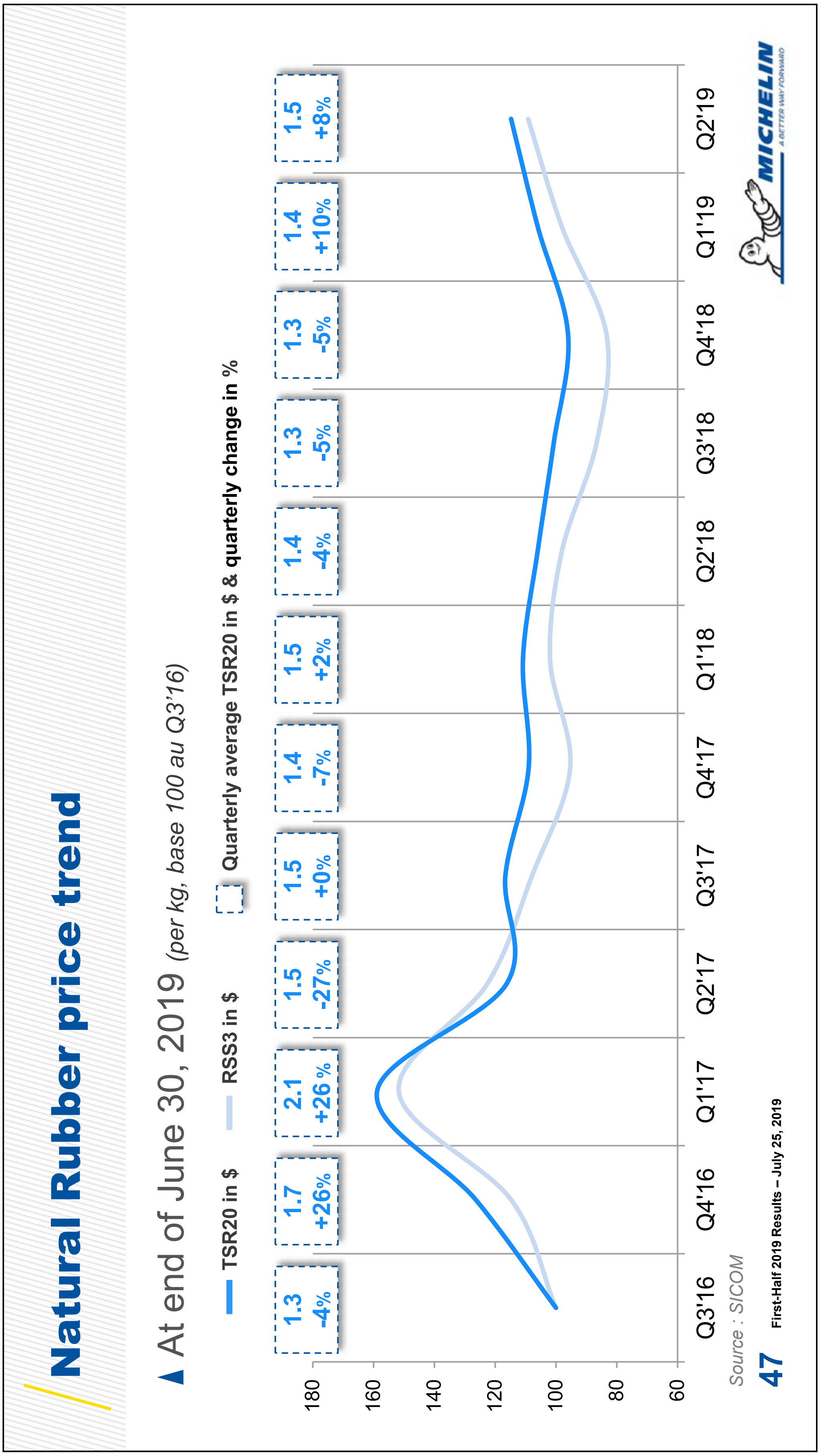
-7%

Average H1 2019 : **1,130**








Natural Rubber price trend
At end of June 30, 2019 (per kg, base 100 au Q3'16)
TSR20 in $
RSS3 in $
Quarterly average TSR20 in $ & quarterly change in %
1.3 -4%
1.7 +26%
2.1 +26 %
1.5 -27%
1.5 +0%
1.4 -7%
1.5 +2%
1.4 -4%
1.3 -5%
1.3 -5%
1.4 +10%
1.5 +8%
180
160
140
120
100
80
60
Q3'16
Q4'16
Q1'17
Q2'17
Q3'17
Q4'17
Q1'18
Q2'18
Q3'18
Q4'18
Q1'19
Q2'19
Source : SICOM
47
First-Half 2019 Results – July 25, 2019
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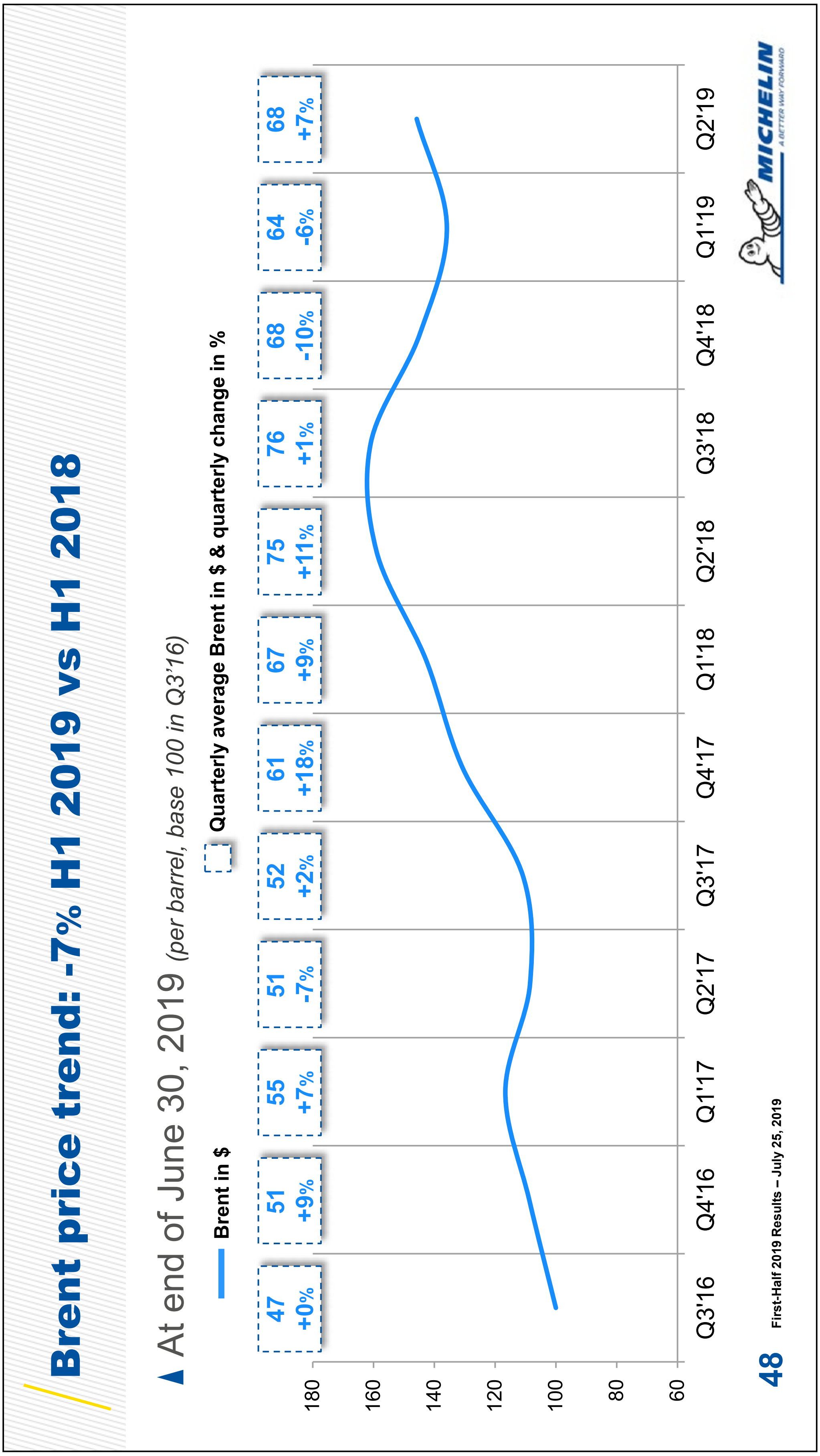
Brent price trend: -7% H1 2019 vs H1 2018
At end of June 30, 2019 (per barrel, base 100 in Q3'16)
Brent in $
Quarterly average Brent in $ & quarterly change in %
47 +0%
51 +9%
55 +7%
51 -7%
52 +2%
61 +18%
67 +9%
75 +11%
76 +1%
68 -10%
64 -6%
68 +7%
180
160
140
120
100
80
60
Q3'16
Q4'16
Q1'17
Q2'17
Q3'17
Q4'17
Q1'18
Q2'18
Q3'18
Q4'18
Q1'19
Q2'19
48
First-Half 2019 Results – July 25, 2019
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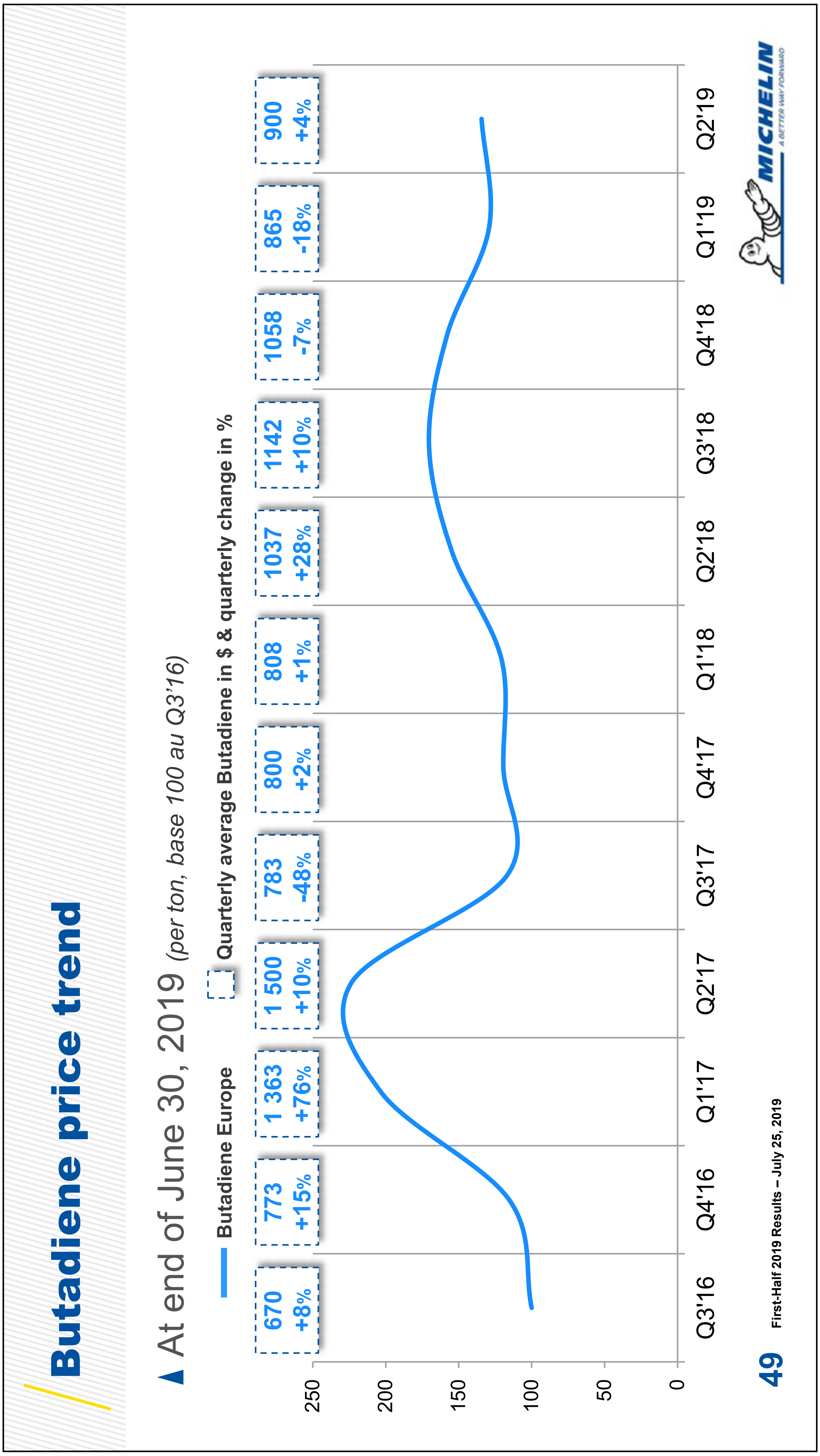
Butadiene price trend
At end of June 30, 2019 (per ton, base 100 au Q3'16)
Butadiene Europe
Quarterly average Butadiene in $ & quarterly change in %
670 +8%
773 +15%
1 363 +76%
1 500 +10%
783 -48%
800 +2%
808 +1%
1037 +28%
1142 +10%
1058 -7%
865 -18%
900 +4%
250
200
150
100
50
0
Q3'16
Q4'16
Q1'17
Q2'17
Q3'17
Q4'17
Q1'18
Q2'18
Q3'18
Q4'18
Q1'19
Q2'19
49 First-Half 2019 Results – July 25, 2019
MICHELIN
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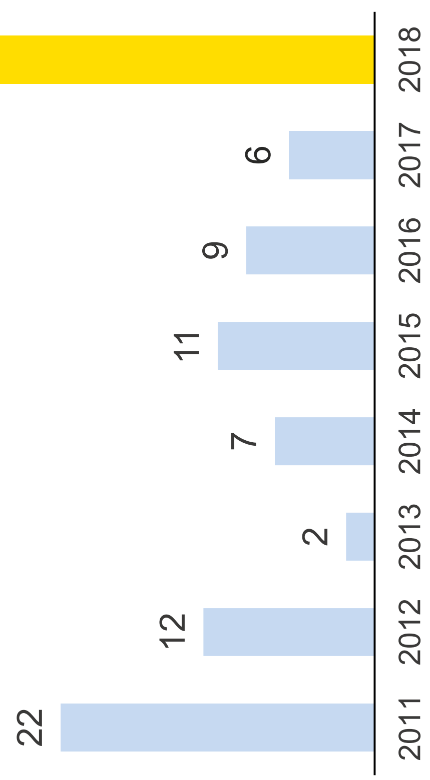
A robust balance sheet after recent acquisitions, confirmed by the rating agencies

▲ Gearing
Net debt/equity, in %



▲ Long-term ratings confirmed following the Multistrada acquisition

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

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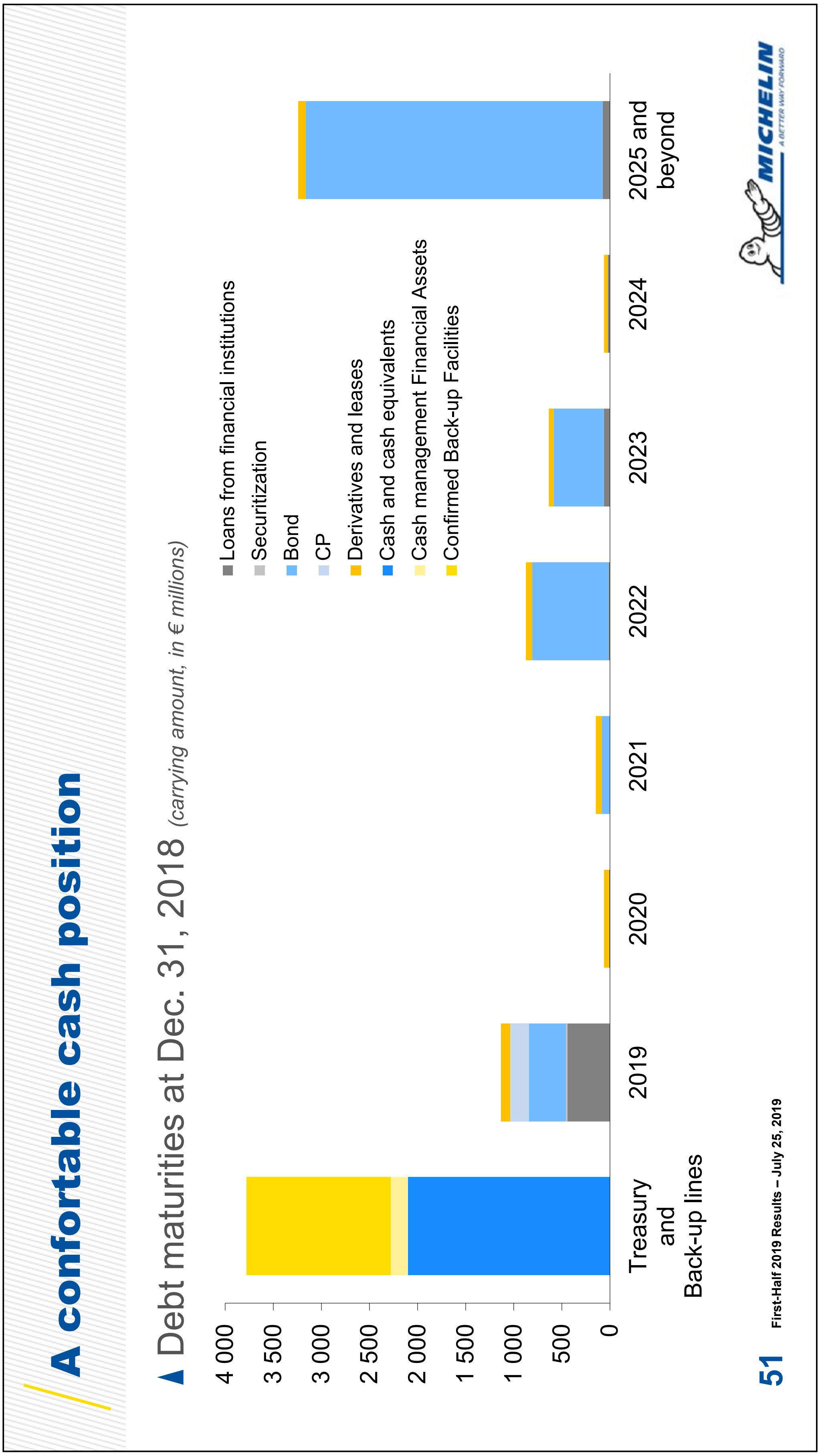
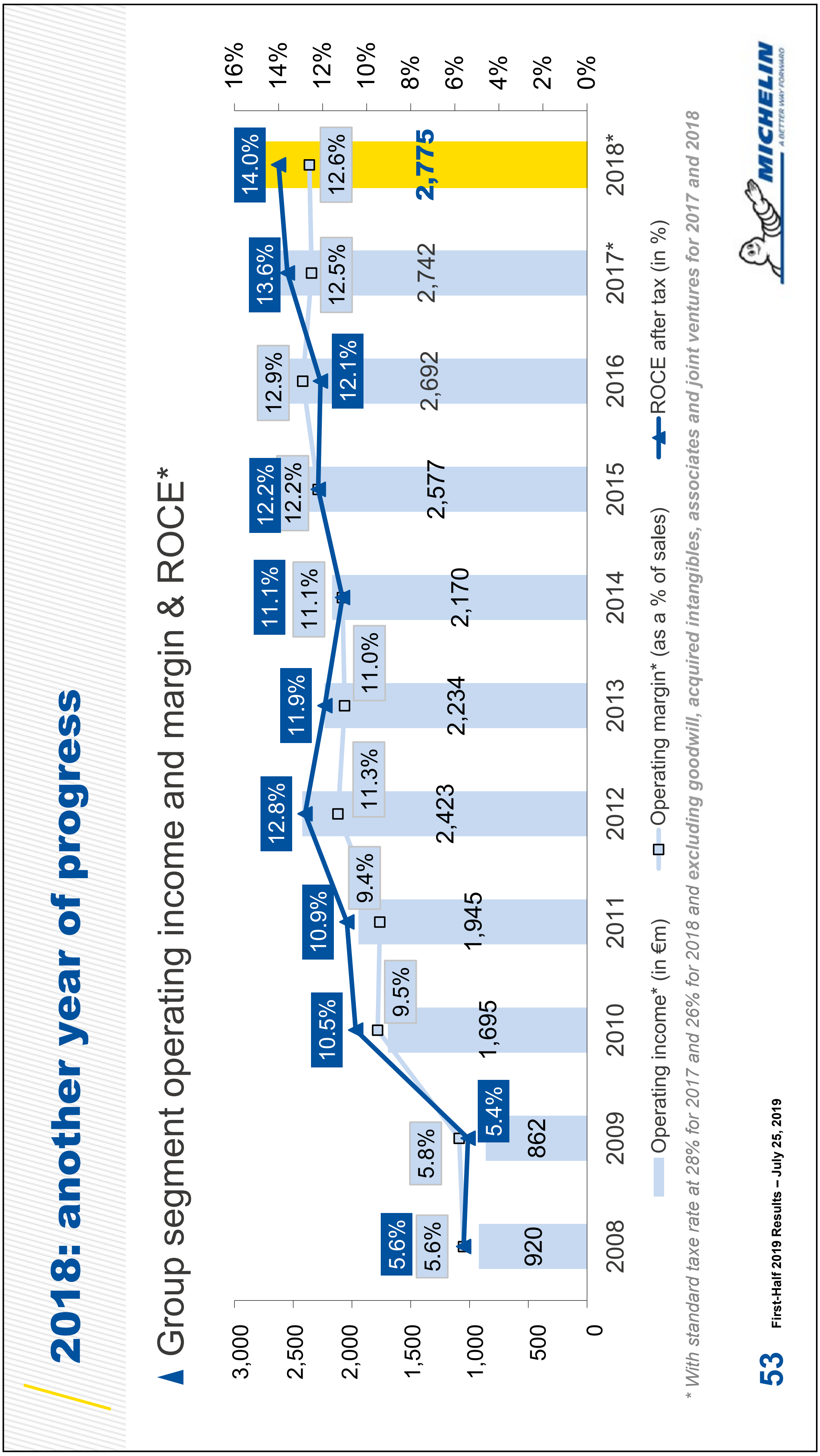

A confortable cash position
Debt maturities at Dec. 31, 2018 (carrying amount, in € millions)
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
Treasury and Back-up lines
2019
2020
2021
2022
2023
2024
2025 and beyond
Loans from financial institutions
Securitization
Bond
CP
Derivatives and leases
Cash and cash equivalents
Cash management Financial Assets
Confirmed Back-up Facilities
51
First-Half 2019 Results – July 25, 2019

Outstanding bond issues (as of June 30, 2019)

