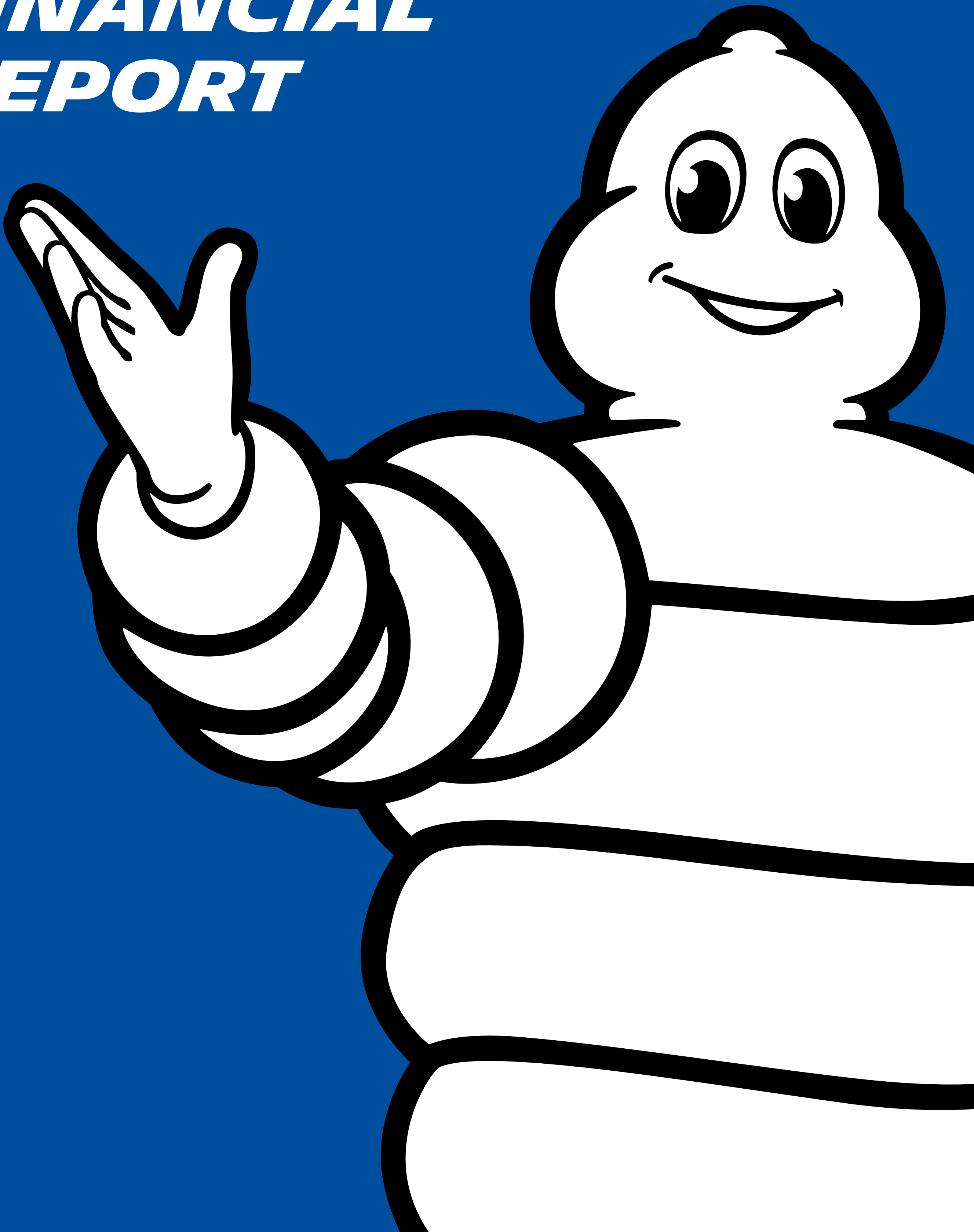
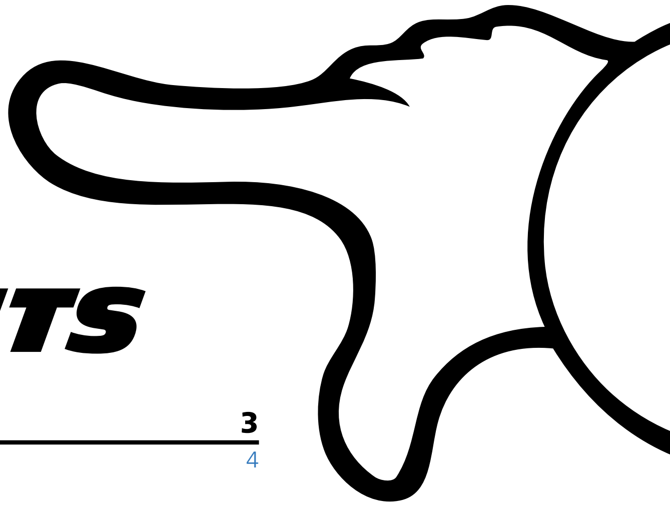
MICHELIN
A BETTER WAY FORWARD

2018 FIRST-HALF FINANCIAL REPORT





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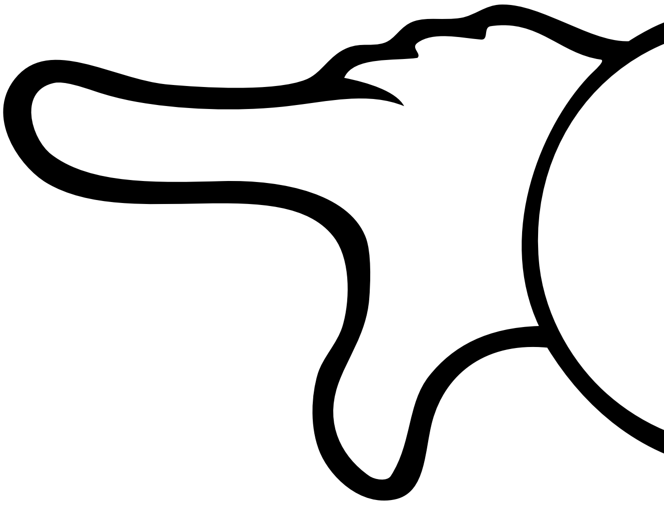

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PRESS RELEASE

PRESS RELEASE

Clermont-Ferrand, France, July 23, 2018

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN
Financial Information for the Six Months Ended June 30, 2018

€917 million in net income, up 6%

€1,327 million in operating income from recurring activities, up €152 million or 11% at constant exchange rates

2018 guidance confirmed

- Volumes up 2.6% in the second quarter and, as expected, stable over the first half due to unfavorable prior-year comparatives:
  - Sustained strong growth in the Specialty businesses, led by the buoyant mining, agricultural and construction tire markets;
  - Accelerating growth in 18" and larger Passenger car tire sales in the second quarter (up 14%);
  - Passenger car and Truck tire OE sales growth in line with the markets;
  - Focus on margins in the Passenger car and Truck replacement segments, in a persistently competitive market environment.
- €264 million positive impact from the net price-mix and raw materials costs effect, reflecting disciplined price management, market share gains in 18" and larger Passenger car tires and a very good performance by the Specialty businesses.
- Unfavorable currency effect, totaling a negative €218 million.
- Faster external growth, in line with Group strategy, in the Specialty businesses (Fenner with conveyor belts activity and Camso acquisition project), high-tech materials (Fenner) and market access (TBC joint venture with Sumitomo Corp.).
- Free cash flow before acquisitions in line with annual objectives, at a negative €79 million.
- Credit rating agencies have confirmed that the Group's financial position remains robust after taking planned 2018 acquisitions into account.

Jean-Dominique Senard, Chief Executive Officer, said: "Thanks to the commitment of all its teams, Michelin not only rolled out a new, closer to the customer organization during the first half of 2018, but also delivered a noteworthy €152 million improvement in operating income at constant exchange rates. Deployment of the Group's strategy will pick up speed in 2018, with the acquisition of Fenner, the creation of a leading North American wholesaler in partnership with Sumitomo Corp., and the projected acquisition of Camso, which will create the world leader in off-the-road mobility."

Outlook

Over the second half of the year, replacement markets are expected to remain on an upward trend, regardless of prevailing winter weather conditions. Demand for original equipment tires should remain strong in the Earthmover segment, but lose momentum in the Passenger car and Truck segments. Sales of mining tires should also continue to enjoy strong growth.

For the full year, Michelin confirms its targets of volume growth in line with global market trends, operating income from recurring activities exceeding the 2017 figure at constant exchange rates, and structural free cash flow of more than €1,100 million.

(in € millions)	First-Half 2018	First-Half 2017
Net sales	10,603	11,059
Operating income from recurring activities	1,327	1,393
Operating margin on recurring activities	12.5%	12.6%
Automotive & related distribution	11.5%	12.7%
Road transportation & related distribution	7.0%	7.3%
Specialty businesses & related distribution	22.0%	19.6%
Operating income/(loss) from non-recurring activities	23	27
Operating income	1,350	1,420
Net income	917	863
Earnings per share(1) *(in €)*	5.12	4.76
Capital expenditure	588	585
Net debt	3,753	1,685
Gearing	33%	16%
Employee benefit obligations	3,904	4,570
Free cash flow(2)	(2,049)	(305)
Employees on payroll(3)	113,600	112,800

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

MARKET REVIEW

Passenger car & light truck tires

First half 2018/2017 *(in number of tires)*	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Central America	Asia (Excluding India	South America	Africa/India/ Middle East	Total
Original equipment	+0%	+0%	-5%	+2%	+1%	+11%	+8%	+1%
Replacement	+4%	+2%	+1%	+1%	-1%	+5%	-1%	+1%

Second quarter 2018/2017 *(in number of tires)*	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Central America	Asia (Excluding India	South America	Africa/India/ Middle East	Total
Première monte	+3%	+3%	-5%	+4%	+5%	+10%	+10%	+4%
Remplacement	+7%	+5%	+3%	+8%	-1%	+3%	+0%	+3%

* *Including Turkey.*

In the first half of 2018, the global original equipment and replacement Passenger car and Light truck tire market grew by 1% in number of tires sold. It declined by 1% in the first quarter off of high prior-year comparatives (reflecting the surge in buying in first-quarter 2017 ahead of the price hikes introduced by tiremakers), before turning upwards and gaining 3% in the second quarter.

/ Original equipment

- In Western Europe, demand was stable over the first half, with a 4% decline in the first quarter offset by a 3% rebound in the second. The recovery underway in Eastern Europe is gaining momentum quarter after quarter.
- In North America, the downward trend that began in second-half 2017 continued in the first six months of 2018, albeit at a slower pace, with a 5% decline tracking the fall-off in automobile production.
- Demand in Asia (excluding India) ended the first half up 1% overall. It rose by 3% in China, reflecting a sharp 9% rebound in the second quarter after a 3% contraction in the first. In the rest of the region, markets softened over the first half, dragged down by the decline in automobile production in Japan and South Korea.
- Markets in South America continued to expand at a robust pace throughout the period, despite the region's prevailing political uncertainty.

/ Replacement

- The European replacement tire market expanded by 4% overall year-on-year. After slipping 1% off of high prior-year comparatives in the first quarter, demand in Western Europe rebounded in the second quarter, rising 5% overall with strong gains in the 18-inch and over and all-season segments. Growth remained firm throughout the first half in Eastern Europe, with a 16% increase led by the robust Russian market. Budget imports are continuing to pour into both Western and Eastern Europe at a sustained pace.

- In North America, growth varied from one quarter to the next, with a high basis of comparison in first-quarter 2017 (lifted by early buying ahead of tiremaker price increases) bringing the first-quarter to -1%, followed by a stronger 3% gain in the second quarter. Note as well that import sales rose significantly over the first half, which also saw strong demand for tires with high speed ratings.
- Demand in Asia (excluding India) ended the first half down 1% overall. In China, the replacement tire market declined by 2% in the first quarter, due to the surge in buying ahead of the price increases in the prior-year period, and then rebounded by 5% in the second quarter. Demand in the rest of the region was impacted by the 7% drops in the Japanese and South Korean markets, which schrinks gains in Indonesia and Australia.
- The 5% increase in the South American market was led by the 7% gains reported in both Brazil (despite a slowdown in the second quarter due to trucker strikes) and Argentina. Note that import sales continued to rise on the back of favorable exchange rates.

Truck tires (radial and bias)

First half 2018/2017 *(in number of tires)*	**Europe including Russia & CIS***	**Europe excluding Russia & CIS***	**North America**	**Central America**	**Asia (Excluding India**	**South America**	**Africa/India/ Middle East**	**Total**
Original equipment	+3%	+3%	+16%	-21%	+2%	+48%	+17%	+6%
Replacement	+3%	+2%	+6%	+3%	-2%	+4%	-1%	+0%

Second quarter 2018/2017 *(in number of tires)*	**Europe including Russia & CIS***	**Europe excluding Russia & CIS***	**North America**	**Central America**	**Asia (Excluding India**	**South America**	**Africa/India/ Middle East**	**Total**
Original equipment	+1%	-1%	+13%	-23%	+4%	+42%	+8%	+6%
Replacement	+5%	+6%	+8%	+4%	-1%	+2%	-1%	+2%

* *Including Turkey.*

Global demand for new original equipment and replacement Truck tires rose by 2% in number of tires sold in the first six months of 2018, led by the solid 6% increase in OE markets, particularly in North America and India.

/ Original equipment

- The Western European market expanded by 3%, buoyed by low interest rates, sustained demand for freight services and renewed truck sales in the recovering construction industry. Demand remained buoyant in Eastern Europe, gaining 7% over the period.
- The North American market continued to expand rapidly, growing 16% over the period, as the booming US and Canadian economies spurred freight demand.
- In Asia (excluding India), the 2% increase in the Chinese market, against a backdrop of low inventory levels, was led by rising sales of city buses and medium-haul rigid trucks, with the other Truck tire segments (semi-trucks, trailers) declining in comparison with the very high 22% growth reported a year earlier, at a time of extensive fleet upgrades. The vibrant growth in Indonesian and Thai demand was offset by market declines of 3% in Japan and of 22% in South Korea as the local economies cooled.
- Demand in South America soared 48%, led by growth in Brazil spurred by rising exports and a more dynamic economy that offset the impact of trucker strikes in May.

/ Replacement

- In the expanding Western European economy, demand rose by 2% during the first half, with a 2% decline in the first quarter caused by the lofty basis of comparison (stemming from the massive buildup of dealer inventory in first-quarter 2017 ahead of the announced tiremaker price increases) and a vigorous 6% gain in the second quarter, driven by the more favorable basis of comparison (as sell-in markets cooled substantially in second-quarter 2017 after the steep first-quarter inventory buildup). Demand remained robust in Eastern Europe, rising 6% over the period.
- The North American market rose by a strong 6% as the trucking industry benefited from the sustained economic expansion.
- Demand for replacement radial and bias tires in Asia (excluding India) was down by 2% over the first half. The Chinese market contracted by 3% over the period, but rose by 1% in the second quarter off of more favorable comparatives. In Southeast Asia, where the market declined by 1% overall, the weaker economic environment weighed on demand in Japan (down 10%) and South Korea (down 10%). Demand was robust in the other ASEAN countries, with the exception of Thailand, where the market retreated 5%.
- Demand for replacement radial and bias tires in South America increased by a solid 4% over the first half, especially in Argentina and Brazil, despite a slowdown in the second quarter due to strikes by Brazilian truckers.

Specialty tires

- **Mining tires:** the mining tire market pursued its vibrant recovery that began in late 2016, when inventory drawdowns came to an end among international mining companies, oil companies and regional mines.
- **Agricultural and construction tires:** On the agricultural segment, OE markets remained robust, while replacement demand showed signs of an upturn. Demand for construction equipment tires remained firm, except in South America, Eastern Europe and Australia. The industrial Truck tire segment declined from prior-year levels, which were boosted by early buying ahead of price increases.
- **Two-wheel tires:** dampened by weather conditions early in the first half, the motorcycle tire markets saw a rebound in demand for both motorcycle and scooter tires late in the period in Europe, and a decline in North America. Demand in the commuting segment continued to trend upwards in the new markets.
- **Aircraft tires:** led by the increase in passenger traffic, commercial aircraft tire markets continued to grow, with stronger gains in the radial segment.

FIRST-HALF 2018 NET SALES AND EARNINGS

Net sales

- Net sales stood at €10,603 million for the period, down 4.1% from first-half 2017 due to the combined impact of the following factors:
- neutral impact from volumes (€14 million) and a €66 million decrease from changes in the scope of consolidation (mainly the deconsolidation of TCi following the creation of the TBC joint venture with Sumitomo Corp);
- a €331 million (3.0%) increase from the highly favorable price-mix effect (adding 3.4% to growth in the first quarter and 2.6% in the second). Prices added €254 million, from the full-year impact of the price increases introduced in 2017 in non-indexed businesses to offset the impact of higher raw materials costs, plus price adjustments in the businesses subject to raw materials indexation clauses. The positive mix effect totaled €77 million, reflecting the still highly positive product mix and the favorable impact of the rebound in the mining tire business;
- a €735 million decrease from the unfavorable currency effect, primarily stemming from the US dollar.

Results

Consolidated operating income from recurring activities amounted to €1,327 million or 12.5% of net sales, compared with €1,393 million and 12.6% in first-half 2017. The €23 million in net operating income from non-recurring activities primarily corresponded to the proceeds from the deconsolidation of the TCi network.

Operating income from recurring activities reflected (i) a slight €43 million decrease from the volume performance; (ii) a robust €331 million increase from the price-mix effect thanks to disciplined price management; and (iii) the adverse €67 million impact from raw materials costs. The €124 million increase in costs was partially offset by €82 million in competitiveness gains. Other factors, in the amount of a negative €27 million, corresponded primarily to the €16 million increase in depreciation and amortization charges. Lastly, the highly unfavorable currency effect trimmed €218 million from the reported figure.

In all, net income for the period came to €917 million, an increase of 6%.

Net financial position

Free cash flow ended the first half at a negative €2,049 million, a €1,744 million decline resulting from the acquisitions of Fenner and A.T.U and from the creation of the TBC joint venture with Sumitomo Corp. Based on this free cash flow, less the payment of €637 million in dividends and the €75 million in share buybacks, consolidated gearing stands at 33%, corresponding to net debt of €3,753 million.

Segment information

On January 1, 2018, Michelin introduced a new business organization, which has led to the following changes in the reporting segments:

- Replacement light truck tires have been transferred from the Automotive segment (formerly Passenger car and Light truck tires) to the Road Transportation segment (formerly Truck tires).
- Construction truck tires have been transferred from the Road Transportation reporting segment to the Specialty businesses segment.

	Net sales		Operating income from recurring activities		Operating margin on recurring activities	
(in € millions)	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Automotive & related distribution	5,607	6,009	646	764	11.5%	12.7%
Road transportation & related distribution	2,782	2,928	195	214	7.0%	7.3%
Specialty businesses & related distribution	2,214	2,122	486	415	22.0%	19.6%
GROUP	**10,603**	**11,059**	**1,327**	**1,393**	**12.5%**	**12.6%**

/ Automotive & related distribution

Net sales in the Automotive and related distribution segment declined by 6.7% to €5,607 million, from €6,009 million in the first six months of 2017.

Operating income from recurring activities amounted to €646 million or 11.5% of net sales, compared with €764 million and 12.7% a year earlier.

Most of the margin erosion resulted from adverse exchange rate movements. Disciplined price management with a priority focus on margins and market share gains in the 18-inch and larger segment helped to deliver a very strong price-mix effect, which offset the increase in raw materials costs and the 2% decline in volumes, which was attenuated by the rebound in the second quarter. Initial results from the latest product launches, such as the MICHELIN Primacy 4, the BF Goodrich KM3 in the mid-range, and the Alpin 6 and the MICHELIN X Ice North 4, have been extremely encouraging.

/ Road transportation & related distribution

Net sales in the Road Transportation and related distribution segment amounted to €2,782 million in the first half of 2018, a 5.0 % decline from the €2,928 million reported a year earlier.

Operating income from recurring activities amounted to €195 million or 7.0% of net sales, compared with €214 million and 7.3% in first-half 2017.

The change in income primarily reflected the highly favorable price effect that offset the contraction in volumes (which ended the first half down 1% despite the rebound in the second quarter) and the adverse impact of the negative currency effect. New products and services continued to be introduced over the period, which was shaped by the success of the BFGoodrich lines in Europe and of the MICHELIN Agilis CrossClimate light truck and van tires.

/ Specialty businesses & related distribution

Net sales by the Specialty businesses stood at €2,214 million for the period, compared with €2,122 million a year earlier, or a 4.3% growth.

Operating income from recurring activities amounted to €486 million or 22.0% of net sales, compared with €415 million and 19.6% in first-half 2017.

The improvement in income corresponded to the robust 7% growth in volumes, led by the sustained rebound in demand for the Group's mining tires, the solid performance of the other businesses, and a strong price effect with the higher raw materials costs passed on to customers in 2017. These two factors amply offset the negative impact of unfavorable exchange rate movements.

FIRST-HALF 2018 HIGHLIGHTS

- Michelin and Sumitomo Corporation create the second largest tire wholesaler in the United States and Mexico by folding their wholesale and retail operations into a 50/50 joint venture (January 3, 2018).
- Successful non-dilutive convertible 2023 bond issue from Michelin (January 5, 2018).
- Commercial launch of the MICHELIN Primacy 4 (January 2018).
- Mobivia, the European leader in multi-brand vehicle servicing and parts, has joined forces with Michelin to expand its A.T.U chain in Germany, Switzerland and Austria by selling the Group a 20% stake in the network (February 12, 2018).
- Implementation of a partial share buyback management agreement (February 14, 2018).
- Launch of the MICHELIN Agilis CrossClimate light truck and van tire (February 22, 2018).
- The MICHELIN Road 5 high-tech Sport Touring tire (February 22, 2018).
- CFAO and Michelin team up to market high-quality tires in Kenya and Uganda (March 21, 2018).
- MICHELIN's, MyBestRoute app wins the SITL Technologies and Information Systems innovation award (March 22, 2018).
- MICHELIN X Multi Energy tire fuel saving for regional transport (April 10, 2018).
- Jean Dominique Senard's succession plan: given that the Chief Executive Officer's term of office will expire at the close of the 2019 Annual Meeting, shareholders at the May 18, 2018 Annual Meeting elected Florent Menegaux as General Managing Partner and Yves Chapot as Managing Partner.
- Total and Michelin join forces to launch an ambitious worldwide road safety education program (May 30, 2018).
- Acquisition of Fenner PLC, a world leader in conveyor belt solutions and reinforced polymer products (May 31, 2018).
- In 2048, MICHELIN tires will be made using 80% sustainable materials and 100% of tires will be recycled (May 31, 2018).
- MOVIN'ON - Engaged, innovative leaders and executives will convene at the second edition of the global summit for sustainable mobility in Montreal (June 1, 2018).
- Michelin and Maxion Wheels receive a 2018 CLEPA Innovation Award for the ACORUS Flexible Wheel (June 18, 2018).
- MICHELIN Track Connect, the first fully connected solution for sport car tires, wins the 2018 Creative Prize at the Tire Cologne trade fair (June 18, 2018).
- First edition of the MICHELIN guide Guangzhou (June 26, 2018).

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

Presentation and conference call

First-half 2018 results will be reviewed with analysts and investors during a presentation today, Monday, July 23, at 6:30 p.m. CEST. The event will be in English, with simultaneous interpreting in French.

Webcast

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

Conference call

Please dial-in on one of the following numbers from 6:20 p.m. CEST:

- In France: 01 72 72 74 44 (French)
- In France: 01 72 72 74 46 (English)
- In the United Kingdom: +44 (0) 203 009 2455 (English)
- In North America: (+1) 646 722 4912 (English)
- From anywhere else: +44 (0) 203 009 2455 (English)

The presentation of financial information for the six months ended June 30, 2018 (press release, presentation, interim financial report) may also be viewed at http://www.michelin.com/eng, along with practical information concerning the conference call.

Investor calendar

- **Financial information for the nine months ended September 30, 2018** Monday, October 22, 2018 after close of trading

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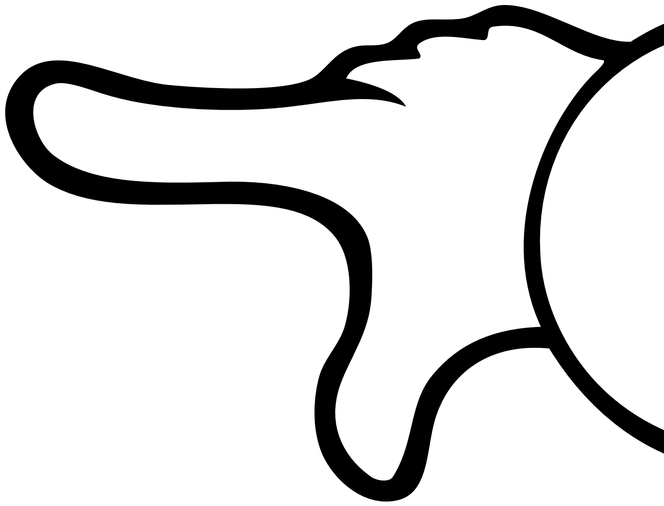
Disclaimer

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 www.michelin.com/eng website.

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



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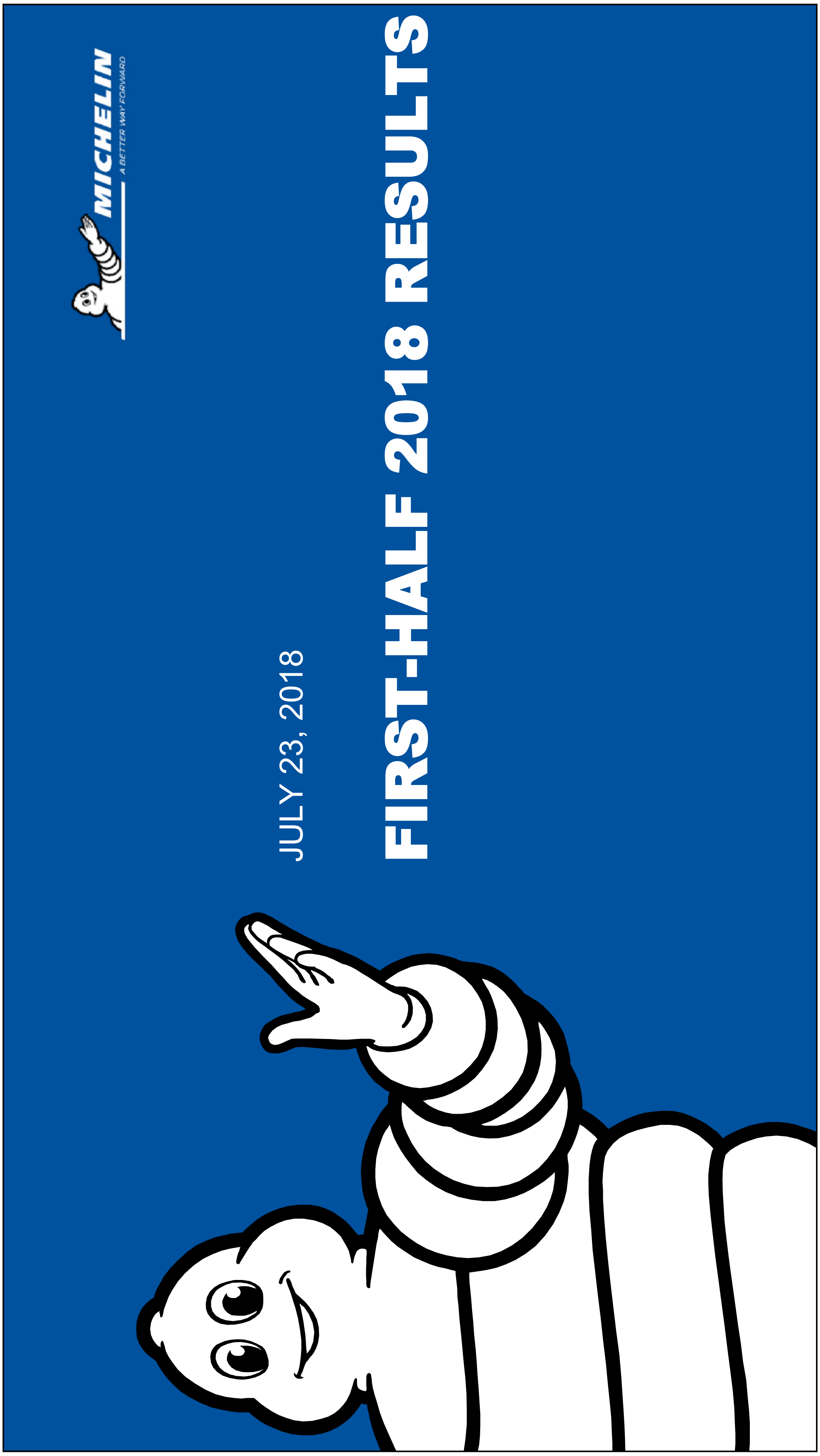
SLIDESHOW


MICHELIN
A BETTER WAY FORWARD
FIRST-HALF 2018 RESULTS
JULY 23, 2018

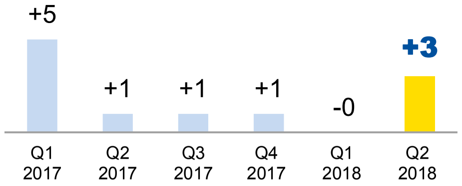
€1,327m in operating income from recurring activities, up €152m or 11% at constant exchange rates

- Volumes up 2.6% in Q2 and, as expected, stable over H1 due to unfavorable prior-year comparatives.
  - Sustained strong growth in the Specialties, led by strong mining, agricultural and construction tire markets.
  - Accelerating growth in ≥18' Passenger car in Q2 (up 14%).
  - OE Passenger car and Truck tire sales growth in line with the markets.
  - Focus on margins in the replacement Passenger car and Truck tire segments, in a still competitive market environment.
- €264m positive impact from changes in the price mix and raw materials costs, reflecting disciplined price management, market share gains in ≥18' Passenger car tires and a very good performance by the Specialties.
- Unfavorable currency effect, totaling a negative €218m.
- €917m in net income, up 6%.
- Free cash flow before acquisitions in line with annual objectives, at a negative €79m.
- 2018 guidance confirmed.
- Faster external growth: Specialty businesses (Fenner conveyor belts and Camso acquisition project), high-tech materials (Fenner) and market access (TBC joint venture).

2 First-Half 2018 Results – July 23, 2018

Q2 2018: rebound in PC/Truck markets, as expected; faster growth in Specialty markets

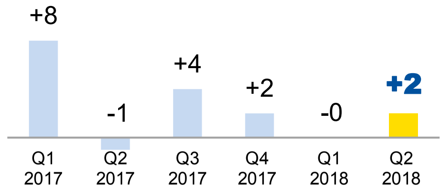
PC/LT Q2 2018: +3 %



Second quarter:

- OE: global market up 4%; expanding in every geography except North America, where demand fell by 5%
- RT up 3% led by tier 3 tires in Europe and North America

Truck Q2 2018: +2 %



Second quarter:

- OE up a strong 6%, reflecting the robust growth in the global economy
- RT up 2% due to a favorable 2017 comparatives

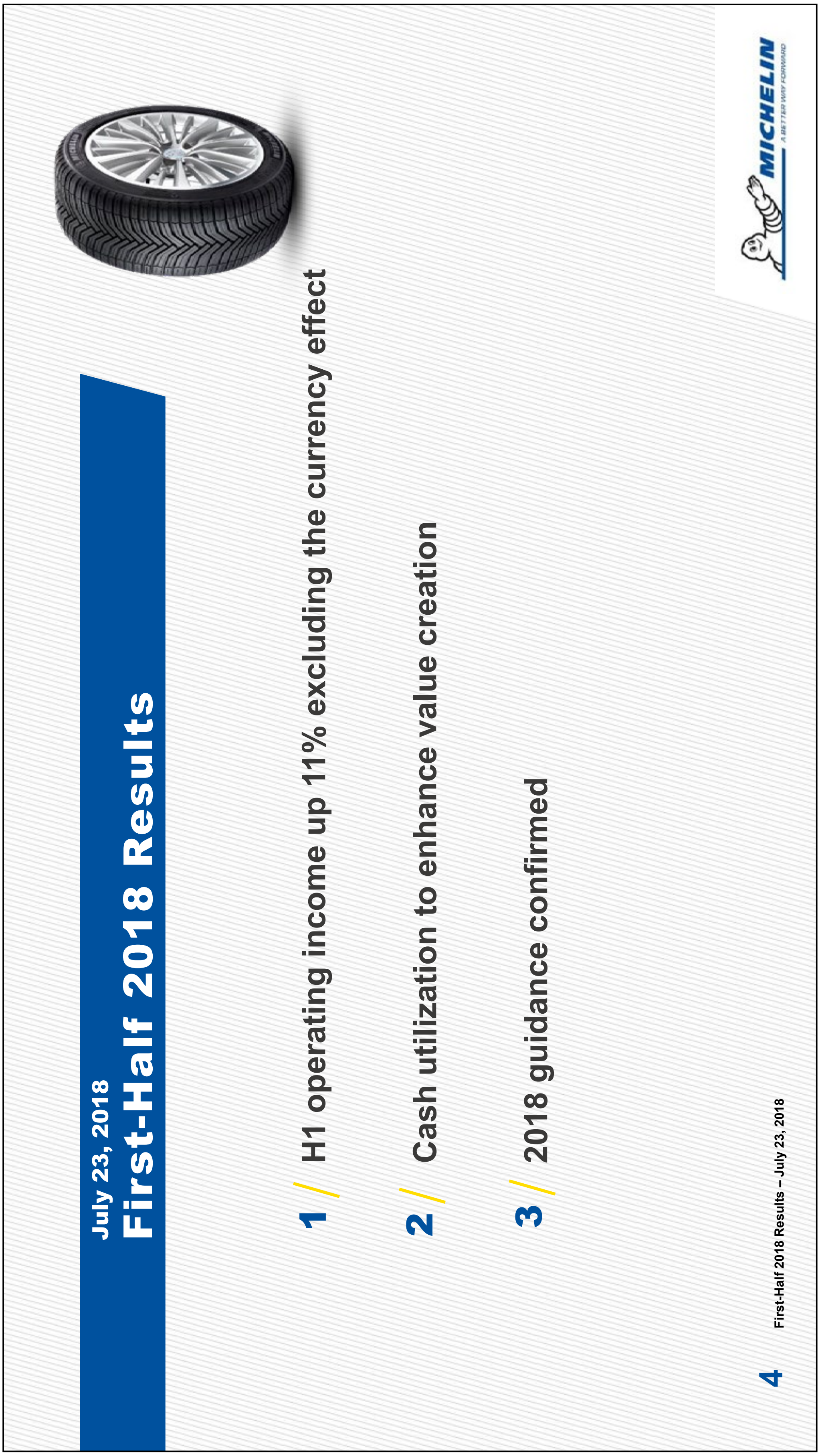
Specialties 2018 * : +6 % / +8 %

vs. the +5%/+7% announced in Q1

- Mining: sustained strong demand (+10%/+12%), led by growth in the global economy and the end of destocking
- Strong growth in OE Off-the-road (OTR); RT stable
- Growing demand for Commuting Two-wheel tires and Aircraft tires

* *Estimation des marchés annuels*

3 First-Half 2018 Results – July 23, 2018


July 23, 2018
First-Half 2018 Results
1 H1 operating income up 11% excluding the currency effect
2 Cash utilization to enhance value creation
3 2018 guidance confirmed
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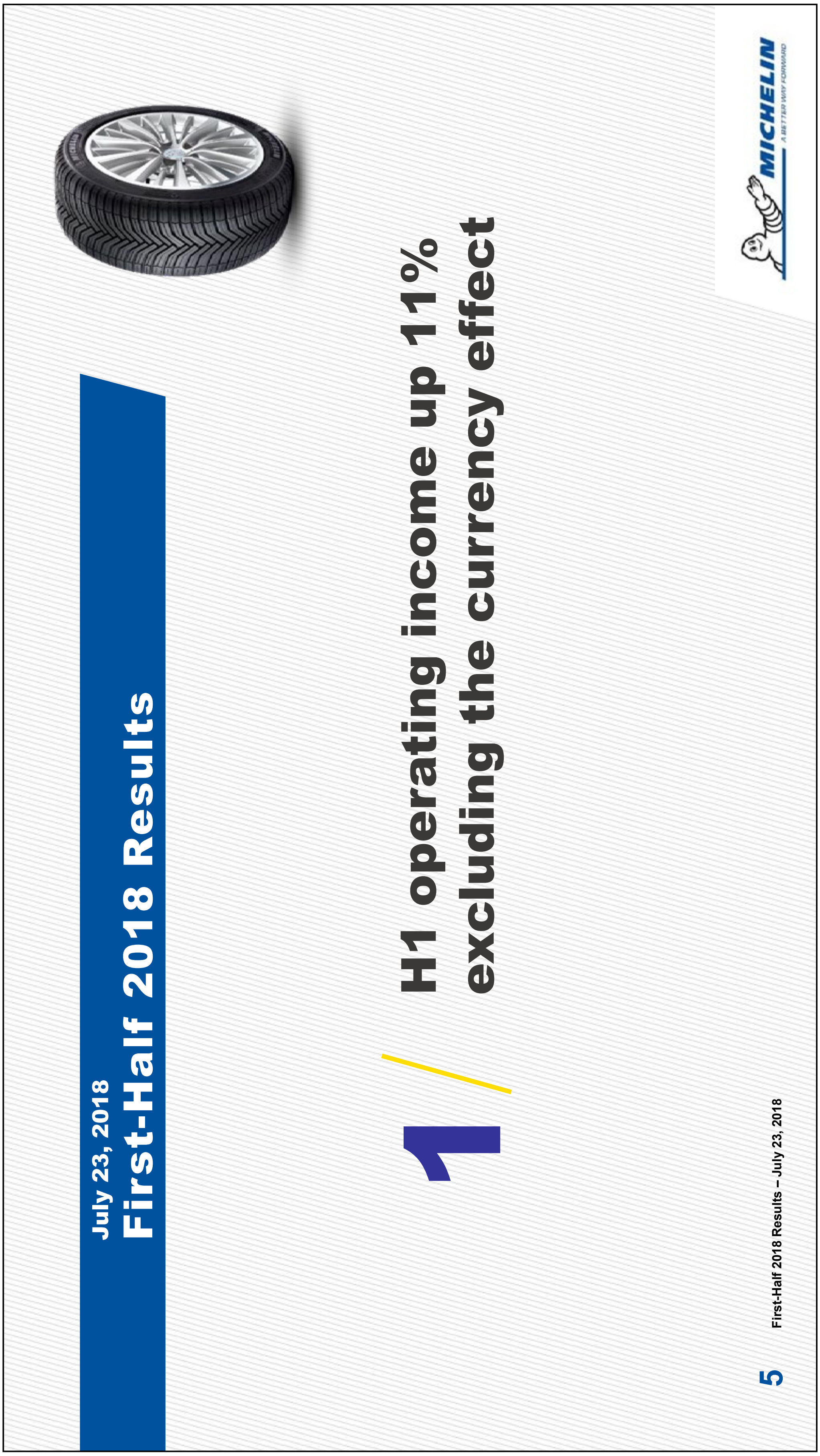
First-Half 2018 Results – July 23, 2018


July 23, 2018
First-Half 2018 Results
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H1 operating income up 11% excluding the currency effect
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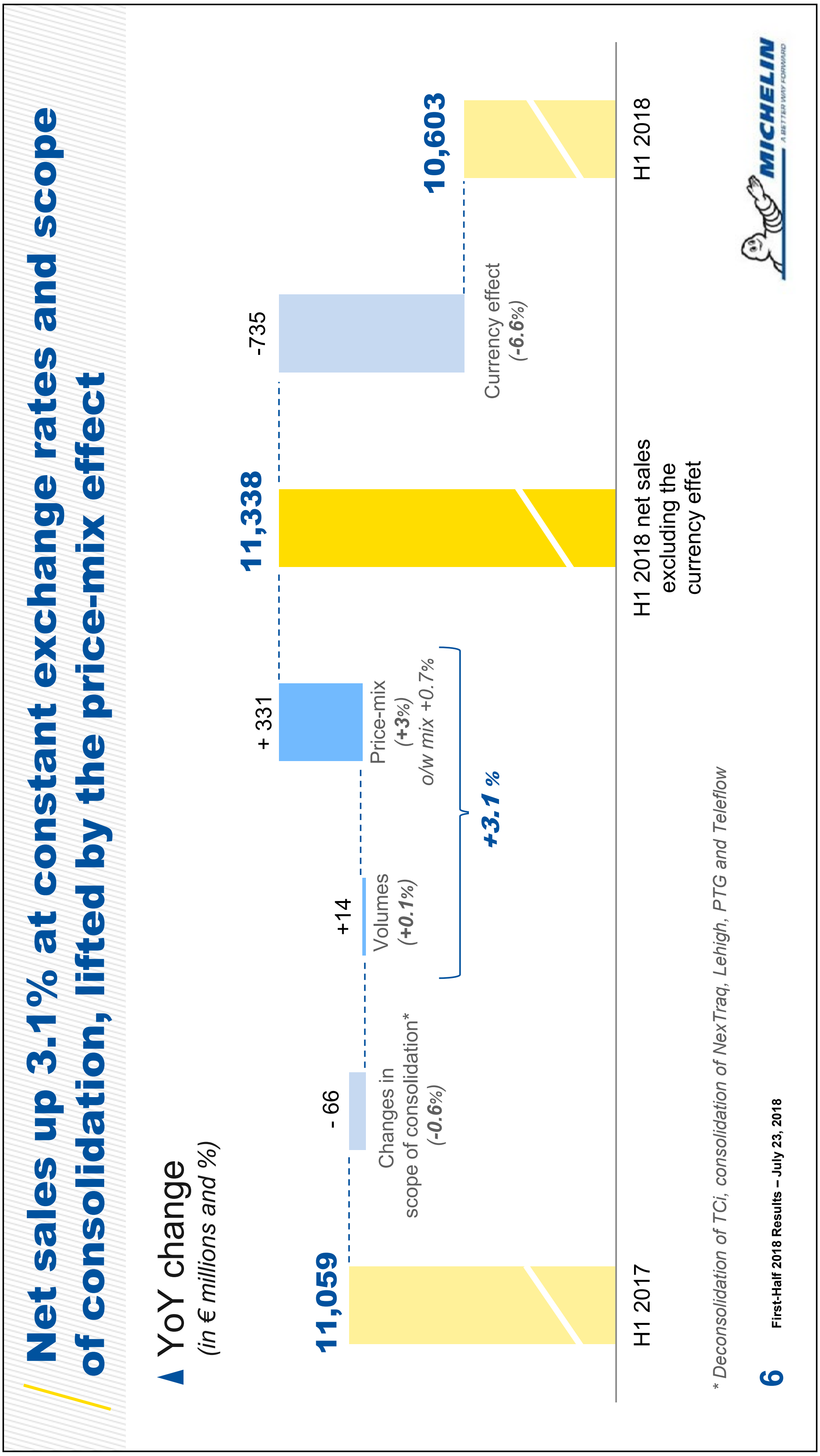
First-Half 2018 Results – July 23, 2018


Net sales up 3.1% at constant exchange rates and scope of consolidation, lifted by the price-mix effect
YoY change
(in € millions and %)
11,059
H1 2017
- 66
Changes in scope of consolidation*
(-0.6%)
+14
Volumes
(+0.1%)
+ 331
Price-mix
(+3%)
o/w mix +0.7%
+3.1 %
11,338
H1 2018 net sales excluding the currency effet
-735
Currency effect
(-6.6%)
10,603
H1 2018
* Deconsolidation of TCi, consolidation of NexTraq, Lehigh, PTG and Teleflow
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First-Half 2018 Results – July 23, 2018
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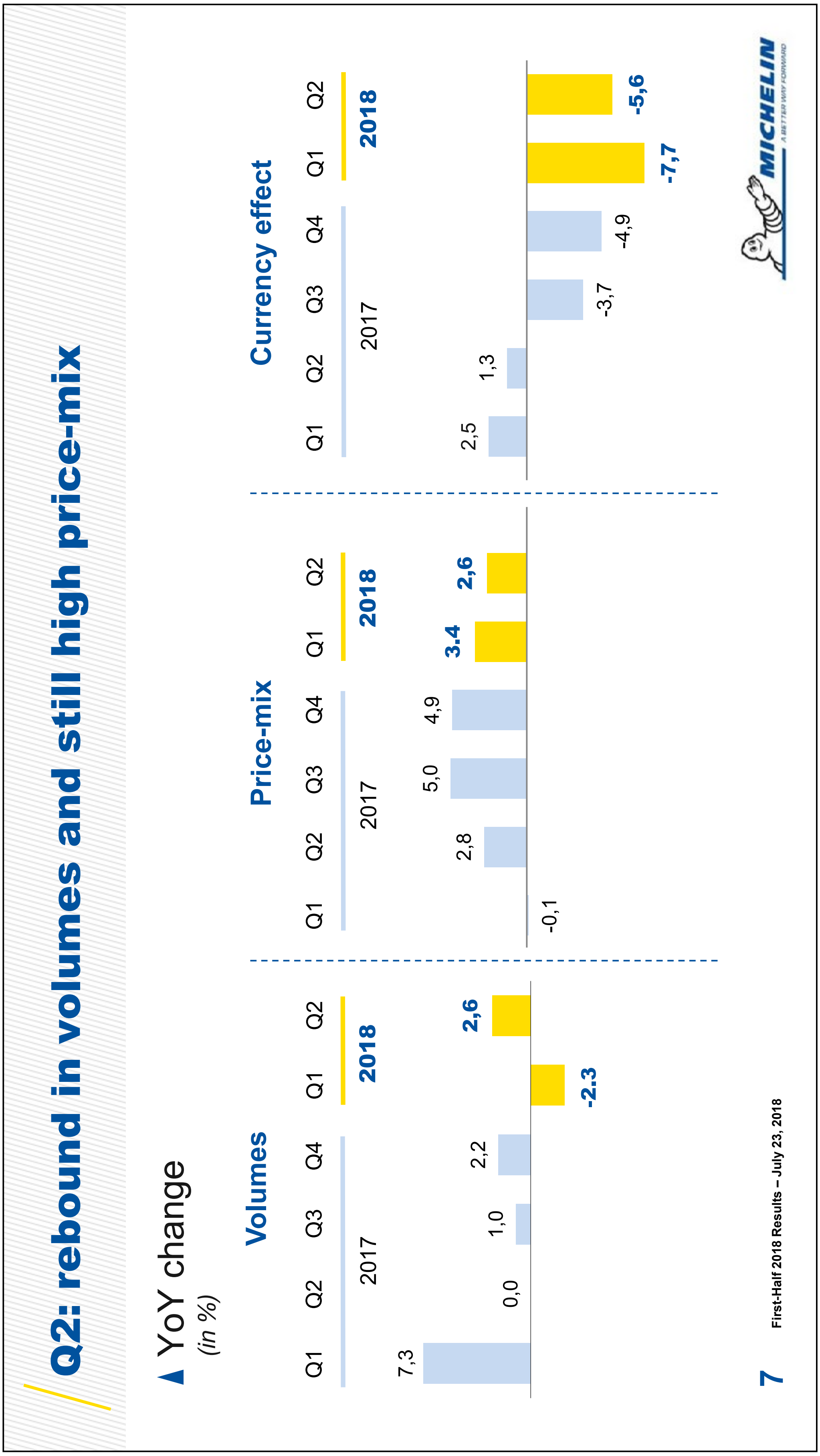
Q2: rebound in volumes and still high price-mix
YoY change
(in %)
Volumes
Q1 Q2 Q3 Q4 Q1 Q2
2017
2018
7,3
0,0
1,0
2,2
-2.3
2,6
Price-mix
Q1 Q2 Q3 Q4 Q1 Q2
2017
2018
-0,1
2,8
5,0
4,9
3.4
2,6
Currency effect
Q1 Q2 Q3 Q4 Q1 Q2
2017
2018
2,5
1,3
-3,7
-4,9
-7,7
-5,6
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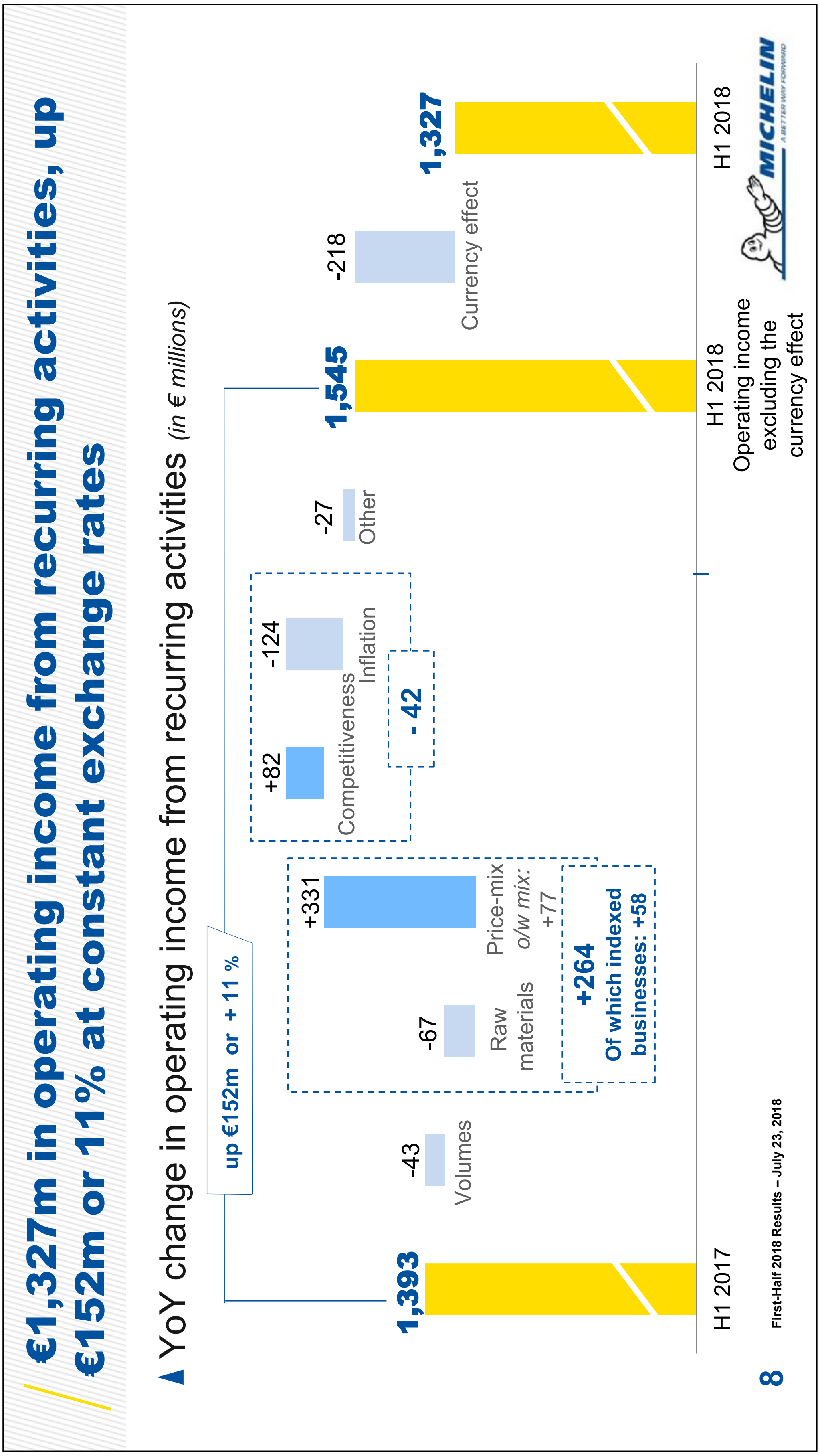
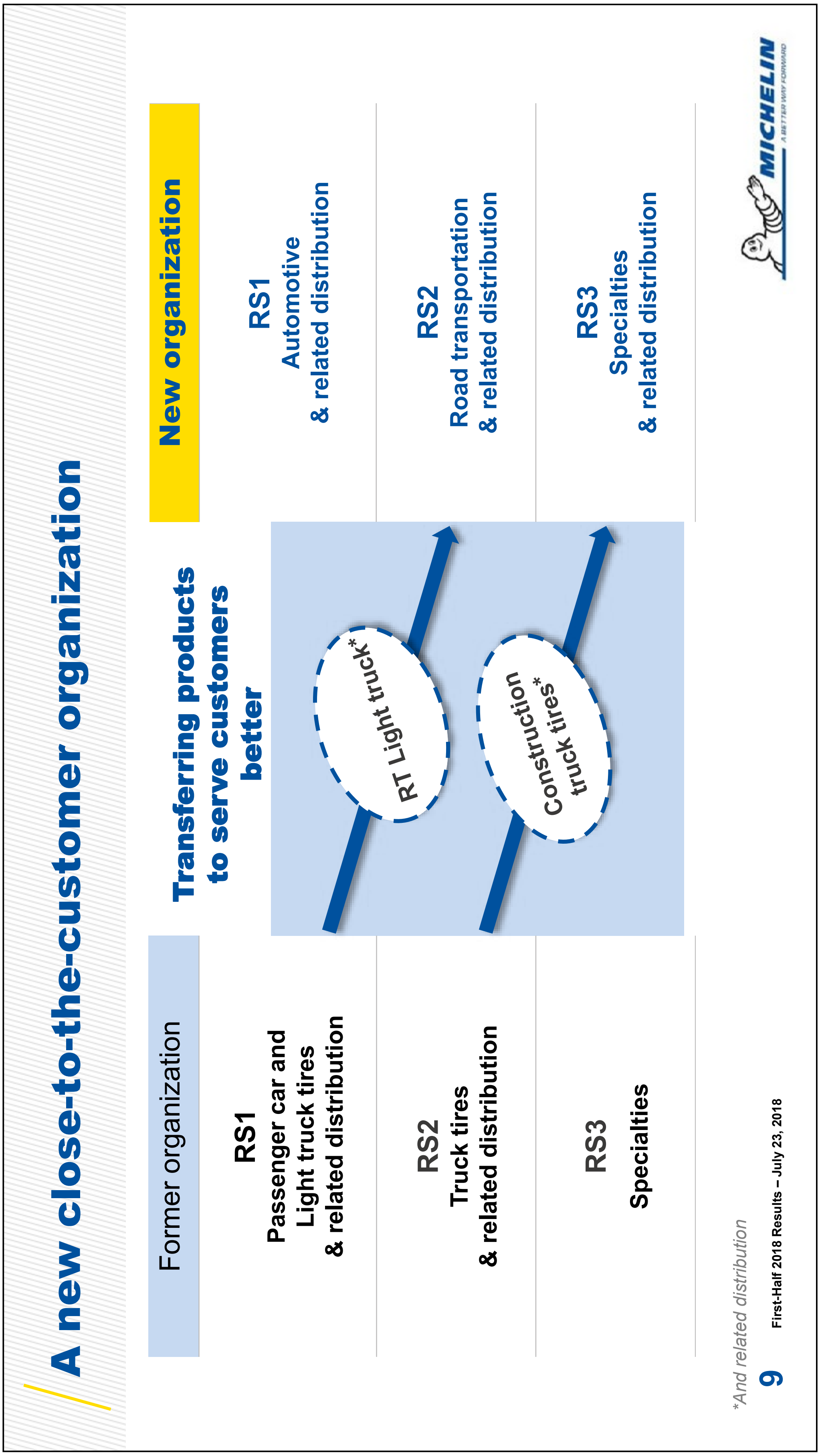
First-Half 2018 Results – July 23, 2018