Issuer	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg	MICHELIN Luxembourg
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Bond	Bond	Bond	Convertible	Convertible	Bond	Bond	Bond
Principal Amount	€ 750 mn	€ 1'000 mn	€ 750 mn	$ 600 mn	$ 500 mn + TAP $100 mn	€ 302 mn	€ 300 mn	€ 300 mn
Offering price	99,099%	99,262%	99,363%	95,50%	100% & 103,85%	98,926%	99,967%	99,081%
Rating corporation at Issuance date	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)
Current coporation rating	A- (S&P) ; A3 (Moody's) ; unsolicited A- (Fitch)							
Coupon	0,875% p.a	1,75% p.a	2,50% p.a	ZERO Conv premium 130%	ZERO Conv premium 128%	3,25% p.a	1,125% p.a	1,75% p.a
Issue Date	3-sept.-18	3-sept.-18	3-sept.-18	05/jan/2018	05/jan/2017 & 25/apr/2017	21/sep/2015 & 27/sep/2016	19-mai-15	19-mai-15
Maturity	3-sept.-25	3-sept.-30	3-sept.-38	10-nov.-23	10-janv.-22	30-sept.-45	28-mai-22	28-mai-27
Interest payment	Annual Sept 03	Annual Sept 03	Annual Sept 03	N/A	N/A	Annual Sept 30	Annual May 28	Annual May 28
ISIN	FR0013357845	FR0013357852	FR0013357860	FR0013309184	FR0013230745	XS1298728707	XS1233732194	XS1233734562
Denomination	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	$ 200'000 with min. tradable amount $ 200'000	$ 200'000 with min. tradable amount $ 200'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000

52 First-Half 2019 Results – July 25, 2019


2018: another year of progress
Group segment operating income and margin & ROCE*
3,000
2,500
2,000
1,500
1,000
500
0
16%
14%
12%
10%
8%
6%
4%
2%
0%
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017*
2018*
920
862
1,695
1,945
2,423
2,234
2,170
2,577
2,692
2,742
2,775
5.6%
5.8%
9.5%
9.4%
11.3%
11.0%
11.1%
12.2%
12.9%
12.5%
12.6%
5.6%
5.4%
10.5%
10.9%
12.8%
11.9%
11.1%
12.2%
12.1%
13.6%
14.0%
Operating income* (in €m)
Operating margin* (as a % of sales)
ROCE after tax (in %)
* With standard tax rate at 28% for 2017 and 26% for 2018 and excluding goodwill, acquired intangibles, associates and joint ventures for 2017 and 2018
53
First-Half 2019 Results – July 25, 2019
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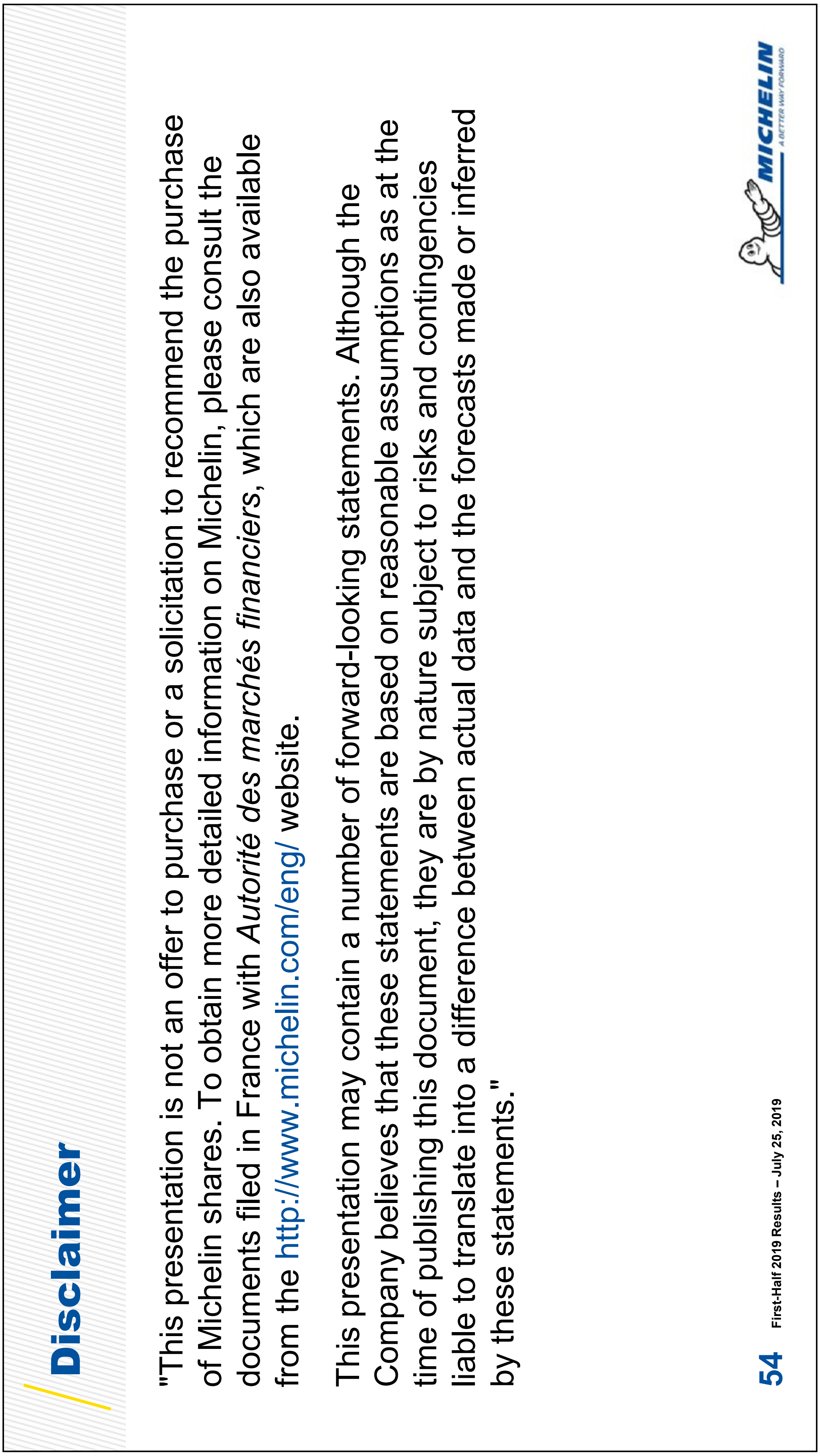
Disclaimer
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This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as at the time of publishing this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or inferred by these statements."
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First-Half 2019 Results – July 25, 2019
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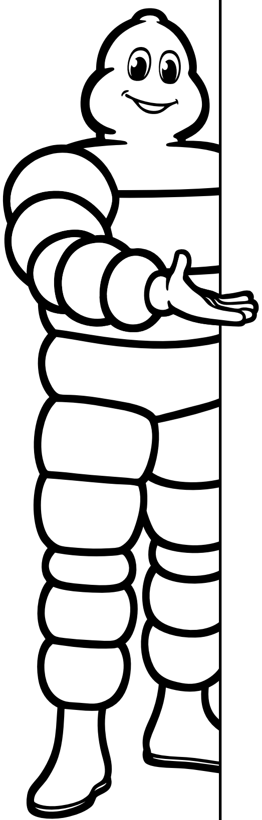
3

FIRST-HALF BUSINESS REVIEW



3.1 TIRE MARKETS

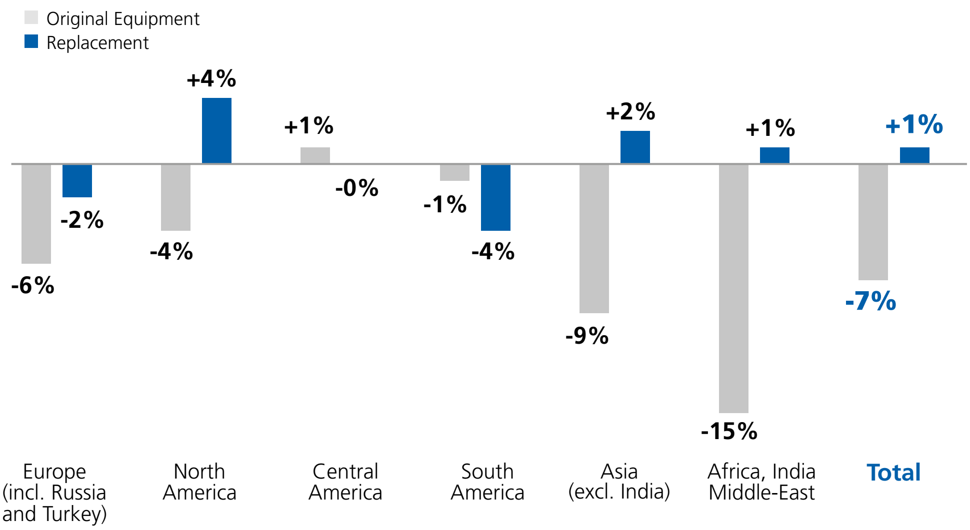
In an economic environment deeply roiled by the resurgence of protectionism, the worldwide Passenger car and Light truck and Truck tire markets both declined in the first six months of 2019, by respectively 2% and 1%. In the Passenger car and Light truck segment, the collapse in Original equipment demand in China, Europe and, to a lesser extent, North America wiped out the slow growth in Replacement markets in China and North America. In Truck tires, the robust momentum in OE markets in the Americas was more than offset by the steep drop in Replacement demand in North America and Europe and the decline in the Chinese market.

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

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

The number of Original equipment and Replacement **Passenger car and Light truck** tires sold worldwide declined by 2% in the first half of 2019, dragged down by the 7% fall in Original equipment demand.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2019 VS. FIRST-HALF 2018



Michelin estimates.

3.1.1 a) Original equipment

Original equipment demand continued to track second-half 2018 trends during the first six months of the year, with a sharp contraction in Europe and China and a downturn in North America.

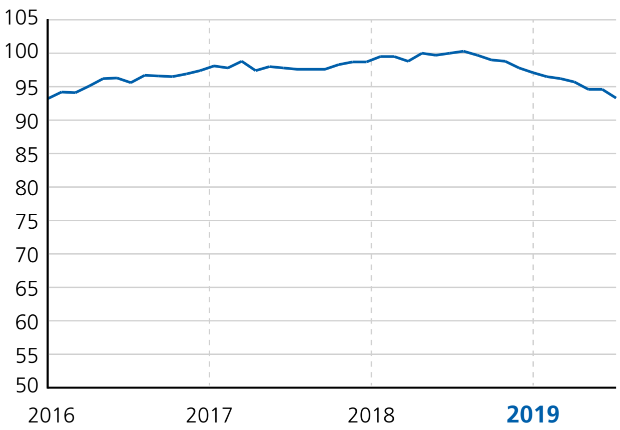
Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	**First half 2019**	**First half 2018**	**First half 2019** % change YoY	**Second quarter 2019** % change YoY	**First quarter 2019** % change YoY
Europe[1]	53.5	57.1	-6%	-8%	-5%
North America[2]	32.0	33.4	-4%	-1%	-7%
Central America	9.6	9.4	+1%	+1%	+2%
South America	8.4	8.5	-1%	+3%	-5%
Asia (excluding India)	95.2	104.7	-9%	-11%	-7%
Africa/India/Middle East	16.2	19.2	-15%	-18%	-13%
TOTAL	**214.9**	**232.3**	**-7%**	**-8%**	**-7%**

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

In **Western Europe,** demand contracted by 7% in the first half due to the continued adverse impact of the roll-out of WLTP standards (mainly in the first quarter) and the economic crisis in Turkey. In addition, European export sales were dampened by the slowdown in the Chinese economy and the introduction of US protectionist measures. In **Eastern Europe,** Original equipment demand remained on an upward trend, rising by 5% in the first half.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

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

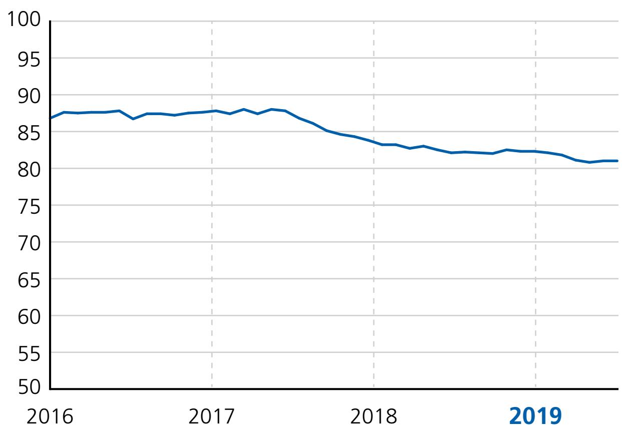


Michelin estimates.

In **North and Central America,** despite a favorable economic environment, softening domestic demand caused markets to slide by 3% overall in the first half, seeming to signal a downturn when compared with the 2% gain in second-half 2018.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** ended the first half down 9%. The Chinese market collapsed over the period, losing 15% in line with the second-half 2018 trend. Already hard hit by the trade war with the United States, OE demand has been further reduced by inventory drawdowns ahead of deployment of the China 6 standard in certain major cities. Demand in the rest of Asia held firm, with a slight 2% increase in the second quarter despite a contraction in South Korea.

Although they saw a 3% rebound in the second quarter, markets in **South America** were heavily impacted by the economic crisis in Argentina and ended the first half down 1% overall.

In the **Africa/India/Middle East** region, the OE market plunged 15% over the first half of 2019, primarily reflecting the decline in domestic demand in India due to the weaker rupee and tighter credit, as well as the Iranian crisis.

3.1.1 b) Replacement

The worldwide Replacement tire market rose by 1% over the first half, as stronger demand in China and North America offset a 2% decline in Europe.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	**First half 2019**	**First half 2018**	**First half 2019** % change YoY	**Second quarter 2019** % change YoY	**First quarter 2019** % change YoY
Europe[1]	183.5	187.1	-2%	-2%	-2%
North America[2]	131.5	126.9	+4%	+1%	+7%
Central America	17.4	17.5	-0%	-2%	+2%
South America	30.8	32.1	-4%	-1%	-7%
Asia (excluding India)	137.3	134.0	+2%	+4%	+1%
Africa/India/Middle East	51.9	51.6	+1%	+1%	+1%
TOTAL	**552.5**	**549.2**	**+1%**	**+1%**	**+1%**

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

The **European** Replacement tire market contracted by 2% overall year-on-year.

The Replacement tire market in Western Europe declined by 2%, in both the first and second quarters, as the economic crisis in Turkey and the adverse effects of inventory drawdowns in Germany continued to weigh heavily on demand. Markets continued to weaken in France (down 2%) and Spain (down 3%), primarily as a result of high dealer inventories. In this environment, demand for all-season tires still remains as robust as ever.

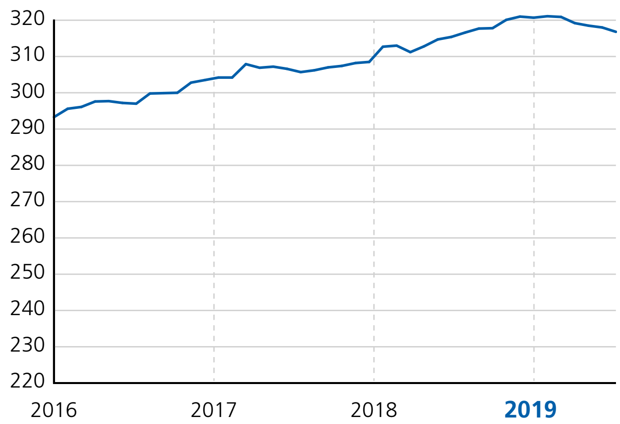
In Eastern Europe, the market rose by 1% overall, as a 4% decline in the first quarter caused by softer demand in Russia gave way to a 7% gain in the second quarter, led by an upturn in the Russian market and buoyant demand in Ukraine over the entire first half.

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

Passenger car and Light truck tires Replacement	**2019 vs. 2018**
Western Europe	**-2%**
▶ France	-2%
▶ Spain	-3%
▶ Italy	0%
▶ United Kingdom	0%
▶ Germany	-8%
▶ Poland	-3%
▶ Turkey	-7%
Eastern Europe	**1%**
▶ Russia	-2%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

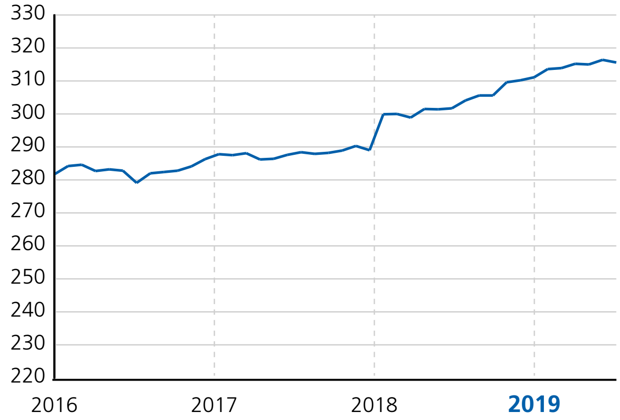


Michelin estimates.

The **North American** market climbed 4% over the first six months of 2019, with a steep slowdown in the United States in the second quarter (to a 1% increase from an 8% gain in the first quarter). The growth was led by the 10% increase in the "non-pool" market, which is highly volatile at a time when the trade war between the United States and its trading partners is prompting dealers to stock up on entry-level tires. Demand for "pool" market tires was stable over the period, in line with the trend in kilometers traveled.

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

(in millions of tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** ended the first half up 2%. The Chinese Replacement market continued to rebound, with a 4% gain for the six-month period, including 5% in the second quarter alone. Demand in the rest of Asia edged up 1% overall in first-half 2019, as the 2% decline in Japan was offset by brisk growth in South Korea (up 8%) and Indonesia (up 3%).

The **Central American** market was stable for the first six months of the year, with a particularly sudden 3% slowdown in Mexico in the second quarter even as demand remained generally unchanged over the full period in the rest of the region.

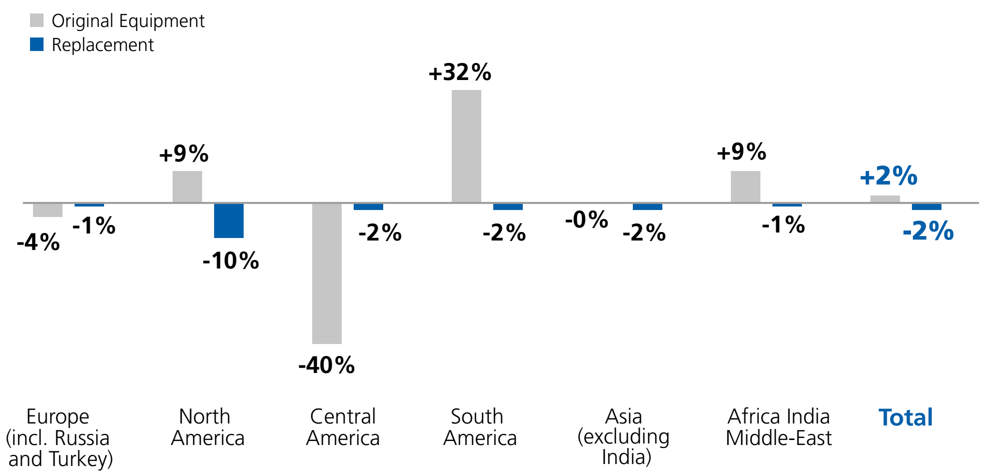
In **South America,** the market ended the first half 4% lower overall, with a 7% drop in the first quarter reflecting a 22% plunge in Argentina due to the financial crisis and a 6% decline in Brazil, and with the regional decline easing to just 1% in the second quarter as Brazilian demand leveled off.

Compared with second-half 2018, growth in Replacement tire demand in the **Africa/India/Middle East region** cooled to 1% in first-half 2019, mainly due to slower momentum in India (up 4%) and the sharp 3% contraction in the Middle East in an increasingly tense geopolitical environment.

3.1.2 TRUCK TIRE MARKETS

Global demand for new Original equipment and Replacement **Truck** tires declined by 1% in number of tires sold in the first six months of 2019, primarily due to the sharp 2% slowdown in Replacement markets even as OE demand continued to trend upwards over the period (by 2%).

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2019 VS. FIRST-HALF 2018



Michelin estimates – New tires, radial and bias.

3.1.2 a) Original equipment

The global Original equipment market rose by 2% in the first half, with a sharp slowdown in the second quarter (to 0%) following on from a 4% gain in the first.

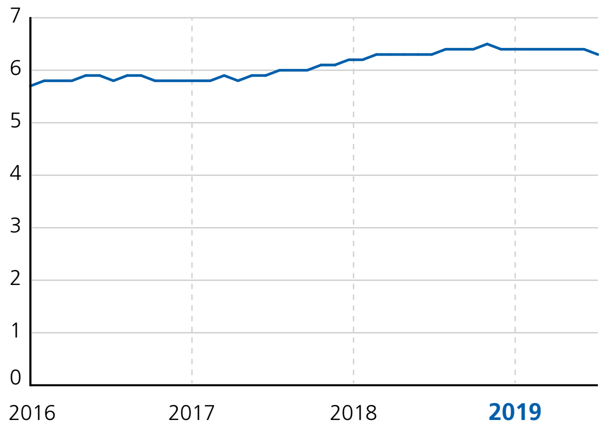
Truck tire markets* Original equipment *(in millions of tires)*	First half 2019	First half 2018	First half 2019 % change YoY	Second quarter 2019 % change YoY	First quarter 2019 % change YoY
Europe[(1)]	3.6	3.8	-4%	-7%	-2%
North America[(2)]	3.6	3.3	+9%	+6%	+12%
Central America	0.0	0.1	-40%	-68%	-14%
South America	1.0	0.7	+32%	+32%	+31%
Asia (excluding India)	14.6	14.6	-0%	-2%	+2%
Africa/India/Middle East	3.3	3.0	+9%	+8%	+9%
TOTAL	**26.1**	**25.5**	**+2%**	**+0%**	**+4%**

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

In Western **Europe,** where OE demand retreated by 4% overall, the first quarter saw a 1% decline, caused primarily by the Turkish economic crisis and the contraction in Spanish and UK demand. This was followed by a much steeper 8% drop in the second quarter, with a 19% fall-off in Germany and a downturn in France, where the market swung from a 6% gain in the first quarter to a 2% decline in the second. Following a sharp 11% plunge in the first quarter, demand in Eastern Europe leveled off with a 1% gain in the second quarter, to end the period down 4% overall.

THE OE TRUCK TIRE MARKET IN EUROPE

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

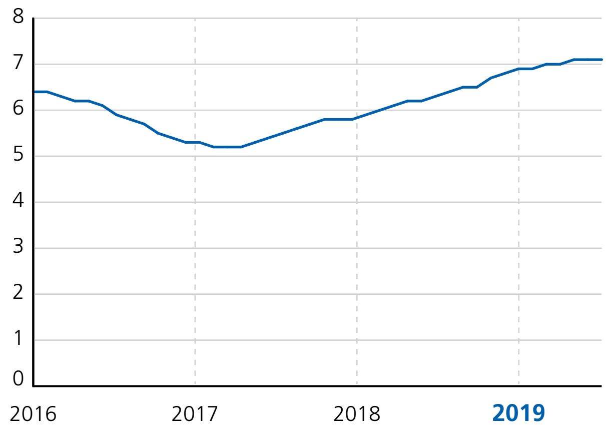


Michelin estimates.

In a still fast-expanding economy, the **North American** market rose by 9% in the first half of 2019, despite a high basis of comparison in the prior-year period (up 16%). Momentum slowed in the second quarter, however, to 6% from 12% in the first quarter.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** was stable for the period. After rising 2% in the first quarter, led by gains in China (up 1%), Japan (up 2%) and Indonesia (up 6%), demand turned downwards in the second three months, losing 2% overall as contractions in China (down 2%) and Indonesia (down a steep 17%) offset continued growth in Japan (up 3%).

In **Central America,** the Mexican market plummeted 40%.

Demand in **South America** climbed by 32%, lifted by the sustained 34% growth in the Brazilian market.

In the **Africa/India/Middle East region,** the market expanded by 9%, led by a 12% increase in Indian demand, while the Middle East market suffered from the worsening conflict in the region.

3.1.2 b) Replacement

The global Replacement market fell back 2% over the first half, with a steeper 4% decline in the second quarter caused primarily by the drop in demand in the United States, even as the trend line improved in Europe.

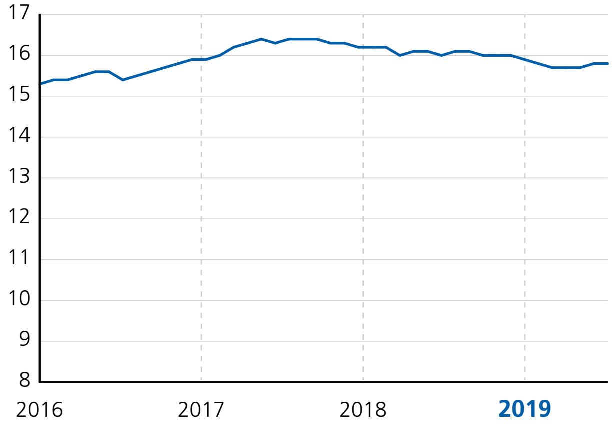
Truck tire markets* **Replacement** *(in millions of tires)*	First half 2019	First half 2018	First half 2019 % change YoY	Second quarter 2019 % change YoY	First quarter 2019 % change YoY
Europe[(1)]	11.6	11.7	-1%	+2%	-4%
North America[(2)]	9.6	10.6	-10%	-12%	-7%
Central America	2.8	2.9	-2%	-1%	-3%
South America	6.2	6.3	-2%	-3%	-1%
Asia (excluding India)	35.5	36.2	-2%	-4%	+1%
Africa/India/Middle East	16.2	16.3	-1%	-1%	-1%
TOTAL	**81.8**	**83.9**	**-2%**	**-4%**	**-1%**

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

In **Western Europe,** Replacement tire demand declined by 1% over the first half. First-quarter performance was muted primarily by unfavorable basis of comparison (due to early buying in first-quarter 2018 ahead of the anti-dumping measures introduced in May 2018 to counter Chinese tire imports) and by the Turkish economic crisis. Although still impacted by that crisis, the market improved by 3% in the second quarter, led by more favorable prior-year comparatives and the sustained growth in freight demand.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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

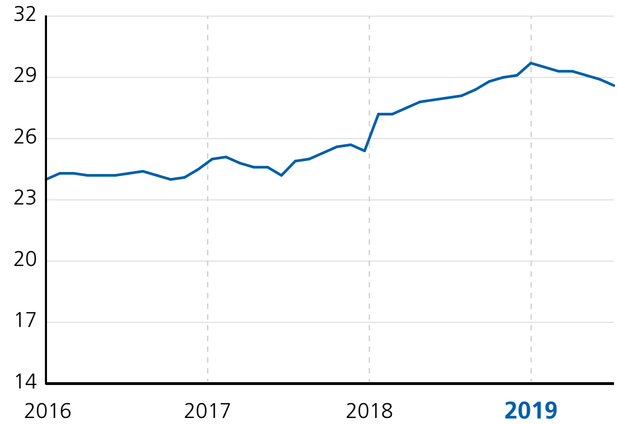


Michelin estimates.

The **North American** market lost a steep 10% overall, with a faster 12% drop in the second quarter. Despite the robust growth in freight demand, Replacement tire markets were held back by (i) the strong expansion in OE demand in the United States, which has lasted for more than a year now; and (ii) the massive drawdown of inventories of Asian tires imported between late 2018 and early 2019 ahead of the introduction of customs duties in mid-February.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

Demand for Replacement tires in **Asia (excluding India)** was down by 2% in the first half. In China, demand declined by 2% over the period, with a sharp 5% drop in the second quarter in a particularly uncertain economic environment. In Southeast Asia, demand ended the first half down 1% after a 1% gain in the first quarter was erased by a 3% fall in the second quarter, when markets turned downwards, by 10%, in Indonesia and Malaysia. Demand in Japan and South Korea rose by an anemic 1% over the full six-month period.

In **Central America,** markets slid 2% overall, with a 4% decline in Mexico.

While demand held firm in Brazil, the **South American** market declined by 2% as a whole, hurt by the financial crisis in Argentina (down 12%) and the downturn in Colombia (from a 17% gain in the first quarter to a 7% decline in the second).

The **Africa/India/Middle East** market edged down 1%, reflecting slower growth in India and the generally unstable economic and geopolitical conditions prevailing in the rest of the region.

3.1.3 SPECIALTY TIRE MARKETS

Mining tires: The mining tire market is still seeing robust demand from mining companies at a time of rising copper, steel and coal prices.

Agricultural and Construction tires: In the agricultural segment, OE markets declined in Europe due to the economic crisis in Turkey, and in South America, following the introduction of new regulatory standards in early 2019. Demand for Replacement tires also suffered from the economic conditions in Turkey, while falling precipitously in North America (due to floods and the trade war-related decline in farm revenue) and, more recently, in Italy.

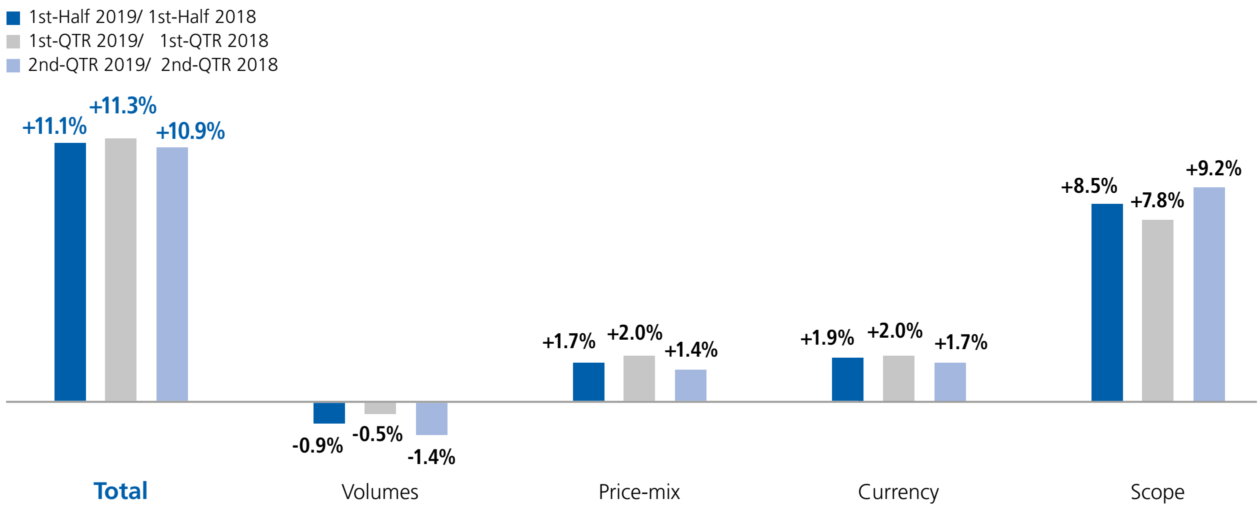
Infrastructure tire sales rose during the period, but the segment is showing signs of slowing down after two and a half years of growth and a record high in 2018.

Two-wheel tires: Motorcycle and scooter tire markets enjoyed further growth in Europe, but declined in North America. Demand in the commuting segment continued to trend upwards in the new markets.

Aircraft tires: Led by the sustained increase in passenger traffic, which has slowed somewhat in China and India, the commercial aircraft tire market is continuing to expand, with gains that remain more pronounced in the radial segment.

3.2 SALES

3.2.1 ANALYSIS OF SALES



Michelin estimates.

Sales for the first six months of 2019 totaled €11,781 million, an increase of 11% from the year-earlier period that was attributable to the net impact of the following factors:

- the 0.9% decrease in volumes, primarily stemming from the sharp decline in demand for Original equipment Passenger car and Light truck tires and the slowdown in Replacement tire markets, in the Automotive and Road transportation segments. At the same time, strong growth in the mining business was offset by a decline in agriculture tire volumes impacted by the market downturn;
- the highly positive 1.7% price-mix effect (2.0% in the first quarter and 1.4% in the second). The €93 million positive price effect resulted from the Group's price discipline in the more competitive business environment created by cooling markets. The €83 million positive mix effect reflected the sustained success of the MICHELIN brand's premium strategy, the rebound in the mining businesses, as well as the favorable impact of the relative performances of OE and Replacement tire sales;
- the positive +1.9% currency effect, mainly due to the US dollar's rise against the euro, whose impact was dampened by the sustained decline in certain currencies such as the Russian ruble, the Argentine peso, the Turkish lira and the Brazilian real over the period;
- the highly favorable 8.5% impact from changes in the scope of consolidation, led by the very strong performance from Fenner and Camso, which were acquired in 2018 to drive faster expansion in the tire business and in high-tech materials.

Note that sales of tire-related services and solutions totaled €627 million in first-half 2019, compared with €583 million in the year-earlier period.

(in € million and %)	First half 2019	Second quarter 2019	First quarter 2019
SALES	**11,781**	**5,972**	**5,809**
Change, year-on-year	**+1,179**	**+587**	**+591**
Volumes	-98	-74	-25
Price-mix	+176	+73	+104
Currency effect	+197	+94	+103
Changes in scope of consolidation	+904	+495	+409
Change, year-on-year	**+11.1%**	**+10.9%**	**+11.3%**
Volumes	-0.9%	-1.4%	-0.5%
Price-mix	+1.7%	+1.4%	+2.0%
Currency effect	+1.9%	+1.7%	+2.0%
Changes in scope of consolidation	+8.5%	+9.2%	+7.8%

3.2.2 SALES BY REPORTING SEGMENT

Segment reporting is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

Specialty businesses include the specialty tire businesses (Mining, Off-the-Road, Two-wheel and Aircraft) and the Conveyor Belts and High-Tech Materials businesses.

The above three operating segments are essentially the same as the ones presented in the prior year, with the exception of a few reallocations. The main change, which was prompted by the 2018 acquisition of Camso and the subsequent redefinition of the exclusively Off-the-Road business unit, concerned the transfer of multi-purpose (on and off-the-road) construction truck tires from the Off-the-Road unit in the Specialty businesses segment to the Road transportation segment.

The 2018 segment reporting has been restated accordingly.

Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same principles used in the consolidated income statement.

(in € million)	First half 2019	Second quarter 2019	First quarter 2019
GROUP	**11,781**	**5,972**	**5,809**
Automotive and related distribution	5,658	2,871	2,788
Road transportation and related distribution	3,144	1,594	1,550
Specialty businesses(*) and related distribution	2,979	1,508	1,471
Change, year-on-year	**+11.1%**	**+10.9%**	**+11.3%**
Automotive and related distribution	+1.0%	+1.8%	+0.2%
Road transportation and related distribution	+3.2%	+1.3%	+5.3%
Specialty businesses(*) and related distribution	+52.5%	+52.2%	+52.8%

(*) Specialty businesses: earthmover, agricultural, two-wheel and aircraft tires; Michelin Travel Partner, BookaTable and Michelin Lifestyle Ltd.

3.2.2 a) Automotive and related distribution – Analysis of sales

In the uncertain global economic environment created by the proliferation of protectionist measures, volumes in the Automotive segment declined by 2% in the first six months of 2019. The decrease was primarily caused by the plunge in Original equipment markets in China, Europe and, to a lesser extent, North America, as well as by particularly weak Replacement tire demand in Europe.

In **Europe,** where OE demand dropped precipitously, Group volumes were hurt by a temporarily unfavorable customer mix. In the Replacement segment, where demand contracted over the period, the Group maintained its market share by capitalizing on the growing proportion of 18-inch and larger tires in the sales mix, even as sales of 15 and 16-inch tires declined in a cooling, highly competitive market. The Group also benefited from its strong positions in the all-season segment, with its MICHELIN Cross Climate line, and from the robust sales of its Tier 2 brands (KLEBER and BFGoodrich) and Tier 3 lines in Central Europe. Sales rose sharply in Eastern Europe, lifted by the success of the new MICHELIN X Ice North 4 line of winter tires.

In a **North American** market dampened by the decline in automobile production and an increase in tire imports, Group sales contracted over the first half. MICHELIN brand OE volumes were adversely impacted by delayed upgrade to newer car models. In the primarily import-driven Replacement market, the MICHELIN brand was impacted by a slowdown in the "pool" market as dealers reduced inventories. Successfully launched in June, the new UNIROYAL range got off to a highly promising start, but the sell-off of predecessor line inventories weighed on the brand's first-half sales. The BFGoodrich brand delivered another solid performance for the period.

In **South America,** after a challenging year in 2018 due to highly volatile currencies, sales were up in the first half of 2019, as the MICHELIN brand's strong performance in the 18-inch and larger segment offset a decline in OE volumes.

In **Asia (excluding India),** the Group suffered from (i) an unfavorable customer mix in the Chinese Original equipment market, which fell sharply during the period; and (ii) a temporary adjustment in dealer inventories following a shift in the Replacement market access strategy. MICHELIN offerings remain very popular in the region, where they benefit in particular from the regular launch of new Michelin Guides. In East Asia, a very favorable customer mix helped the Group to sharply increase its share of the region's OE markets, which remained flat over the period. The Group also improved its positions in the Replacement market, thanks in particular to an excellent performance in the 18-inch and larger segment.

In the **Africa/India/Middle East** region, which continues to be impacted by geopolitical and economic difficulties, as well as by the slowdown in car demand in India, sales improved over the first half, enabling the Group to strengthen its positions in both the Replacement and OE segments

Michelin Travel Partner's sales performance was mainly shaped by (i) further market share gains in the declining print B2C markets; (ii) growth in B2B revenue thanks to the monetization of Michelin Guide launches; and (iii) higher revenue in the digital segment thanks to increased website traffic, particularly for ViaMichelin and Michelin Voyage. In addition, Michelin Travel Partner is sharpening its strategic focus on dining and travel as part of the Michelin Experiences line, which brings together all of the businesses that offer customers an outstanding mobility experience. The restaurant booking businesses, BookaTable and Michelin Restaurant, reported stable sales in the face of increasing competition and an environment roiled by Brexit. Lastly, sales of Michelin Lifestyle Limited's licensed products enjoyed strong growth over the first half, led by the signing of promising new contracts.

In all, sales in the Automotive and related distribution segment rose by 1% to €5,658 million in the first half of 2019, from €5,603 million a year earlier. In a difficult market environment, the decline in volumes was offset not only by the favorable currency effect but also by the positive price-mix effect. The latter reflected the Group's disciplined pricing policy and a sustained enhancement in the value of the mix, led by the sharper decline in OE than in Replacement tire sales. It also reflected growing sales in the 18-inch and larger segment and the success of the new MICHELIN brand ranges. The impact of changes in the scope of consolidation was slightly negative for the period, as the acquisition of Indonesian tiremaker Multistrada only partially offset the effect of deconsolidating the TCi tire wholesaling chain in the first quarter.

3.2.2 b) Road transportation and related distribution – Analysis of sales

In a market down 1%, volumes in the Road transportation segment held firm in the first six months of 2019, thereby enabling the Group to strengthen its positions over the period.

In **Western Europe,** Original equipment sales declined year-on-year, dragged down by the 4% drop in the market during the first half. On the Replacement side, the Group increased its share of a slightly weaker market. The MICHELIN AGILIS Cross Climate van tire enjoyed further strong sales in countries where winter driving conditions require a change of tires, and the LIME low intermediate range continued to benefit from the anti-dumping measures introduced in 2018 to counter Chinese imports. In Central Europe, fluctuating exchange rates created a volatile market environment.

In **North America,** the Group successfully strengthened the positions of both its MICHELIN and BFGoodrich brands in the fast-growing Original equipment market. Its various MICHELIN, BFGoodrich and UNIROYAL lines also gained share in the Replacement market, which was hard hit by the inventory overhang of entry-level tires imported before the introduction of customs duties in mid-February.

In **South America** as well, the Group widened its share of a very robust OE market, while in the Replacement segment, Michelin sales rose despite softer demand, thanks to the popularity of the MICHELIN AGILIS Cross Climate range. The priority focus on margin integrity supported disciplined price management at a time of persistent currency volatility, particularly as concerns the Argentine peso and the Brazilian real.

In **Asia (excluding India),** competitive pressures are rising noticeably as the introduction of import duties in most of the large trading regions is making it increasingly difficult to sell Chinese tire exports outside of Asia. These pressures were further aggravated in the first half of 2019 by the decline in demand for Truck tires, with the Group focusing on margin integrity and its value-added solutions.

In the **Africa/India/Middle East** region, in a market shaped by rising geopolitical risks in the Middle East, sales rose in the first half, notably in the Replacement market where the Group strengthened its positions.

In all, sales in the Road transportation segment amounted to €3,144 million in the first half of 2019, a 3.2% increase from the €3,046 million reported for the same period in 2018. In addition to favorable exchange rates, the gain was mainly led by a strong price-mix effect, reflecting the Group's ability to protect its unit margins while holding volumes firm despite a 1% decline in demand. Successful highlights of the first half included the introduction of the MICHELIN AGILIS Cross Climate line in the Americas, the continuous success of the BFGoodrich brand as the Group's global Tier 2 solution.

3.2.2 c) Specialty businesses and related distribution – Analysis of sales

Mining tires: Sales maintained their momentum, underpinned by the Group's solid positions (particularly in the surface mining segment), the faster deployment of service contracts and the pricing strategy.

Agriculture and Construction tires: The Group's improved performance reflected both the priority focus on margins across every business and the volume impact of the collapse in demand in the agricultural tire markets.

The integration of Camso, a global leader in off-the-road mobility acquired in late 2018, is proceeding as planned.

Two-wheel tires: Sales edged up during the period, buoyed by strong growth in the commuting segment and by the Levorin brand in Brazil.

Aircraft tires: Sales ended the first half higher, thanks to the growth in volumes sold, which remained strong for new tires and in the commercial segment.

In all, sales in the Specialty businesses rose by 52% over the period, to €2,979 million from €1,954 million in first-half 2018, primarily on the contributions from recently acquired companies such as Fenner, a global manufacturer of conveyor belt solutions and technological materials, and Camso, the world leader in off-the-road mobility. The slight 1% increase in volumes stemmed from sustained growth in the mining businesses, whose impact was attenuated by the decline in off-the-road tire sales due to the focus on maintaining margins.

3.2.3 CHANGES IN EXCHANGE RATES FOR THE MAIN OPERATING CURRENCIES

At current exchange rates, consolidated sales rose by 11.1% in 2019. This reported growth included the €197 million gain from the positive currency effect, primarily resulting from the increase in the US dollar against the euro.

Average exchange rate	First half 2019	First half 2018	Change
EUR/USD	1.130	1.211	-6.7%
EUR/CAD	1.508	1.545	-2.4%
EUR/MXN	21.660	23.066	-6.1%
EUR/BRL	4.342	4.125	+5.3%
EUR/GBP	0.873	0.880	-0.7%
EUR/JPY	124.316	131.704	-5.6%
EUR/CNY	7.666	7.712	-0.6%
EUR/THB	35.751	38.425	-7.0%
EUR/RUB	73.780	71.755	+2.8%
EUR/AUD	1.601	1.569	+2.0%
EUR/ZAR	16.042	14.848	+8.0%
EUR/ARS	46.574	25.619	+81.8%
EUR/TRY	6.338	4.919	+28.9%
EUR/INR	79.121	79.461	-0.4%

First-half 2019 sales by currency were as follows:

Currency	as a % of sales
AUD	3%
BRL	3%
CAD	3%
CHF	1%
CNY	5%
EUR	32%
GBP	3%
INR	1%
JPY	1%
MXN	1%
PLN	1%
RUB	1%
SEK	1%
THB	1%
TRY	1%
USD	36%
ZAR	1%
Other	5%
TOTAL	**100%**

3.2.4 SALES BY REGION

(in € million)	First half 2019	First half 2018	First half 2019 % change YoY
GROUP	**11,781**	**10,603**	**+11.1%**
Europe	4,352	4,177	+4.2%
of which France	*1,036*	*1,012*	*+2.4%*
North America (incl. Mexico)	4,296	3,692	+16.4%
Other regions	3,133	2,734	+14.6%

(in € million)	First half 2019	% of total	First half 2018	% of total
GROUP	**11,781**		**10,603**	
Europe	4,352	36.9%	4,177	39.4%
of which France	*1,036*	*8.8%*	*1,012*	*9.5%*
North America (incl. Mexico)	4,296	36.5%	3,692	34.8%
Other regions	3,133	26.6%	2,734	25.8%

Driven by the Fenner, Camso and Multistrada acquisitions, consolidated sales rose in every geography, particularly North America and the Asia/Pacific region.

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

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

As part of its strategy, Michelin is steadily expanding the portfolio of services it markets to customers, such as tire-related services, connected mobility services and fleet management solutions.

These developments have led the Group, in line with the new organization deployed in January 2018, to broaden the definition of cost of sales, which was previously limited to cost of sales in manufacturing operations, to include the costs incurred to produce, operate or execute services for customers. The main impact of this change is that "cost of sales" now includes the operating costs of the service centers run by the Euromaster dealership network in Europe, which were previously recognized in the consolidated income statement under "sales and marketing expenses".