€1,327m in operating income from recurring activities, up €152m or 11% at constant exchange rates
YoY change in operating income from recurring activities (in € millions)
up €152m or + 11 %
1,393
H1 2017
-43
Volumes
-67
Raw materials
+331
Price-mix
o/w mix: +77
+264
Of which indexed businesses: +58
+82
Competitiveness
-124
Inflation
- 42
-27
Other
1,545
H1 2018
Operating income excluding the currency effect
-218
Currency effect
1,327
H1 2018
MICHELIN
A BETTER WAY FORWARD
8
First-Half 2018 Results – July 23, 2018


A new close-to-the-customer organization
Former organization
RS1
Passenger car and
Light truck tires
& related distribution
RS2
Truck tires
& related distribution
RS3
Specialties
Transferring products
to serve customers
better
RT Light truck*
Construction
truck tires*
New organization
RS1
Automotive
& related distribution
RS2
Road transportation
& related distribution
RS3
Specialties
& related distribution
*And related distribution
9
First-Half 2018 Results – July 23, 2018
MICHELIN
A BETTER WAY FORWARD

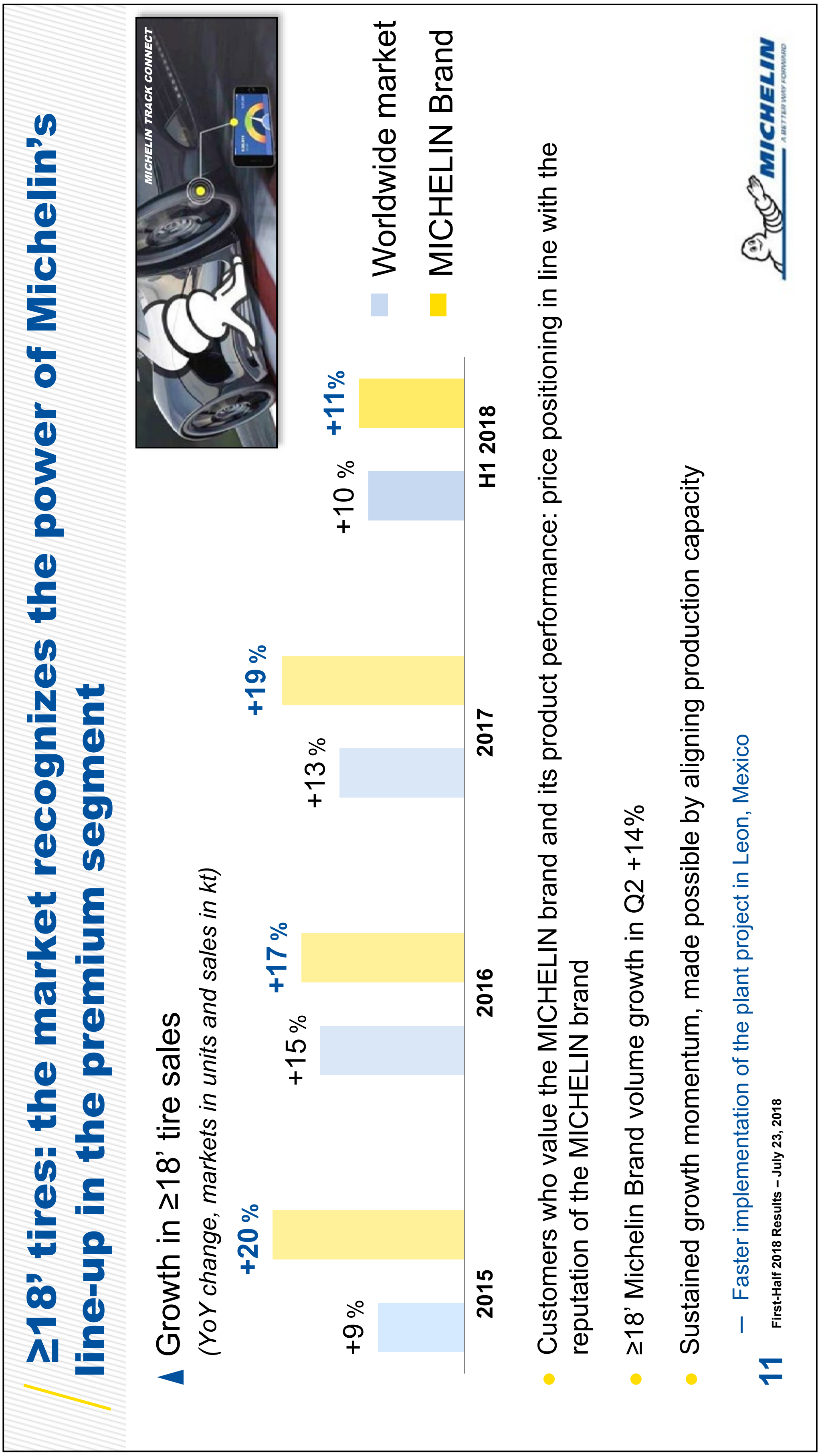
PC & LT: solid margin resistance in the face of adverse currency movements

(in € millions)	H1 2018	H1 2017**	Change	O/w currency effect
RS1 net sales	**5,607**	6,009	- 7 %	
Operating income*	***646***	*764*	-15 %	
Operating margin*	11.5 %	12.7 %	-1.2 pts	- 0.9 pts

- Growth in volumes in Q2
- Positions maintained in an expanding OE market.
- Firm RT pricing maintained in a highly competitive environment, particularly in the ≤16' segment
- Market share gains in ≥18' with volumes up 11%
- TCi deconsolidation reduces net sales by 3%
- Highly promising product launches with big runners: MICHELIN Primacy 4, BF Goodrich KM3 and the MICHELIN Alpin 6 and the MICHELIN X Ice North 4 in winter tires

*From recurring activities. **New organization

10 First-Half 2018 Results – July 23, 2018


≥18' tires: the market recognizes the power of Michelin's line-up in the premium segment
MICHELIN TRACK CONNECT
Growth in ≥18' tire sales
(YoY change, markets in units and sales in kt)
+9 %
+20 %
2015
+15 %
+17 %
2016
+13 %
+19 %
2017
+10 %
+11%
H1 2018
Worldwide market
MICHELIN Brand
Customers who value the MICHELIN brand and its product performance: price positioning in line with the reputation of the MICHELIN brand
≥18' Michelin Brand volume growth in Q2 +14%
Sustained growth momentum, made possible by aligning production capacity
– Faster implementation of the plant project in Leon, Mexico
11
First-Half 2018 Results – July 23, 2018
MICHELIN
A BETTER WAY FORWARD

Michelin Primacy 4: safe when new, safe when worn(1)

1) Whether new or worn, the 205/55 R16 91V MICHELIN PRIMACY 4 exceeded the R117 European regulation wet grip threshold. Worn means worn on a machine (buffed) to the depth of the tread wear indicator according to European regulation for Tread Wear Indicator ECE R30r03f.

(2) Test conducted by DEKRA TEST CENTER, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus the average of the following competitor tires: BRIDGESTONE TURANZA T001 EVO, CONTINENTAL PREMIUM CONTACT 5, DUNLOP BLURESPONSE, GOODYEAR EFFICIENT GRIP PERFORMANCE, PIRELLI CINTURATO P7 BLUE. Longevity test run in average real usage (Michelin test D50) with 10,000 km run and estimated longevity at 1.6mm.

(3) Wet braking test, between 80 and 20 kph, conducted by TÜV SÜD product service, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus the average of the following competitor tires: BRIDGESTONE TURANZA T001 EVO, CONTINENTAL PREMIUM CONTACT 5, DUNLOP BLURESPONSE, GOODYEAR EFFICIENT GRIP PERFORMANCE, PIRELLI CINTURATO P7 BLUE. Worn, MICHELIN PRIMACY 4 is joint-leader with BRIDGESTONE TURANZA T001 EVO. Worn means worn on a machine (buffed) to the depth of the tread wear indicator according to European regulation for Tread Wear Indicator ECE R30r03f.

Information valid as of the date of publication – 01/2018 MFP Michelin, registered in Clermont Ferrand, no. 855 200 507, partnership limited by shares with capital of €504,000,004. Created by: All Contents - 10/2017 - © Michelin - 17060238

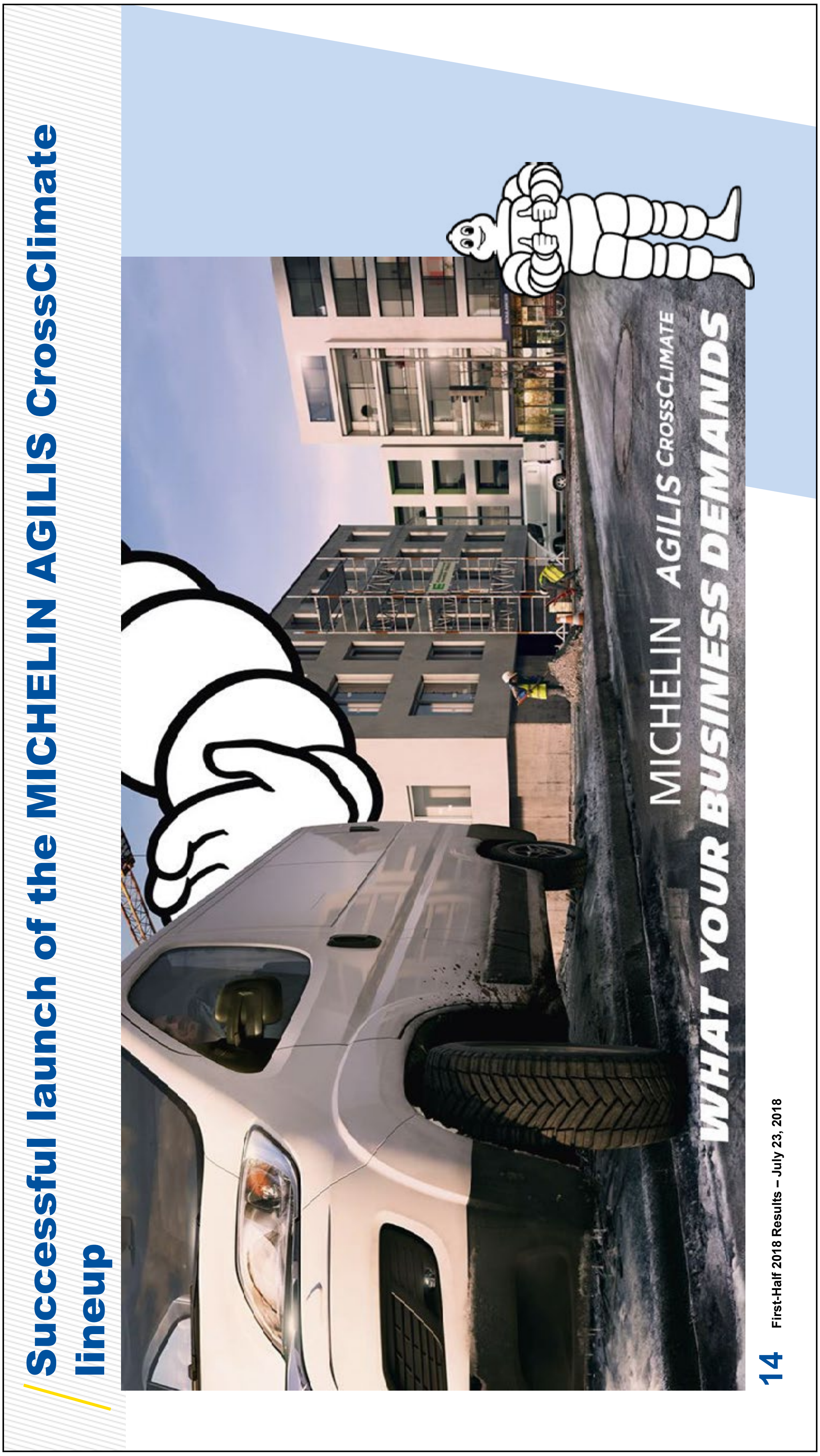
Truck: margin improvement despite the currency effect and high volume comparatives

(in € millions)	H1 2018	H1 2017**	Change	O/w currency effect
RS2 net sales	**2,782**	2,928	-5 %	
Operating income*	***195***	*214*	-9 %	
Operating margin*	7.0 %	7.3 %	-0.3 pts	-1.5 pts

- Tire volume and number of vehicles serviced growing in Q2
- Positions maintained in a fast-growing OE market
- RT prices held firm given focus placed on margins
- New products and services continue to be introduced, particularly with the successful launches of the BFGoodrich® lines in Europe and of the MICHELIN AGILIS CrossClimate light truck and van tires
- Positive effect in Europe of anti-dumping taxes.

*From recurring activities. **New organization

13 First-Half 2018 Results – July 23, 2018


Successful launch of the MICHELIN AGILIS CrossClimate lineup
MICHELIN AGILIS CROSSCLIMATE
WHAT YOUR BUSINESS DEMANDS
14
First-Half 2018 Results – July 23, 2018

Specialties: higher income despite the currency effect, led by volumes and the net impact of price-mix/raw materials

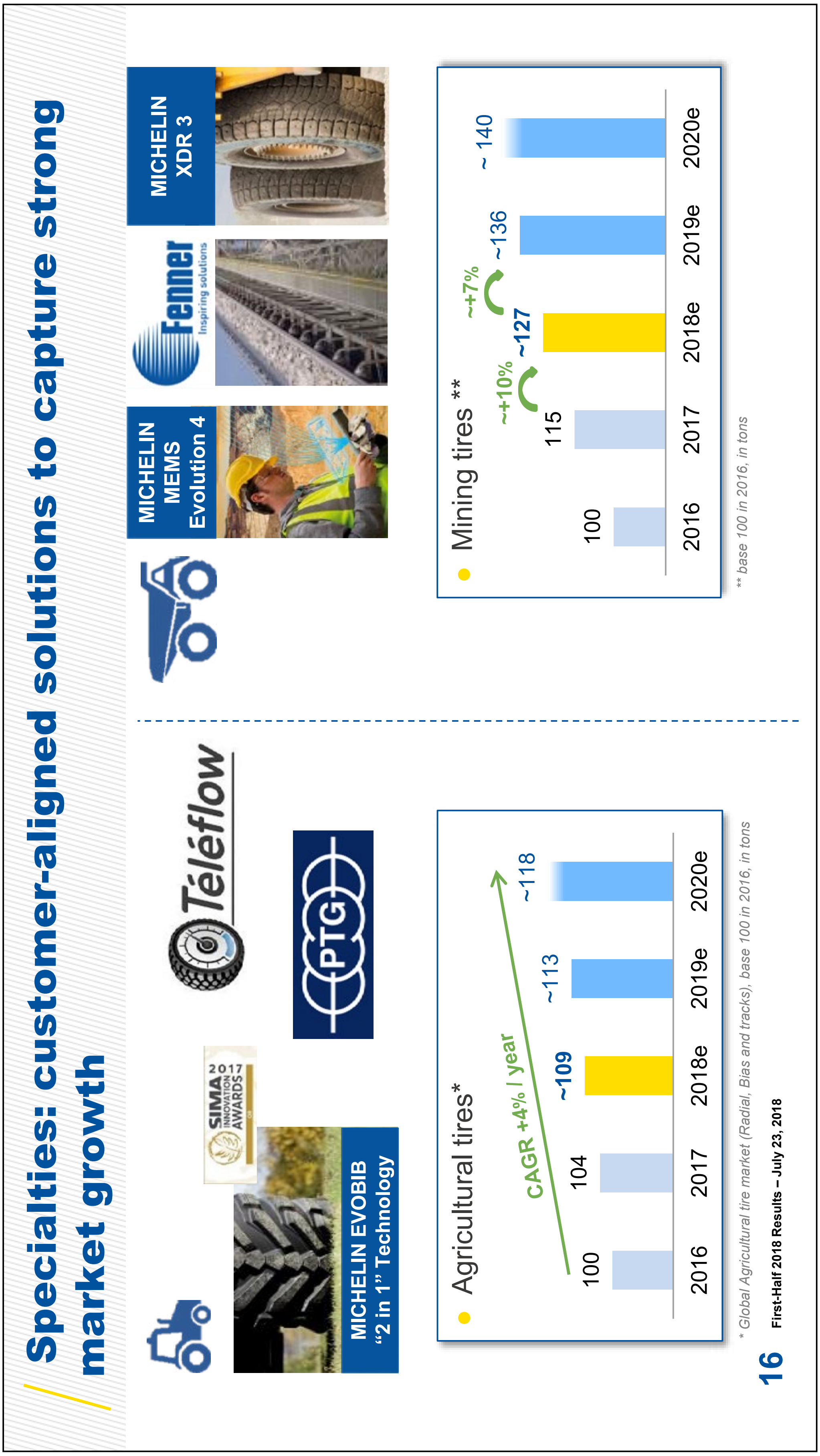
(in € millions)	H1 2018	H1 2017**	Change	O/w currency effect
RS3 net sales	**2,214**	2,122	+4 %	
Operating income*	***486***	*415*	*+17 %*	
Operating margin*	22,0 %	19.6 %	*+2.4 pts*	*- 1.2 pts*

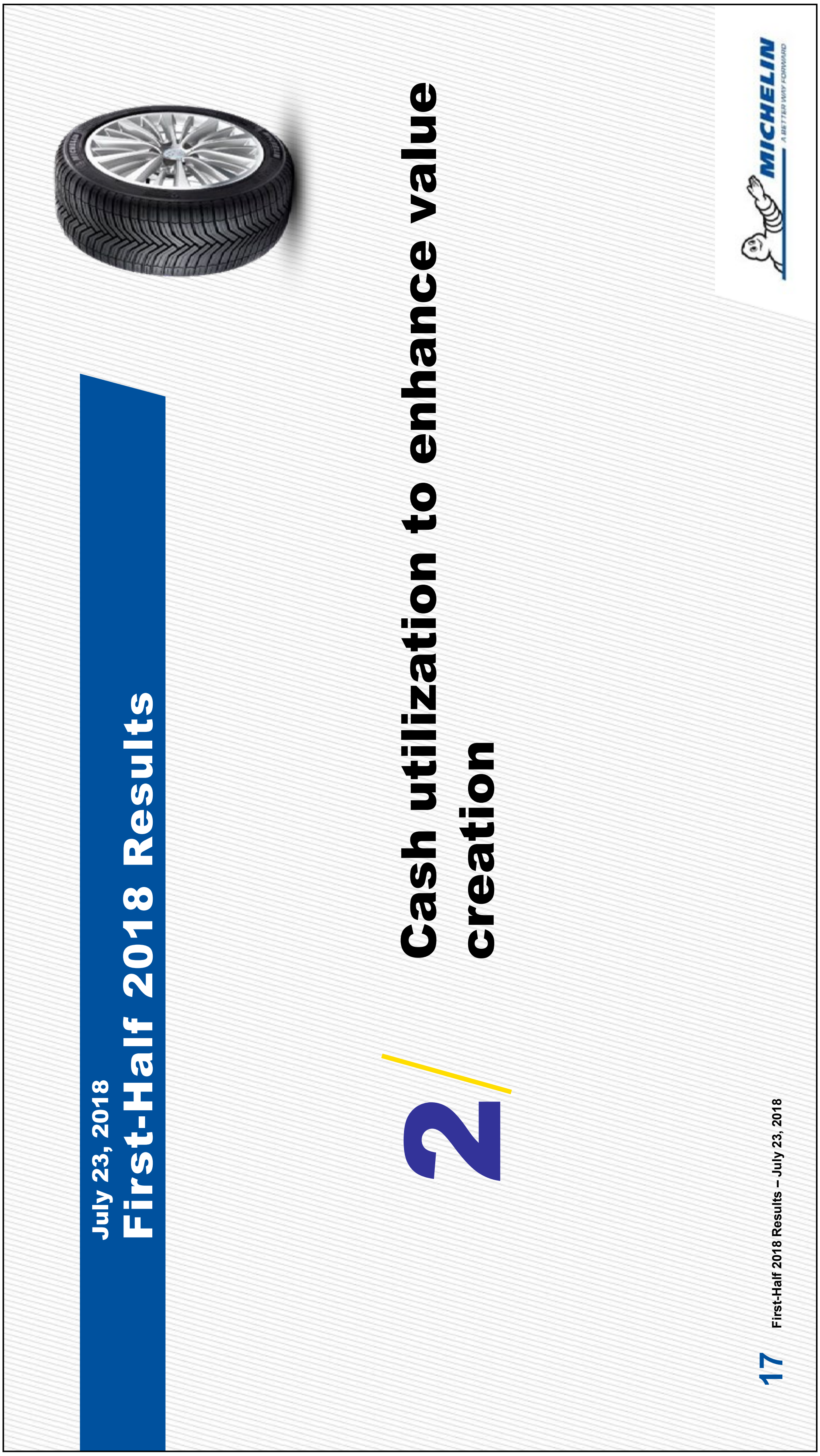
- Strong growth in volumes, driven by Mining tires (with no inventory rebuilding) and by OE Earthmover and Agricultural tire sales, to the detriment of RT sales due to lack of capacity
- Faster ramp-up of output at the mining tire plant in Anderson, USA
- Net positive impact of price-mix/raw materials offset the negative impact in 2017
- Initial studies with the Fenner teams have raised estimated synergies to £60m (from £30m) by 2022

**From recurring activities. **New organization*

15 First-Half 2018 Results – July 23, 2018

MICHELIN A BETTER WAY FORWARD


Specialties: customer-aligned solutions to capture strong market growth
MICHELIN EVOBIB
"2 in 1" Technology
2017 SIMA INNOVATION AWARDS
Téléflow
PTG
MICHELIN MEMS Evolution 4
Fenner
Inspiring solutions
MICHELIN XDR 3
Agricultural tires*
CAGR +4% / year
100
104
~109
~113
~118
2016
2017
2018e
2019e
2020e
* Global Agricultural tire market (Radial, Bias and tracks), base 100 in 2016, in tons
Mining tires **
100
115
~+10%
~127
~+7%
~136
~ 140
2016
2017
2018e
2019e
2020e
** base 100 in 2016, in tons
16
First-Half 2018 Results – July 23, 2018


July 23, 2018
First-Half 2018 Results
2
Cash utilization to enhance value creation
MICHELIN
17
First-Half 2018 Results – July 23, 2018


Four areas of growth: Capex and acquisitions to support our value creation strategy
Tires
Services
Experiences
Materials
2015-2020 target
Net sales +20%
Net sales doubled
Net sales tripled
Capitalize on our leadership
2018 partnerships and acquisitions...
Fenner
Conveyor belts
ECS
CAMSO
ROAD FREE COMPANY
TBC CORPORATION
ATU
Fenner
AEP
Reinforced polymers
...in line with the 2020 strategy
Capital expenditure
Distribution
Telematics and services
Experiences: travel and fine dining
High-tech materials
18
First-Half 2018 Results – July 23, 2018

Proposed acquisition of Camso to create the world leader in off-the-road mobility solutions

- Manufactures and supplies high performance products and services for off-the-road mobility markets
  - Technological leadership in rubber tracks and solid tires
  - Competitive production facilities, particularly in Sri Lanka and Vietnam.
- Up to $55m in identified synergies by 2021 and around $20m in WCR optimization
- Accretive to EPS from year one and creation of major value
- $1.45bn in cash out and closing scheduled for November 2018 after regulatory approvals are obtained

Camso* key figures

(in $ millions)	2018	2012
• Net sales	974	865
• EBITDA	136	105
• EBITDA margin	14%	12%

- Fast growth and major improvement in margins
- 7,700 employees in 26 countries, of whom around 5,500 in Sri Lanka and 300 in Magog, Quebec
- 17 plants and 3 research centers

**Fiscal year ends March 31*

19 First-Half 2018 Results – July 23, 2018

Camso, a market leader in four of the Off-The-Road segments

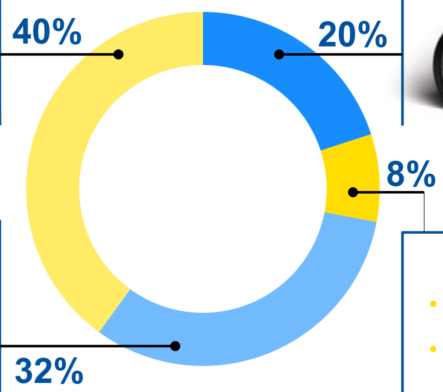
Material handling
Tires, wheels and services

- **No. 1*** in solid forklift tires
- Largest network of forklift tire installation service

Construction
Tires, wheels and tracks

- Among top 3* leaders for construction compact tire segment (<25”)
- Among top 3* leaders for construction rubber tracks

Net sales by segment*



Agriculture
Tracks and track systems

- **No. 1*** in tracks and track systems

PowerSport
Tracks and track systems

- **No. 1*** in snowmobile tracks
- **No. 1*** in UTV-ATV track systems

*Source: Camso 2018

20 First-Half 2018 Results – July 23, 2018

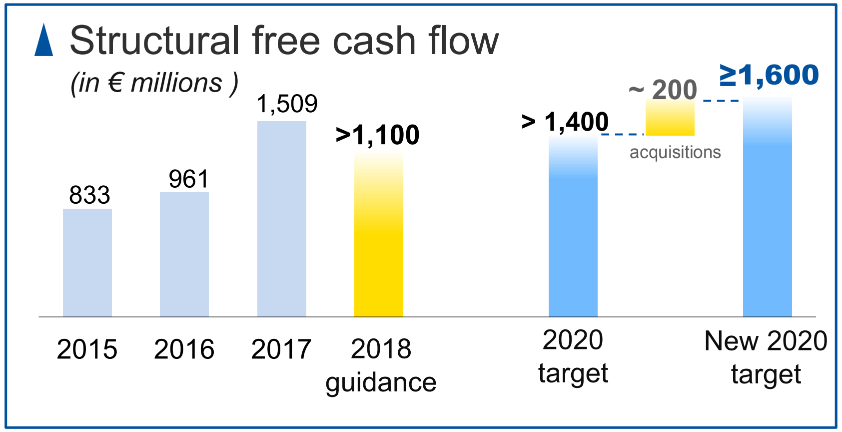
H1 2018 acquisitions and partnerships: €2bn Estimated Fenner synergies raised to £60m

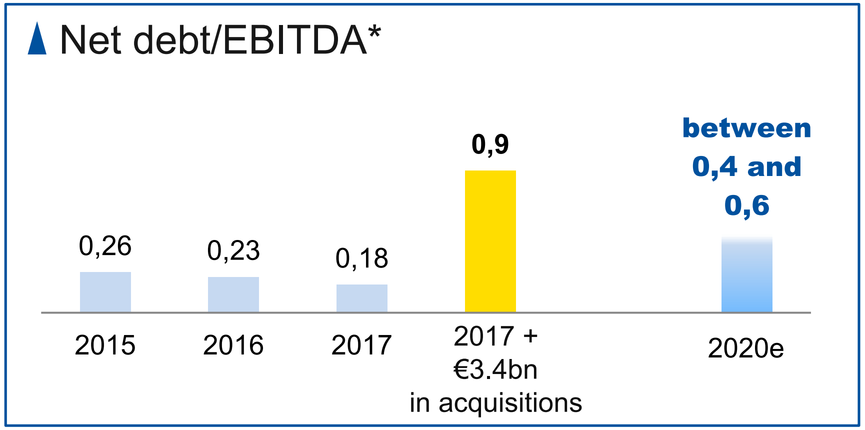
- TBC & TCi joint venture:
  - Create a leading US tire wholesaler
  - Gain access to more than 2,400 retail locations
  - Capitalize on TBC's expertise in importing Tier 3 and Tier 4 tires
  - ⇒ Market pioneer, with a clear governance structure and agile management

- Fenner acquisition:
  - Leverage the full value of the Group's technological leadership in materials in non-tire segments
  - Expand the Group's portfolio for mining customers with a leading conveyor belt manufacturer
  - Estimated synergies raised to £60m from the initially projected £30m by 2022

21 First-Half 2018 Results – July 23, 2018

High free cash flow and a robust financial position





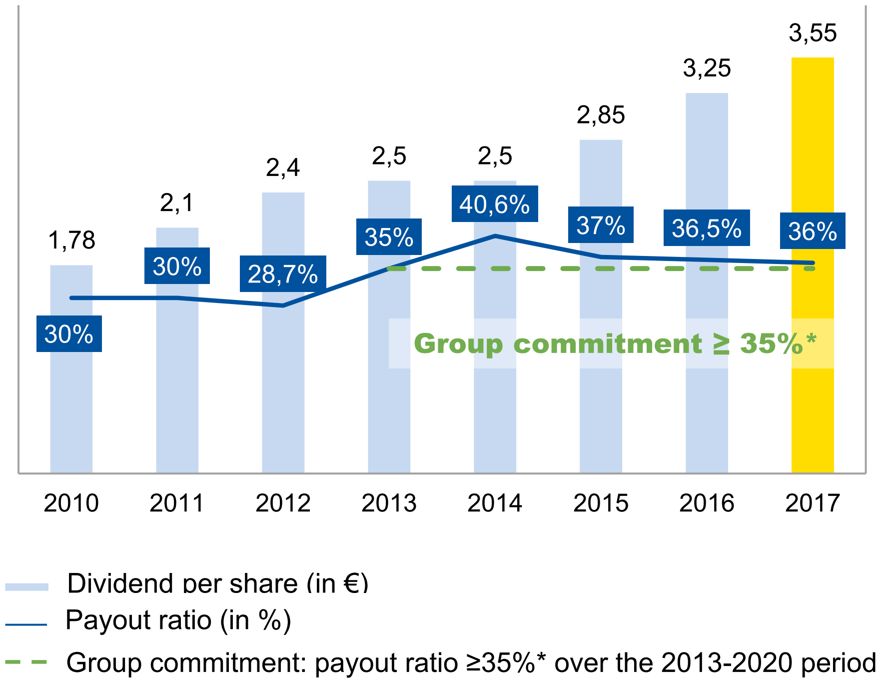
- Strong free cash flow, of at least €1,600m in 2020
- Net debt/EBITDA peaking in 2018 due to cash out for planned acquisitions during the year, before easing to between 0.4 and 0.6 in 2020
- Rating agencies Moody's, Standard & Poor's and Fitch have confirmed an A-/A3 credit rating after the Camso acquisition project announcement bringing to €3.4bn the cash out in 2018

*See the 2017 Registration Document, notes 3.7.2 and 26 to the consolidated financial statements

22 First-Half 2018 Results – July 23, 2018

Sustained shareholder return policy: dividends and share buybacks

- 2017 dividend of €3.55 per share, or a payout ratio of 36%*



** of Net results adjusted from non-recurring items*

- 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

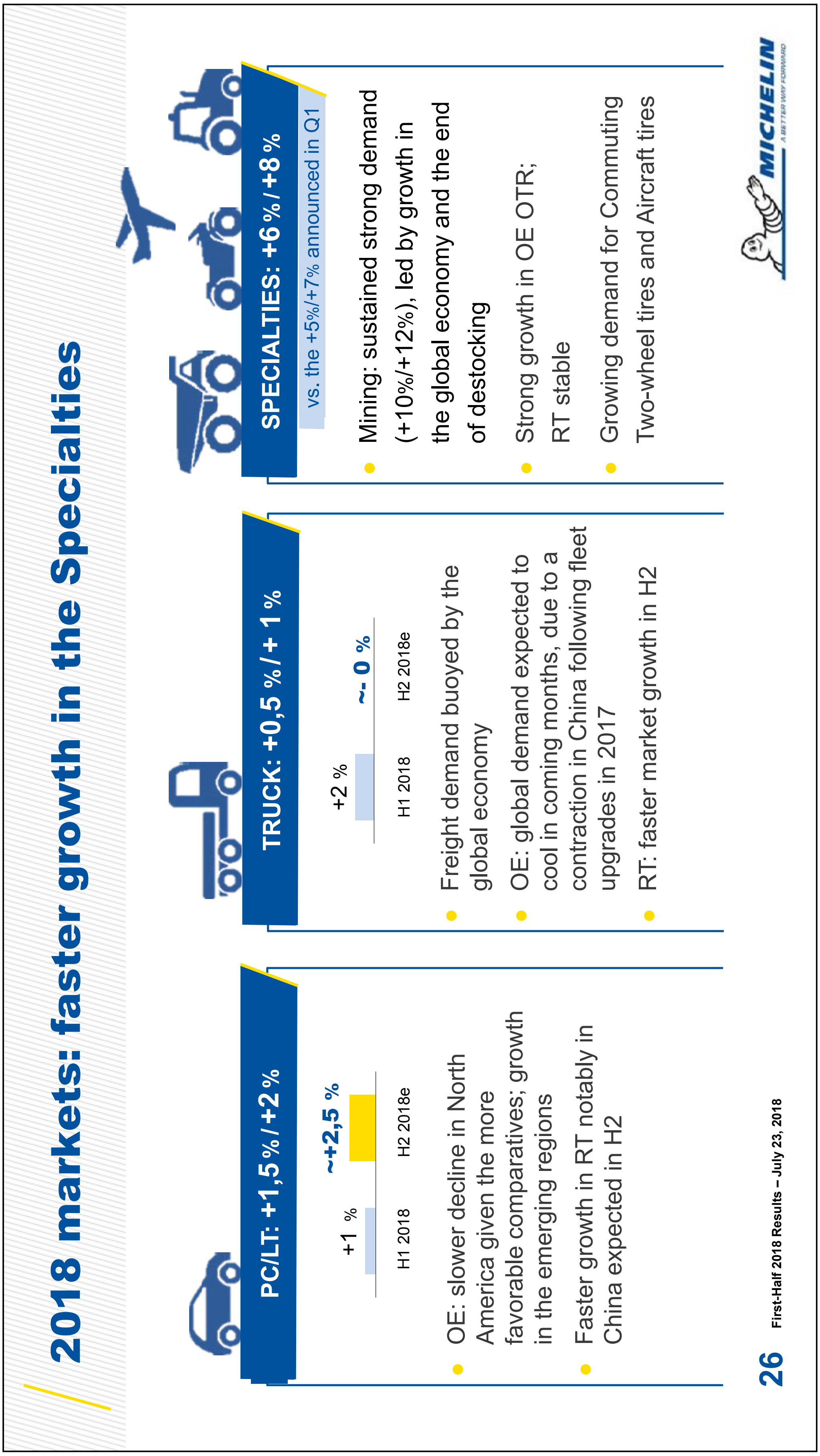
23 First-Half 2018 Results – July 23, 2018


July 23, 2018
First-Half 2018 Results
3
2018 guidance confirmed
24
First-Half 2018 Results – July 23, 2018

2018 guidance: on the road to our 2020 objectives

	2018
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2017
Structural FCF	> €1,100m

25 First-Half 2018 Results – July 23, 2018


2018 markets: faster growth in the Specialties
PC/LT: +1,5 %/+2 %
+1 %
~+2,5 %
H1 2018
H2 2018e
OE: slower decline in North America given the more favorable comparatives; growth in the emerging regions
Faster growth in RT notably in China expected in H2
TRUCK: +0,5 %/+ 1 %
+2 %
~- 0 %
H1 2018
H2 2018e
Freight demand buoyed by the global economy
OE: global demand expected to cool in coming months, due to a contraction in China following fleet upgrades in 2017
RT: faster market growth in H2
SPECIALTIES: +6 %/+8 %
vs. the +5%/+7% announced in Q1
Mining: sustained strong demand (+10%/+12%), led by growth in the global economy and the end of destocking
Strong growth in OE OTR; RT stable
Growing demand for Commuting Two-wheel tires and Aircraft tires
26
First-Half 2018 Results – July 23, 2018
MICHELIN
A BETTER WAY FORWARD

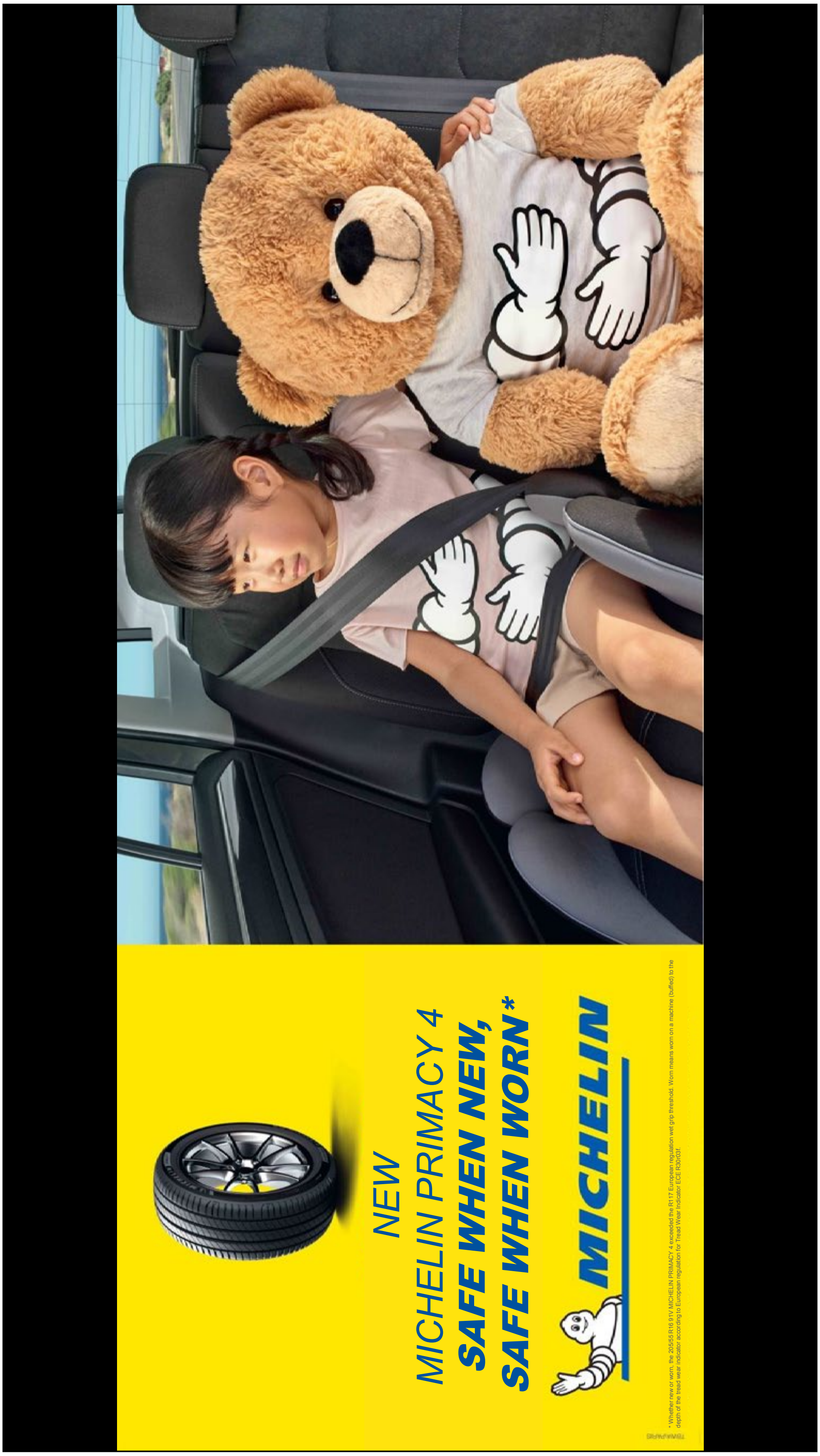
2018 scenario: a year led by the net positive impact of changes in the price-mix and raw materials prices

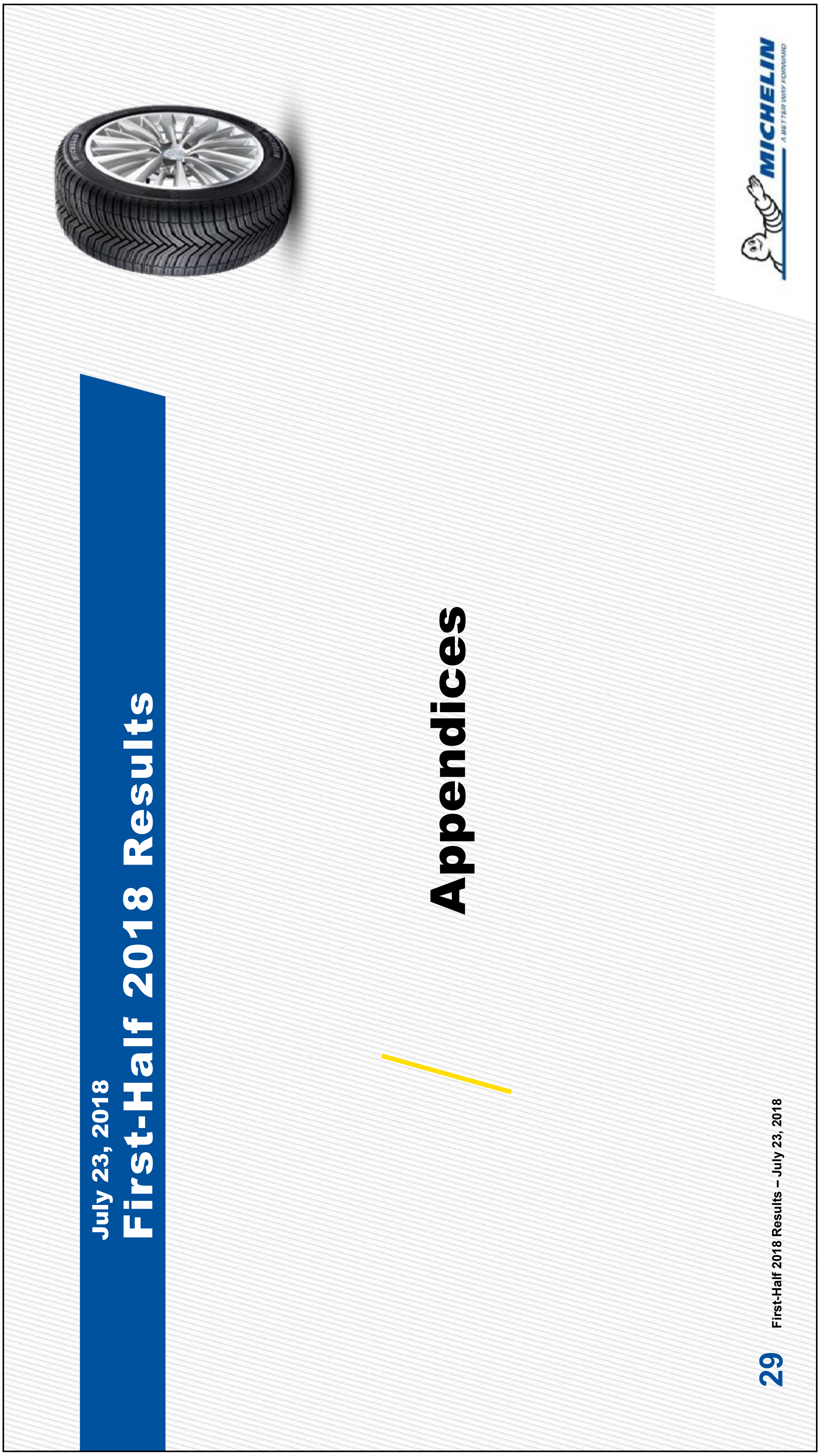
	H1 actual	H2 2018	2018
Impact from raw materials costs	-€67m	**stable**	**around -€50m***
Currency effect	-€218m	**around -€60m****	**around -€280m based on June 2018 exchange rates****
Standard effective tax rate	Standard ETR of 28%		
Net impact of price-mix and raw materials prices	+€264m	**slightly negative**	**positive**
Competitiveness plan gains vs. inflation	-€42m	**positive**	**positive**

**2018 average prices: Natural rubber: $1.58/kg; butadiene (US, Europe and Asia): $1300/t; Brent: $73/bbl*

***€/$ at 1.17*

27 First-Half 2018 Results – July 23, 2018


NEW
MICHELIN PRIMACY 4
SAFE WHEN NEW,
SAFE WHEN WORN*
MICHELIN
* Whether new or worn, the 205/55 R16 91V MICHELIN PRIMACY 4 exceeded the R117 European regulation wet grip threshold. Worn means worn on a machine (buffed) to the depth of the tread wear indicator according to European regulation for Tread Wear Indicator ECE R30r03f.


July 23, 2018
First-Half 2018 Results
Appendices
MICHELIN
A BETTER WAY FORWARD
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First-Half 2018 Results – July 23, 2018

First-half effects of the new organization by RS

(in € millions)	H1 2017**	H1 2017	Change
RS1 net sales	**6,009**	6,263	-4%
Operating income*	***764***	800	-5%
Operating margin*	12.7%	12.8%	-0.1 pt
RS2 net sales	**2,928**	3,041	-4%
Operating income*	***214***	229	-7%
Operating margin*	7.3%	7.5%	-0.2 pts
RS3 net sales	**2,122**	1,755	+21%
Operating income*	***415***	364	+14%
Operating margin*	19.6%	20.8%	-1.2 pts

*from recurring activities
**new organization

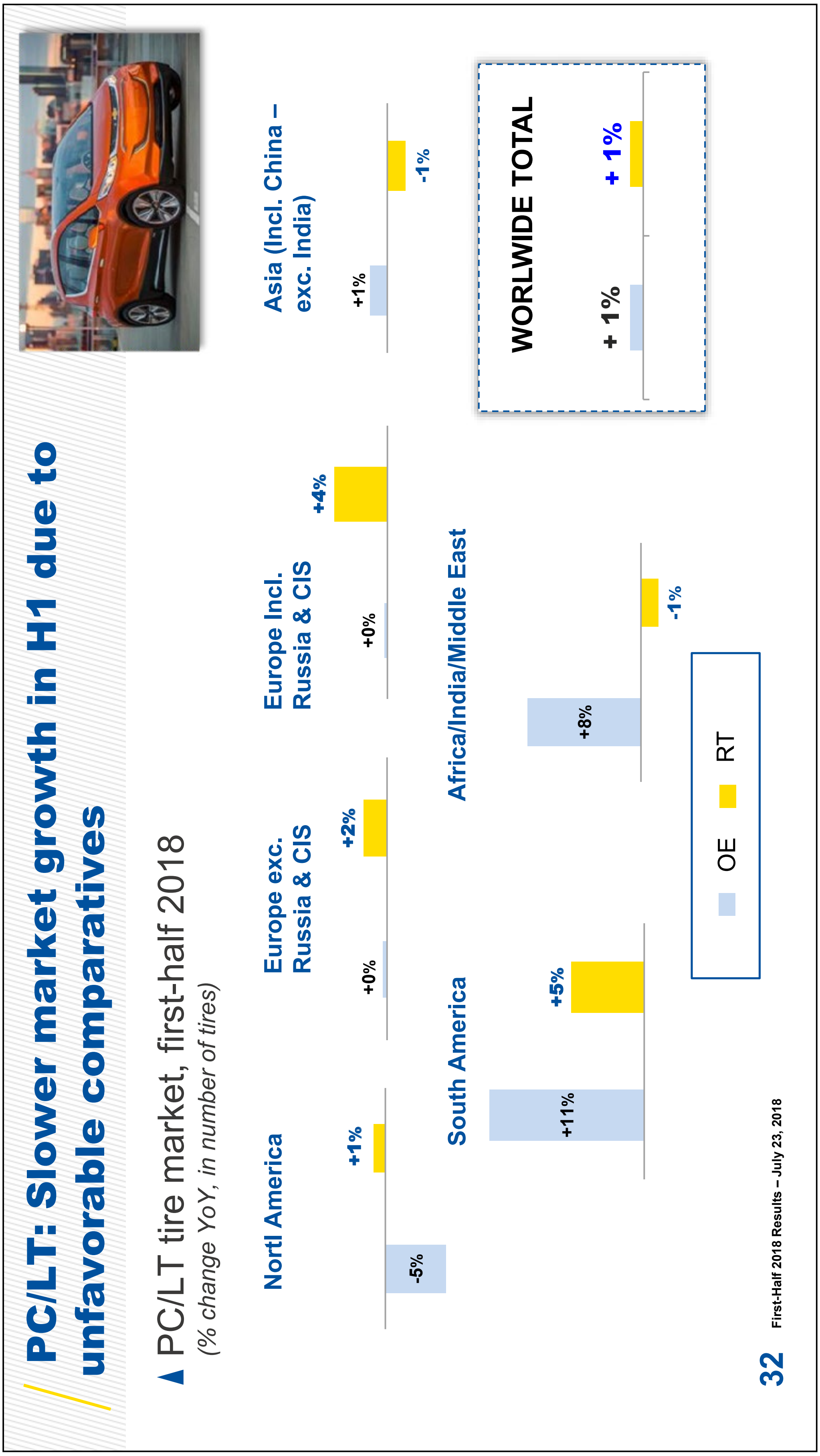
30 First-Half 2018 Results – July 23, 2018

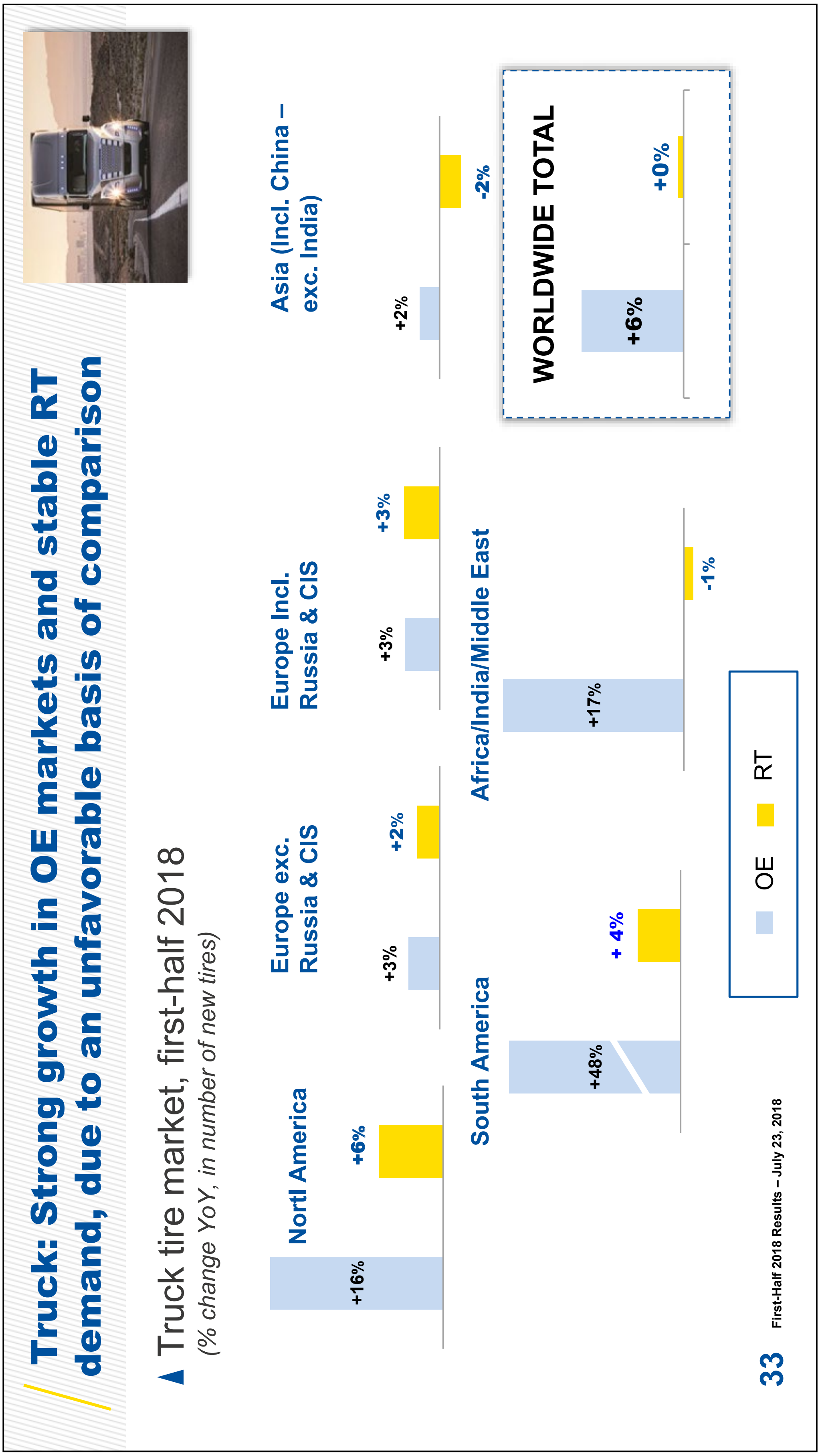
Reported H1 2018 and H1 2017 financial highlights

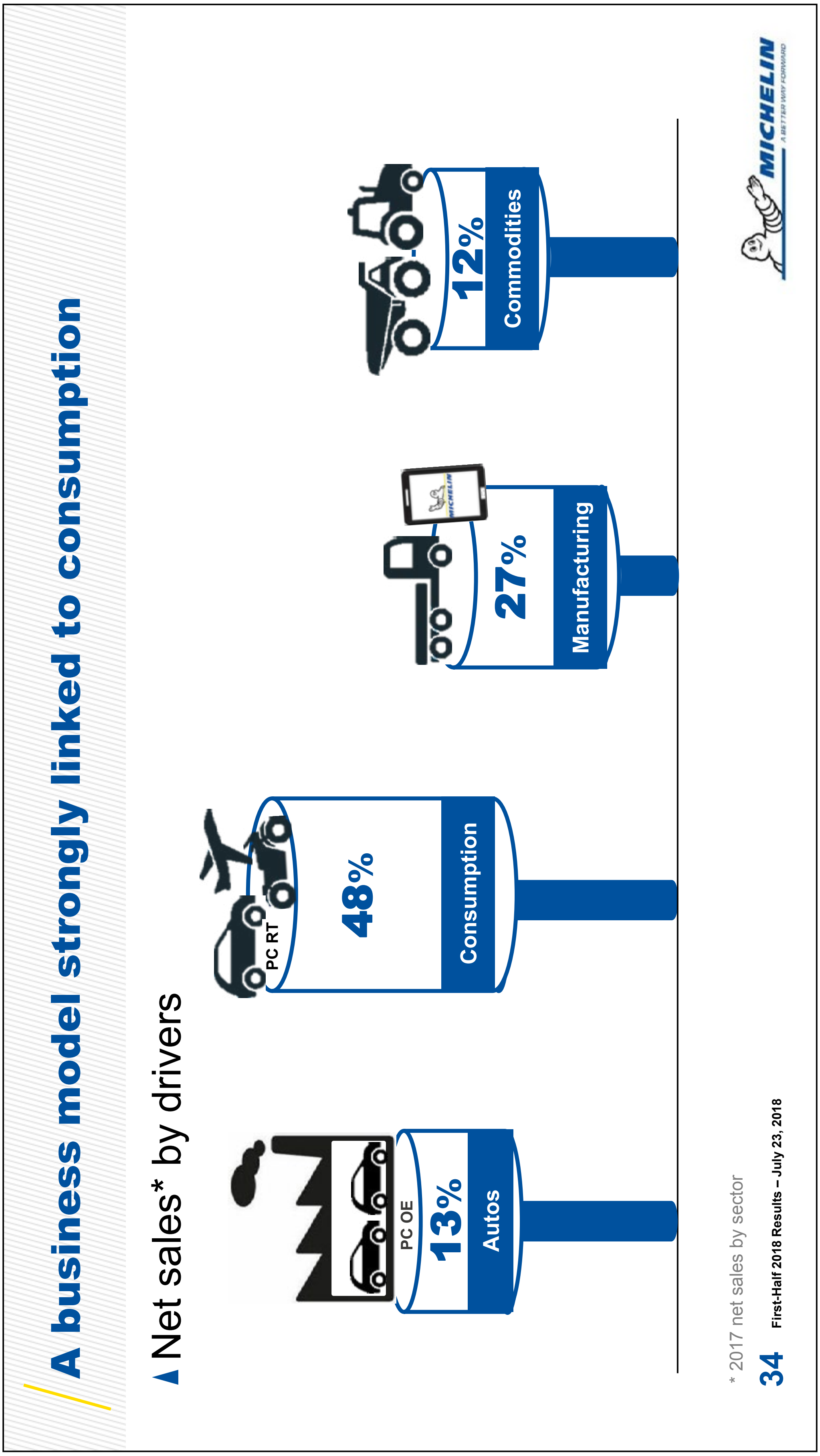
(en millions €)	H1 2018	H1 2017
Net sales	**10,603**	11,059
Operating income from recurring activities	**1,327**	1,393
Operating margin on recurring activities	**12.5%**	12.6%
Operating income/(loss) from non-recurring activities	**23**	27
Net income	**917**	863
Basic earnings per share (in €)	**5.12**	4.76
Capital expenditure (excluding acquisitions)	**588**	585
Free cash flow*	**-2,049**	-305
Gearing	**33%**	16%