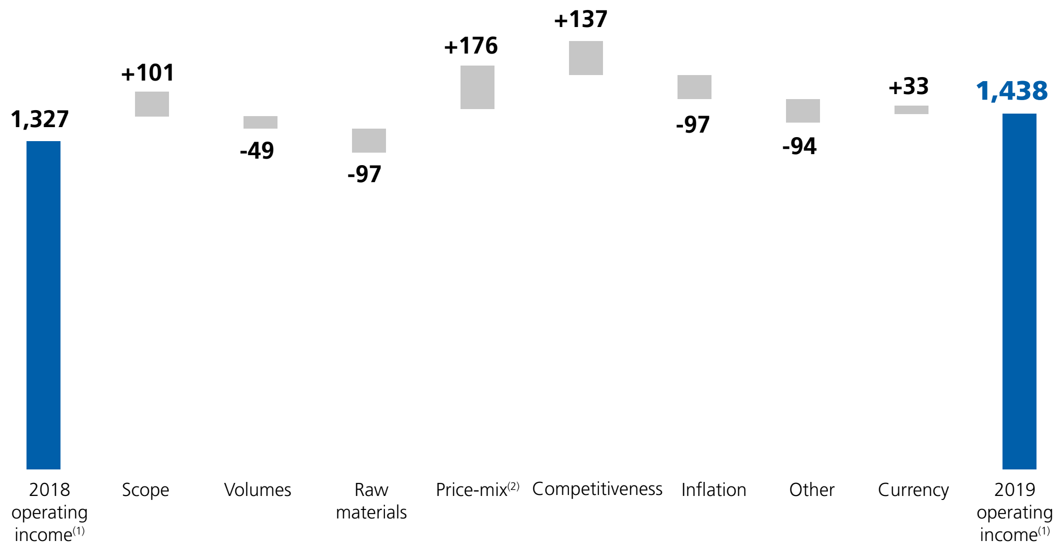
The components of cost of sales in manufacturing operations remain unchanged.

The change has not had any impact on segment operating income, which is the Group's key operating performance metric, or on segment reporting data.

The impacts on the consolidated income statement are presented in note 2.8 "Restatement of comparative periods" of the condensed interim consolidated financial statements.

(in € million, except per-share data)	First half 2019	First half 2018 restated	First half 2019 % change YoY	First half 2019 *(as a % of sales)*	First half 2018 *(as a % of sales)*
Sales	**11,781**	**10,603**	**+11.1%**		
Cost of sales	(8,260)	(7,365)	+12.2%	70.1%	69.5%
Gross income	**3,521**	**3,238**	**+8.7%**	**29.9%**	**30.5%**
Sales and marketing expenses	(667)	(634)	+5.2%	5.7%	6.0%
Research and development expenses	(333)	(322)	+3.4%	2.8%	3.0%
General and administrative expenses	(1,059)	(938)	+12.9%	9.0%	8.8%
Segment other income and expenses	(24)	(17)	+41.2%	0.2%	0.2%
Segment operating income	**1,438**	**1,327**	**+8.4%**	**12.2%**	**12.5%**
Other operating income and expenses	(90)	23	N/M	0.8%	0.2%
Operating income/(loss)	**1,348**	**1,350**	**-0.1%**	**11.4%**	**12.7%**
Cost of net debt	(187)	(78)	+139.7%	1.6%	0.7%
Other financial income and expenses	2	(6)	N/M	0.0%	0.1%
Net interest on employee benefit obligations	(49)	(44)	+11.4%	0.4%	0.4%
Share of profits/(loss) from equity accounted entities	6	(13)	N/M	0.1%	0.1%
Income/(loss) before taxes	**1,120**	**1,209**	**-7.4%**	**9.5%**	**11.4%**
Income tax	(269)	(292)	-7.7%	2.3%	2.8%
Profit/(loss) from continuing operations	**851**	**917**			
Net earnings (loss) from discontinued operations held for sale	(7)	0			
NET INCOME/(LOSS)	**844**	**917**	**-8.0%**	**7.2%**	**8.6%**
▶ Attributable to the shareholders of the Company	858	925	-7.2%	7.3%	8.7%
▶ Attributable to the non-controlling interests	(14)	(8)	+75.0%		
Earnings per share *(in €)*					
▶ Basic	4.74	5.12	-8.0%		
▶ Diluted	4.72	5.09	-7.8%		

3.3.1 ANALYSIS OF SEGMENT OPERATING INCOME



(1) Segment operating income.
(2) Mix = product, brand, customer, geographic, OE/RT, division mix.

Segment operating income amounted to €1,438 million or 12.2% of sales in the first six months of 2019, compared with €1,327 million and 12.5% in first-half 2018.

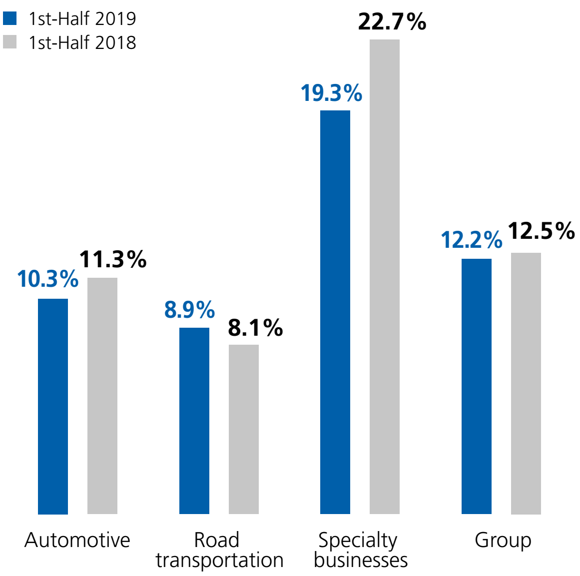
Segment operating income was impacted by the following factors:

- a €101 million increase from changes in the scope of consolidation mainly relating to the inclusion of Fenner and Camso, with the removal of TCi offsetting the additional contribution from Multistrada;
- a €49 million decrease from the 0.9% decline in volumes and the €15 million fixed cost shortfall;
- a robust €176 million increase from the price-mix effect thanks in particular to disciplined price management, which cushioned the €97 million adverse impact from raw materials costs (including customs duties);
- the €97 million increase in costs was more than offset by €137 million in competitiveness gains;
- a net €94 million decrease from other factors, corresponding to the €43 million increase in depreciation and amortization charges, the recognition of €31 million in start-up costs, and other unfavorable factors in an amount of €20 million;
- a €33 million increase from the favorable currency effect.

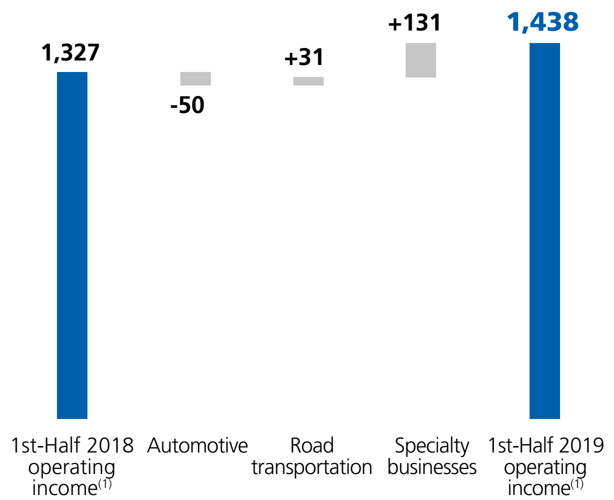
3.3.2 SEGMENT OPERATING INCOME

(in € million)	First half 2019	First half 2018 restated
Automotive and related distribution		
Sales	5,658	5,603
Segment operating income	585	635
Segment operating margin	**10.3%**	**11.3%**
Road transportation and related distribution		
Sales	3,144	3,046
Segment operating income	279	248
Segment operating margin	**8.9%**	**8.1%**
Specialty businesses and related distribution		
Sales	2,979	1,954
Segment operating income	574	444
Segment operating margin	**19.3%**	**22.7%**
Group		
Sales	11,781	10,603
Segment operating income	1,438	1,327
Segment operating margin	**12.2%**	**12.5%**

3.3.2 a) Segment operating margin



(in € million)



(1) Segment operating income.

3.3.2 b) Automotive and related distribution – Analysis of segment operating income

Automotive and related distribution *(in € million)*	**First half 2019**	**First half 2018**	**First half 2019 % change YoY**	**First half 2019** *(% of consolidated total)*	**First half 2018** *(% of consolidated total)*
Sales	5,658	5,603	+1.0%	48%	53%
Change in volumes	*-2%*				
Segment operating income	585	635	-7.9%	41%	48%
Segment operating margin	10.3%	11.3%	-1.0pt		

Automotive segment operating income amounted to €585 million or 10.3% of sales, *versus* €635 million and 11.3% in first-half 2018.

The decrease was primarily due to (i) the decline in volumes in line with the 2% contraction in the Passenger car and Light truck tire market; (ii) the fixed cost shortfall; and (iii) the rise in raw materials costs following the late 2018 increase in butadiene prices. However, these negative impacts were partially offset by the positive price-mix effect stemming from the Group's disciplined price management and the growing proportion of 18-inch and larger tires in the sales mix. In addition, the consolidation of Multistrada and start-up costs at the León plant in Mexico reduced segment operating margin by 0.5 points.

3.3.2 c) Road transportation and related distribution – Analysis of segment operating income

Road transportation and related distribution *(in € million)*	**First half 2019**	**First half 2018**	**First half 2019 % change YoY**	**First half 2019** *(% of consolidated total)*	**First half 2018** *(% of consolidated total)*
Sales	3,144	3,046	+3.2%	27%	29%
Change in volumes	*0%*				
Segment operating income	279	248	+12.6%	19%	19%
Segment operating margin	8.9%	8.1%	+0.7pt		

Road transportation segment operating income totaled €279 million or 8.9% of sales, *versus* €248 million and 8.1% in first-half 2018, confirming the sustained improvement in segment operating margin. The increase in segment operating income reflected the stability of volumes in a market down 1%, gains in the Services and Solutions business and a robust price-mix effect. These positive factors were somewhat mitigated by the hike in customs duties between China and the United-Sates; the impact of those measures on first half is €20 million. In addition, the first half saw the sustained success of the MICHELIN Agilis Cross Climate global all-season tire range for light trucks and vans, as well as the expansion of the Services and Solutions business, which now has more than one million vehicles under contract following the acquisition of Masternaut in Europe.

3.3.2 d) Specialty businesses and related distribution – Analysis of segment operating income

Specialty businesses and related distribution *(in € million)*	**First half 2019**	**First half 2018**	**First half 2019 % change YoY**	**First half 2019** *(% of consolidated total)*	**First half 2018** *(% of consolidated total)*
Sales	2,979	1,954	+52.5%	25%	18%
Change in volumes	*1%*				
Segment operating income	574	444	+29.4%	40%	33%
Segment operating margin	19.3%	22.7%	-3.4pt		

Specialty businesses operating income came to €574 million or 19.3% of sales, *versus* €444 million and 22.7% in first-half 2018.

The increase in segment operating income was primarily attributable to the consolidation of Fenner and Camso, whose results were in line with expectations. However, their consolidation reduced segment operating margin by 3.7 points.

At constant scope of consolidation, segment operating income improved to 23.0% from 22.7% a year earlier, led by (i) the 1% increase in volumes, as the very strong performance by the mining tire business was partially dampened by the decline in agricultural tire volumes due to the market downturn; and (ii) the robust price effect, with in particular a priority focus on margin integrity in the OE agricultural tire segment.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials,** which has been estimated at €2.54 billion in first-half 2019, *versus* €2.45 billion a year earlier, is recognized in the income statement under cost of sales.

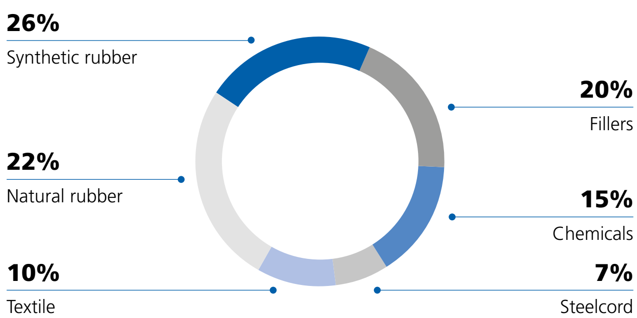
It is calculated on the basis of:

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

In first-half 2019, the raw materials costs recognized in cost of sales included the €77 million impact of higher prices, including the residual currency effect, as well as €20 million in additional customs duties compared with first-half 2018.

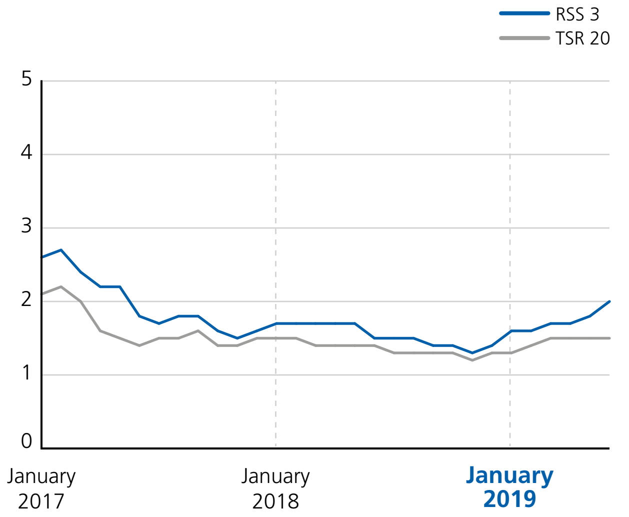
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

RAW MATERIALS COSTS RECOGNIZED IN FIRST-HALF 2019 COST OF SALES

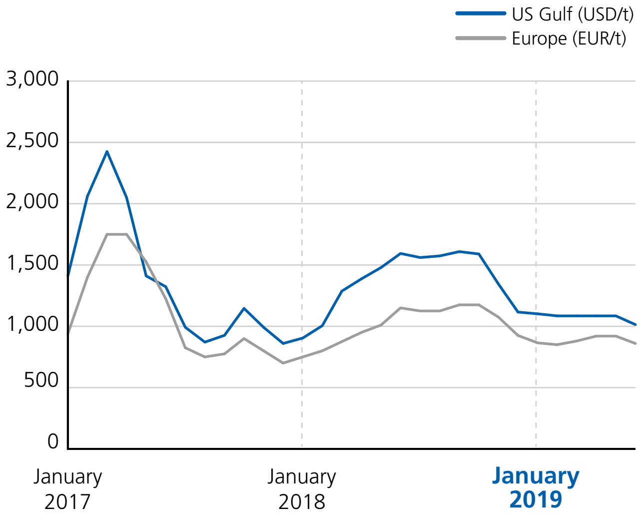


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

(in € million and number of people)	First half 2019	First half 2018	Change
Total employee benefit costs	3,270	2,951	+10.8%
As a % of sales	*27.8%*	*27.8%*	*-0.1pt*
Total number of employees at June 30	125,400	113,600	+10.4%
Number of full-time equivalent employees at June 30	119,300	107,600	+10.9%
Average number of full time equivalent employees over the period	114,000	107,800	+5.8%

At €3,270 million, **employee benefit costs** represented 27.8% of sales in first-half 2019, unchanged from the year-earlier period. The €319 million increase in euro terms was primarily attributable to the consolidation of Camso and Fenner employees over the period. In addition, the adverse impact of currency movements (mainly the US dollar's gains against the euro) was more than offset by the ongoing reduction in headcount in high-cost regions and corporate head offices.

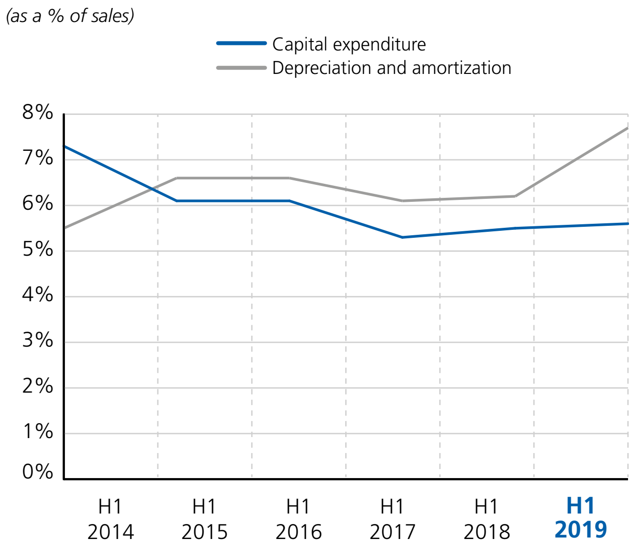
In first-half 2019, €3,254 million was recognized in segment operating income, and €16 million in other operating income and expenses (see section 3.3.3 i). In first-half 2018, €2,944 million was recognized in segment operating income, and €7 million in other operating income and expenses.

3.3.3 c) Depreciation and amortization

(in € million)	First half 2019	First half 2018	Change
Total depreciation and amortization	903	658	+37.1%
As a % of additions to intangible assets and property, plant and equipment	*136%*	*112%*	

Depreciation and amortization charges rose by 37%, to €903 million for the period. Most of the €245 million increase stemmed from the consolidation of Camso and Fenner, as well as from the application of IFRS 16 as from January 1, 2019 (see note 2.3.1 of the condensed interim consolidated financial statements). It also reflected the recognition of depreciation charges following the commissioning of capital assets, such as the new Passenger car tire plant in Mexico and the synthetic rubber facility in Indonesia, as well as unfavorable exchange rate movements.

In first-half 2019, €857 million was recognized in segment operating income, and €45 million in other operating income and expenses (see section 3.3.3 i).



3.3.3 d) Transportation costs

Transportation and logistics costs came to €607 million or 5.1% of interim sales. This was €22 million higher than a year earlier, primarily due to the increase in costs in North America at a time of truck driver shortages and rapidly rising wages. The currency effect also increased transportation costs for the period.

(in € million)	First half 2019	First half 2018	Change
Transportation costs	607	585	+3.7%
As a % of sales	*5.1%*	*5.5%*	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 5.7% of first-half sales in 2019, *versus* 6.0% in the first six months of 2018, and rose by €33 million in euro terms, impacted in particular by the consolidation of Camso and Fenner, and unfavorable movements in the US dollar.

3.3.3 f) Research and development expenses

(in € million)	First half 2019	First half 2018	Change
Research and development expenses	333	322	+3.4%
As a % of sales	*2.8%*	*3.0%*	

Research and development expenses stood at €333 million, up €11 million from first-half 2018, primarily due to the consolidation of Camso and Fenner, as well as the unfavorable currency effect. As a percentage of sales, R&D expenses declined compared with first-half 2018.

3.3.3 g) General and administrative expenses

General and administrative expenses amounted to €1,059 million, a year-on-year increase of €121 million reflecting the impact of consolidating Camso and Fenner, as well as the unfavorable currency effect. As a percentage of sales, they rose by 0.1 point to 9.0% in first-half 2019.

3.3.3 h) Segment other operating income and expenses

Segment other operating income and expenses came to an expense of €24 million, up around €7 million from the €17 million expense reported in first-half 2018. The increase was mainly attributable to the half-yearly fair value change of the shares held in SAPH, a rubber plantation company based in the Ivory Coast.

3.3.3 i) Other operating income and expenses

Other operating income and expenses amounted to a loss of €90 million in first-half 2019, primarily corresponding to the €45 million in amortization of acquired intangible assets recognized on the consolidation of Fenner and Camso. This item also included €28 million in refunds of import duties paid in prior years in the United States. In addition, a partial €19 million impairment loss was recognized on the goodwill relating to the Bookatable CGU (see note 14 to the condensed consolidated interim financial statements).

In first-half 2018, other operating income and expenses mainly included a €39 million disposal gain recognized following the loss of control of subsidiary TCi, LLC when it was contributed to the TBC joint venture (see note 2.6.2.3 to the condensed consolidated interim financial statements).

3.3.3 j) Cost of net debt

(in € million)	First half 2019	First half 2018	Change
Cost of net debt	(187)	(78)	+109

At €187 million, the **cost of net debt** was up €109 million compared with first-half 2018, primarily as a result of the following factors:

- a €63 million increase in net interest expense, reflecting the net impact of:
  - an €87 million increase due to the rise in average gross debt, to €7,347 million in first-half 2019 from €3,767 million in the year-earlier period,
  - a €22 million decrease from the lower average gross interest rate on borrowings, at 4.2% in first-half 2019 *versus* 4.8% in first-half 2018,
  - a €2 million decrease from other factors;
- a €39 million increase in losses on exchange rate derivatives, due mainly to the around 1-point decline in US dollar interest rates over the period;
- an aggregate €7 million net increase from movements in other factors.

3.3.3 k) Other financial income and expenses

(in € million)	First half 2019	First half 2018	Change
Other financial income and expenses	2	(6)	+8

Other financial income and expenses represented net income of €2 million, an €8 million year-on-year improvement that stemmed mainly from an improvement in net currency gains and losses.

3.3.3 l) Income tax

(in € million)	First half 2019	First half 2018	Change
Income before taxes	1,120	1,209	-89
INCOME TAX	**(269)**	**(292)**	**-23**
Current tax	(253)	(267)	-14
Withholding tax	(28)	(19)	+9
Deferred tax	12	(6)	+18

Income tax expense declined by €23 million year-on-year to €269 million in the first half of 2019, primarily due to the decline in income before taxes. The effective tax rate was 24.1%, *versus* 24.2% the year before.

3.3.3 m) Consolidated net income/(loss) and earnings per share

(in € million)	First half 2019	First half 2018	Change
Net income/(loss)	844	917	-73
As a % of sales	*7.2%*	*8.6%*	*-1.5pt*
▶ Attributable to the shareholders of the Company	858	925	-67
▶ Attributable to the non-controlling interests	(14)	(8)	
Earnings per share *(in €)*			
▶ Basic	4.74	5.12	-0.38
▶ Diluted	4.72	5.09	-0.37

Net income came to €844 million, or 7.2% of sales, compared with the €917 million reported in first-half 2018. The €73 million decline was attributable to the following factors:

- favorable factors:
  - the €112 million increase in segment operating income,
  - the €8 million increase in other financial income and expenses,
  - the €19 million improvement in the Group's share of profit from associates and joint ventures,
  - the €23 million reduction in income tax expense;
- unfavorable factors:
  - the €113 million increase in other operating losses,
  - the €109 million increase in the cost of net debt,
  - the €5 million increase in net interest on employee benefit obligations,
  - the €7 million loss from discontinued operations for the period.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

The acquisition of a controlling interest in Camso was completed on December 18, 2018. Given the closing date, the entire acquisition price as of the acquisition date (€1,174 million) was accounted for on a provisional basis as preliminary goodwill in the consolidated statement of financial position for the year ended December 31, 2018. For comparative purposes, that reported statement has been restated to reflect the final allocation of the acquisition price (see note 2.8 of condensed interim consolidated financial statements).

Methodological note: currency effect primarily stem from the translation of prior year assets and liabilities at the closing exchange rate.