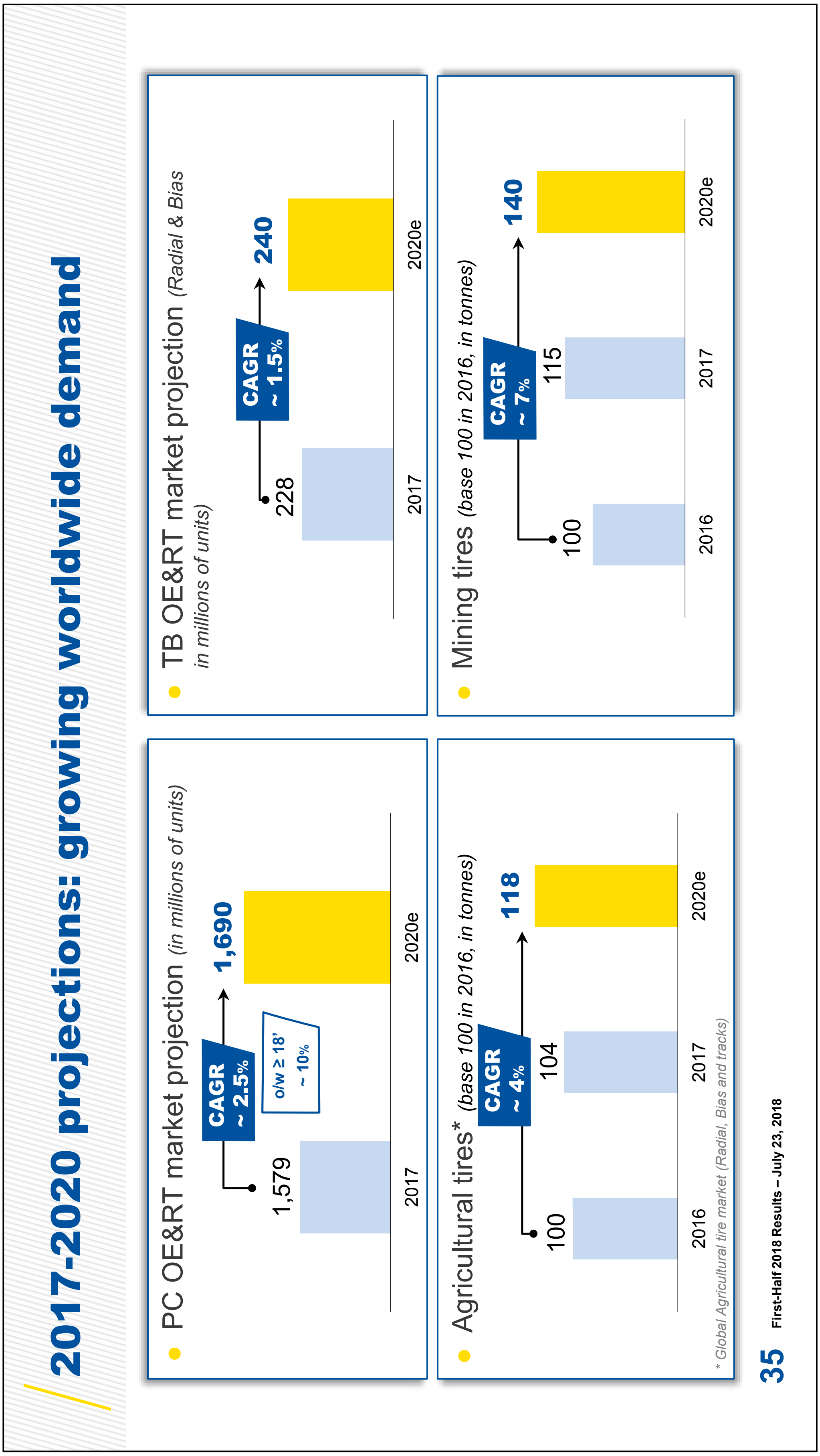
**Net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.*

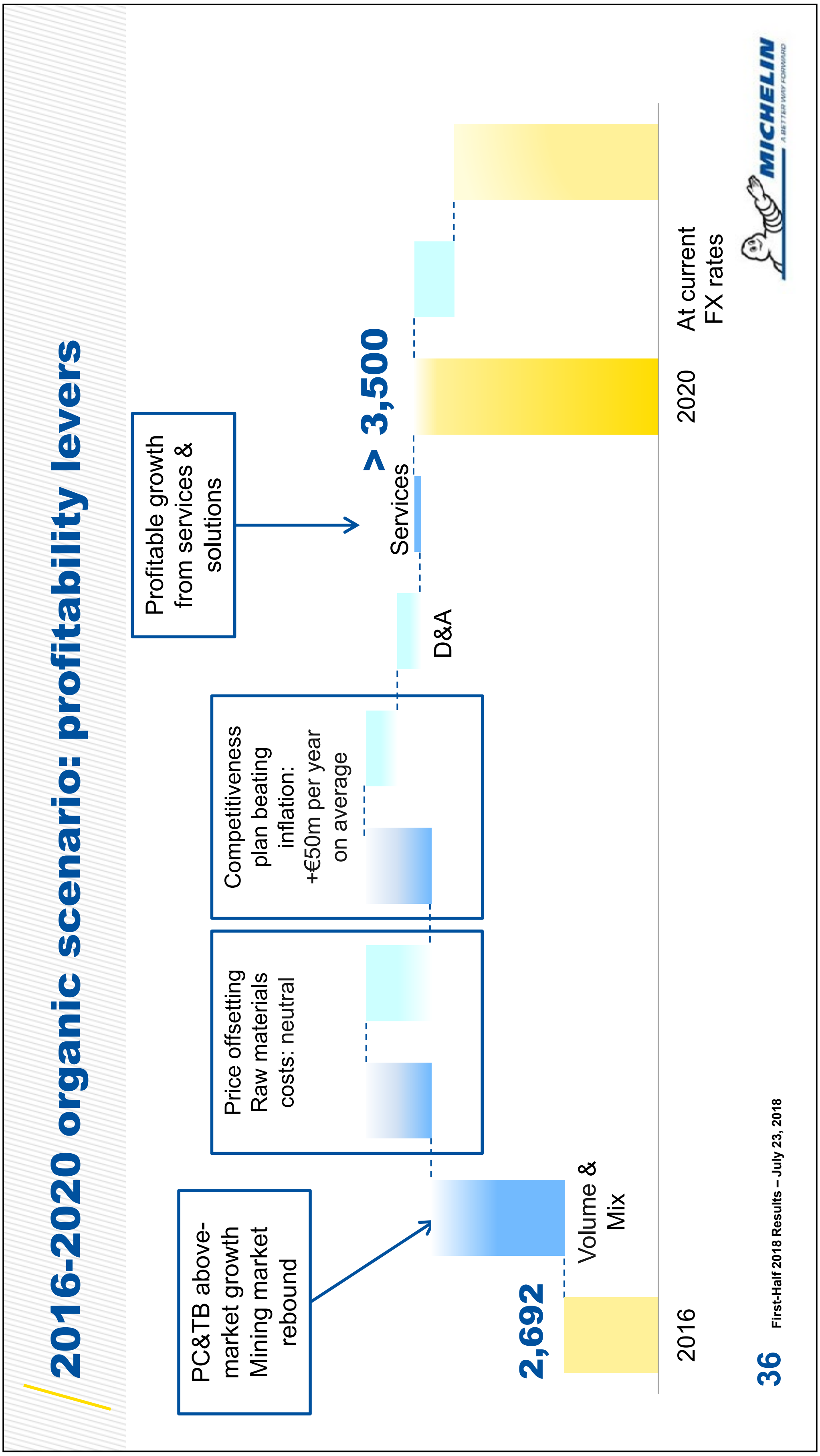
31 First-Half 2018 Results – July 23, 2018

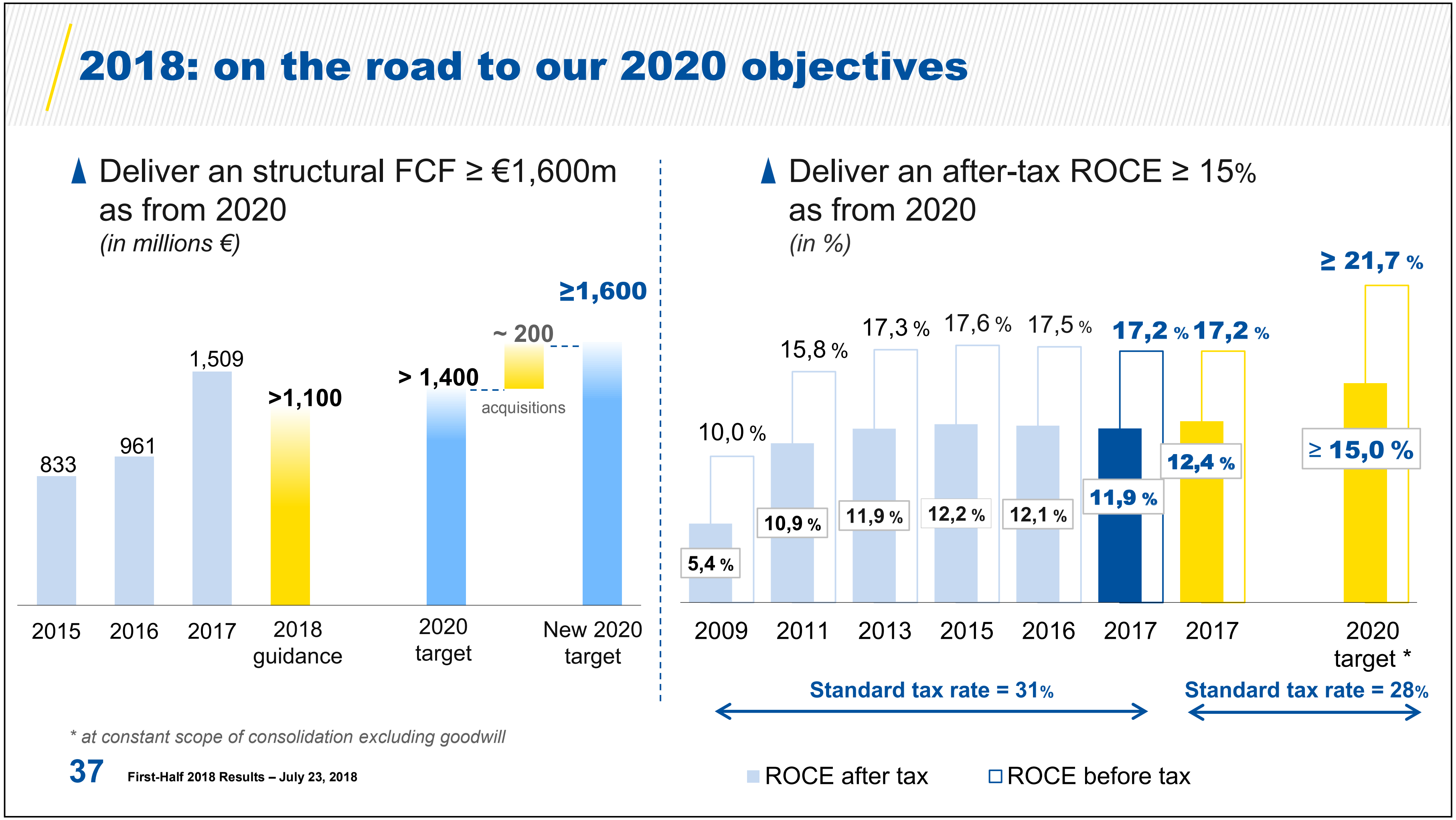

PC/LT: Slower market growth in H1 due to unfavorable comparatives
PC/LT tire market, first-half 2018
(% change YoY, in number of tires)
Nortl America
-5%
+1%
Europe exc. Russia & CIS
+0%
+2%
Europe Incl. Russia & CIS
+0%
+4%
Asia (Incl. China – exc. India)
+1%
-1%
South America
+11%
+5%
Africa/India/Middle East
+8%
-1%
WORLWIDE TOTAL
+ 1%
+ 1%
OE
RT
32
First-Half 2018 Results – July 23, 2018


Truck: Strong growth in OE markets and stable RT demand, due to an unfavorable basis of comparison
Truck tire market, first-half 2018
(% change YoY, in number of new tires)
Nortl America
+16%
+6%
Europe exc. Russia & CIS
+3%
+2%
Europe Incl. Russia & CIS
+3%
+3%
Asia (Incl. China – exc. India)
+2%
-2%
South America
+48%
+ 4%
Africa/India/Middle East
+17%
-1%
WORLDWIDE TOTAL
+6%
+0%
OE
RT
33
First-Half 2018 Results – July 23, 2018


A business model strongly linked to consumption
Net sales* by drivers
PC OE
13%
Autos
PC RT
48%
Consumption
27%
Manufacturing
12%
Commodities
* 2017 net sales by sector
34 First-Half 2018 Results – July 23, 2018
MICHELIN
A BETTER WAY FORWARD


2017-2020 projections: growing worldwide demand
PC OE&RT market projection (in millions of units)
1,579
CAGR ~ 2.5%
o/w ≥ 18'
~ 10%
1,690
2017
2020e
TB OE&RT market projection (Radial & Bias
in millions of units)
228
CAGR ~ 1.5%
240
2017
2020e
Agricultural tires* (base 100 in 2016, in tonnes)
100
CAGR ~ 4%
104
118
2016
2017
2020e
Mining tires (base 100 in 2016, in tonnes)
100
CAGR ~ 7%
115
140
2016
2017
2020e
* Global Agricultural tire market (Radial, Bias and tracks)
35
First-Half 2018 Results – July 23, 2018


2016-2020 organic scenario: profitability levers
2,692
PC&TB above-market growth
Mining market rebound
Volume & Mix
Price offsetting
Raw materials costs: neutral
Competitiveness plan beating inflation:
+€50m per year on average
D&A
Profitable growth from services & solutions
Services
> 3,500
2016
2020
At current FX rates
36
First-Half 2018 Results – July 23, 2018
MICHELIN
A BETTER WAY FORWARD


2018: on the road to our 2020 objectives
Deliver an structural FCF ≥ €1,600m
as from 2020
(in millions €)
833
961
1,509
>1,100
> 1,400
~ 200
acquisitions
≥1,600
2015
2016
2017
2018
guidance
2020
target
New 2020
target
Deliver an after-tax ROCE ≥ 15%
as from 2020
(in %)
10,0 %
15,8 %
17,3 %
17,6 %
17,5 %
17,2 %
17,2 %
≥ 21,7 %
5,4 %
10,9 %
11,9 %
12,2 %
12,1 %
11,9 %
12,4 %
≥ 15,0 %
2009
2011
2013
2015
2016
2017
2017
2020
target *
Standard tax rate = 31%
Standard tax rate = 28%
ROCE after tax
ROCE before tax
* at constant scope of consolidation excluding goodwill
37
First-Half 2018 Results – July 23, 2018


WITH LONG LASTING PERFORMANCE, MICHELIN ACTS AGAINST PLANNED OBSOLESCENCE AND PUSHES FOR HIGHER TECHNOLOGICAL CONTENT
SAFETY
ENVIRONMENT
VALUE
38
First-Half 2018 Results – July 23, 2018

Michelin acquires Fenner, a leading global provider of conveyor belt solutions & reinforced polymer products

- A strategic acquisition with compelling value creation potential, in line with Michelin's ambition to leverage its expertise in high technology materials:
  - provide a comprehensive offering to mining customers, creating synergies upgraded to £60m
  - expand the engineered materials division with a complementary polymer portfolio
- Michelin offered £6.10 per Fenner PLC share, representing an enterprise value of £1.3bn

Key Figures Fenner

(in £ millions)	Last 2018 consensus	2017
• Net sales	682	655
• EBITDA	99	86
• EBITDA margin	15%	13%

39 First-Half 2018 Results – July 23, 2018

Fenner Key figures

(in £ millions)	2017	2016
Net sales	655	573
EBITDA	86	61
EBITDA margin	13,1%	10,6%
EBIT	59	37
EBIT margin	9,0%	6,5%
Net income	34,1	(26,3)
Earnings per share in pence (diluted)	17,5	(13,6)
Net debt	102	150
Gearing (Net debt/equity)	30%	54%
Capex (including finance leases)	12,4	16,1
Free cash flow*	84,8	54,1

** FCF = EBITDA – capex – change in WC – tax*
Source: Fenner PLC

40 First-Half 2018 Results – July 23, 2018

Camso: a perfect fit with Michelin to enhance value creation

Transaction process

- Michelin is acquiring Camso based on an enterprise value of $1.7bn
- Cash out for Michelin amounts to $1.45bn
- The deal has been approved by all of Camso's shareholders

Value creation

- Up to $55m in identified synergies by 2021 and optimization of around $20m in WCR
- Accretive to EPS from year one and strong value creation
- 8.3 x EBITDA* post synergies

Financing

- All-cash deal
- Strategy aligned with Michelin's financing policy, which should maintain a solid credit rating (A-/A3) even after €3.4bn external growth in 2018

Support from both management teams

- An enthusiastic Camso and Michelin management team, motivated to meet the ambitious targets set for the new OTR unit
- The new OTR Mobility division's decision center will be based in Magog, Quebec, Canada

Timing

- Acquisition subject to customary due diligence procedures and regulatory approvals
- Closing expected in november 2018

*EBITDA April 1, 2018 – March 31, 2019

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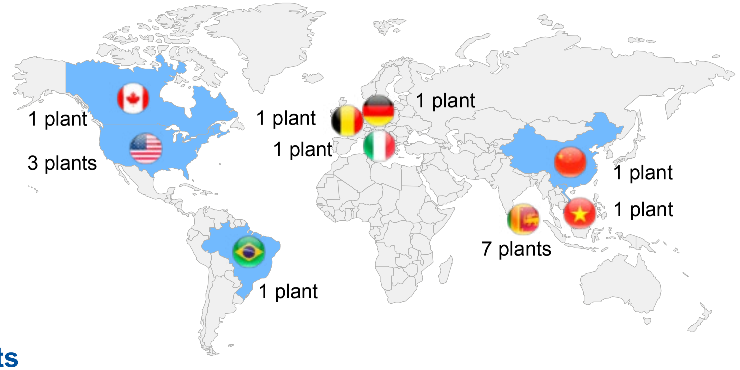
MICHELIN A BETTER WAY FORWARD

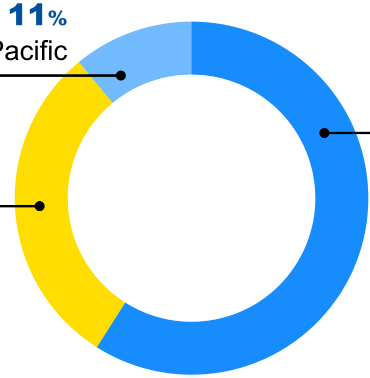
Camso, a global footprint

Plant locations worldwide



17 plants
Of which 10 in emerging countries

Net sales by region*



Global marketing operations

Distributed in
100 countries

26 countries
Proprietary dealerships and services under the SOLIDEAL brand

*Source: Camso 2018

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Material handling: with Camso and its SOLIDEAL brand, Michelin will become a major player in solid tires, with a competitive manufacturing base

- Material handling markets and competitive environment*

Global market breakdown		Michelin	Camso	Competition	Growth CAGR 2019-2021
Radial	~ 10%	Strong	Absent	Normal	+5%
Bias	~ 45%	Absent	Present	High	
Solid	~ 45%	Absent	Strong	Normal	

- Michelin will broaden the range of solutions offered by Camso, the world leader with the SOLIDEAL brand, which enjoys high awareness and a major share of the OE market. Strong opportunity to drive growth in radial sales
- Camso's services are built around customer-centric solutions, which support their high market share
- Competitive production facilities in Vietnam and Sri Lanka
- Enhanced expertise and innovation capabilities

*Source: Camso/Michelin, global market in $ billions

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Construction: Camso strengthens Michelin's offering with a competitive production base

- Construction markets and competitive environment *

Global market breakdown		Michelin	Camso	Competition	Growth CAGR 2019-2021
Radial	~ 30%	Strong	Absent	High	3.5%
Bias	~ 60%	Absent	Present	High	
Tracks	~ 10%	Absent	Present	High	

- Michelin's intimacy with OE customers to grow Camso's bias business
- Close fit between the dealership networks, to expand the bias and radial offerings
- Michelin will enhance its portfolio thanks to a highly competitive production base (Sri Lanka)

- Conversion from tire to track systems in certain sub-segments
- Growth potential in Asia

Source: Camso/Michelin, global market in $ billions

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Agriculture: creation of a unique player providing its customers with comprehensive, premium solutions in radial tires and track systems

- Agricultural markets and competitive environment*

Global market breakdown		Michelin	Camso	Competition	Growth CAGR 2019-2021
Radial	**~ 30%**	**Strong**	Absent	Normal	**+4%** o/w 9% in the track segment
Bias	**~ 60%**	Absent	Absent	High	
Tracks	**~ 10%**	Absent	**Leader**	Normal	

- Expanding agro-industry markets are driving strong demand for agriculture equipment, especially tracked vehicles
- A large number of synergy drivers:
  - A product offering that is both comprehensive (radial, tracks and tire pressure control systems) and technologically advanced
  - A tight fitting geographic footprint, especially in Europe and North America
  - Use of Michelin dealerships to drive sales of Camso solutions
  - Michelin R&D can help to optimize the lifespan of Camso treads
- Products that protect the environment and increase yields, with reduced soil compaction and better traction

*Source: Camso/Michelin, global market in $ billions

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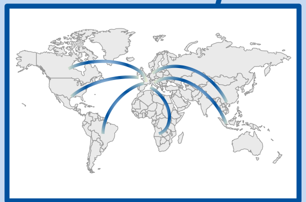
Up to $55 million in quantified synergies in 2021…

- Three sales growth drivers:
  - Products, geographies and customers
    - Generating additional sales, led by replacement markets, feeding through to $25m in EBITDA
- Identified cost optimizations:
  - Improved raw materials purchasing conditions and in-sourcing options:
    - Up to $15m in gains
  - Optimization of expenses, pooling of R&D capabilities
    - Up to $15m in gains
  - Reduction in Camso's finance costs
- Optimization of working capital requirement to improve cash flow by around $20m



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Camso key figures

In $ millions	2018
Net sales	974
EBITDA	136
EBITDA margin	14%
Net income	68
Net debt	251
Capex as a % of net sales	5.5
Free cash flow*	17

**Free cash flow = EBITDA – investment – change in WCR - tax*

Source: Camso

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H1 2018 net sales by currency and EBIT impact

Currency	% of net sales H1 2018	H1 2018 vs 2017 € change vs. currency	Dropthrough Net sales/EBIT*
ARS	1%	+51%	80% - 85%
AUD	2%	+9%	80% - 85%
BRL	3%	+20%	-20% / - 30%
CAD	3%	+7%	25% - 30%
CNY	6%	+4%	25% - 30%
EUR	35%	NA	-
GBP	3%	+2%	25% - 30%
INR	1%	+12%	25% - 30%
JPY	1%	+8%	80% - 85%

Currency	% of net sales H1 2018	H1 2018 vs 2017 € change vs. currency	Dropthrough Net sales/EBIT*
MXN	1%	+10%	25% - 30%
PLN	1%	-1%	25% - 30%
RUB	2%	+14%	25% - 30%
THB	1%	+2%	-100% / -130%
TRY	1%	+25%	80% - 85%
TWD	1%	+8%	80% - 85%
USD	35%	+12%	25% - 30%
Autres	1%		80% - 85%

* *Dropthrough* depending on countries specificities: export/production/sales base