ASSETS

(in € million)	June 30, 2019	December 31, 2018 restated	Total change	Currency effect	Movement
Goodwill	2,450	2,160	+290	+30	+260
Intangible assets	2,262	2,217	+45	+19	+26
Property, plant and equipment (PP&E)	12,777	11,644	+1,133	+143	+990
Non-current financial assets and other assets	782	699	+83	+1	+82
Investments in equity-accounted entities	966	953	+13	+8	+5
Deferred tax assets	855	752	+103	+6	+97
Non-current assets	**20,092**	**18,425**	**+1,667**	**+207**	**+1,460**
Inventories	5,115	4,702	+413	+48	+365
Trade receivables	3,847	3,453	+394	+29	+365
Current financial assets	360	315	+45	0	+45
Other current assets	1,293	1,103	+190	+11	+179
Cash and cash equivalents	1,361	2,128	-767	+2	-769
Assets held for sale	89	0	+89	0	+89
Current assets	**12,065**	**11,701**	**+364**	**+90**	**+274**
TOTAL ASSETS	**32,157**	**30,126**	**+2,031**	**+297**	**+1,734**

EQUITY AND LIABILITIES

(in € million)	June 30, 2019	December 31, 2018 restated	Total change	Currency effect	Movement
Share capital	360	360	0	0	+0
Share premiums	2,926	2,923	+3	0	+3
Reserves	8,985	8,875	+110	+106	+4
Non-controlling interests	9	23	-14	0	-14
Equity	**12,280**	**12,181**	**+99**	**+106**	**-7**
Non-current financial liabilities	5,986	5,302	+684	+18	+666
Employee benefit obligations	3,976	3,858	+118	+27	+91
Provisions and other non-current liabilities	1,147	1,319	-172	+9	-181
Deferred tax liabilities	460	435	+25	+4	+21
Non-current liabilities	**11,569**	**10,914**	**+655**	**+58**	**+597**
Current financial liabilities	2,434	1,222	+1,212	+77	+1,135
Trade payables	2,535	2,600	-65	+24	-89
Trade payables under factoring contracts	597	440	+157	+4	+153
Provisions and other current liabilities	2,729	2,769	-40	+21	-61
Liabilities directly associated with assets held for sale	13	0	+13	0	+13
Current liabilities	**8,308**	**7,031**	**+1,277**	**+127**	**+1,151**
TOTAL EQUITY AND LIABILITIES	**32,157**	**30,126**	**+2,031**	**+291**	**+1,740**

3.4.1 GOODWILL

Goodwill before translation adjustments amounted to €2,450 million at June 30, 2019, a €260 million increase from December 31, 2018 that was mainly due to the recognition of preliminary goodwill on Indonesian tiremaker Multistrada, acquired in March 2019, and European telematics provider Masternaut, acquired in May 2019.

3.4.2 INTANGIBLE ASSETS

Intangible assets stood at €2,262 million, a €26 million increase from December 31, 2018 (before translation adjustments) that primarily resulted from investments in software.

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to €12,777 million, up €990 million from December 31, 2018 before the positive €143 million translation adjustment. The increase was mainly due to the positive €796 million impact of applying IFRS 16 (see note 2.3.1 of the condensed interim consolidated financial statements), as well as to the first-time consolidation of Multistrada assets.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets ended the period at €782 million, an €82 million increase (before the positive €1 million translation adjustment) that primarily reflected the non-recurring matching contribution paid in first-half 2019 to the employee benefits fund in the United Kingdom, as well as fair value adjustments to derivative instruments.

3.4.5 INVESTMENTS IN EQUITY-ACCOUNTED ENTITIES

Investments in equity-accounted entities stood at €966 million at end-June 2019, representing a €5 million increase before the positive €8 million translation adjustment, primarily because the €28 million disposal gain from the change in the method used to consolidate Symbio (see note 2.6.3 to the condensed interim consolidated financial statements) offset the Group's €20 million share in the net losses from equity-accounted entities.

3.4.6 DEFERRED TAX ASSETS AND LIABILITIES

Excluding the positive €2 million translation adjustment, **net deferred tax assets** rose by €76 million compared with December 31, 2018, mainly as a result of actuarial gains and losses recognized during the year on employee benefit obligations, particularly in Germany.

3.4.7 TRADE WORKING CAPITAL

(in € million)	June 30, 2019	June 30, 2018	Change	June 30, 2019 *(as a % of sales, last 12 months)*	June 30, 2018 *(as a % of sales, last 12 months)*
Inventories	5,115	4,633	+482	22.0%	21.5%
Trade receivables	3,847	3,658	+189	16.6%	17.0%
Trade payables	(2,535)	(2,205)	-330	-10.9%	-10.3%
Reverse factoring contracts	(597)	(530)	-67	-2.6%	-2.5%
TRADE WORKING CAPITAL	**5,830**	**5,556**	**+274**	**25.1%**	**25.8%**

Trade working capital rose by €274 million compared with June 30, 2018, primarily due to the increase in inventories. It represented 25.1% of moving 12-month sales, a 0.7 point improvement on June 30, 2018.

At €5,115 million, **inventories** ended the period up €482 million compared with June 30, 2018. The sharp increase resulted mainly from the first-time consolidation of Camso, Fenner and Multistrada inventories and, to a lesser extent, from translation adjustments due to the rise in the US dollar against the euro. Excluding the impact of changes in the scope of consolidation, the volume of inventories was unchanged for the period.

Trade receivables increased by €189 million year-on-year to €3,847 million at June 30, 2019, primarily due to the first-time consolidation of Fenner, Camso and Multistrada, as well as to translation adjustments following the rise in the US dollar against the euro.

Trade payables, including those **covered by reverse factoring contracts,** rose by €397 million year-on-year to €3,132 million, reflecting the consolidation of Fenner, Camso and Multistrada, other changes in the scope of consolidation, and the postponement of June invoice payments until July because June 30 was a Sunday.

3.4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €1,361 million at June 30, 2019, a €769 million decrease from December 31, 2018 (before the positive €2 million translation adjustment) that was primarily due to the following factors:

- increases from:
  - the €603 million in new debt;
- decreases from:
  - the negative €592 million in free cash flow,
  - the payment of €676 million in dividends and other distributions,
  - €66 million in net equity-related outlays, including €18 million as part of the share buyback program,
  - €38 million in other outlays.

3.4.9 ASSETS/LIABILITIES HELD FOR SALE

Prior to signing the memorandum of understanding with Faurecia on March 11, 2019 to create a future world leader in hydrogen mobility, on February 7, 2019 the Group acquired all outstanding shares of Symbio it did not already own, raising its interest to 100% from 46.64% previously.

Given that Symbio is expected to become a joint venture with shared management control, its assets and liabilities have been classified as held for sale and presented on a separate line in the condensed consolidated statement of financial position for the six months ended June 30, 2019 (see note 2.6.3 to the condensed consolidated interim financial statements).

3.4.10 EQUITY

Consolidated equity increased by €99 million to €12,280 million at June 30, 2019 from the restated €12,181 million at December 31, 2018, primarily as a result of the following factors:

- increases:
  - €887 million in comprehensive income for the period, including:
    - €844 million in net income,
    - €152 million in post-employment obligations,
    - a €55 million reduction in taxes payable on these obligations,
    - €7 million in net unrealized gains on available-for-sale financial assets,
    - a €29 million increase in the fair value of hedging instruments,
    - €106 million in favorable translation adjustments,
    - a €2 million decrease from other factors,
  - €2 million in proceeds from the issue of new shares on the exercise of stock options and the vesting of performance shares,
  - €3 million in service costs on performance share plans,
  - €1 million in other increases;
- decreases:
  - the payment of €676 million in dividends and other distributions,
  - the €70 million impact of reclassifying the share buyback program as debt,
  - the outlay of €30 million to buy out the non-controlling interests in Multistrada,
  - €18 million other outlays.

As a result, at June 30, 2019, the **share capital** of Compagnie Générale des Établissements Michelin stood at €359,770,848, comprising 179,885,424 shares corresponding to 243,903,774 voting rights.

3.4.11 NET DEBT

Net debt stood at €6,664 million at June 30, 2019, up €2,608 million from December 31, 2018, mainly as a result of the following factors:

- the net use of €1,337 million in cash, reflecting:
  - the €592 million in negative free cash flow for the period,
  - the €727 million in dividend payments, withholdings and other changes in equity,
  - the €18 million in share buybacks during the period;
- €1,272 million in other non-cash factors increasing net debt, of which:
  - the €815 million impact of applying IFRS 16,
  - the €265 million increase from the first-time consolidation of Multistrada and Masternaut and other changes in the scope of consolidation,
  - €81 million in new finance leases,
  - €18 million in other non-cash increases,
  - €93 million in translation adjustments.

CHANGES IN NET DEBT

(in € million)	First half 2019	First half 2018
At January 1	**4,056**	**716**
Free cash flow[1]	+592	+2,049
Distributions and other	+676	+640
Purchases of Michelin shares (actual and commitments)	+18	+75
IFRS 16	+815	
New finance leases	+81	+34
Changes in scope of consolidation	+265	+193
Translation adjustment	+93	+13
Other	+68	+34
AT JUNE 30	**6,664**	**3,753**
CHANGE	**+2,608**	**+3,037**

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

3.4.11 a) Gearing

Gearing stood at 54% at June 30, 2019, *versus* 33% a year earlier.

3.4.11 b) Credit ratings

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

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

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

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

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

3.4.12 PROVISIONS

Provisions and other non-current liabilities amounted to €1,147 million *versus* €1,319 million at December 31, 2018, a €181 million decrease (before the positive €9 million currency effect). The change was led by payments out of restructuring provisions set aside in prior years and the transfer of short-term provisions to current liabilities.

3.4.13 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other defined benefit plans	First half 2019	First half 2018
At January 1 (restated)	**2,098**	**1,760**	**3,858**	**3,969**
Contribution paid to the funds	(178)	-	(178)	(40)
Benefits paid directly to the beneficiaries	(16)	(56)	(72)	(75)
Other movements	-	11	11	21
Items recognized in operating income				
Current service cost	22	33	55	50
Actuarial (gains) or losses recognized in other comprehensive income	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	-
Past service cost resulting from plan curtailments	-	6	6	(13)
Effect of any plan settlements	-	-	-	-
Other items	6	-	6	8
Items recognized outside operating income				
Net interest on employee benefit obligations	25	24	49	44
Items recognized in other comprehensive income				
Translation adjustments	12	17	29	20
Actuarial (gains) or losses	53	141	194	(88)
Portion of unrecognized asset due to the application of the asset ceiling	(42)	-	(42)	8
AT JUNE 30	**1,980**	**1,936**	**3,916**	**3,904**

The net obligation recognized in the balance sheet at June 30, 2019 increased by €58 million to €3,916 million, primarily due to the €178 million in contributions paid to fund management institutions and the €194 million in actuarial losses incurred over the period.

The expense recognized in the income statement in respect of defined benefit plans came in slightly above Group forecasts, at €116 million instead of the estimated €106 million. Of this amount, €67 million was recognized in operating income and €49 million outside operating income.

Total payments under defined benefit plans during first-half 2019 amounted to €250 million, *versus* €115 million a year earlier. They included:

- €178 million in contributions paid to fund management institutions (first-half 2018: €40 million), of which €173 million paid to funds in the United Kingdom;
- €72 million in benefits paid directly to employees (first-half 2018: €75 million).

Contributions paid by the Group for defined contribution plans totaled €112 million in first-half 2019, *versus* €114 million in the prior-year period.

Actuarial losses recognized in equity at June 30, 2019 totaled €194 million, which may be analyzed as follows:

- €778 million in actuarial losses on the obligation, mainly resulting from the use of lower discount rates in North America and Europe;
- €584 million in actuarial gains on plan assets, stemming from the very high real return on the assets over the period in North America and Europe.

A negative €42 million was recognized in the statement of comprehensive income following application of the asset ceiling rule to the Canadian pension plan.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOWS FROM OPERATING ACTIVITIES

(in € million)	First half 2019	First half 2018	Change
Segment EBITDA	**2,296**	**1,985**	**+311**
Change in inventories	(283)	(175)	-108
Change in trade receivables	(452)	(404)	-48
Change in trade payables	176	(96)	+272
Restructuring cash costs	(96)	(96)	0
Tax and interest paid	(547)	(296)	-251
Other	(326)	(113)	-212
CASH FLOWS FROM OPERATING ACTIVITIES	**769**	**805**	**-36**

At €2,296 million, **segment EBITDA** was up €311 million year-on-year, reflecting the €112 million increase in segment operating income, to €1,438 million from €1,327 million in first-half 2018, and the €200 million increase in depreciation and amortization charges for the period (including the impact of applying IFRS 16).

Cash flows from operating activities declined by €36 million, to €769 million from €805 million in first-half 2018. The €311 million increase in EBITDA and the €116 million improvement in working capital were more than offset by the €251 million increase in tax and interest paid and the €212 million increase in other factors having an impact on cash flows.

The general improvement in working capital reflected the following factors:

- a €108 million increase in the negative impact of the change in inventories, to a negative €283 million from a negative €175 million in first-half 2018;
- a €48 million increase in the negative impact from the increase in trade receivables and advances during the first half, to a negative €452 million from a negative €404 million a year earlier;
- these two unfavorable factors were more than offset by the €272 million improvement in the impact from the change in trade payables, which swung to a positive €176 million in first-half 2019 from a negative €96 million the year before.

The €212 million increase in the other factors having an impact on cash flows corresponds mainly to payments to pension funds and changes in various provisions (including for employee benefit obligations).

3.5.2 CAPITAL EXPENDITURE

(in € million)	First half 2019	First half 2018	First half 2019 YoY change	First half 2019 *(as a % of sales)*	First half 2018 *(as a % of sales)*
Gross purchases of intangible assets and PP&E	**665**	**588**	**+77**	**5.6%**	**5.5%**
Investment grants received and change in capital expenditure payables	219	302	-83	1.9%	2.9%
Proceeds from sales of intangible assets and PP&E	(19)	(42)	+23	0.2%	0.4%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**865**	**848**	**+17**	**7.3%**	**8.0%**

Gross purchases of intangible assets and property, plant and equipment came to €665 million for the period, compared with €588 million in first-half 2018, and therefore represented 5.6% of sales *versus* 5.5% previously.

Of the total, growth investments stood at €212 million, committed primarily in Thailand, China and Mexico.

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 capital expenditure 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 (excluding net cash flows used in cash management instruments and loan guarantees).

(in € million)	First half 2019	First half 2018	Change
Cash flows from operating activities	**769**	**805**	**-36**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(453)	(385)	-68
AVAILABLE CASH FLOW	**316**	**420**	**-104**
Growth investments	(212)	(203)	-9
Other cash flows from investing activities	(696)	(2,266)	+1,570
FREE CASH FLOW	**(592)**	**(2,049)**	**+1,457**

After subtracting €453 million in routine capital expenditure, available cash flow stood at €316 million for first-half 2019.

During the period, the Group invested €470 million in acquisitions, of which Multistrada and Masternaut.

Free cash flow amounted to a negative €592 million, after the €212 million in growth investments.

3.6 OUTLOOK FOR FULL-YEAR 2019

In 2019, the Passenger car and Light truck tire markets are expected to decline by 1%, as the modest 1% growth in the Replacement segment fails to offset the steep 4% contraction in the Original equipment segment.

The Truck tire markets are expected to decline more quickly in the second half, to end the year down 2%.

Mining and aircraft tire markets should continue to expand, offsetting the steep drop in agricultural tire markets and in Original equipment demand in construction tire markets.

The full-year impact of raw materials costs and customs duties is estimated at around a negative €100 million.

3.7 RELATED PARTIES

There were no new material related-party transactions during the first half of 2019, nor any material changes in the related-party transactions described in the 2018 Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group’s main risks have been identified and are described in the 2018 Registration Document.

3.9 FINANCIAL HIGHLIGHTS

(in € million)	First half 2019	First half 2018	2018	2017	2016	2015	2014
Sales	11,781	10,603	22,028	21,960	20,907	21,199	19,553
% change	*+11.1%*	*-4.1%*	*+0.3%*	*+5.0%*	*-1.4%*	*+8.4%*	*-3.4%*
Total employee benefit costs	3,270	2,951	6,038	5,871	5,542	5,785	5,292
as a % of sales	*27.8%*	*27.8%*	*27.4%*	*26.7%*	*26.5%*	*27.3%*	*27.1%*
Average number of full time equivalent employees over the period	114,000	107,800	111,100	107,800	105,700	105,800	106,700
Research and development expenses	333	322	648	641	718	689	656
as a % of sales	*2.8%*	*3.0%*	*2.9%*	*2.9%*	*3.4%*	*3.3%*	*3.4%*
Segment EBITDA(1)	2,296	1,985	4,119	4,087	4,084	3,934	3,286
Segment operating income	1,438	1,327	2,775	2,742	2,692	2,577	2,170
Segment operating margin	12.2%	12.5%	12.6%	12.5%	12.9%	12.2%	11.1%
Operating income	1,348	1,350	2,550	2,631	2,791	2,207	1,991
Operating margin	11.4%	12.7%	11.6%	12.0%	13.3%	10.4%	10.2%
Cost of net debt	187	78	200	176	203	184	130
Other financial income and expenses	2	(6)	16	(0)	20	(30)	(43)
Income before taxes	1,120	1,209	2,230	2,354	2,464	1,869	1,651
Income tax	269	292	570	661	797	706	620
Effective tax rate	24.1%	24.2%	25.6%	28.1%	32.3%	37.8%	37.5%
Net income	844	917	1,660	1,693	1,667	1,163	1,031
as a % of sales	*7.2%*	*8.6%*	*7.5%*	*7.7%*	*8.0%*	*5.5%*	*5.3%*
Dividends(2)	666	637	637	585	522	463	464
Cash flows from operating activities	769	805	2,831	2,741	2,764	2,695	2,522
as a % of sales	*6.5%*	*7.6%*	*12.9%*	*12.5%*	*13.2%*	*12.7%*	*12.9%*
Gross purchases of intangible assets and PP&E	665	588	1,669	1,771	1,811	1,804	1,883
as a % of sales	*5.6%*	*5.5%*	*7.6%*	*8.1%*	*8.7%*	*8.5%*	*9.6%*
Net debt(3)	6,664	3,753	3,719	716	944	1,008	707
Equity	12,280	11,479	12,167	11,261	10,646	9,542	9,523
Gearing	54%	33%	31%	6%	9%	11%	7%
Net debt(3)/EBITDA(1)	2.90	1.89	0.90	0.18	0.23	0.26	0.22
Segment operating income/Net interest charge(4)	9.4	14.8	13.3	15.9	13.3	12.8	16.0
Free cash flow(5)	(592)	(2,049)	(2,011)	662	1,024	653	322
ROE(6)	N/A	N/A	13.6%	15.0%	15.7%	12.2%	10.8%
ROCE(7)	N/A	N/A	-	11.9%	12.1%	12.2%	11.1%
Operating ROCE(8)	N/A	N/A	14.0%	13.0%	-	-	-
Per-share data *(in €)*							
Net assets per share(9)	68.6	64.1	67.8	62.7	59.1	52.5	51.3
Basic earnings per share	4.74	5.12	9.30	9.39	9.21	6.28	5.52
Diluted earnings per share	4.72	5.09	9.25	9.34	9.03	6.19	5.45
Price-earnings ratio(10)	N/A	N/A	9.3	12.7	11.5	14.0	13.6
Dividend for the year	N/A	N/A	3.70	3.55	3.25	2.85	2.50
Payout ratio(11)	N/A	N/A	36.4%	36.0%	36.5%	37.0%	40.6%
Yield(12)	N/A	N/A	4.3%	3.0%	3.1%	3.2%	3.3%
Share turnover rate(13)	85%	81%	92%	71%	78%	99%	91%

(1) As defined in note 3.7.2 to the 2018 consolidated financial statements.
(2) Including the dividends paid in shares.
(3) Net debt: financial liabilities - cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) +/- derivative assets, as defined in note 26 to the 2018 consolidated financial statements, note 9 to the 2019 condensed interim consolidated financial statements
(4) Net interest charge: interest expense - interest income from cash and equivalents.
(5) Free cash flow: cash flows from operating activities - cash flows from investing activities (excluding 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), as defined in section 2.6 of the 2018 Registration Document.
(8) Operating ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital - goodwill - acquired intangible assets - associates and joint ventures) - tax rate of 26% in 2018 and 31% in 2017.
(9) Net assets per share: net assets/number of shares outstanding at the end of the period.
(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

- €20,066 million at June 30, 2019.

Average daily trading volume

- 610,068 shares since January 1, 2019.

Indices

The Michelin share is included in two leading stock market indices. As of June 30, 2019, it represented:

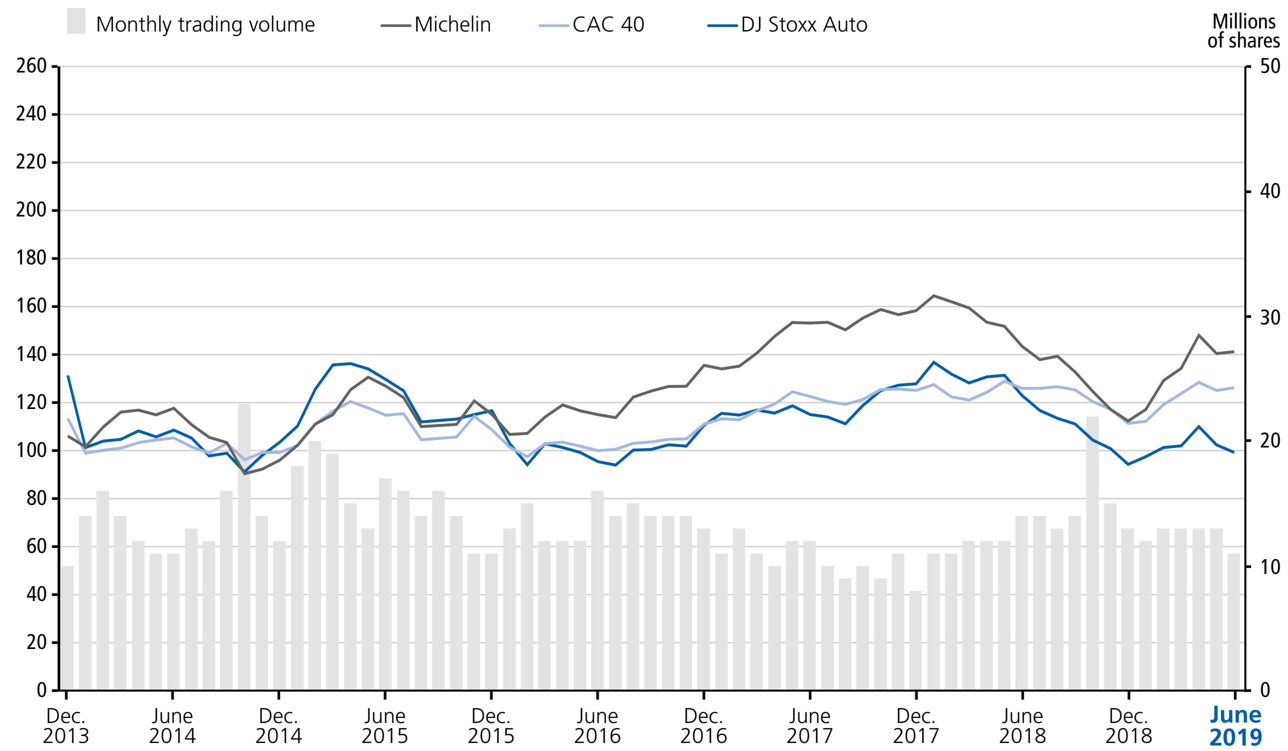
- CAC 40: 1.53% of the index at June 30, 2019;
- Euronext 100: 0.70% of the index at June 30, 2019.

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

- FTSE4Good;
- Ethibel Sustainability Index (ESI) Europe.

SHARE PERFORMANCE

(closing price at June 30, 2019)



3.10.2 SHARE DATA

Share price *(in €)*	First half 2019	2018	2017	2016	2015	2014
High	118.60	130.85	128.40	106.80	103.90	94.33
Low	83.74	82.68	98.93	77.40	71.60	65.10
High/Low ratio	1.42	1.58	1.30	1.38	1.45	1.45
Closing price, end of period	111.55	86.70	119.55	105.70	87.90	75.27
Average share price over the period	104.07	109.40	115.65	91.97	90.26	82.10
Change over the period	30.35%	-27.48%	13.10%	20.25%	16.78%	-2.56%
Change in the CAC 40 index over the period	*18.12%*	*-10.95%*	*9.26%*	*4.86%*	*8.53%*	*-0.54%*
Market value at end of period *(in € billion)*	**20.07**	**15.59**	**21.45**	**19.03**	**15.98**	**13.98**
Average daily trading volume over the period	610,068	649,347	503,534	554,262	719,709	662,063
Average shares outstanding	179,867,552	179,384,513	182,212,806	182,122,667	185,960,394	185,954,390
Volume of shares traded over the period	76,258,483	165,583,378	128,401,095	142,445,218	184,245,619	168,826,055
Share turnover rate	**85%**	**92%**	**71%**	**78%**	**99%**	**91%**

3.10.3 PER-SHARE DATA

(in € per share, except ratios)	First half 2019	2018	2017	2016	2015	2014
Net assets per share	68.6	67.8	62.7	59.1	52.5	51.3
Basic earnings per share	4.74	9.30	9.39	9.21	6.28	5.52
Diluted earnings per share(1)	4.72	9.25	9.34	9.03	6.19	5.45
Price-earnings ratio	**N/A**	**9.3**	**12.7**	**11.5**	**14.0**	**13.6**
Dividend for the year	N/A	3.70	3.55	3.25	2.85	2.50
Pay-out ratio	N/A	36.4%	36.0%	36.5%	37.0%	40.6%
Yield(2)	N/A	4.3%	3.0%	3.1%	3.2%	3.3%

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

The goal of the Group's dividend policy is to pay out at least 35% of consolidated net income before non-recurring items.

3.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2019, Michelin's share capital amounted to €359,770,848.

	At June 30, 2019		
	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors		26.1%	28.6%
Non-resident institutional investors	3,574	59.9%	57.4%
Individual shareholders	124,307	11.6%	11.4%
Employee shareholder plan	80,758	2.3%	2.6%
Treasury shares	-	0.1%	-
TOTAL	**208,639**	**179,885,424 SHARES(1)**	**243,903,774 VOTING RIGHTS**

(1) All fully paid up.

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

3.11 HIGHLIGHTS: FIRST HALF 2019

3.11.1 STRATEGY

March 8, 2019, April 16, 2019 – Michelin acquires 99.64% of leading Indonesian tire manufacturer Multistrada

After taking an 87.59% stake in PT MultistradaArahSarana TBK (March 8, 2019), Michelin has acquired an additional 12.05% following a public offer for the remaining outstanding shares (April 16, 2019). Through the transaction, Michelin will strengthen its presence in the highly promising but local-production dominated Indonesian market by acquiring a very competitive plant with good quality facilities and immediately available capacity to manufacture up to 180,000 tonnes of Passenger car, Two-wheel and Truck tires.

March 11, 2019 – Faurecia and Michelin join forces to create a future world leader in hydrogen mobility

Faurecia and Michelin, the current parent company of Symbio (a hydrogen company), have signed a memorandum of understanding. Symbio will be owned equally by Faurecia and Michelin. This French joint venture, built around a unique ecosystem, will develop, produce and market hydrogen fuel cell systems for light vehicles, utility vehicles, trucks.

April 4, 2019 – Investor Day held in Almeria and €500 million share buyback program announced, to be implemented between 2019 and 2023

At an Investor Day held at its Spanish test center in Almeria, Michelin confirmed its growth strategy and announced a €500 million share buyback program to be implemented between 2019 and 2023, including €70 million in 2019. During this day, the Group also reaffirmed the commitment of all Michelin employees to meeting its ambitious growth objectives in support of sustainable mobility.

May 3, 2019 – Gulf Air chooses Michelin as exclusive tire supplier

Gulf Air, the national carrier of the Kingdom of Bahrain, has chosen Michelin to equip every aircraft type in its fleet including its brand new Boeing 787-9 Dreamliners, Airbus 320neos and Airbus 321neos. With Gulf Air's fleet already fitted with Michelin tires over the past decade, the new contract is just the latest chapter in the successful, long-lasting relationship between the two companies. The complete revamp of Gulf Air's new fleet is the perfect opportunity to introduce the MICHELIN Air X tire featuring the patented Michelin Near Zero Growth technology.

May 16, 2019 – Michelin acquires Masternaut, stepping up deployment of its telematics solutions across Europe

Michelin has acquired the entire share capital of Masternaut, one of the largest European telematics providers. Masternaut operates primarily in France and the United Kingdom. It provides a technical platform equipped with the latest technology and offers on-board fleet telematics solutions to optimize vehicle fleet management and monitoring. Masternaut manages over 220,000 mostly light utility vehicles under contract. The acquisition bolsters the Group's presence in the booming fleet services market.

May 17, 2019 – Florent Menegaux, Managing General Partner, elected Managing Chairman of the Group

The Annual Meeting of Michelin shareholders was held on May 17, 2019 in Clermont-Ferrand. Following the Meeting, Florent Menegaux, Managing General Partner, became Managing Chairman, replacing Jean-Dominique Senard.

June 4, 2019 – Inaugural edition of the MICHELIN Guide California, featuring 90 starred restaurants

Michelin is pleased to unveil the highly anticipated selection of star awards in the 2019 MICHELIN Guide California, the first ever statewide MICHELIN Guide in the United States. Expanding the selection announced in the 2019 MICHELIN Guide San Francisco, the Guide now showcases 657 restaurants across the state.

3.11.2 INNOVATION

March 5, 2019 – At the Geneva International Motor Show, Michelin presents the two latest additions to the MICHELIN Pilot Sport family: the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup2 R

Its two latest additions, the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup2 R, were unveiled at the Geneva International Motor Show. Designed for drivers who want to use the full potential of their car and increase their driving pleasure, the new models leverage technologies developed in motorsport and in cooperation with the most demanding car manufacturers.

March 21, 2019 – Launch of the new MICHELIN Anakee Adventure motorcycle tire in one of the most dynamic, competitive and innovative markets

With this new tire, which ticks all the performance-related boxes, and will appeal to exacting on Michelin is effectively addressing the expectations of customers who use their bike in all weather for commuting, or predominantly at the weekend, not only on sealed surfaces but also off-road.

May 3, 2019 – Michelin extends its X Multi regional truck tire range

The new X Multi HD D tire is designed for tractor units and trucks for road use mainly, and for loading phases, use in rural areas. The X Multi T2 tire is intended for low platform height trailers, such as tank carriers or exceptional convoys. The common characteristic of these two Michelin X Multi tires is their robustness, which offers users greater safety and lower operating costs.

June 18, 2019 – BMW chooses the MICHELIN Pilot Sport 4S* as a tire fitment for its new X3 M and X4 M models

BMW has chosen the MICHELIN Pilot Sport 4S* as the sole fitment for the global press launch of its new high performance X3 M and X4 M models. The result of almost three years of co-development between BMW M and Michelin, the tires feature such novel Michelin technologies as multi-compound treads and aramid-fiber reinforced casings. The contract has confirmed Michelin's long and successful relationship with BMW M.

June 19, 2019 – Michelin and Safran announce successful flight tests of the world's first connected aircraft tire

At the Paris Air Show, Michelin and Safran Landing Systems announced the successful flight tests of PresSense, the world's first connected aircraft tire, on June 13 at the Istres air base in southern France, using a Dassault Aviation Falcon 2000S. The flight tests mark the latest phase in the development of the PresSense solution and pave the way for an entry into service towards 2020. The wireless solution is designed to facilitate ground maintenance operations for airlines by sharply reducing tire cooling time, thereby speeding aircraft turnaround.

3.11.3 SUSTAINABLE DEVELOPMENT

March 8, 2019 – Michelin named "Tire Manufacturer of the Year"

At the 2019 Tire Technology Expo in Germany, a worldwide panel of 31 tire industry specialists, ranging from tire and vehicle manufacturers to industrial researchers and university experts, chose Michelin as "Tire Manufacturer of the Year". The panel awarded the accolade to Michelin for several achievements, including its environmental initiatives, product innovation and research on worn tire performance.

May 20, 2019 – Michelin acquires a 22.8% stake in a unique public-private partnership to create Hympulsion, whose mission is to encourage renewable hydrogen-powered mobility in the Auvergne-Rhône-Alpes region

Hympulsion is a unique public-private partnership owned 49% by the Auvergne-Rhône-Alpes Region and the *Banque des Territoires* and 51% by Michelin, ENGIE and Crédit Agricole. It is tasked with stepping up the deployment of Zero Emission Valley, France's first renewable hydrogen-powered mobility project for corporate fleets, involving 1,000 vehicles and 20 refueling stations. Co-financed by European funds, the project is committed to providing vehicles and renewable hydrogen at an overall cost that is on a par with diesel. It represents a real-world response to the environmental, industrial and economic challenges of hydrogen mobility.

June 3, 2019 – Michelin presents the safety, purchasing power and environmental benefits of its LONG LASTING PERFORMANCE approach in Vienna. The approach has been recognized by the European Parliament, which has added worn tire testing to EU safety regulations from 2022

Presented in Vienna from July 1 to 5, 2019, Michelin's LONG LASTING PERFORMANCE approach highlighted the Group's firm conviction that everyone is entitled to tires that deliver safe performance from the first to the last kilometer. Michelin supports the passage of legislation that would encourage this performance, and welcomes the recent decisions of the European Parliament to raise safety standards by introducing tests on worn tires from 2022. In addition to safety, this approach has a direct impact on consumer purchasing power and the environment, in particular by enabling motorists to use their tires longer before replacing them, thereby saving raw materials.

June 4, 2019 – At the Movin'On summit, Michelin and General Motors presented the MICHELIN Unique Puncture-Proof Tire System (Uptis) prototype, a new generation of airless wheels for passenger vehicles

At the Movin'On Summit third edition held from June 4 to 6, 2019 in Montreal, Michelin and General Motors (GM) presented the Uptis prototype, the first airless tire developed by the two companies' research partnership, which is now being tested on vehicles like the Chevrolet Bolt EV. MICHELIN Uptis features ground-breaking improvements in architecture and composite materials, which enable it to bear the car's weight at road-going speeds. This stage represents a major advancement toward achieving Michelin's VISION concept, presented at the Movin'On Summit in 2017, and demonstrates Michelin's and GM's shared commitment to delivering safer, more sustainable mobility solutions.

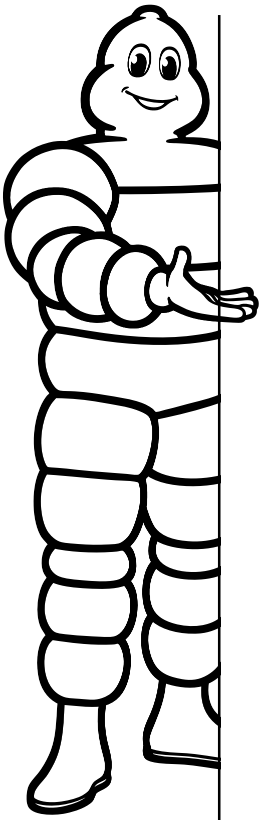
3.11.4 RACING

June 17, 2019 – 2019 World Endurance Championship – 24 Hours of Le Mans 2019: Toyota Gazoo Racing's double win clinches Michelin's 22nd straight victory

The 2019 race saw Toyota Gazoo Racing claim first and second places to clinch the 2019 FIA World Endurance Championship title with Sébastien Buemi, Kazuki Nakajima (Japan's first ever FIA World Champion) and Fernando Alonso, who steered the No. 8 Toyota TS050-Hybrid to Michelin's 22nd straight Le Mans victory. On both track and street, Michelin is committed to meeting the same exacting standard of long-lasting performance.

4

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

DETAILED SUMMARY OF THE NOTES OF THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Six months ended June 30, 2019	Six months ended June 30, 2018[1]
Sales	3	11,781	10,603
Cost of sales	2.2.1	(8,260)	(7,365)
Gross income		**3,521**	**3,238**
Sales and marketing expenses		(667)	(634)
Research and development expenses		(333)	(322)
General and administrative expenses		(1,059)	(938)
Segment other income and expenses		(24)	(17)
Segment operating income	3	**1,438**	**1,327**
Other operating income and expenses	4	(90)	23
Operating income/(loss)		**1,348**	**1,350**
Cost of net debt	5	(187)	(78)
Other financial income and expenses	5	2	(6)
Net interest on employee benefit obligations	11	(49)	(44)
Share of profit/(loss) from equity accounted entities	15	6	(13)
Income/(loss) before taxes		**1,120**	**1,209**
Income tax		(269)	(292)
Profit/(loss) from continuing operations		**851**	**917**
Net profit/(loss) from discontinued operations	2.6.3	(7)	-
NET INCOME/(LOSS)		**844**	**917**
▶ Attributable to the shareholders of the Company		858	925
▶ Attributable to the non-controlling interests		(14)	(8)
Earnings per share *(in €)*			
▶ Basic	6	4.74	5.12
▶ Diluted		4.72	5.09

(1) The figures for the six months ended June 30, 2018 have been restated for comparative purposes (note 2.8.of the condensed interim consolidated financial statements).

The notes 1 to 17 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Net income/(loss)		**844**	**917**
Post-employment benefits	11	(152)	80
Tax effect – Post-employment benefits		55	(19)
Equity investment at fair value through other comprehensive income – change in fair values		(2)	6
Tax effect – Equity investment at fair value through other comprehensive income		9	(1)
Other items of comprehensive income that will not be reclassified to income statement		**(90)**	**66**
Currency translation differences		106	(31)
Other		27	(24)
Other items of comprehensive income that may be reclassified to income statement		**133**	**(55)**
Other comprehensive income		**43**	**11**
COMPREHENSIVE INCOME		**887**	**928**
▶ Attributable to the shareholders of the Company		900	934
▶ Attributable to the non-controlling interests		(13)	(6)

The notes 1 to 17 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	June 30, 2019	December 31, 2018[1]
Goodwill	14	2,450	2,160
Intangible assets	14	2,262	2,217
Property, plant and equipment (PP&E)	2.3.1	12,777	11,644
Non-current financial assets and other assets		782	699
Investments in equity-accounted entities	15	966	953
Deferred tax assets		855	752
Non-current assets		**20,092**	**18,425**
Inventories		5,115	4,702
Trade receivables		3,847	3,453
Current financial assets		360	315
Other current assets		1,293	1,103
Cash and cash equivalents		1,361	2,128
Assets held for sale	2.6.3	89	-
Current assets		**12,065**	**11,701**
TOTAL ASSETS		**32,157**	**30,126**
Share capital	7	360	360
Share premiums	7	2,926	2,923
Reserves	8	8,985	8,875
Non-controlling interests		9	23
Equity		**12,280**	**12,181**
Non-current financial liabilities	9.1	5,986	5,302
Employee benefit obligations	11	3,976	3,858
Provisions and other non-current liabilities	12	1,147	1,319
Deferred tax liabilities		460	435
Non-current liabilities		**11,569**	**10,914**
Current financial liabilities	9.1	2,434	1,222
Trade payables		2,535	2,600
Trade payables under factoring contracts		597	440
Provision and other current liabilities	12	2,729	2,769
Liabilities directly associated with assets held for sale	2.6.3	13	-
Current liabilities		**8,308**	**7,031**
TOTAL EQUITY AND LIABILITIES		**32,157**	**30,126**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

The notes 1 to 17 are an integral part of the condensed interim consolidated 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, 2018	**359**	**2,942**	**7,925**	**35**	**11,261**
Net income/(loss)	-	-	925	(8)	**917**
Other comprehensive income	-	-	9	2	**11**
Comprehensive income	-	-	**934**	**(6)**	**928**
Issuance of shares	-	5	-	-	**5**
Cancellation of shares	(1)	(74)	75	-	**-**
Dividends and other allocations	-	-	(647)	-	**(647)**
Share-based payments – cost of services rendered	-	-	5	-	**5**
Purchase of shares	-	-	(75)	-	**(75)**
Disposal of shares	-	-	-	-	**-**
Other	-	-	-	2	**2**
At June 30, 2018	**358**	**2,873**	**8,217**	**31**	**11,479**
Net income/(loss)	-	-	752	(9)	**743**
Other comprehensive income(1)	-	-	(96)	1	**(95)**
Comprehensive income(1)	-	-	**656**	**(8)**	**648**
Issuance of shares	2	51	-	-	**53**
Cancellation of shares	-	-	-	-	**-**
Dividends and other allocations	-	-	-	(1)	**(1)**
Share-based payments – cost of services rendered	-	-	2	-	**2**
Purchase of shares	-	-	-	-	**-**
Disposal of shares	-	-	-	-	**-**
Other	-	(1)	-	1	**-**
At December 31, 2018(1)	**360**	**2,923**	**8,875**	**23**	**12,181**
Net income/(loss)	-	-	858	(14)	**844**
Other comprehensive income	-	-	42	1	**43**
Comprehensive income	-	-	**900**	**(13)**	**887**
Issuance of shares	-	2	-	-	**2**
Cancellation of shares	-	-	-	-	**-**
Dividends and other allocations	-	-	(675)	(1)	**(676)**
Share-based payments – cost of services rendered	-	-	3	-	**3**
Purchase of shares	-	-	(70)	-	**(70)**
Disposal of shares	-	-	-	-	**-**
Other	-	1	(48)	-	**(47)**
AT JUNE 30, 2019	**360**	**2,926**	**8,985**	**9**	**12,280**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8 of the condensed interim consolidated financial statements).

The notes 1 to 17 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Net income		844	917
Adjustments			
▶ Cost of net debt	5	187	78
▶ Other financial income and expenses	5	(2)	6
▶ Net interest on benefits	11	49	44
▶ Income tax		269	292
▶ Amortization and depreciation of intangible assets and PP&E	2.3.1	858	658
▶ Other operating income and expenses	4	90	(23)
▶ Profit/(loss) from discontinued operation	2.6.3	7	-
▶ Share of loss/(profit) from associates		(6)	13
Segment EBITDA	2.3.1	**2,296**	**1,985**
Other operating income and expenses (cash) and change in provisions	13	(274)	(165)
Cost of net debt and other financial income and expenses paid	13	(160)	(85)
Income tax paid		(387)	(211)
Change in working capital, net of impairments	13	(706)	(719)
Cash flows from operating activities		**769**	**805**
Purchases of intangible assets and PP&E	13	(884)	(890)
Proceeds from sale of intangible assets and PP&E		19	42
Equity investments in consolidated companies, net of cash acquired		(470)	(1,907)
Disposals of equity investments in consolidated companies, net of cash sold		2	157
Purchases of equity investments at fair value		(11)	(9)
Proceeds from sale of equity investments at fair value		12	-
Cash flows from other financial assets	13	(65)	(261)
Cash flows from investing activities		**(1,397)**	**(2,868)**
Proceeds from issuances of shares	7	2	5
Dividends paid to the shareholders of the Company	7	(665)	(637)
Cash flows from financial liabilities	13	603	2,025
Purchase of shares	8	(18)	(75)
Other cash flows from financing activities		(63)	(8)
Cash flows from financing activities		**(141)**	**1,310**
Effect of changes in exchange rates		**2**	**1**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(767)**	**(752)**
Cash and cash equivalents at January 1[(1)]		**2,128**	**1,773**
Cash and cash equivalents at June 30		**1,361**	**1,021**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

The notes 1 to 17 are an integral part of the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Compagnie Générale des Établissements Michelin (CGEM or the "Company") and its subsidiaries (together the "Group") design, manufacture and sell tires all over the world. The Group also provides to its customers tire services and solutions, mobility experiences and its expertise in the field of high-tech materials.

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 interim consolidated financial statements were authorized for issue by the Managing Chairman on July 25, 2019.

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

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim consolidated 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, 2018, 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 in the paragraphs 2.2.1 and 2.3 hereafter, the accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended December 31, 2018.

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. For these same benefit plans, the market value of the plans assets is measured at the interim closing date.

/ 2.2.1 Evolution of the cost of sales definition

As part of its strategy, the Group is strongly developing its offerings and enriching the service activities it proposes to its customers, like tire services, connected mobility and fleet management solutions.

These changes lead the Group, in line with the new organization put in place since January 2018, to extend the definition of cost of sales, previously limited to the cost of sales of industrial activities, to include costs incurred to produce, operate or execute services to customers. The main consequence of this change is to include in the cost of sales the costs relating to the operation of the maintenance centers of the Euromaster European distribution network, previously presented in the line "Commercial expenses" of the consolidated income statement.

The components of the cost of sales of industrial activities remain unchanged.

This modification has no effect on segment operating income, which is the main measure of the Group's operating performance, or on segment reporting.

The impacts of this evolution on the consolidated income statement are presented in the note 2.8 "Restatement of prior periods".

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2019

/ 2.3.1 IFRS 16 "Leases"

The Group has adopted the standard from January 1, 2019 without restating comparative amounts for the year 2018 as permitted by the simplified retrospective approach. In addition, the Group has applied the exceptions provided for short-term leases, including contracts with a term of less than twelve months after the application date and those relating to low-value assets.

Most of the lease contracts are operating leases where the Group is the lessee. Leased assets are mainly real estate assets (Points of sale for the Group's integrated distribution network, sales or administrative offices), cars and forklifts.

Key assumptions that the Group is applying for implementing the standard are as follows:

- Terms: for each contract, the Group reviewed the renewal and the early termination options within the term of the arrangement and determined, after taking into account all the relevant facts and circumstances, what would be the date at which the Group reasonably expects the contract to be terminated. For certain categories of leased assets, (mainly vehicles), the Group assesses that there is no reasonably certain extension option, consequently the duration selected coincides with the first term of the lease contract. For real estate lease arrangements, the Group defines the reasonable end date of the contracts, while taking into account the renewal and early termination options stated in the agreements, in line with the asset's expected period of use. Thereby for contracts with residual term of more than ten years, the first enforceable exit option is chosen unless specific information leads to define a longer period.

- Discount rates: the Group determined discount rates reflecting each subsidiary's specific credit risk, the currency of the contract and the weighted average maturity of the reimbursement of the lease liability. For the transition the incremental borrowing rate used is the rate applicable to the residual terms of the contracts.

For contracts previously classified as finance leases the Group has recognised the carrying amount of the right of use assets and lease liability at the date of initial application.