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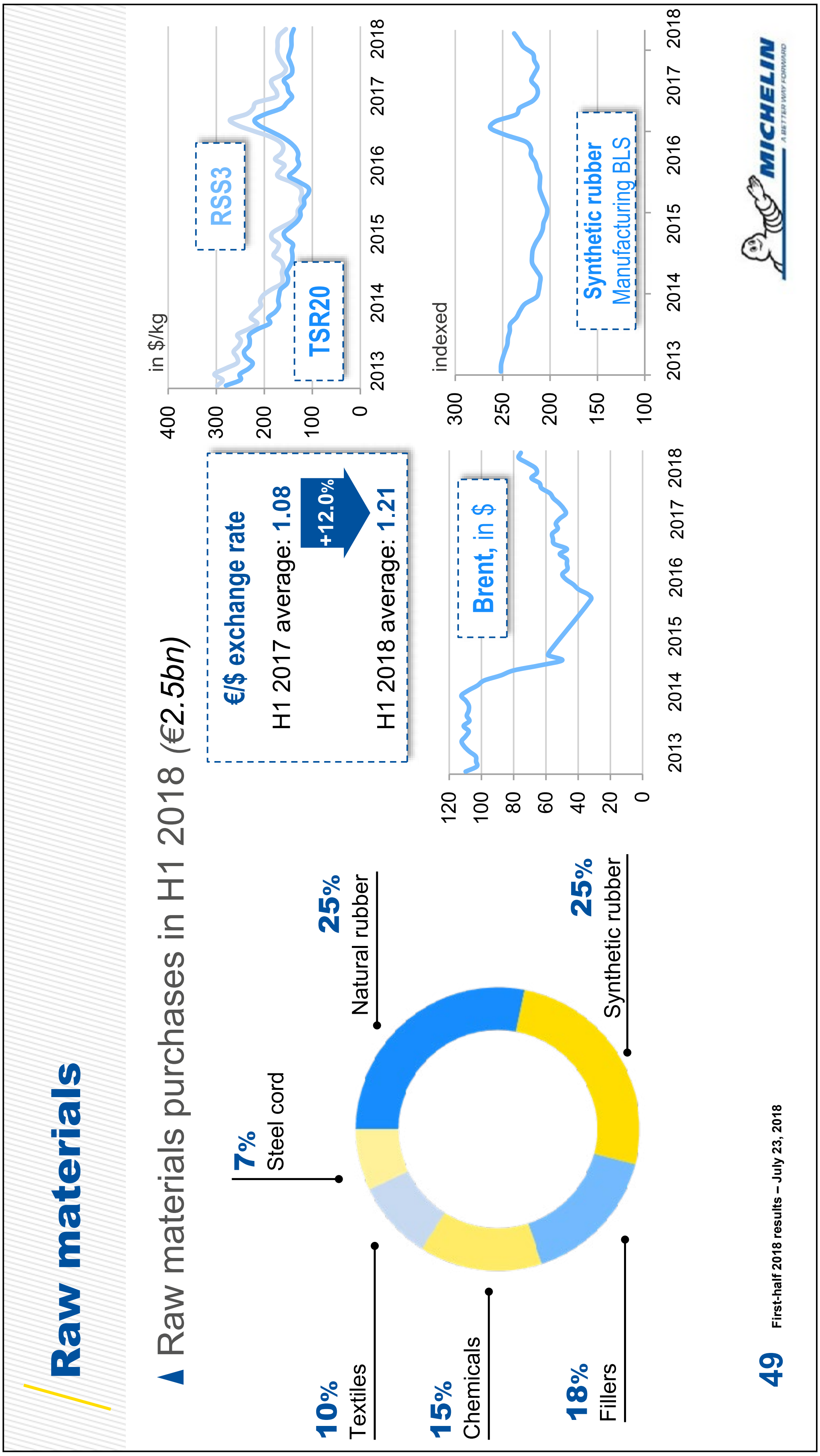
Raw materials
Raw materials purchases in H1 2018 (€2.5bn)
7% Steel cord
25% Natural rubber
10% Textiles
15% Chemicals
18% Fillers
25% Synthetic rubber
€/$ exchange rate
H1 2017 average: 1.08
+12.0%
H1 2018 average: 1.21
Brent, in $
in $/kg
RSS3
TSR20
indexed
Synthetic rubber
Manufacturing BLS
2013 2014 2015 2016 2017 2018
49
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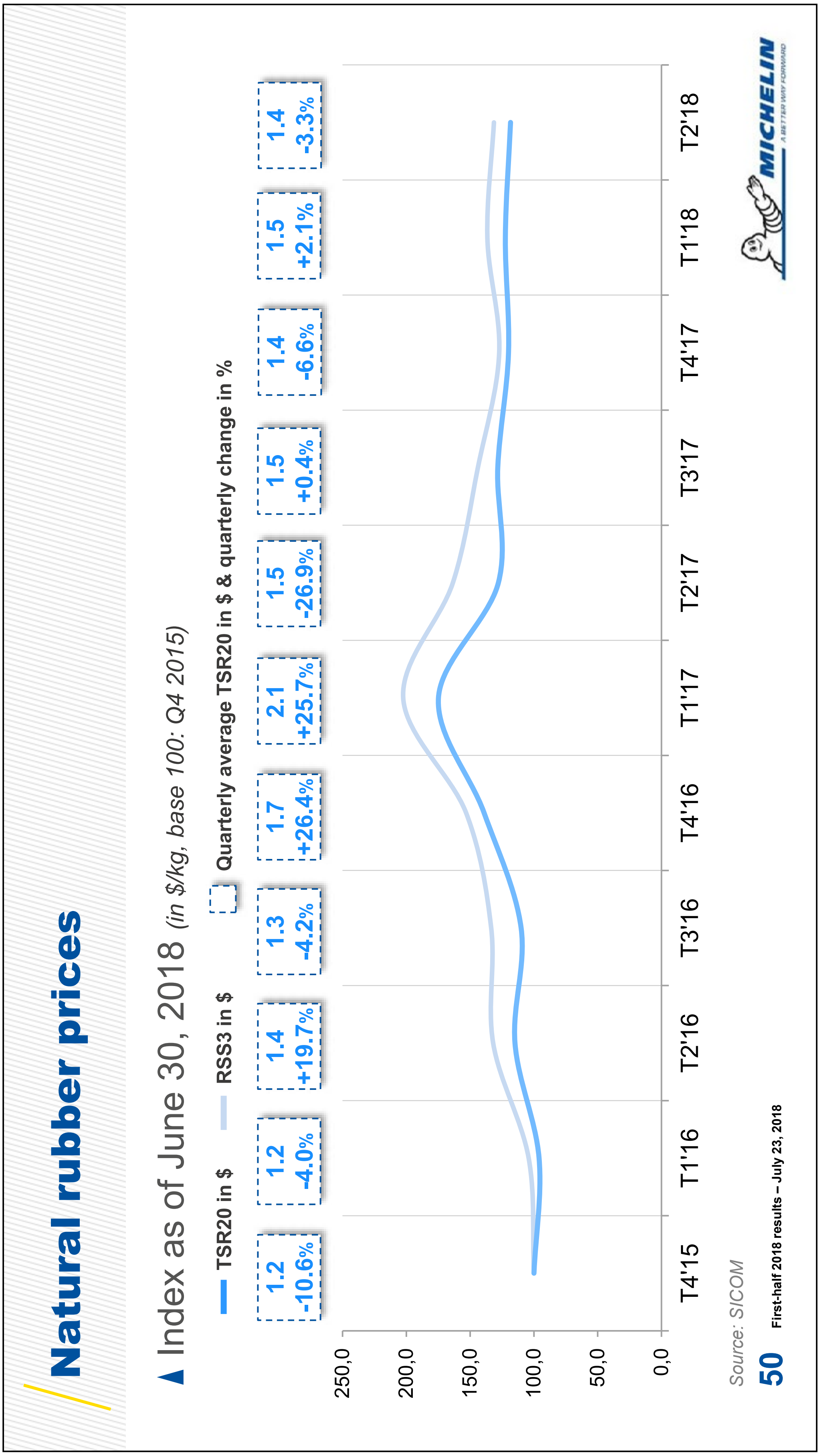
Natural rubber prices
Index as of June 30, 2018 (in $/kg, base 100: Q4 2015)
TSR20 in $
RSS3 in $
Quarterly average TSR20 in $ & quarterly change in %
1.2 -10.6%
1.2 -4.0%
1.4 +19.7%
1.3 -4.2%
1.7 +26.4%
2.1 +25.7%
1.5 -26.9%
1.5 +0.4%
1.4 -6.6%
1.5 +2.1%
1.4 -3.3%
250,0
200,0
150,0
100,0
50,0
0,0
T4'15
T1'16
T2'16
T3'16
T4'16
T1'17
T2'17
T3'17
T4'17
T1'18
T2'18
Source: SICOM
50
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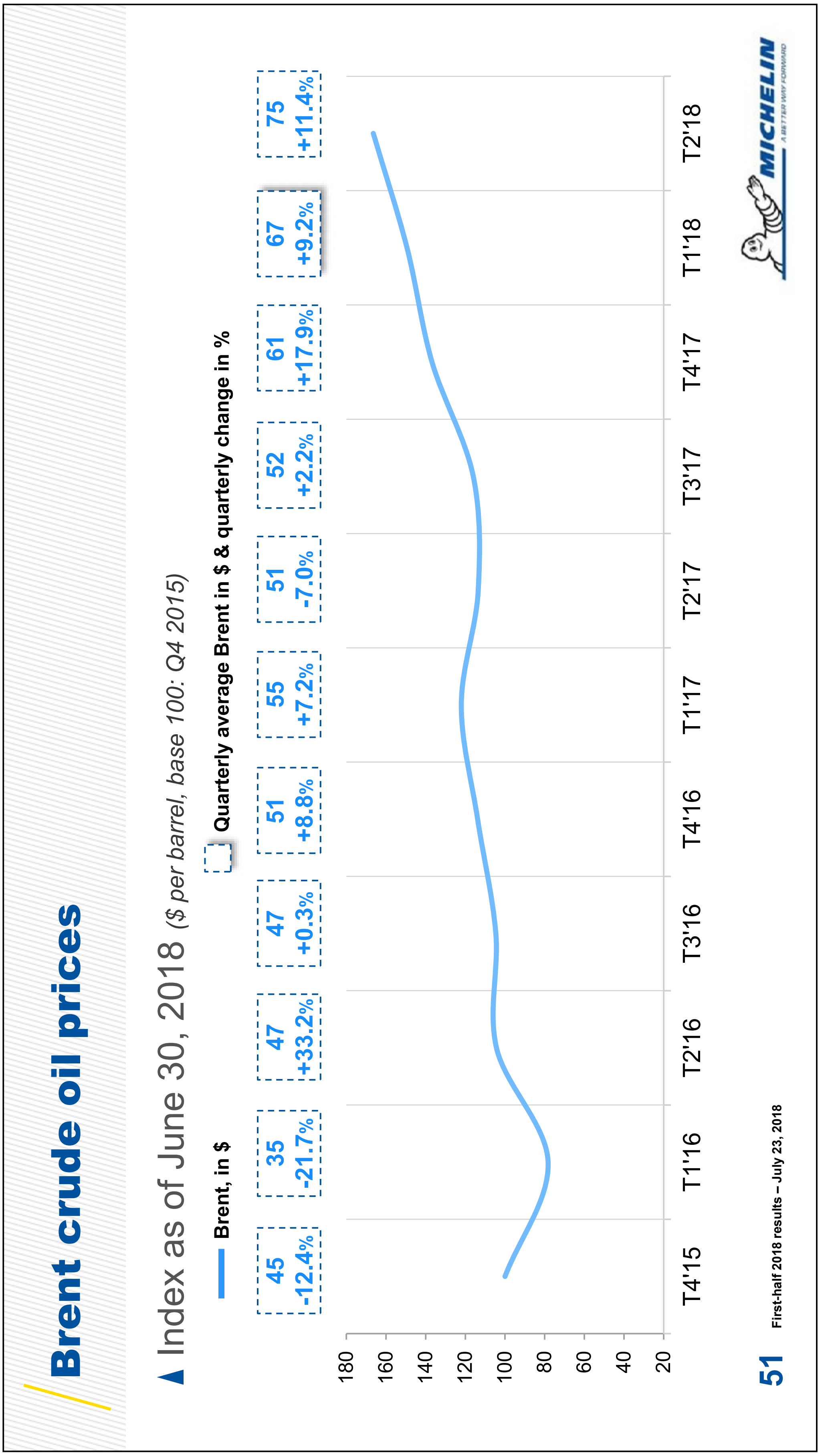
Brent crude oil prices
Index as of June 30, 2018 ($ per barrel, base 100: Q4 2015)
Brent, in $
Quarterly average Brent in $ & quarterly change in %
45 -12.4%
35 -21.7%
47 +33.2%
47 +0.3%
51 +8.8%
55 +7.2%
51 -7.0%
52 +2.2%
61 +17.9%
67 +9.2%
75 +11.4%
180
160
140
120
100
80
60
40
20
T4'15
T1'16
T2'16
T3'16
T4'16
T1'17
T2'17
T3'17
T4'17
T1'18
T2'18
51
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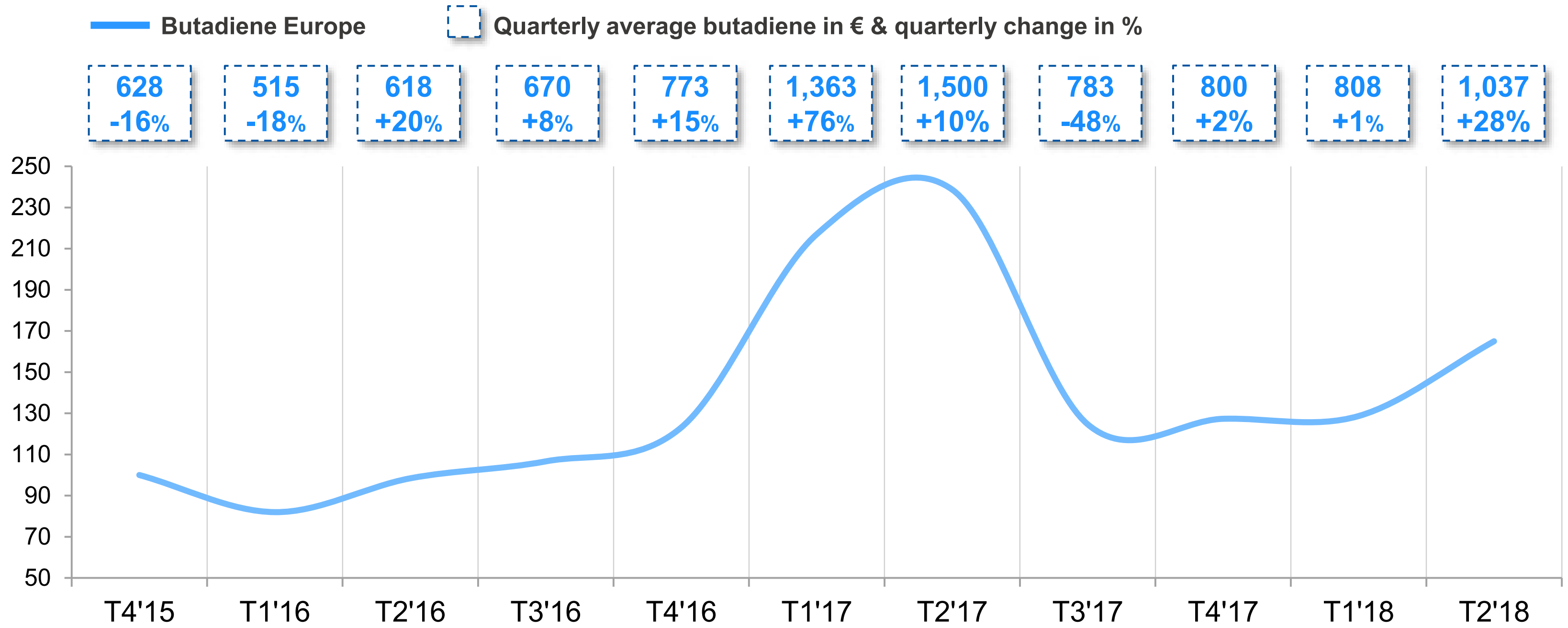
Butadiene prices

▲ Index as of June 30, 2018 *(€ per tonne, base 100: Q4 2015)*



Source: IHS

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Bond issues outstanding (as of June 30, 2018)

Issuer	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Convertible	Convertible	Bond	Bond	Bond	Bond
Principal Amount	$ 600 mn	$ 500 mn + TAP $100 mn	€ 302 mn	€ 300 mn	€ 300 mn	€ 400 mn
Offering price	95.50%	100% & 103,85%	98.926%	99.967%	99.081%	99.912%
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)	BBB+ (S&P) Baa1 (Moody's)
Current coporation rating	A- (S&P) ; A3 (Moody's) ; unsolicited A- (Fitch)					
Coupon	ZERO Conv premium 130%	ZERO Conv premium 128%	3,25% p.a	1,125% p.a	1,75% p.a	2,75% p.a
Issue Date	05/jan/2018	05/jan/2017 & 25/apr/2017	21/sep/2015 & 27/sep/2016	19-mai-15	19-mai-15	11-juin-12
Maturity	10-nov.-23	10-janv.-22	30-sept.-45	28-mai-22	28-mai-27	20-juin-19
Interest payment	N/A	N/A	Annual Sept 30	Annual May 28	Annual May 28	Annual June 20
ISIN	FR0013309184	FR0013230745	XS1298728707	XS1233732194	XS1233734562	XS0794392588
Denomination	$ 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	€ 1'000 with min. tradable amount € 1'000

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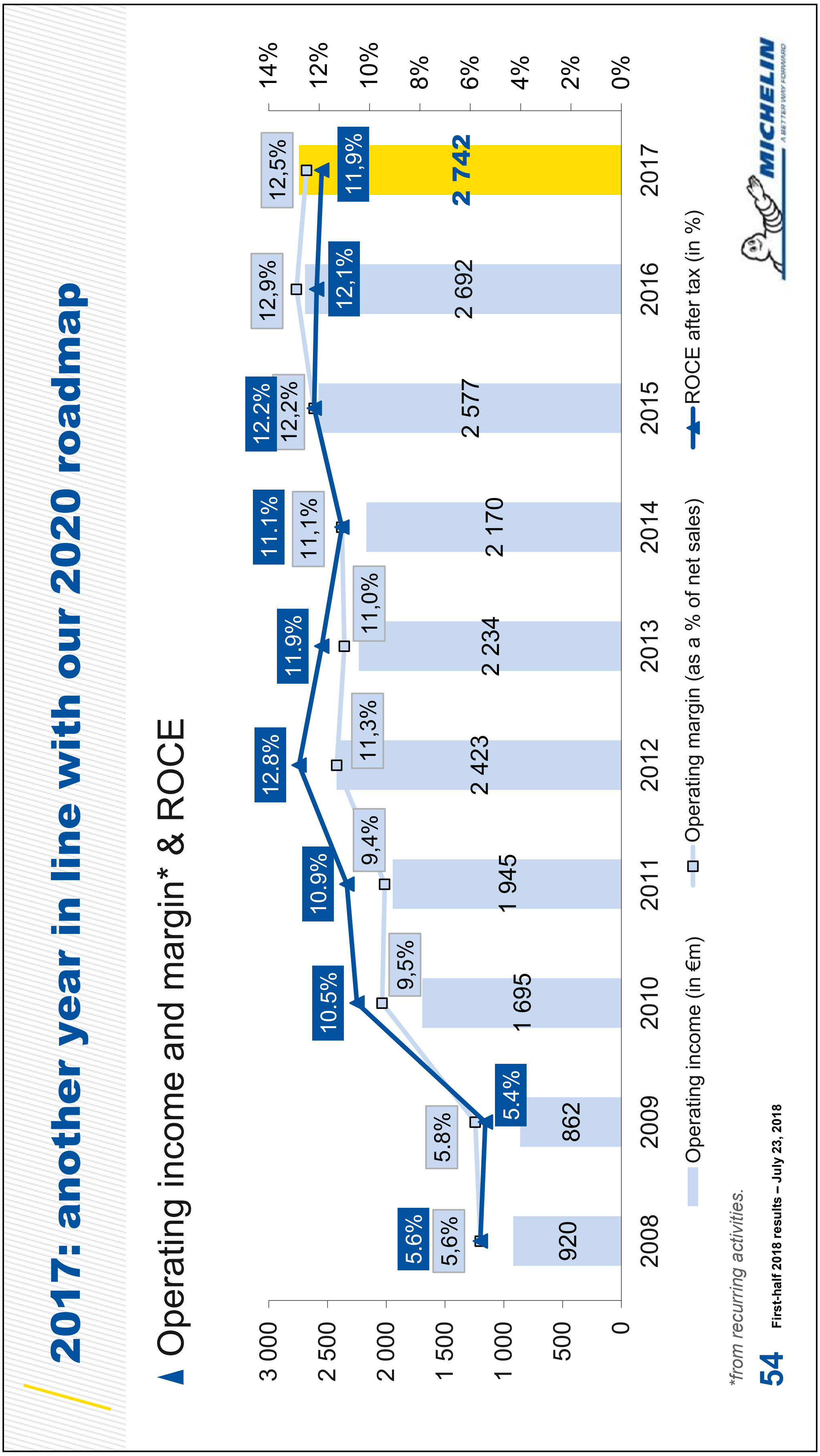
2017: another year in line with our 2020 roadmap
Operating income and margin* & ROCE
3 000
2 500
2 000
1 500
1 000
500
0
14%
12%
10%
8%
6%
4%
2%
0%
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
920
862
1 695
1 945
2 423
2 234
2 170
2 577
2 692
2 742
5.6%
5,6%
5.8%
5.4%
10.5%
9,5%
10.9%
9,4%
12.8%
11,3%
11.9%
11,0%
11.1%
11,1%
12.2%
12,2%
12,9%
12,1%
12,5%
11,9%
Operating income (in €m)
Operating margin (as a % of net sales)
ROCE after tax (in %)
*from recurring activities.
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First-half 2018 results – July 23, 2018
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Avertissement

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

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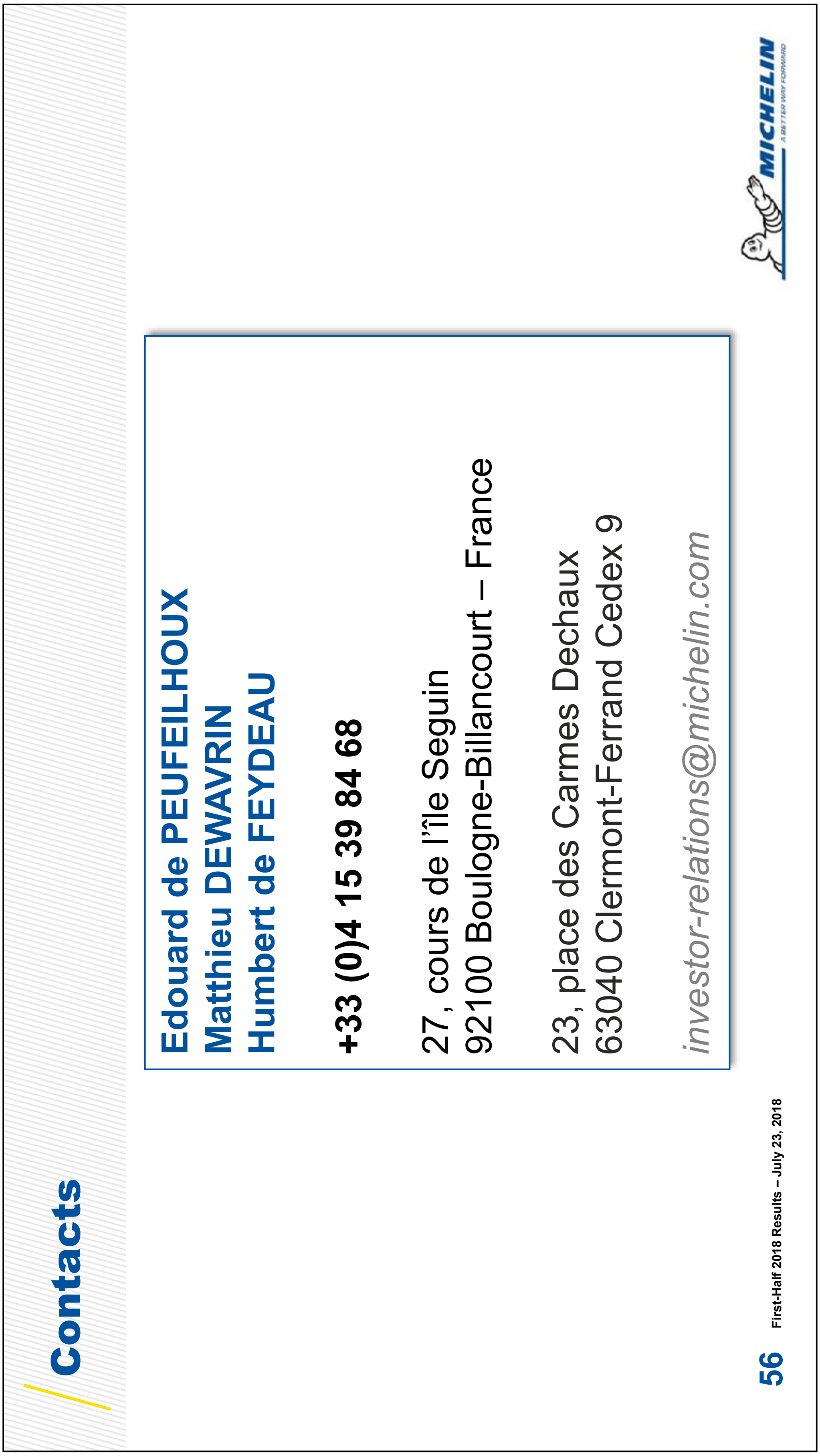
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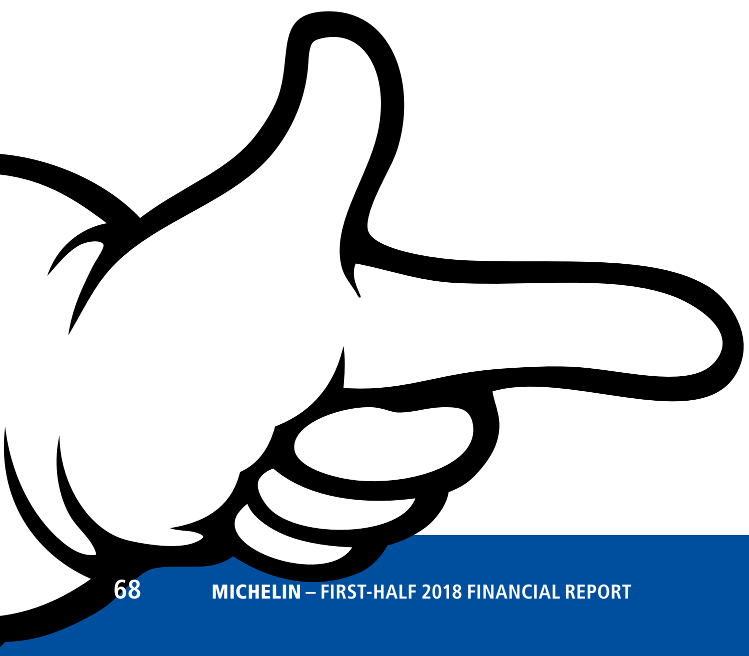
3

FIRST-HALF BUSINESS REVIEW



3.1 TIRE MARKETS

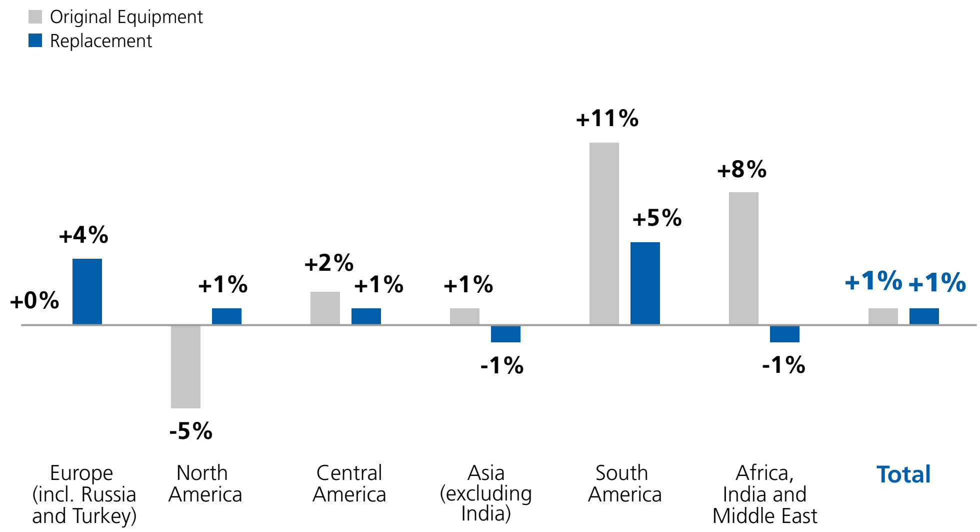
In the first six months of 2018, global Passenger car/Light truck and Truck tire markets experienced moderate growth overall, with declines in the first quarter off of very high prior-year comparatives (reflecting dealer inventory buildup ahead of the price increases introduced in response to the surge in raw materials costs in 2017), followed by a more robust second quarter thanks to more favorable comparatives in a generally buoyant economic environment. The specialty tire markets maintained their strong momentum, led by the mining businesses.

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

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

In the first half of 2018, the global original equipment and replacement **Passenger car and Light truck** tire market grew by 1% in number of tires sold. It declined by 1% in the first quarter off of high prior-year comparatives (reflecting the surge in buying in first-quarter 2017 ahead of the price hikes introduced by most tiremakers), before turning upwards and gaining 3% in the second quarter.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2018 VS. FIRST-HALF 2017



Michelin estimates.

3.1.1 a) Original equipment

Global demand for original equipment Passenger car and Light truck tires rose by 1% in number of tires sold in first-half 2018. Markets continued to enjoy sustained growth in the emerging economies, leveled off yet remained robust in Europe, and fell back in North America, Japan and South Korea.

Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	First half 2018	First half 2017	First half 2018 % change YoY	Second quarter 2018 % change YoY	First quarter 2018 % change YoY
Europe[1]	54.9	54.8	+0%	+3%	-3%
North America[2]	33.1	34.8	-5%	-5%	-5%
Central America	9.6	9.4	+2%	+4%	+0%
South America	8.5	7.7	+11%	+10%	+12%
Asia (excluding India)	104.7	103.3	+1%	+5%	-2%
Africa/India/Middle East	18.9	17.4	+8%	+10%	+7%
TOTAL	**229.6**	**227.4**	**+1%**	**+4%**	**-2%**

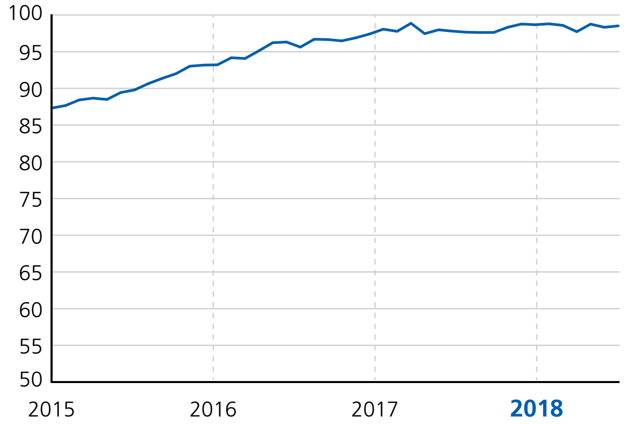
(1) Including Russia and Turkey.
(2) United States and Canada.
Michelin estimates.

In Western Europe, demand was stable over the first half, with a 4% decline in the first quarter offset by a 3% rebound in the second. The recovery underway **in Eastern Europe** is gaining momentum quarter after quarter.

In North America, the downward trend that began in second-half 2017 continued in the first six months of 2018, albeit at a slower pace, with a 5% decline tracking the fall-off in automobile production.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

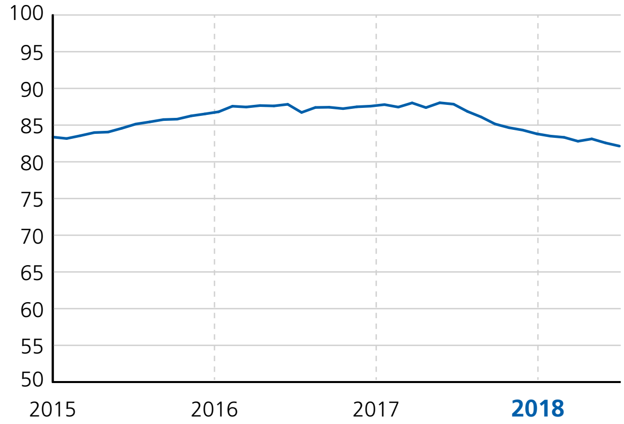
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

Demand **in Asia (excluding India)** ended the first half up 1% overall. It rose by 3% in China, reflecting a sharp 9% rebound in the second quarter after a 3% contraction in the first. In the rest of the region, markets softened over the first half, dragged down by the decline in automobile production in Japan and South Korea.

In Central America, demand rose by 2% in the first half of the year.

Markets **in South America** continued to expand at a robust pace throughout the period, despite the region's prevailing political uncertainty.

In the Africa/India/Middle East region, demand rose by 8% overall, led by growth in vehicle sales in the expanding Indian economy. In Africa and the Middle East, carmakers are suffering from the commodity market environment and geopolitical conditions.

3.1.1 b) Replacement

The worldwide replacement Passenger car and Light truck tire market ended the first half up 1%. After a first quarter impacted by a high basis of comparison (stemming from the surge in buying in first-quarter 2017 ahead of the price hikes introduced by tiremakers), demand rebounded in the second quarter. The size mix is continuing to improve, while budget brand sales enjoyed stronger growth in Europe, North America and South America.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	First half 2018	First half 2017	First half 2018 % change YoY	Second quarter 2018 % change YoY	First quarter 2018 % change YoY
Europe[1]	185.1	178.1	+4%	+6%	+2%
North America[2]	127.0	125.7	+1%	+3%	-1%
Central America	18.7	18.5	+1%	+8%	-5%
South America	34.5	32.8	+5%	+3%	+7%
Asia (excluding India)	133.9	135.8	-1%	-1%	-2%
Africa/India/Middle East	53.4	54.0	-1%	+0%	-3%
TOTAL	**552.5**	**545.0**	**+1%**	**+3%**	**-0%**

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

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

After slipping 1% off of high prior-year comparatives in the first quarter, demand in Western Europe rebounded in the second quarter, rising 5% overall with strong gains in the 18-inch and over and all-season segments.

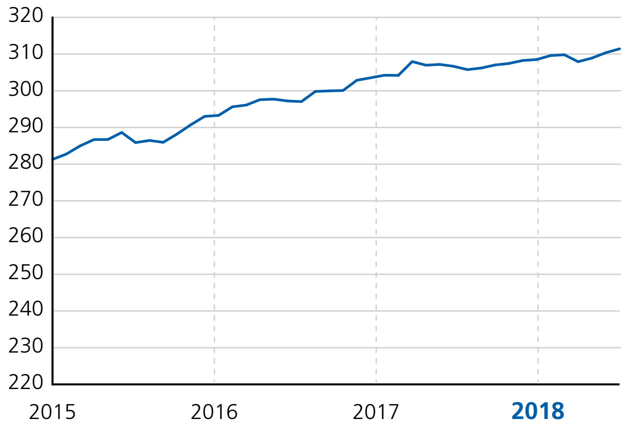
Growth remained firm throughout the first half in Eastern Europe, with a 16% increase led by the robust Russian market. Budget imports are continuing to pour into both Western and Eastern Europe at a sustained pace.

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

Passenger car and Light truck tires – Replacement	Change vs. 2017
Western Europe	**2%**
▶ France	7%
▶ Spain	3%
▶ Italy	1%
▶ United Kingdom	-0%
▶ Germany	4%
▶ Poland	-1%
▶ Turkey	6%
Eastern Europe	**16%**
▶ Russia	19%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

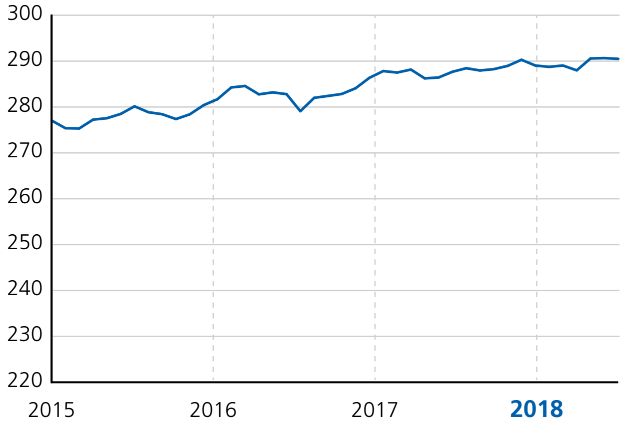


Michelin estimates.

In North America, growth varied from one quarter to the next, with a high basis of comparison in first-quarter 2017 (lifted by early buying ahead of tiremaker price increases) holding the first-quarter decrease to 1%, followed by a strong 3% gain in the second quarter. Note as well that import sales rose significantly over the first half, which also saw strong demand for tires with high speed ratings.

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

(in millions of tires – moving 12 months)



Michelin estimates.

Demand **in Asia (excluding India)** ended the first half down 1% overall. In China, the replacement tire market declined by 2% in the first-quarter, due to the surge in buying ahead of price increases in the prior-year period, and then rebounded by 5% in the second quarter. Demand in the rest of the region was impacted by the 7% drops in the Japanese and South Korean markets, which offset gains in Indonesia and Australia.

In Central America, overall demand rose by 1% even as the Mexican market declined by 1%, with a rebound in the second quarter offsetting a first-quarter contraction that reflected the comparison with a first-quarter 2017 lifted by early buying ahead of price increases.

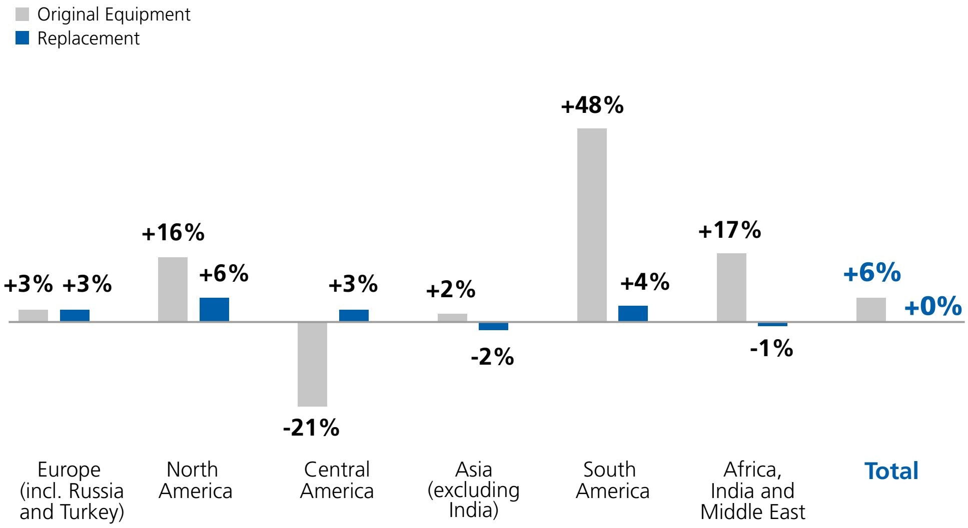
The 5% increase in the **South American** market was led by the 7% gains reported in both Brazil (despite a slowdown in the second-quarter due to trucker strikes) and Argentina. Note that import sales continued to rise on the back of favorable exchange rates.

In the Africa/India/Middle East region, demand contracted by 1% over the first half, reflecting the adverse impact of the challenging economic and geopolitical environment in Africa and the Middle East.

3.1.2 TRUCK TIRE MARKETS

Global demand for new original equipment and replacement **Truck** tires rose by 2% in number of tires sold in the first-six-months of 2018, led by the solid 6% increase in OE markets, particularly in North America and India.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2018 VS. FIRST-HALF 2017



Michelin estimates – New tires, radial and bias.

3.1.2 a) Original equipment

The worldwide market for original equipment Truck tires rose by a sharp 6%, led by North America and India, with European demand maintaining its robust momentum in a buoyant economic environment.

Truck tire markets* **Original equipment** *(in millions of tires)*	First half 2018	First half 2017	First half 2018 % change YoY	Second quarter 2018 % change YoY	First quarter 2018 % change YoY
Europe[(1)]	3.7	3.6	+3%	+1%	+6%
North America[(2)]	3.3	2.9	+16%	+13%	+20%
Central America	0.1	0.1	-21%	-23%	-19%
South America	0.7	0.5	+48%	+42%	+55%
Asia (excluding India)	14.8	14.5	+2%	+4%	-0%
Africa/India/Middle East	2.9	2.5	+17%	+8%	+23%
TOTAL	**25.5**	**24.0**	**+6%**	**+6%**	**+7%**

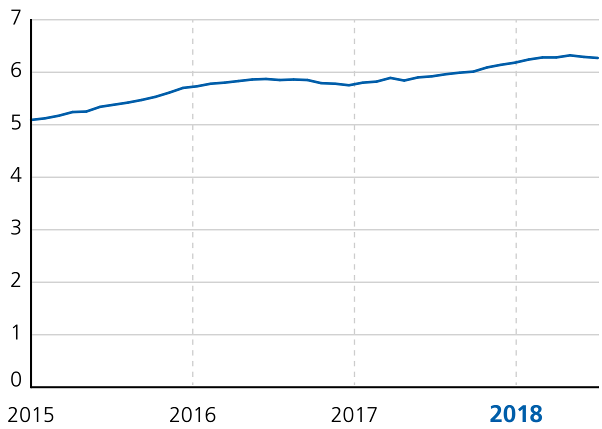
* *Radial and bias.*
(1) Including Russia and Turkey.
(2) United States and Canada.

The Western **European** market expanded by 3%, buoyed by low interest rates, sustained demand for freight services and renewed truck sales in the recovering construction industry. Demand remained buoyant in Eastern Europe, gaining 7% over the period.

The **North American** market continued to expand rapidly, growing 16% over the period, as the booming US and Canadian economies spurred freight demand.

THE OE TRUCK TIRE MARKET IN EUROPE

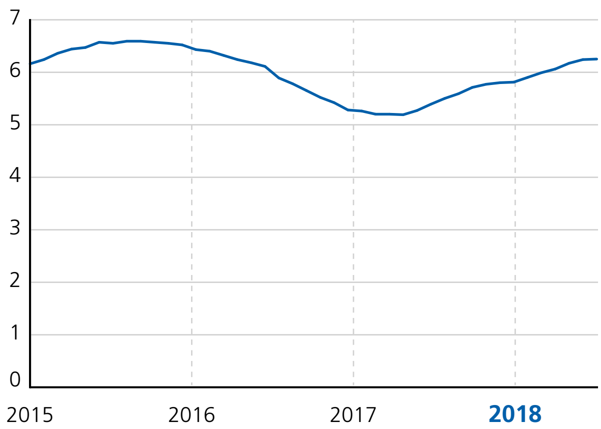
(in millions of new tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

In Asia (excluding India), the 2% increase in the Chinese market, against a backdrop of low inventory levels, was led by rising sales of city buses and medium-haul rigid trucks, with the other Truck tire segments (semi-trucks, trailers) declining in comparison with the very high 22% growth reported a year earlier, at a time of extensive fleet upgrades. The vibrant growth in Indonesian and Thai demand was offset by market declines of 3% in Japan and of 22% in South Korea as the local economies cooled.

In Central America, the Mexican market plummeted 21%.

Demand **in South America** soared 48%, led by growth in Brazil spurred by rising exports and a more dynamic economy that offset the impact of trucker strikes in May.

In the Africa/India/Middle East region, demand climbed 17% on the back of robust growth in India, whose economy continues to rebound in the wake of the currency and tax reforms introduced by the government in the second half of 2016.

3.1.2 b) Replacement

The global market for replacement Truck tires was unchanged over the period, with a first quarter down 1% as demand waned from the levels reached in first-quarter 2017 on early buying ahead of price increases, and a second quarter up 2% on the rebound.

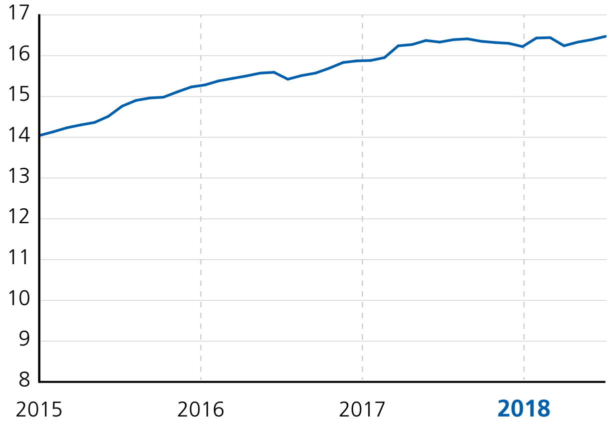
Truck tire markets* Replacement *(in millions of tires)*	First half 2018	First half 2017	First half 2018 % change YoY	Second quarter 2018 % change YoY	First quarter 2018 % change YoY
Europe[1]	12.0	11.6	+3%	+5%	+1%
North America[2]	10.6	10.0	+6%	+8%	+4%
Central America	2.9	2.8	+3%	+4%	+1%
South America	6.4	6.2	+4%	+2%	+7%
Asia (excluding India)	35.8	36.7	-2%	-1%	-4%
Africa/India/Middle East	15.8	15.9	-1%	-1%	-1%
TOTAL	**83.5**	**83.2**	**+0%**	**+2%**	**-1%**

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

In the expanding **Western European** economy, demand rose by 2% during the first half, with a 2% decline in the first-quarter caused by the lofty basis of comparison (stemming from the massive buildup of dealer inventory in first-quarter 2017 ahead of the announced tiremaker price increases) and a vigorous 6% gain in the second quarter, driven by the more favorable basis of comparison (as sell-in markets cooled substantially in second-quarter 2017 after the steep first-quarter inventory buildup). Demand remained robust **in Eastern-Europe,** rising 6% over the period.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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

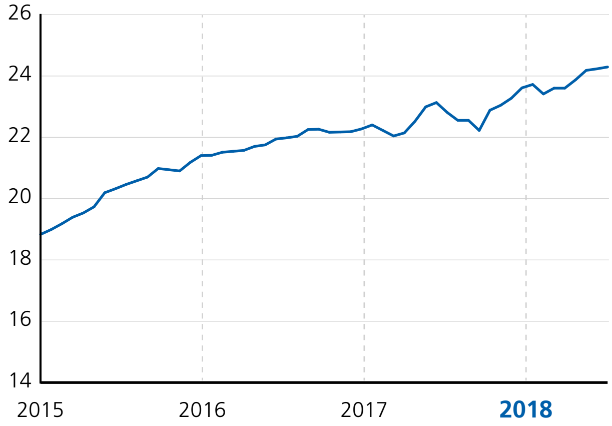


Michelin estimates.

The **North American** market rose by a strong 6% as the trucking industry benefited from the sustained economic expansion.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

Demand for replacement radial and bias tires **in Asia (excluding India)** was down by 2% over the first half. The Chinese market contracted by 3% over the period, but rose by 1% in the second quarter off of more favorable comparatives. In Southeast Asia, where the market declined by 1% overall, the weaker economic environment weighed on demand in Japan (down 10%) and South Korea (down 10%). Demand was robust in the other ASEAN countries, with the exception of Thailand, where the market retreated 5%.

In Central America, markets improved by 3% overall despite a 1% decline in Mexico.

Demand for replacement radial and bias tires **in South America** increased by a solid 4% over the first half, especially in Argentina and Brazil, despite a slowdown in the second quarter due to strikes by Brazilian truckers.

The **Africa/India/Middle East** market edged back 1%, reflecting slow 1% growth in India, where demand has shifted to new vehicles, 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 pursued its vibrant recovery that began in late 2016, when inventory drawdowns came to an end among international mining companies, oil companies and regional mines.

Agricultural and Construction tires: On the Agricultural segment, OE markets remained robust, while replacement demand showed signs of an upturn.

Demand for construction equipment tires remained firm, except in South America, Eastern Europe and Australia.

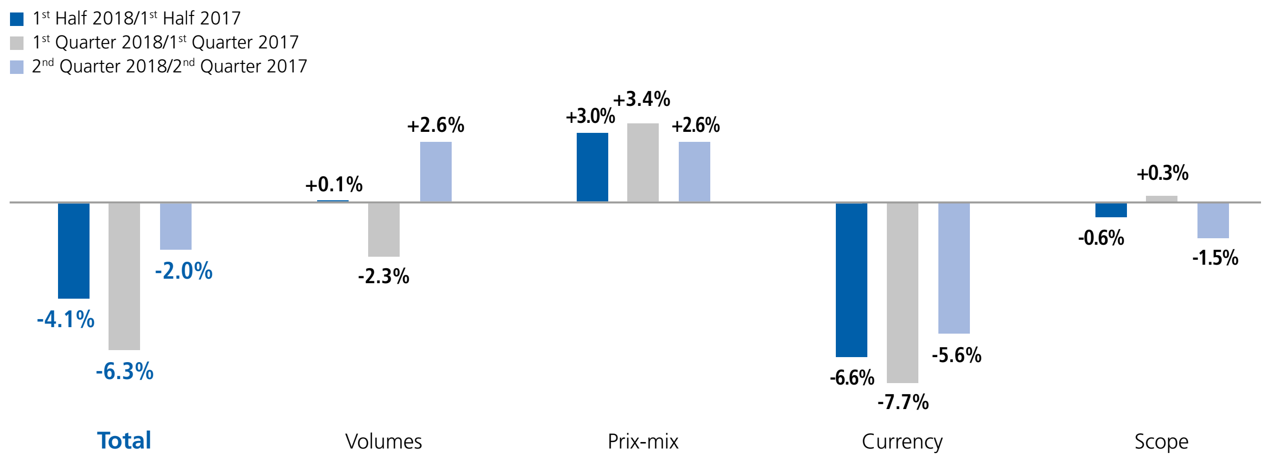
The industrial Truck tire segment declined from prior-year levels, which were boosted by early buying ahead of price increases.

Two-wheel tires: Dampened by weather conditions early in the first half, the motorcycle tire markets saw a rebound in demand for both motorcycle and scooter tires late in the period in Europe, and a decline in North America. Demand in the commuting segment continued to trend upwards in the new markets.

Aircraft tires: Led by the increase in passenger traffic, commercial aircraft tire markets continued to grow, with stronger gains in the radial segment.

3.2 NET SALES

3.2.1 ANALYSIS OF NET SALES



Michelin estimates.

Net sales for the first six months of 2018 totaled €10,603 million, a decline of 4.1% from the year-earlier period that was attributable to the net impact of the following factors:

- stable volumes, whose slight 0.1% gain primarily reflected the high basis of comparison in the Automotive and Road Transportation segments and the Group's disciplined price management in a highly competitive environment;
- the highly positive 3% price-mix effect (3.4% in the first quarter and 2.6% in the second). The higher prices introduced in 2017 to offset rising raw materials costs added €254 million to net sales, while the €77 million positive mix effect reflected the sustained success of the MICHELIN brand's premium strategy and the rebound in the mining businesses, partially offset by the unfavorable impact of the relative growth rates of OE and replacement tire sales;
- the negative 6.6% currency effect, primarily stemming from the euro's rise against the US dollar, the Russian ruble, the Argentine peso, the Turkish lira, the Brazilian real and the Indian rupee;
- the 0.6% negative impact from changes in the scope of consolidation, which mainly concerned the deconsolidation of North American tire wholesaling chain TCi following its transfer to the TBC joint venture formed with Sumitomo Corp. This impact was partially offset by the first-time consolidation of NexTraq, a US truck fleet telematics solutions provider acquired in July 2017, and of Lehigh Technologies.

Note that net sales of tire-related services and solutions totaled €583 million in first-half 2018, compared with €546 million in the year-earlier period.

(in € million)	First half 2018	Second quarter 2018	First quarter 2018
NET SALES	**10,603**	**5,385**	**5,218**
Change, year-on-year	**-456**	**-107**	**-349**
Volumes	+14	+141	-127
Price-mix	+331	+141	+190
Currency effect	-735	-305	-430
Changes in scope of consolidation	-66	-84	+18
Change, year-on-year	**-4.1%**	**-2.0%**	**-6.3%**
Volumes	+0.1%	+2.6%	-2.3%
Price-mix	+3.0%	+2.6%	+3.4%
Currency effect	-6.6%	-5.6%	-7.7%
Changes in scope of consolidation	-0.6%	-1.5%	+0.3%

3.2.2 NET SALES BY REPORTING SEGMENT

On January 1, 2018, Michelin introduced a new business organization, which has led to the following changes in the reporting segments:

(1) Replacement light truck tires have been transferred from the Automotive segment (formerly Passenger car and Light truck tires) to the Road Transportation segment (formerly Truck tires).

(2) Construction truck tires have been transferred from the Road Transportation reporting segment to the Specialty businesses segment.

To make the Group's performance easier to analyze, the 2017 data by reporting segment have been restated in alignment with the new organization.

(in € million)	First half 2018	Second quarter 2018	First quarter 2018
CONSOLIDATED TOTAL	**10,603**	**5,385**	**5,218**
Automotive & related distribution	5,607	2,835	2,772
Road transportation & related distribution	2,782	1,414	1,368
Specialty businesses & related distribution[(1)]	2,214	1,136	1,078
Change, year-on-year	**-4.1%**	**-2.0%**	**-6.3%**
Automotive & related distribution	-6.7%	-4.0%	-9.3%
Road transportation & related distribution	-5.0%	-1.7%	-8.1%
Specialty businesses & related distribution[(1)]	+4.3%	+3.3%	+5.5%

(1) Specialty businesses: Earthmover, Agricultural, Two-wheel and Aircraft tires.

3.2.2 a) Automotive and related distribution – Analysis of net sales

Volumes in the Automotive and related distribution segment declined by 2% in the first six months of 2018, primarily due to the unfavorable comparison with first-half 2017, which saw a surge of buying ahead of price increases. Growth in sales of premium tires remained strong.

In **Europe,** OE markets were unchanged over the period, but Group volumes enjoyed sustained growth. In the replacement segment, where prior-year comparatives were unfavorable, the Group capitalized on the growing proportion of large tires (18-inch and over) in the sales mix, even as sales of 15 and 16-inch tires declined in a cooling, highly competitive market. Initial sales of the MICHELIN PRIMACY 4 tire have been highly encouraging. Sales in Eastern Europe rose sharply over the period.

In a **North American** market dampened by the decline in automobile production, unfavorable first-quarter comparatives and rising imports, Group sales contracted over the first half. MICHELIN brand OE volumes declined and the UNIROYAL brand faced aggressive competition from Asian imports. On the upside, the BFGoodrich brand delivered a solid performance.

Original equipment sales continued to rise in **South America,** but replacement sales softened, particularly in the 16-inch and under segments that are facing especially stiff competition from Asian imports.

In **Asia (excluding India),** Group OE sales in China are expanding with local carmakers and benefiting from the strong sales performance of the MICHELIN brand in the large tire replacement segment. On the other hand, Group sales in the 15 and 16-inch segments were impacted by the challenging price environment. In the shrinking Southeast Asia market, Group replacement sales rose, particularly in the premium segment.

In the **Africa/India/Middle East** region, which continues to be impacted by geopolitical and economic difficulties, sales edged back somewhat over the first half, as the significant rebound in the second quarter was not sufficient to totally offset all of the first-quarter decline caused by the high basis of comparison.

Michelin Travel Partner's net sales performance was mainly shaped by (i) further market share gains in the persistently difficult print B2C markets; (ii) further growth in B2B revenue thanks to the monetization of Michelin Guide launches; and (iii) stable revenue in the digital segment thanks to more effective content monetization, which is offsetting the slowdown in the online business. The restaurant booking businesses, BookaTable and Michelin Restaurant, reported stable net sales in the face of increasing competition in an environment roiled by Brexit. Lastly, Michelin Travel Partner is sharpening its strategic focus on dining and travel as part of the Michelin Experiences line, which brings together all of the businesses that offer customers an outstanding mobility experience.

In all, net sales in the Automotive and related distribution segment declined by 6.7% to €5,607 million, from €6,009 million in first-half 2017, primarily as a result of the adverse currency effect, and de deconsolidation of the TCi distribution network in North America. Volumes ended the period down 2%. The strong price effect reflected the price increases introduced in 2017 in response to rising raw materials costs. The still favorable mix effect reflected the success of the MICHELIN lines, notably the Primacy 4, which drove strong growth in sales of MICHELIN brand tires and 18-inch and larger tires (up 11%).

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

Volumes in the Road transportation and related distribution segment were down in the first six months of the year, due to the unfavorable comparison with first-half 2017, which saw a surge of buying ahead of price increases.

In **Western Europe,** original equipment sales rose in a buoyant market. On the replacement side, sales over the first four months were lower than in the prior year, which saw a massive inventory buildup by dealers ahead of the price increases. The last two months saw an upturn in sales, albeit too timid to push the first half into growth. The BFGoodrich brand and the MICHELIN AGILIS CrossClimate tire were successfully launched and will help to drive volume growth in the second half. In the final months of the period, the low intermediate range benefited from the anti-dumping measures introduced to counter Chinese imports.

In the fast-growing **North American** market, Group original equipment sales rose over the first half. Replacement sales were impacted by the unfavorable comparison with early 2017, which saw a massive buildup in dealer inventory, and by a significant increase in imports. The BFGoodrich brand delivered a good performance, while the UNIROYAL brand has run into heavier competition. The development of fleet services continued apace with the sustained roll-out of the NexTraq solutions.

In the highly robust **South American** market, the Group successfully strengthened its positions in the original equipment segment. In the replacement segment, the focus has shifted to maintaining margin integrity following the steep decline in the Brazilian real and the Argentine peso against the euro and the significant upsurge in imports.

In **Asia (excluding India),** where markets contracted over the period, Group sales in China declined in a highly competitive environment. In the rest of the region, the Group maintained its positions in an expanding original equipment market.

In the **Africa/India/Middle East** market, which rose slightly over the first half, Group sales increased, particularly in the OE segment.