The reconciliation between operating lease commitments disclosed at December 31, 2018 and the lease liability recognized at IFRS 16 first application date is presented below:

(in € million)	
Operating lease commitments disclosed as at December 31, 2018	**917**
(Less): lease commitments on short-term lease assets	(69)
(Less): lease commitments on low-value assets	(69)
Add: adjustments as a result of a different treatment of extension and termination options	175
Discounted using the incremental borrowing rate of 3.7% at the date of initial application	**815**
Add: finance lease liabilities recognised as at December 31, 2018	316
Lease liability at January 1, 2019	**1,131**
Of which are:	
▸ Current lease liabilities	211
▸ Non-current lease liabilities	920

Right-of-use assets include the following types of assets:

(in € million)	June 30, 2019	January 1, 2019
Land and buildings	857	880
Plant and industrial equipment	74	70
Vehicles and other equipment	168	178
TOTAL RIGHT-OF-USE ASSETS	**1,099**	**1,128**

The first time application of IFRS 16 affected mainly the following items in the statement of financial position on January 1, 2019:

(in € million)	December 31, 2018 restated (note 2.8)	IFRS 16	January 1, 2019 restated
Property plant and equipment	11,644	796	12,440
Non-current financial liabilities	5,302	637	5,939
Current financial liabilities	1,222	178	1,400

The other indicators of the consolidated income statement and consolidated cash flow statement presented below were impacted at June 30, 2019 by the implementation of IFRS 16 as follow:

(in € million)	Increase of
Segment operating income	7
Segment EBITDA	104

/ 2.3.2 IFRIC 23 "Uncertainty over income tax treatments"

IFRIC Interpretation 23 "Uncertainty over income tax treatments" clarifies the recognition and valuation principles applicable to income tax risks. These risks arise when there is uncertainty related to a tax position adopted by the Group that could be challenged by the tax administration.

This interpretation was adopted by the European Union in October 2018 and is applicable for financial years beginning on January 1, 2019 and did not have any significant impact on the financial statements.

There are no other new standards, updates and interpretations published and effective whose impact could be significant for the Group.

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

There are no new standards, updates and interpretations published but not yet effective whose impact could be significant for the Group.

2.5 Critical accounting estimates and judgments

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

2.6 Change in the scope of consolidation

The main acquisitions or joint-venture creation recently made by the Group are presented below:

Entity	Operation type	Acquisition date	Purchase price allocation status as of June 30, 2019	Note
Multistrada	Acquisition	March 6, 2019	provisional	2.6.1.1
Masternaut	Acquisition	May 22, 2019	provisional	2.6.1.2
Camso	Acquisition	December 18, 2018	provisional	2.6.2.1
Fenner	Acquisition	May 31, 2018	final	2.6.2.2
TBC	Creation of a joint-venture	April 5, 2018	final	2.6.2.3

/ 2.6.1 Operations for the first half of 2019

2.6.1.1 Multistrada

On January 22, 2019, the Group announced the signature of an agreement to acquire 80% of PT Multistrada ArahSarana TBK ("Multistrada"), a tire manufacturer based in Indonesia. With this transaction, the Group strengthens its presence in the highly promising but local-production dominated Indonesian market by acquiring a local plant with good quality equipment and immediately available production capacity. Leveraging its technical expertise with limited new investment, the Group will gradually convert production from Tier 3 passenger car tires to Tier 2 Michelin Group brands, thereby allowing more Tier 1 production at other Asian plants and supporting growing demand of Tier 2 tires in Europe, North America and Asia.

After clearing all antitrust authorities requirements, the operation was completed on March 6, 2019 with the acquisition of 87.59% of the share capital.

Net cash-flow generated by the acquisition of 87.59% of the Multistrada shares in 2019 is as follows:

(in € million)	At acquisition date
Fair value of consideration transferred	(429)
Cash acquired	66
Acquisition costs paid	(4)
CASH-FLOW FROM THE ACQUISITION	**(367)**

The identification and measurement of the identifiable assets acquired and the liabilities assumed at their fair value at acquisition date have started in the first half of 2019 and will be completed within 12 months from the acquisition date, *i.e.*, no later than March 6, 2020. On a provisional basis, the preliminary goodwill of €189 million was fully accounted for as Goodwill in the Group's consolidated statement of financial position.

As Multistrada is a listed company, the Group launched just after the takeover, on March 6, 2019, and in accordance with the Indonesian rules, a mandatory tender offer "MTO" in order to acquire the remaining 12.41% shares at same price per share offered to acquire the initial 87.59% of shares. The MTO ended on May 22, 2019, resulting in the acquisition of 12.05% additional shares, bringing the total of shares owned to 99.64%.

The shares acquired through the mandatory tender offer are considered as a purchase of share to minority shareholders and are not considered as part of the fair value of the consideration transferred.

As from the acquisition date, Multistrada contributed €72 million to the Group's sales, €-3.5 million to its segment operating income and €-6 million to its net income.

2.6.1.2 Masternaut

On May 22, 2019, the Group finalized the acquisition of the entire share capital of Masternaut, one of the largest European telematics providers. Masternaut operates primarily in France and the United Kingdom. It provides a technical platform equipped with the latest technology and offers on-board telematics solutions to optimize vehicle fleet management and monitoring.

Net cash-flow generated by the acquisition of 100% of the Masternaut shares in 2019 is as follows:

(in € million)	**At acquisition date**
Fair value of consideration transferred	(14)
Cash acquired	2
Acquisition costs paid	(2)
CASH-FLOW FROM THE ACQUISITION	**(14)**

As the purchase price allocation will be performed during the second half of 2019 and finalized within 12 months from the date of acquisition, the preliminary goodwill of €79 million has been fully recognized in the line "Goodwill" in the consolidated statement of financial position of the Group.

As only the preliminary opening balance sheet is accounted for, Masternaut does not contribute to the Group's results on June 30, 2019.

/ 2.6.2 Purchase price allocation for operations made in 2018

2.6.2.1 Camso

Camso acquisition and control take over were completed on December 18, 2018. Given the date when the business combination was concluded, the entire purchase price, *i.e.* €1,174 million at the acquisition date, was temporarily accounted for as preliminary goodwill in the line "Goodwill" within the consolidated statement of financial position at December 31, 2018. The consolidated statement of financial position of December 31, 2018 is restated for comparison purposes and includes the purchase price allocation (note 2.8).The fair value of the consideration transferred exclusively in cash amounts to €1,174 million.

Net cash-flow generated by the acquisition of 100% of Camso shares in 2018 was as follows:

(in € million)	**At acquisition date**
Fair value of consideration transferred	(1,174)
Cash acquired	28
Acquisition costs paid	(14)
CASH-FLOW FROM THE ACQUISITION	**(1,160)**

The identification and measurement at their fair value of assets acquired and liabilities assumed started in the first half of 2019 with the assistance of an external expert and will be completed within the 12-month period following the acquisition, no later than December 18, 2019.

The provisional fair value measurement of each identifiable assets acquired and liabilities assumed is detailed as follows:

(in € million)	At acquisition date
Intangible assets	389
Property, plant and equipment (PP&E)	265
Non-current financial assets and other assets	24
Deferred tax assets	12
Non-current assets	**690**
Inventories	255
Trade receivables and other current assets	213
Cash and cash equivalents	28
Current assets	**496**
Non-current financial liabilities	282
Provisions and other non-current liabilities	12
Deferred tax liabilities	109
Non-current liabilities	**403**
Current financial liabilities	88
Trade payables and other current liabilities	173
Current liabilities	**261**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**522**

The brands and trademarks portfolio were valued at €33 million and will be amortized over a 10-year estimated useful life period. The technology was valued at €52 million and the customer relationships at €267 million; they will be amortized over a 15-year estimated useful life period.

As of June 30, 2019, the provisional allocation of the purchase price, after the measurement of identifiable assets acquired and liabilities assumed, led to the recognition of goodwill for €652 million, calculated as follows:

(in € million)	At acquisition date
Fair value of consideration transferred (1)	1,174
Fair value of net assets acquired (2)	522
GOODWILL (1) - (2)	**652**

Goodwill rationale is mainly supported by expected synergies in providing customers with a comprehensive range of offers: premium radial tires and tracks in the agricultural market or radial, bias and tracks in the construction market. Deployment of new offers will be accelerated by the complementarity of both Michelin and Camso's distribution networks. With regard to technology, the acquisition is expected to leverage the Group's innovation capacity in tracks and airless tires.

Over the first half of 2019, Camso contributed €455 million to the Group's sales, €30 million to its segment operating income and €-15 million to its net income.

2.6.2.2 Fenner

Purchase price allocation was finalized after the 12-month post-acquisition period. Final goodwill therefore amounts to €397 million, as per following table:

(in € million)	At acquisition date Provisional	At acquisition date Final
Fair value of consideration transferred (1)	1,370	1,370
Fair value of net assets acquired (2)	990	973
GOODWILL (1) - (2)	**380**	**397**

Goodwill portion allocated to the Mining CGU group amounts to €247 million whereas the portion allocated to the High Technology Material CGU group amounts to €150 million. Goodwill rationale is mainly supported by expected synergies:

- on conveyor belts activities, the acquisition enables the Group to provide its mining industry customers with a comprehensive offering, ranging from tires to conveyor belts with related services and solutions, and to enhance both companies' geographical reach;
- on high-technology materials activities, the transaction broadens the Group's high-technology materials expertise and innovation.

The intangible assets amortization duration review led the Group to amortize the various trademarks and technology related to the reinforced polymer products over an estimated residual useful life of 20 years.

Over the first half of 2019, Fenner contributed €468 million to the Group's sales, €67 million to its segment operating income and €28 million to its net income.

2.6.2.3 Creation of a joint venture with Sumitomo Corporation of Americas

Michelin North America, Inc. and Sumitomo Corporation of Americas completed on April 5, 2018, a definitive agreement to combine their respective North American wholesale and retail distribution activities into a joint venture named TBC, owned on a 50-50 basis by the parties.

The Group has joint control over TBC, which is therefore consolidated using the equity method in the Group consolidated financial statements.

The purchase price allocation was completed during the first semester 2019 and financial figures of TBC are presented in note 15.2 "Joint venture with Sumitomo Corporation of Americas (TBC)".

/ 2.6.3 Takeover of the company Symbio

Prior to the agreement signed with Faurecia on March 11, 2019 to create a major actor in hydrogen mobility, the Group took full control of Symbio on February 7, 2019, of which it previously held 46.64% of the capital. This transaction generated a capital gain of €28 million recorded in the line "Share of profit/(loss) from equity accounted entities".

To the extent that Symbio should, in accordance with the terms of the agreement signed with the partner, become a joint-venture where the Group would share control, the assets and liabilities of this entity are considered as held for sale at June 30, 2019 and are presented separately in the condensed interim consolidated statement of financial position as at June 30, 2019.

Similarly, the result for the period February to June 2019 is presented on the specific line "Net profit/(loss) from discontinued operations" in the consolidated income statement.

2.7 Seasonality

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

2.8 Restatement of prior periods

The consolidated financial statements as at December 31, 2018, published in February 2019, have been restated with the following impacts:

/ 2.8.1 Consolidated income statement

The change in the definition of cost of sales (note 2.2.1) generates a restatement mainly between cost of sales and Sales and marketing expenses, which has no impact on segment operating income and segment reporting:

	Six months ended June 30, 2018			Year ended December 31, 2018		
(in € million)	**As reported**	**Evolution of cost of sales definition**	**Restated**	**As reported**	**Evolution of cost of sales definition**	**Restated**
Cost of sales	(7,062)	(303)	(7,365)	(14,912)	(605)	(15,517)
Gross income	**3,541**	**(303)**	**3,238**	**7,116**	**(605)**	**6,511**
Sales and marketing expenses	(932)	298	(634)	(1,862)	595	(1,267)
General and administrative expenses	(943)	5	(938)	(1,826)	10	(1,816)
Segment other income and expenses	(17)	-	(17)	(5)	-	(5)
SEGMENT OPERATING INCOME	**1,327**	**-**	**1,327**	**2,775**	**-**	**2,775**
Other operating income and expenses	23	-	23	(225)	-	(225)
OPERATING INCOME/(LOSS)	**1,350**	**-**	**1,350**	**2,550**	**-**	**2,550**

/ 2.8.2 Consolidated statement of financial position

The consolidation of the provisional opening balance sheet of Camso as at December 31, 2018, instead of presenting the entire purchase price in the line "Goodwill" (note 2.6.2.1), generates the following restatement:

(in € million)	December 31, 2018 as published	Consolidation of Camso provisional opening balance sheet	December 31, 2018 restated
Goodwill	2,667	(507)	2,160
Intangible assets	1,828	389	2,217
Property, plant and equipment (PP&E)	11,379	265	11,644
Non-current financial assets and other assets	691	8	699
Investments in equity-accounted entities	938	15	953
Deferred tax assets	740	12	752
Non-current assets	**18,243**	**182**	**18,425**
Inventories	4,447	255	4,702
Trade receivables	3,307	146	3,453
Current financial assets	314	1	315
Other current assets	1,037	66	1,103
Cash and cash equivalents	2,100	28	2,128
Current assets	**11,205**	**496**	**11,701**
TOTAL ASSETS	**29,448**	**678**	**30,126**
Share capital	360	-	360
Share premiums	2,923	-	2,923
Reserves	8,862	13	8,875
Non-controlling interests	22	1	23
Equity	**12,167**	**14**	**12,181**
Non-current financial liabilities	5,020	282	5,302
Employee benefit obligations	3,850	8	3,858
Provisions and other non-current liabilities	1,315	4	1,319
Deferred tax liabilities	326	109	435
Non-current liabilities	**10,511**	**403**	**10,914**
Current financial liabilities	1,134	88	1,222
Trade payables	2,506	94	2,600
Trade payables under factoring contracts	440	-	440
Provision and other current liabilities	2,690	79	2,769
Current liabilities	**6,770**	**261**	**7,031**
TOTAL EQUITY AND LIABILITIES	**29,448**	**678**	**30,126**

/ 2.8.3 Consolidated cash flow statement

The amount of cash and cash equivalents at January 1, 2019 becomes €2,128 million following the first consolidation of Camso's provisional opening balance sheet (note 2.8.2). This amount was €2,100 million in the consolidated statement of financial position published as at December 31, 2018.

NOTE 3 CONDENSED SEGMENT REPORTING

The segment reporting is presented with three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

Specialty businesses include tire business activities in Mining, Off-Road, Two-Wheel and Aircraft, as well as conveyor belt activities and High Technology materials.

These three operating segments are almost identical to the segments presented in the previous year with the exception of some reallocation of activities; the main one being related to the acquisition of Camso in 2018 and the redefinition of the Off-Road scope, which resulted in the transfer of Construction Truck tires with mixed use (road and off-road) from the "Specialty businesses" (Off-Road activities) to the "Road transportation" segment.

The 2018 segment reporting has been restated accordingly.

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

The information by operating segment is as follows:

	Six months ended June 30, 2019				Six months ended June 30, 2018(*)			
(in € million)	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Sales	5,658	3,144	2,979	**11,781**	5,603	3,046	1,954	**10,603**
Segment operating income	585	279	574	**1,438**	635	248	444	**1,327**
In percentage of sales	*10.3%*	*8.9%*	*19.3%*	***12.2%***	*11.3%*	*8.1%*	*22.7%*	***12.5%***

(*) Restated, as per explanation above.

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

Segment reporting assets are as follows:

	June 30, 2019				December 31, 2018(1)(*)			
(in € million)	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Segment assets(2)	10,191	6,560	7,057	**23,808**	9,518	6,067	6,788	**22,373**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).
(2) Excluding assets and goodwill of Multistrada and Masternaut which are not yet allocated to the operating segments.
(*) Restated as per explanation above.

Segment assets consist of goodwill and intangible assets, property, plant and equipment, finished products inventories and trade receivables. The segment assets provided to the Managing Chairman are measured in a manner consistent with the consolidated financial statements.

No liability is allocated to the operating segments in the internal reporting provided to the Managing Chairman.

Group corporate assets are allocated to each segment, based on allocation keys for each type of asset, mainly net sales by segment.

The geographic information is broken down by segment hereunder:

	Six months ended June 30, 2019				Six months ended June 30, 2018			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	4,352	4,296	3,133	**11,781**	4,177	3,692	2,734	**10,603**

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

The Sales in France for the six months ended June 30, 2019 amounted to €1,036 million (2018: €1,012 million).

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

(in € million)	Six months ended June 30, 2019	Six months ended June 30, 2018
Amortization of brands, trademarks and customer relationships acquired	(45)	-
Reorganizations and adaptation of activities	(10)	1
Impairment of fixed assets	(18)	(11)
Retiree benefit costs	(16)	(7)
Other	(1)	40
OTHER OPERATING INCOME AND EXPENSES	**(90)**	**23**

4.1 Six months ended June 30, 2019

The line "Other" from the table above includes mainly prior years custom duty drawbacks in the US for an income of €28 million.

Furthermore, a partial impairment of BookaTable CGU goodwill was recorded for an amount of €19 million (note 14) in the line "Impairment of fixed assets".

4.2 Six months ended June 30, 2018

Other operating income and expenses include mainly (i) a disposal gain amounting to €39 million, recognized as a result of the loss of control of the subsidiary TCI, LLC which was contributed to the TBC joint venture (note 2.6.2.3) and (ii) a €16 million expense corresponding to the acquisition-related costs incurred to acquire Fenner (note 2.6.2.2).

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, 2019	Six months ended June 30, 2018
Interest expenses	(156)	(91)
Interest income	3	1
Interest rate derivatives	(34)	5
Fees on credit lines	(2)	(1)
Capitalized borrowing costs	2	8
COST OF NET DEBT	**(187)**	**(78)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	6	1
Currency remeasurement (including currency derivatives)	3	(3)
Other	(7)	(4)
OTHER FINANCIAL INCOME AND EXPENSES	**2**	**(6)**

The interest cost on lease liabilities recognized in cost of net debt, amounts to €19 million for the six months ended June 30, 2019.

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, 2019	Six months ended June 30, 2018
Net income/(loss) *(in € million)*, excluding the non-controlling interests	858	925
▶ Less, estimated grants to the General Partners	(6)	(6)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic and diluted earnings per share	**852**	**919**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**179,858**	**179,481**
▶ Plus, adjustment for share option plans	43	171
▶ Plus, adjustment for performance shares	604	885
Weighted average number of shares used in the calculation of diluted earnings per share	**180,505**	**180,537**
Earnings per share *(in €)*		
▶ Basic	4.74	5.12
▶ Diluted	4.72	5.09

Diluted earnings per share is calculated by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. At June 30, 2019, the Company has two types of financial instruments which are potentially dilutive: stock options and performance shares.

NOTE 7 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2018	**359**	**2,942**	**3,301**
Issuance of shares from the exercise of share options and performance shares	-	5	**5**
Cancellation of shares	(1)	(74)	**(75)**
Other	-	-	**-**
At June 30, 2018	**358**	**2,873**	**3,231**
Issuance of shares from the exercise of share options and performance shares	2	51	**53**
Cancellation of shares	-	-	**-**
Other	-	(1)	**(1)**
At December 31, 2018	**360**	**2,923**	**3,283**
Issuance of shares from the exercise of share options and performance shares	-	2	**2**
Cancellation of shares	-	-	**-**
Other	-	1	**1**
AT JUNE 30, 2019	**360**	**2,926**	**3,286**

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2018	**179,520,987**	**-**	**179,520,987**
Issuance of shares from the exercise of share options and performance shares	106,085	-	106,085
Purchase of shares	-	(648,231)	(648,231)
Disposal of shares	-	-	-
Cancellation of shares	(648,231)	648,231	-
Other	-	-	-
At June 30, 2018	**178,978,841**	**-**	**178,978,841**
Issuance of shares from the exercise of share options and performance shares	868,791	-	868,791
Purchase of shares	-	-	-
Disposal of shares	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
At December 31, 2018	**179,847,632**	**-**	**179,847,632**
Issuance of shares from the exercise of share options and performance shares	37,792	-	37,792
Purchase of shares	-	(179,653)	(179,653)
Disposal of shares	-	8,228	8,228
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2019	**179,885,424**	**(171,425)**	**179,713,999**

The dividend approved at the General Shareholders' Meeting on May 17, 2019 was €3.70 per share (2018: €3.55 per share). It has been fully paid in cash for a net amount of €665 million (2018: €637 million).

NOTE 8 RESERVES

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2018	**(496)**	**-**	**99**	**8,322**	**7,925**
Dividends and other allocations	-	-	-	(647)	**(647)**
Share-based payments – cost of services rendered	-	-	-	5	**5**
Purchase of shares	-	(75)	-	-	**(75)**
Disposal/cancellation of shares	-	75	-	-	**75**
Other	-	-	-	-	**-**
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(642)**	**(642)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	925	***925***
Post-employment benefits	-	-	-	*80*	***80***
Tax effect – Post-employment benefits	-	-	-	*(19)*	***(19)***
Equity investment at fair value through other comprehensive income – change in fair values	-	-	*6*	-	***6***
Tax effect – Equity investment at fair value through other comprehensive income	-	-	*(1)*	-	***(1)***
Other items of comprehensive income that will not be reclassified to income statement	-	-	5	61	**66**
Currency translation differences	*(34)*	-	*2*	-	***(32)***
Other	*23*	-	*(37)*	*(11)*	***(25)***
Other items of comprehensive income that may be reclassified to income statement	(11)	-	(35)	(11)	**(57)**
Comprehensive income	**(11)**	**-**	**(30)**	**975**	**934**
At June 30, 2018 – carried forward	**(507)**	**-**	**69**	**8,655**	**8,217**

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At June 30, 2018 – brought forward	**(507)**	**-**	**69**	**8,655**	**8,217**
Dividends and other allocations	-	-	-	-	-
Share-based payments – cost of services rendered	-	-	-	2	2
Purchase of shares	-	-	-	-	-
Disposal/cancellation of shares	-	-	-	-	-
Other	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**-**	**2**	**2**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	752	*752*
Post-employment benefits	-	-	-	*(9)*	*(9)*
Tax effect – Post-employment benefits	-	-	-	*(82)*	*(82)*
Equity investment at fair value through other comprehensive income – change in fair values	-	-	*(6)*	-	*(6)*
Tax effect – Equity investment at fair value through other comprehensive income	-	-	*1*	-	*1*
Other items of comprehensive income that will not be reclassified to income statement	-	-	(5)	(91)	(96)
Currency translation differences[(1)]	*(23)*	-	*(3)*	-	*(26)*
Other	*18*	-	*(10)*	*18*	*26*
Other items of comprehensive income that may be reclassified to income statement	(5)	-	(13)	18	-
Comprehensive income	**(5)**	**-**	**(18)**	**679**	**656**
At December 31, 2018[(1)]	**(512)**	**-**	**51**	**9,336**	**8,875**
Dividends and other allocations	-	-	-	(675)	(675)
Share-based payments – cost of services rendered	-	-	-	3	3
Purchase of shares	-	(70)	-	-	(70)
Cancellation of shares	-	-	-	-	-
Other	-	-	-	(48)	(48)
Transactions with the shareholders of the Company	**-**	**(70)**	**-**	**(720)**	**(790)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	858	*858*
Post-employment benefits	-	-	-	*(152)*	*(152)*
Tax effect – Post-employment benefits	-	-	-	*55*	*55*
Equity investment at fair value through other comprehensive income – change in fair values	-	-	*(2)*	-	*(2)*
Tax effect – Equity investment at fair value through other comprehensive income	-	-	*9*	-	*9*
Other items of comprehensive income that will not be reclassified to income statement	-	-	7	(97)	(90)
Currency translation differences	*105*	-	*1*	-	*106*
Other	*5*	-	*(7)*	*28*	*26*
Other items of comprehensive income that may be reclassified to income statement	110	-	(6)	28	132
Comprehensive income	**110**	**-**	**1**	**789**	**900**
AT JUNE 30, 2019	**(402)**	**(70)**	**52**	**9,405**	**8,985**

(1) *The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).*

Under the share buyback program authorized by the Annual Shareholders Meeting of May 18, 2018 an agreement was signed in April 2019 by which the Group undertook to buyback from an investment service provider a certain number of shares before November 21, 2019 for a maximum amount of €70 million. An amount of €70 million was reclassified as current financial liabilities in the consolidated statement of financial position at the date the agreement was concluded. The debt is then reduced by the amount of effective buyback of shares from the provider, totaling €18 million as at June 30, 2019. The average unit price of the 171,290 shares acquired as at June 30, 2019 was €104.93.

All of the shares bought back under the agreement will be cancelled.

Under the share buyback program authorized at the May 19, 2017 Annual Shareholders Meeting, an agreement was signed in February 2018 by which the Group undertook to buy back from an investment services provider a variable number of shares before November 22, 2018, for a maximum amount of €75 million. The investment service provider applied the contractual provision by which he was entitled to accelerate the purchase of the shares, consequently all of the shares were cancelled at June 30, 2018. The average unit price of the 648,231 shares acquired during the first half-year 2018 was €115.70.

NOTE 9 FINANCIAL INSTRUMENTS

9.1 Financial liabilities

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

(in € million)	June 30, 2019	December 31, 2018[1]
Bonds	4,506	4,484
Loans from financial institutions and other	422	454
Lease liabilities[2]	896	-
Finance lease liabilities[2]	-	283
Derivative instruments	162	81
Non-current financial liabilities	**5,986**	**5,302**
Bonds and commercial paper	1,579	580
Loans from financial institutions and other	621	537
Lease liabilities[2]	207	-
Finance lease liabilities[2]	-	33
Derivative instruments	27	72
Current financial liabilities	**2,434**	**1,222**
FINANCIAL LIABILITIES	**8,420**	**6,524**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

(2) Following the first time adoption of IFRS 16 "Leases", the finance lease liabilities related to the previous finance lease contracts are recorded in the line "Lease liabilities" as presented in the reconciliation of the note 2.3.1.

The Group net debt is analyzed in the table below:

(in € million)	June 30, 2019	December 31, 2018[1]
Financial liabilities	8,420	6,524
Derivatives recognized as assets	(144)	(124)
Borrowing collaterals	(71)	(36)
Cash management financial assets	(180)	(180)
Cash and cash equivalents	(1,361)	(2,128)
NET DEBT	**6,664**	**4,056**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

Bonds issued in June 2012 and maturing in June 2019 were fully repaid for a total amount of €383 million. The interest rate instruments hedging these bonds also matured in June 2019.

Other significant items explaining the change in net debt are the dividend paid to the shareholders and the buyback of shares carried out in the first half of 2019 as detailed in note 8.

The Group issued in January 2018 exclusively cash-settled convertible bonds with a total face value of USD600 million. The bonds were issued at 95.5% of their face value. Those bonds do not bear interest and are redeemable on November 10, 2023.

In addition to that bond issue, the Group subscribed call options settled in cash only, enabling it to fully cover its exposure to the exercise of the conversion rights embedded in the bonds.

This set of transactions, which were covered by euro-denominated swaps, provides the Group with the equivalent of classic euro-denominated bond financing at an advantageous cost.

These operations have been accounted for in accordance with the accounting policies described in sections 3.4 to 3.6 of note 3 of the consolidated financial statements as at December 31, 2018.

The optional components of convertible bonds and the financial instruments subscribed for hedging purposes are recorded under "Non-current financial assets and other assets" and "Non-current financial liabilities".

9.2 Classification of financial assets

Group financial assets have been classified to the categories "Fair value through income statement", "Fair value through other comprehensive income" and "Amortized cost" in the following manner at June 30, 2019:

(in € million)	FV through P&L	FV through OCI	Amortised cost	Total
Trade receivables	-	-	3,847	**3,847**
Current financial assets	94	-	266	**360**
Cash and cash equivalents	964	-	397	**1,361**
Non-current financial assets	156	191	375	**722**
TOTAL FINANCIAL ASSETS	**1,214**	**191**	**4,885**	**6,290**

9.3 Fair value of financial instruments

The fair value measurements are disclosed by level of the following fair value measurement hierarchy:

- Level 1: quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. These instruments (essentially cash and cash equivalents as well as quoted unconsolidated equity investments) are included in level 1.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). If all significant inputs required to fair value these instruments are observable, these instruments (essentially cash management financial assets and derivative instruments) are included in level 2.
- Level 3: inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument (essentially non-quoted unconsolidated equity investments) is included in level 3.

The following table present the Group assets and liabilities that are measured at fair value at June 30, 2019 and December 31, 2018 by level of the fair value measurement hierarchy:

(in € million)	Level 1	Level 2	Level 3	June 30, 2019	December 31, 2018[(1)]
Cash and cash equivalents	964	-	-	964	1,695
Deposits borrowing collaterals	69	-	-	69	36
Derivatives	-	144	-	144	125
Equity investments	30	-	191	221	233
TOTAL ASSETS	**1,063**	**144**	**191**	**1,398**	**2,089**
Derivatives	-	188	-	188	152
TOTAL LIABILITIES	**-**	**188**	**-**	**188**	**152**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

There has been no significant transfer between level 1 and level 2 during the first semester 2019.

The following table presents the changes in level 3 instruments for the period ended June 30, 2019:

(in € million)	
At January 1, 2019	**195**
Additions	10
Disposals	(12)
Transfers from other level to level 3	-
Transfers from level 3 to other levels	-
Gains or losses for the year included in net income	-
Gains or losses for the year included in other comprehensive income	(4)
Others	2
AT JUNE 30, 2019	**191**

NOTE 10 SHARE-BASED PAYMENTS

No new share-based payments plan was granted during the first six-month period of 2019.

NOTE 11 EMPLOYEE BENEFIT OBLIGATIONS

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

(in € million)	Pension plans	Other plans	2019	2018
At January 1 (restated)	**2,098**	**1,760**	**3,858**	**3,969**
Contributions paid to the funds	(178)	-	(178)	(40)
Benefits paid directly to the beneficiaries	(16)	(56)	(72)	(75)
Other movements	-	11	11	21
Items recognized in operating income				
Current service cost	22	33	55	50
Actuarial (gains) or losses recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from plan introductions or plan amendments	-	-	-	-
Past service cost due to curtailments of defined benefit plans	-	6	6	(13)
(Gains) or losses on settlements of defined benefit plans	-	-	-	-
Other items	6	-	6	8
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	25	24	49	44
Items recognized in other comprehensive income				
Translation adjustments	12	17	29	20
Actuarial (gains) or losses	53	141	194	(88)
Portion of unrecognized asset due to the application of the asset ceiling	(42)	-	(42)	8
AT JUNE 30	**1,980**	**1,936**	**3,916**	**3,904**
Recognized in the consolidated statement of financial position as follows:				
Non-current financial assets ans other assets			*60*	
Employee benefit obligations			*3,976*	

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, 2019	1.03%	2.25%	3.48%	2.90%	**n/a**
Discount rate at December 31, 2018	1.71%	2.55%	4.20%	3.90%	**n/a**
Inflation rate at June 30, 2019	1.73%	3.20%	2.50%	2.00%	**n/a**
Inflation rate at December 31, 2018	1.73%	3.20%	2.50%	2.00%	**n/a**
Actuarial (gains)/losses on change in assumptions	208	135	276	159	**778**
Experience (gains)/losses on plan assets	(31)	(219)	(246)	(88)	**(584)**
ACTUARIAL (GAINS) OR LOSSES	**177**	**(84)**	**30**	**71**	**194**

Rates and amounts shown in the above table relate to benefit plans for which an actuarial valuation has been carried out for the interim period (note 2.2).

NOTE 12 PROVISIONS AND OTHER LIABILITIES

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

(in € million)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2019 (restated)	**374**	**455**	**829**
Additional provisions	11	73	**84**
Provisions utilized during the year	(97)	(62)	**(159)**
Unused provisions reversed during the year	-	(7)	**(7)**
Translation adjustments	2	2	**4**
Other effects	-	1	**1**
AT JUNE 30, 2019	**290**	**462**	**752**
Of which short term portion	*166*	*66*	***232***

The balance of the "Provisions and other non-current liabilities" and "Provision and other current liabilities" caption includes mainly contracts liabilities as described in note 3.8 of the December 31, 2018 consolidated financial statements.

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, 2019	Six months ended June 30, 2018
Investment grants	(5)	(6)
Change in employee benefit obligations	(199)	(64)
Change in litigation and other provisions	2	7
Reorganizations and adaptation of activities costs	(96)	(96)
Other	24	(6)
Other operating income and expenses (cash) and change in provisions	**(274)**	**(165)**
Interest and other financial expenses paid	(180)	(98)
Interest and other financial income received	16	9
Dividends received	4	4
Cost of net debt and other financial income and expenses paid	**(160)**	**(85)**
Change in inventories	(283)	(175)
Change in trade receivables and advances	(452)	(404)
Change in trade payables and advances	12	(130)
Change in trade payables under factoring contracts	164	34
Change in other receivables and payables	(147)	(44)
Change in working capital, net of impairments	**(706)**	**(719)**
Purchases of intangible assets	(94)	(90)
Purchases of PP&E	(571)	(498)
Government grants received	9	10
Change in capital expenditure payables	(228)	(312)
Purchases of intangible assets and PP&E	**(884)**	**(890)**
Increase in other non-current financial assets	(17)	(232)
Decrease in other non-current financial assets	6	3
Net cash flows from cash management financial assets	-	-
Net cash flows from borrowing collaterals	(35)	(13)
Net cash flows from other current financial assets	(19)	(19)
Cash flows from other financial assets	**(65)**	**(261)**
Increase in non-current financial liabilities	153	476
Decrease in non-current financial liabilities	(267)	(21)
Repayment of lease contract liabilities	(113)	(11)
Net cash flows from current financial liabilities	786	1,626
Derivatives	44	(45)
Cash flows from financial liabilities	**603**	**2,025**
Details of non cash transactions:		
▶ New lease contracts	81	34
▶ New emission rights	9	6

NOTE 14 GOODWILL AND INTANGIBLE ASSETS

The change in the lines "Goodwill" and "Intangible assets" in the consolidated statement of financial position is presented in the table below:

(in € million)	Goodwill	Intangibles	Total
Gross carrying amounts at January 1, 2018	**1,154**	**2,174**	**3,328**
Translation adjustments	(48)	(37)	**(85)**
Additions (including new emission rights: €21 million)	-	222	**222**
Disposals	-	(31)	**(31)**
Changes in scope of consolidation(1)	1,125	1,477	**2,602**
Transfers and other	-	4	**4**
Gross carrying amounts at December 31, 2018(1)	**2,231**	**3,809**	**6,040**
Translation adjustments	30	24	**54**
Additions (including new emission rights: €15 million)	-	109	**109**
Disposals	-	(26)	**(26)**
Changes in scope of consolidation	282	56	**338**
Transfers and other	-	(4)	**(4)**
Gross carrying amounts at June 30, 2019	**2,543**	**3,968**	**6,511**
Amortization and impairment at January 1, 2018	**(62)**	**(1,389)**	**(1,451)**
Translation adjustments	-	1	**1**
Amortization	-	(175)	**(175)**
Net impairment	(9)	(25)	**(34)**
Disposals	-	19	**19**
Changes in scope of consolidation	-	(18)	**(18)**
Transfers and other	-	(5)	**(5)**
Amortization and impairment at December 31, 2018	**(71)**	**(1,592)**	**(1,663)**
Translation adjustments	-	(5)	**(5)**
Amortization	-	(124)	**(124)**
Net impairment	(22)	1	**(21)**
Disposals	-	16	**16**
Changes in scope of consolidation	-	-	**-**
Transfers and other	-	(2)	**(2)**
Amortization and impairment at June 30, 2019	**(93)**	**(1,706)**	**(1,799)**
NET CARRYING AMOUNTS AT JUNE 30, 2019	**2,450**	**2,262**	**4,712**
NET CARRYING AMOUNTS AT DECEMBER 31, 2018	**2,160**	**2,217**	**4,377**

(1) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).

The increase in goodwill during the first half of 2019 is mainly due to the preliminary goodwill arising on the acquisitions of Multistrada for €189 million (note 2.6.1.1) and Masternaut for €79 million (note 2.6.1.2).

At June 30, 2019, the Group did not identify any indicators of impairment losses on its Cash Generating Units (CGUs) or groups of CGUs requiring the implementation of specific impairment tests, with the exception of the BookaTable CGU, for which an impairment of goodwill has been recorded for an amount of €19 million (note 4.1).

NOTE 15 EQUITY-ACCOUNTED ENTITIES AND RELATED PARTY TRANSACTIONS

15.1 Investment in equity accounted entities

Changes in investments in equity-accounted entities are as follows:

(in € million)	Investments in associates	Investments in joint ventures	Total investments in equity accounted entities
At January 1, 2018	**233**	**123**	**356**
Share of profit/(loss) of the period	-	(13)	**(13)**
Dividend payments	(4)	-	**(4)**
Change in scope of consolidation/capital increases[(1)]	63	519	**582**
Translation adjustments	1	16	**17**
Other	5	-	**5**
At June 30, 2018	**298**	**645**	**943**
Share of profit/(loss) of the period	(2)	(23)	**(25)**
Impairment	(8)	-	**(8)**
Dividend payments	(1)	(5)	**(6)**
Change in scope of consolidation/capital increases[(2)]	27	23	**50**
Translation adjustments	-	4	**4**
Other	(5)	-	**(5)**
At December 31, 2018[(2)]	**309**	**644**	**953**
Share of profit/(loss) of the period	(3)	(17)	**(20)**
Gain/(loss) on sale[(3)]	26	-	**26**
Dividend payments	(4)	-	**(4)**
Change in scope of consolidation/capital increases	(2)	(1)	**(3)**
Translation adjustments	1	7	**8**
Other	-	6	**6**
AT JUNE 30, 2019	**327**	**639**	**966**

(1) Including €519 million relating to the formation of the TBC joint venture (note 2.6.2.3) and €60 million relating to the shareholding interest in the associate holding the A.T.U. distribution network.
(2) The figures for the period ended at December 31, 2018 have been restated for comparative purposes (note 2.8. of the condensed interim consolidated financial statements).
(3) Including €28 million relating to the gain generated by the change in consolidation method of Symbio (note 2.6.3).

There were no significant new transactions between related parties during the first half of 2019 or other significant changes in the scope of transactions between related parties which are described in the notes of the 2018 consolidated financial statements.

15.2 Joint venture with Sumitomo Corporation of Americas (TBC)

Summarized financial data in respect of TBC joint-venture are set out in the table below:

(in € million)	June 30, 2019	December 31, 2018
Dividends received	-	-
Current assets	1,316	1,308
thereof cash and cash equivalents	37	56
Non-current assets (including goodwill)	2,076	1,177
Total assets	**3,392**	**2,485**
Current liabilities	783	762
thereof other short-term financial liabilities	191	64
Non-current liabilities	1,505	608
thereof long-term financial liabilities	1,341	411
Total liabilities	**2,288**	**1,370**
Sales	2,049	2,869
Interest income	1	-
Interest expense	(14)	(16)
Depreciation and amortization	(36)	(47)
Income tax expense	6	(4)
Net earnings/(loss) from continuing operations	(25)	20
Other comprehensive income	4	(6)
Total comprehensive income (a)	(21)	14
Elimination of profit from downstream transactions (net of tax) (b)	7	(34)
Share of comprehensive income 50% x (a) + (b)	**(4)**	**(27)**
Net assets (excluding goodwill)	968	942
Goodwill	136	173
Net assets (including goodwill)	**1,104**	**1,115**
Share of net assets (including goodwill) = 50%	552	558
Elimination of profit from downstream transactions (net of tax)	(29)	(34)
Carrying amount	**523**	**524**

NOTE 16 LITIGATIONS AND CONTINGENT LIABILITIES

16.1 Tax audit in Germany

Following a tax audit covering the periods 2005 to 2009, which gave rise in 2015 to notifications of intended tax adjustment in respect thereof, a German subsidiary has received in 2018 the relating final tax audit report and the amended tax assessment notices.

The final tax audit report includes an adjustment of the subsidiary's taxable income of €382 million through an estimation of the overall profit of the subsidiary using the Group average margin as an appropriate margin for the subsidiary. This adjustment includes notably for €298 million the challenge by the tax authorities of the effects, on the subsidiary, of the transfer price policy applied by the Group. The items relating to transfer pricing were pointed out in the 2015 notifications of intended tax adjustment. Furthermore, the tax administration considers in its final report that the subsidiary did not provide all the requested information in order to justify the applied transfer price policy.

The maximum financial risk relating to this litigation amounts to €227 million (€146 million for the additional tax and the balance for late interests).

The Group does not accept any of the positions taken by the German tax authorities.

On July 17, 2018, the Group filed towards the German tax authorities:

- a proceeding that resulted in suspending the enforcement of the payments, which consequently were not significant;
- an appeal against the methodology used by the tax authorities and based on the Group average margin.

Furthermore, in 2019, the Group is continuing to prepare to apply for a Mutual Agreement Procedure (MAP) according to the EU Arbitration Convention or the respective Double Tax Treaties, for the total reassessment amounting to €382 million.

The Group considers that it has strong arguments to make its point of view prevail and it is more likely than not it will be successful in each of the actions already filed or about to be filed.

On that basis, the Group assesses that the maximum financial risk it may suffer is not significant.

In 2016, a new tax audit covering the periods 2010 to 2014 was initiated; but no conclusion can be made at the date these condensed interim financial statements are published.

At June 30, 2019 the Group considers that there is no evidence of a risk of reassessment under this tax audit.

16.2 Legal claims in Brazil

In relation to an investment project at its Resende plant (State of Rio de Janeiro), a Brazilian subsidiary of the Group benefitted in 2010, by means of a decree issued by the State governor, from tax advantages taking the form of deferred tax payments on the importation of machines and raw materials, as well as access to a BRL1,028 million (around €236 million at June 30, 2019 closing exchange rate) credit line.

A lawsuit instigated in 2013 against the subsidiary is still ongoing, the plaintiff pleading the unconstitutional nature of the decree by which the advantages had been given and alleging damages caused to the Public Treasury.

After having received a favorable ruling in April 2015, the subsidiary was condemned on appeal in October 2016. The judgment only concerned the deferred tax payments relating to the importation of industrial machines for the Resende plant. In June 2017, the Group has filed two appeals in order to reach the higher courts which will be judged by the Superior Court of Justice and the Supreme Court, respectively, after a local analysis of their admissibility. The Group estimates that the amount of financial risk related to this litigation to be in the region of BRL32 million.

In November 2016, the Prosecutor of the State of Rio de Janeiro, based on the appeal ruling of October 2016, started a new lawsuit against the subsidiary and demanded restitution of all the advantages received following the decree.

The subsidiary opened legal proceedings to suspend the lawsuit, but its request was rejected by the judge who ordered the sequestration of the subsidiary's assets for an amount up to the level of the credit line granted.

The subsidiary, which has never made use of the credit line, entered an appeal for an immediate suspension and annulation of the decision. The request for a suspension was rejected but the preliminary decision concerning the sequestration of the Company's assets had not been put into effect.

On June 4, 2018, the Judge hearing the case instigated in November 2016 by the Prosecutor of the State of Rio de Janeiro, decided to dismiss the lawsuit, once the accusation is not admissible anymore on the basis of a new law enacted in 2017. In rendering his decision, the judge revoked the legal order to freeze the subsidiary's assets. The Prosecutor appealed this decision, but as of June 30, 2019, this appeal has not yet been brought to trial.

The Group contests all of the positions expressed by the Brazilian legal authorities in the different lawsuits ongoing and considers that it is more likely than not that it will make its points of view prevail.

16.3 Other contingencies

No new legal claim that may have a significant impact on the cash or on the financial position of the Group occurred during the first semester of 2019.

NOTE 17 EVENTS AFTER THE REPORTING DATE

No significant event occurred between the closing date and the date when the Managing Chairman authorized for issue the condensed interim consolidated financial statements.

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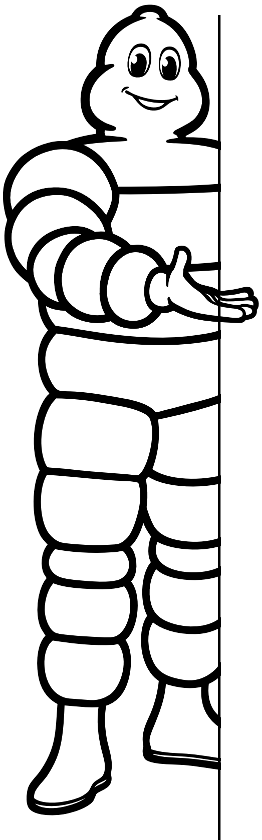
STATUTORY AUDITORS' REVIEW REPORT



STATUTORY AUDITORS' REVIEW REPORT ON THE 2019 INTERIM FINANCIAL INFORMATION

For the half year ended June 30, 2019

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

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of *Compagnie Générale des Établissements Michelin*, for the six months ended June 30, 2019;
- the verification of the information contained in the interim management report.

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

I. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

Without qualifying our opinion, we draw attention to the Note 2.3.1 to the condensed interim consolidated financial statements, which describes the implementation of IFRS 16 "Leases" and its impacts beginning January 1, 2019.

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 and Paris La Défense, July 25th, 2019

Statutory auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

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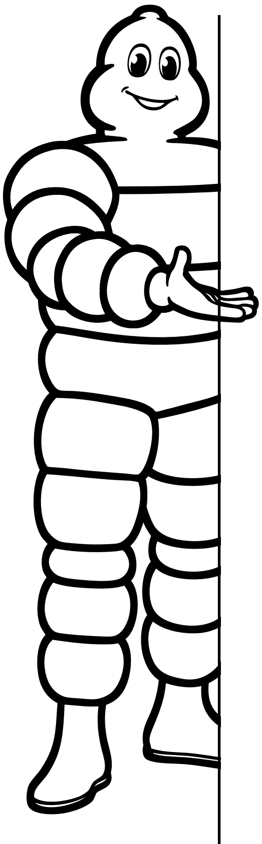
STATEMENT BY THE PERSON RESPONSIBLE



STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST HALF 2019 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 68 to 100 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.

Florent Menegaux

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