In all, net sales in the Road Transportation and related distribution segment amounted to €2,782 million in the first half of 2018, a 5.0% decrease from the €2,928 million reported a year earlier. This evolution primarily stems from the negative currency effect and to a lesser extent, a 1% volume decline due to high prior-year comparatives and the Group's focus to maintaining margin Integrity in a highly competitive environment. As a result, the business enjoyed a strong price effect over the period. The launch of the MICHELIN X Multi line-up and of the BFGoodrich brand as the Group's global Tier2 offer are a success, as well as the new low Intermediate offer in Europe which benefits from the European tariffs on imported Chinese truck tires.

3.2.2 c) Specialty businesses – Analysis of net sales

Mines: net sales maintained their solid momentum, as the strong increase in volumes and the favorable impact of contractual price increases amply offset the unfavorable currency effect.

Agriculture and Construction: the currency effect absorbed all of the impact of the increase in tonnages sold, holding net sales stable for the period.

Two-wheel tires: excluding Levorin, net sales slightly eased back, as the currency effect wiped out the impact of the increase in sales volumes and the strong growth in the Commuting segment. In addition, sales in the Recreational segment contracted in the mature markets, which saw a further steep decline in demand.

The Group is continuing to integrate Levorin.

Aircraft tires: net sales were unchanged for the period, as the currency effect offset all of the increase in sales volumes.

In all, despite the highly unfavorable currency effect, net sales in the Specialty businesses rose by 4.3% over the period, to €2,213 million from €2,122 million in first-half 2017. This growth corresponds to the strong 7% increase in volumes, led by the sustained rebound in demand for the Group's mining tires, the robust momentum in the Earthmover and Agricultural segments and the favorable price effect. With raw materials prices now lower than in 2017, the application of indexation clauses is expected to feed through to a slight reduction in prices in the Specialty businesses as from July 1.

3.2.3 CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales declined by 4.1% in first-half 2018.

The decrease reflected a negative €735 million currency effect, due mainly to the euro's rise against most of the Group's operating currencies, particularly the US dollar, the Argentine peso, the Turkish lira, the Russian ruble, the Brazilian real and the Indian rupee.

Average exchange rate	First half 2018	First half 2017	Change
EUR/USD	1.211	1.082	+11.9%
EUR/CAD	1.545	1.444	+7.0%
EUR/MXN	23.066	21.014	+9.8%
EUR/BRL	4.125	3.435	+20.1%
EUR/GBP	0.880	0.860	+2.3%
EUR/JPY	131.704	121.589	+8.3%
EUR/CNY	7.712	7.441	+3.6%
EUR/THB	38.425	37.580	+2.2%
EUR/RUB	71.755	62.718	+14.4%
EUR/AUD	1.569	1.435	+9.3%
EUR/ZAR	14.848	14.295	+3.9%
EUR/ARS	25.619	16.974	+50.9%
EUR/TRY	4.919	3.936	+25.0%
EUR/INR	79.461	71.114	+11.7%

First-half 2018 net sales by currency were as follows:

Currency	%
ARS	1%
AUD	2%
BRL	3%
CAD	3%
CNY	6%
EUR	35%
GBP	3%
INR	1%
JPY	1%
MXN	1%
RUB	2%
THB	1%
TRY	1%
TWD	1%
USD	35%
ZAR	1%
Other	3%
TOTAL	**100%**

3.2.4 NET SALES BY REGION

(in € million)	First half 2018	First half 2017	First half 2018, % change YoY
CONSOLIDATED TOTAL	**10,603**	**11,059**	**-4.1%**
Europe	4,177	4,106	1.7%
of which France	*1,012*	*980*	*+3.3%*
North America (incl. Mexico)	3,692	4,100	-9.9%
Other regions	2,734	2,853	-4.2%

(in € million)	First half 2018	% of total	First half 2017	% of total
GROUP	**10,603**		**11,059**	
Europe	4,177	39.4%	4,106	37.1%
of which France	*1,012*	*9.5%*	*980*	*8.9%*
North America (incl. Mexico)	3,692	34.8%	4,100	37.1%
Other regions	2,734	25.8%	2,853	25.8%

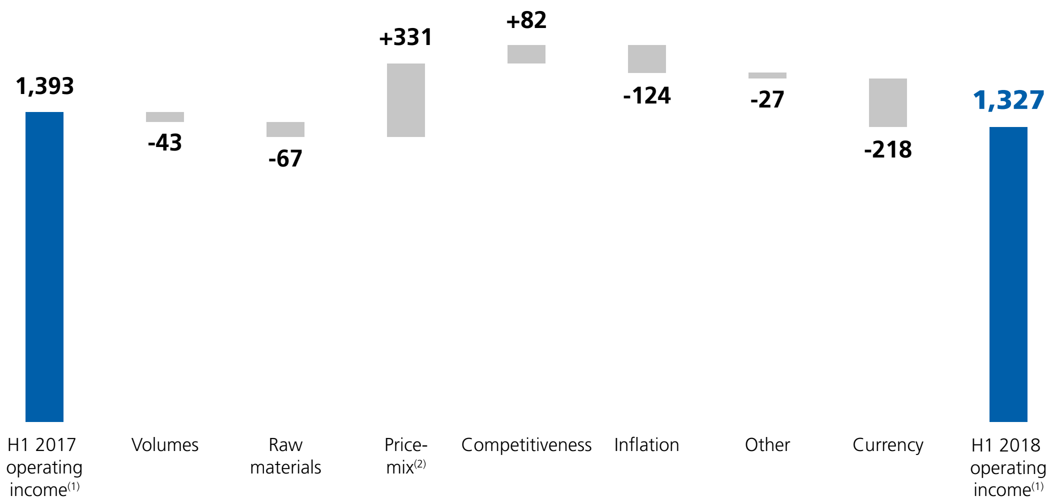
In a highly volatile exchange rate environment, the Group's net sales rose in Europe, but declined in other geographies, particularly North America.

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

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € million, except per-share data)	First half 2018	First half 2017	First half 2018, % change YoY	First half 2018 *(as a % of net sales)*	First half 2017 *(as a % of net sales)*
Net sales	**10,603**	**11,059**	**-4.1%**		
Cost of sales	(7,062)	(7,387)	-4.4%	66.6%	66.8%
Gross income	**3,541**	**3,672**	**-3.6%**	**33.4%**	**33.2%**
Sales and marketing expenses	(932)	(948)	-1.7%	8.8%	8.6%
Research and development expenses	(322)	(327)	-1.5%	3.0%	3.0%
General and administrative expenses	(943)	(990)	-4.7%	8.9%	9.0%
Other operating income and expenses from recurring activities	(17)	(14)	+21.4%	0.2%	0.1%
Operating income from recurring activities	**1,327**	**1,393**	**-4.7%**	**12.5%**	**12.6%**
Operating income/(loss) from non-recurring activities	23	27	-14.8%	0.2%	0.2%
Operating income	**1,350**	**1,420**	**-4.9%**	**12.7%**	**12.8%**
Cost of net debt	(78)	(95)	-17.9%	0.7%	0.9%
Other financial income and expenses	(6)	(10)	-40.0%	0.1%	0.1%
Net interest on employee benefit obligations	(44)	(59)	-25.4%	0.4%	0.5%
Share of profits and losses from associates and joint ventures	(13)	4	N/M	0.1%	0.0%
Income before taxes	**1,209**	**1,260**	**-4.0 %**	**11.4%**	**11.4%**
Income tax	(292)	(397)	-26.4%	2.8%	3.6%
Net income	**917**	**863**	**+6.3%**	**8.6%**	**7.8%**
▶ Attributable to shareholders of the Company	925	863	+7.2%	8.7%	7.8%
▶ Attributable to non-controlling interests	(8)	0			
Per-share data *(in €)*					
▶ Basic	5.12	4.76	+7.6%		
▶ Diluted	5.09	4.73	+7.6%		

3.3.1 ANALYSIS OF OPERATING INCOME FROM RECURRING ACTIVITIES



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

Consolidated operating income from recurring activities amounted to €1,327 million or 12.5% of net sales in the first six months of 2018, compared with €1,393 million and 12.6% in first-half 2017. The €23 million in net operating income from non-recurring activities primarily corresponded to gains on asset disposals, notably the sale of North American Automotive tire wholesale chain TCi to TBC, the joint venture created on April 5, 2018 with Sumitomo Corporation of Americas. These gains were partially offset by the t Plc acquisition costs.

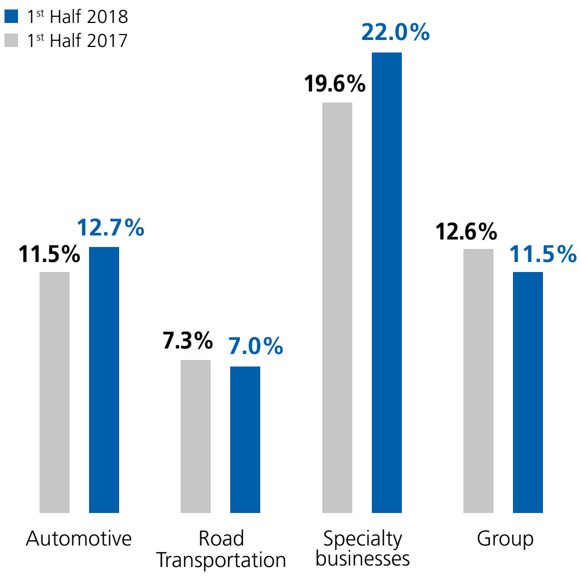
First-half 2018 operating income was impacted by the following factors:

- a €43 million decrease corresponding to the stable +0.1% growth in volumes, which was not enough to absorb the increase in fixed costs;
- a €264 million net increase from changes in the price-mix and raw materials costs. The price-mix effect added €331 million in income, reflecting the price increases introduced across the Group in 2017 to offset the rise in raw materials costs, which in turn had a €67 million adverse impact during the period. In all, the net increase came to €58 million for businesses whose prices are indexed to raw materials costs and €206 million for non-indexed businesses;
- €82 million in gains from the competitiveness plan, including a €6 million increase in general costs, €23 million in materials cost savings and €65 million in manufacturing and logistics productivity gains. However, this was less than the negative €124 million impact of inflation on production costs and overheads;
- a net €27 million increase from other factors, corresponding primarily to the increase in depreciation and amortization charges, changes in the scope of consolidation (the deconsolidation of TCi);
- a €218 million decrease from the currency effect.

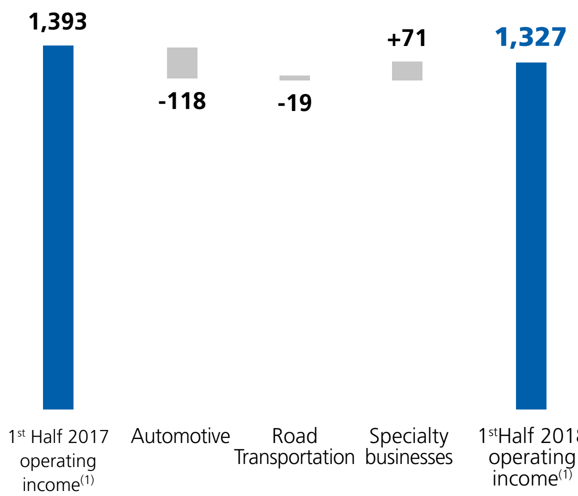
3.3.2 OPERATING INCOME FROM RECURRING ACTIVITIES BY OPERATING SEGMENT

(in € million)	First half 2018	First half 2017
Automotive & related distribution		
Net sales	5,607	6,009
Operating income from recurring activities	646	764
Operating margin on recurring activities	**11.5%**	**12.7%**
Road transportation & related distribution		
Net sales	2,782	2,928
Operating income from recurring activities	195	214
Operating margin on recurring activities	**7.0%**	**7.3%**
Specialty businesses & related distribution		
Net sales	2,214	2,122
Operating income from recurring activities	486	415
Operating margin on recurring activities	**22.0%**	**19.6%**
Consolidated total		
Net sales	10,603	11,059
Operating income from recurring activities	1,327	1,393
Operating margin on recurring activities	**12.5%**	**12.6%**

3.3.2 a) Operating margin on recurring activities by operating segment



(in € million)



(1) From recurring activities.

- Automotive & related distribution.
- Road transportation & related distribution.
- Specialty businesses & related distribution: Earthmover, Agricultural, Two-wheel and Aircraft tires.

3.3.2 b) Automotive and related distribution – Analysis of operating income from recurring activities

Automotive and related distribution *(in € million)*	**First half 2018**	**First half 2017**	**First half 2018, % change YoY**	**First half 2018** *(% of consolidated total)*	**First half 2017** *(% of consolidated total)*
Net sales	6,607	6,009	-6.7%	53%	54%
Change in volumes	*-2%*				
Operating income from recurring activities	646	764	-15.4%	49%	55%
Operating margin on recurring activities	11.5%	12.7%	-1.2 pt		

Operating income from recurring activities amounted to €646 million or 11.5% of net sales, compared with €764 million and 12.7% in first-half 2017. The unfavorable currency effect accounted for 0.9 point of the reduction in operating margin.

Other than that effect, the margin evolution reflects a very favorable price-mix effect, resulting from the Group's focus to maintaining margin integrity in a highly competitive environment, and market share gains in the 18-inch and larger segment, notably by the MICHELIN brand. Those effects more than offset the negative impacts deriving from the 2% volume decline and higher raw material costs.

3.3.2 c) Road transportation and related distribution – Analysis of operating income from recurring activities

Road transportation and related distribution *(in € million)*	**First half 2018**	**First half 2017**	**First half 2018, % change YoY**	**First half 2018** *(% of consolidated total)*	**First half 2017** *(% of consolidated total)*
Net sales	2,782	2,928	-5.0%	26%	26%
Change in volumes	*-1%*				
Operating income from recurring activities	195	214	-8.9%	15%	15%
Operating margin on recurring activities	7.0%	7.3%	-0.3 pt		

Operating income from recurring activities amounted to €195 million or 7.0% of net sales, compared with €214 million and 7.3% in first-half 2017. The 0.3 point decline in operating margin included the 1.5-point reduction from the negative currency effect.

In addition to this effect, the income decline reflected a strong price-mix effect resulting from the Group's focus in maintaining margin integrity in a highly competitive environment. This effect more than offsets a 1% volume decline due to high prior-year comparatives. New products and services continued to be introduced over the period, shaped by the success of the MICHELIN X Multi line-up, the BFGoodrich brands, the Sascar solutions in South America and the NexTraq solutions in North America.

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

Specialty businesses *(in € million)*	**First half 2018**	**First half 2017**	**First half 2018, % change YoY**	**First half 2018** *(% of consolidated total)*	**First half 2017** *(% of consolidated total)*
Net sales	2,214	2,122	+4.3%	21%	19%
Change in volumes	*+7%*				
Operating income from recurring activities	486	415	+17.0%	37%	30%
Operating margin on recurring activities	22.0%	19.6%	+2.4 pt		

Operating income from recurring activities stood at €486 million or 22% of net sales, *versus* €415 million and 19.6% in first-half 2017, for a 2.4-point improvement in operating margin despite the 1.2-point reduction from the currency effect.

The income growth corresponded to the strong 7% increase in volumes, led by the sustained rebound in demand for the Group's mining tires, the robust momentum in the Earthmover and Agricultural segments and the favorable price effect.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials,** which has been estimated at €2.5 billion for first-half 2018, *versus* €2.6 billion in first-half 2017, is reported in the income statement under cost of sales.

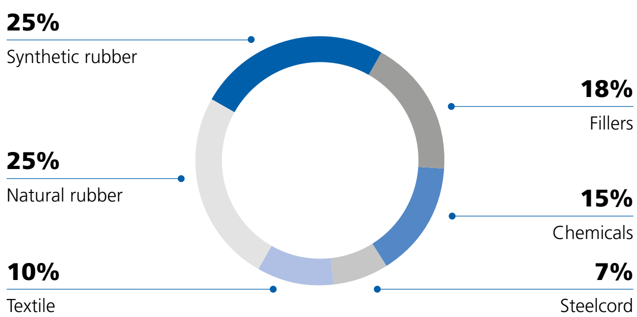
It is calculated on the basis of:

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

In first-half 2018, the raw materials costs recognized in cost of sales included the €67 million impact of higher prices, as well as the residual currency effect.

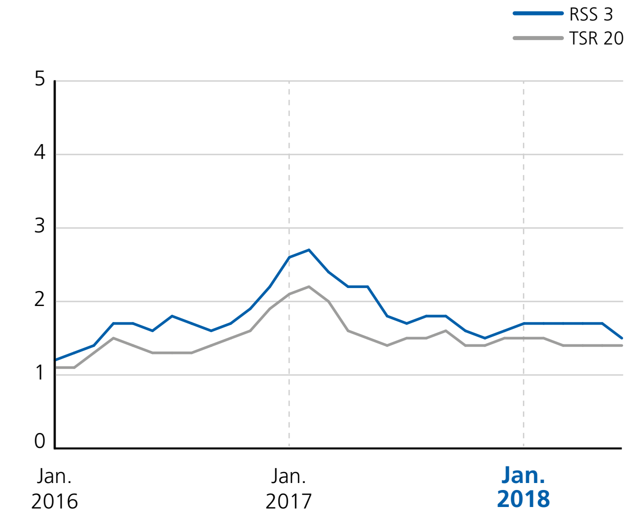
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

RAW MATERIALS COSTS RECOGNIZED IN FIRST-HALF 2018 COST OF SALES

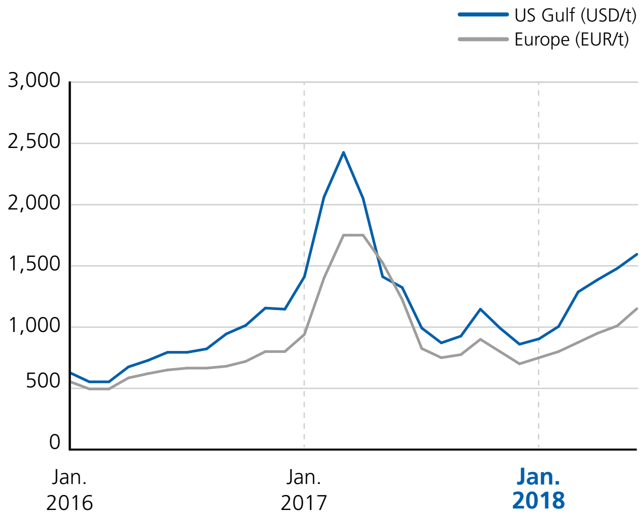


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

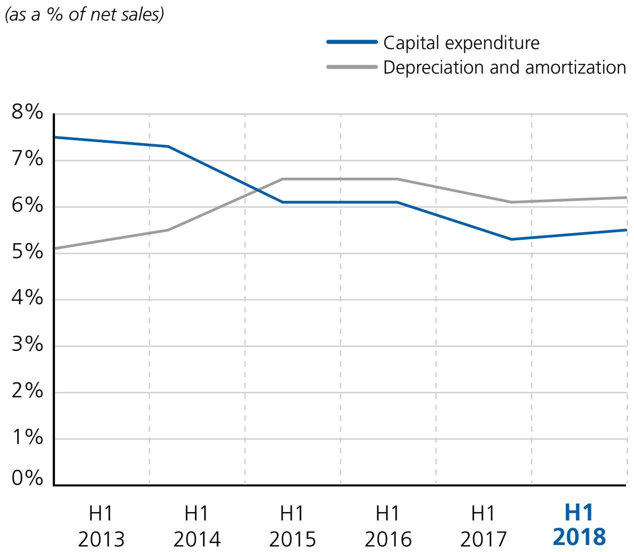
(in € million and number of people, excluding Fenner)	First half 2018	First half 2017	Change
Total employee benefit costs	2,951	3,080	-4.2%
As a % of net sales	*27.8%*	*27.9%*	*-0.1 pt*
Total number of employees at June 30	113,600	112,800	+0.7%
Number of full-time equivalent employees at June 30	105,600	106,800	-1.1%
Average number of full time equivalent employees over the period	107,800	106,100	+1.6%

At €2,951 million, **employee benefit costs** represented 27.8% of first-half net sales, *versus* 27.9% in the year-earlier period. The year-on-year decline in these costs primarily reflected the favorable currency effect, as the Group's commitment to rightsizing the corporate organization was offset by the increase in the workforce from the various acquisitions carried out in recent months.

3.3.3 c) Depreciation and amortization

(in € million)	First half 2018	First half 2017	Change
Depreciation and amortization	658	677	-2.8%
As a % of additions to intangible assets and property, plant and equipment	*112%*	*116%*	

Depreciation and amortization charges declined by nearly 3%, to €658 million.



3.3.3 d) Transportation costs

Transportation and logistics costs came to €585 million or 5.5% of interim net sales. The €24 million year-on-year decrease stemmed from the favorable currency effect and improvements in the Group's supply chain.

(in € million)	First half 2018	First half 2017	Change
Transportation costs	585	609	-4.0%
As a % of net sales	*5.5%*	*5.5%*	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 8.8% of first-half net sales in 2018, *versus* 8.6% the year before, and declined to €932 million in value, thanks to the favorable currency effect. Excluding this impact, sales and marketing expenses were unchanged for the period.

3.3.3 f) Research and development expenses

(in € million)	First half 2018	First half 2017	Change
Research and development expenses	322	327	-1.5%
As a % of net sales	*3.0%*	*3.0%*	

Research and development expenses stood at €322 million, down €5 million from first-half 2017 but stable as a percentage of net sales.

3.3.3 g) General and administrative expenses

Thanks to the favorable currency effect, **general and administrative expenses** declined by €47 million year on year to €943 million as reported, but remained unchanged excluding this impact.

3.3.3 h) Other operating income and expenses from recurring activities

Other operating income and expenses from recurring activities amounted to an expense of €17 million, up €3 million from the €14 million expense reported in first-half 2017, primarily as a result of changes in the scope of consolidation.

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

The €23 million in **net operating income from non-recurring activities** primarily corresponded to gains on asset disposals, notably the sale of North American Automotive tire wholesale chain TCi to TBC, the joint venture created on April 5, 2018 with Sumitomo Corporation of Americas. These gains were partially offset by the Fenner Plc acquisition costs.

3.3.3 j) Cost of net debt

(in € million)	First half 2018	First half 2017	Change
Cost of net debt	78	95	-17

At €78 million, the **cost of net debt** was €17 million lower than in first-half 2017, primarily as a result of the following factors:

- a €1 million decline in net interest expense, reflecting the net impact of:
  - a €33 million increase due to the rise in average gross debt, to €3,720 million in first-half 2018 from €2,740 million in the year-earlier period,
  - a €36 million decrease from the lower average gross interest rate on borrowings, at 4.9% *versus* 6.8% in first-half 2017,
  - other negative effects for €2 million;
- a €15 million improvement in gains and losses on exchange rate derivatives (to a gain of €5 million for the period), due mainly to the increase in euro interest rates against the US dollar, the Brazilian real and the Chinese yuan;
- an aggregate €1 million net decrease from movements in other factors.

3.3.3 k) Other financial income and expenses

(in € million)	First half 2018	First half 2017	Change
Other financial income and expenses	(6)	(10)	+4

Other financial income and expenses represented a net expense of €6 million. The €4 million year-on-year improvement stemmed from an improvement in net currency gains and losses and the positive impact of exchange rate derivatives.

3.3.3 l) Income tax

(in € million)	First half 2018	First half 2017	Change
Income before taxes	1,209	1,260	-51
INCOME TAX	**(292)**	**(397)**	**+105**
Current tax	(267)	(324)	+56
Withholding tax	(19)	(36)	+17
Deferred tax	(6)	(37)	+31

Income tax expense declined by €105 million year-on-year to €292 million in the first half of 2018, primarily due to the reduction in corporate income tax rates in certain host countries such as the United States and, to a lesser extent, the decline in income before taxes. The effective tax rate was 24.2%, *versus* 31.5% the year before.

3.3.3 m) Consolidated net income and earnings per share

(in € million)	First half 2018	First half 2017	Change
Net income	917	863	+54
As a % of net sales	*8.6%*	*7.8%*	*+0.8 pt*
▶ Attributable to shareholders of the Company	925	863	+62
▶ Attributable to non-controlling interests	(8)	0	
Per-share data *(in €)*			
▶ Basic	5.12	4.76	+0.36
▶ Diluted	5.09	4.73	+0.36

Net income came to €917 million, or 8.6% of net sales, compared with the €863 million reported in first-half 2017. The €54 million improvement was driven by the following factors:

- favorable factors:
  - the €105 million reduction in income tax expense,
  - the €17 million reduction in the cost of net debt,
  - the €15 million decrease in net interest on net defined benefit obligations,
  - the €4 million decrease in net other financial expenses;
- unfavorable factors:
  - the €66 million decrease in operating income from recurring activities,
  - the €17 million decrease in the Group's share of profit from associates,
  - the €4 million decrease in operating income from non-recurring activities.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

(in € million)	June 30, 2018	December 31, 2017	Total change	Currency effect	Movement
Goodwill	2,216	1,092	+1,124	-21	+1,145
Other intangible assets	866	785	+81	-4	+85
Property, plant and equipment	11,064	10,883	+181	+28	+153
Non-current financial assets and other assets	678	479	+199	-2	+201
Investments in associates	943	356	+587	+17	+570
Deferred tax assets	890	890	0	-3	+3
Non-current assets	**16,657**	**14,485**	**+2,172**	**+15**	**+2,157**
Inventories	4,633	4,508	+125	+8	+117
Trade receivables	3,658	3,084	+574	-9	+583
Current financial assets	326	285	+41	-1	+42
Other current assets	1,056	1,132	-76	+2	-78
Cash and cash equivalents	1,021	1,773	-752	+1	-753
Current assets	**10,694**	**10,782**	**-88**	**+1**	**-89**
TOTAL ASSETS	**27,351**	**25,267**	**+2,084**	**+16**	**+2,068**

EQUITY AND LIABILITIES

(in € million)	June 30, 2018	December 31, 2017	Total change	Currency effect	Movement
Share capital	358	359	-1		-1
Share premiums	2,873	2,942	-69		-69
Reserves	8,217	7,925	+292	-32	+324
Non-controlling interests	31	35	-4	+1	-5
Equity	**11,479**	**11,261**	**+218**	**-31**	**+249**
Non-current financial liabilities	2,611	2,366	+245	+7	+238
Employee benefit obligations	3,904	3,969	-65	+20	-85
Provisions and other non-current liabilities	1,567	1,676	-109	+7	-116
Deferred tax liabilities	141	113	+28	-2	+30
Non-current liabilities	**8,223**	**8,124**	**+99**	**+32**	**+67**
Current financial liabilities	2,564	493	+2,071	0	+2,071
Trade payables	2,205	2,501	-296	+8	-304
Reverse factoring contracts	530	503	+27	+13	+14
Other current liabilities	2,350	2,385	-35	-6	-29
Current liabilities	**7,649**	**5,882**	**+1,767**	**+15**	**+1,752**
TOTAL EQUITY AND LIABILITIES	**27,351**	**25,267**	**+2,084**	**+16**	**+2,068**

3.4.1 GOODWILL

Goodwill before translation adjustments increased by €1,145 million over the period to €2,216 million at June 30, 2018, mainly reflecting the recognition of preliminary goodwill arising on the Fenner PLC acquisition.

3.4.2 INTANGIBLE ASSETS

Intangible assets amounted to €866 million, an €85 million increase from December 31, 2017 before translation adjustments that primarily resulted from investments in software, as well as from the consolidation of Fenner PLC and other changes in the business base.

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €11,064 million, a €153 million increase from December 31, 2017 before the positive €28 million translation adjustment. The increase mainly stemmed from the consolidation of Fenner Plc assets, in as much as depreciation and amortization charges (€600 million) exceeded capital expenditure for the period (€498 million).

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets ended the period at €678 million, a €201 million increase (before the negative €2 million translation adjustment) that mainly corresponded to the loan arranged by the Group to finance the start-up of operations by the new TBC wholesaling joint venture.

3.4.5 INVESTMENTS IN ASSOCIATES

Investments in associates stood at €943 million, a €570 million year-on-year increase before the positive €17 million translation adjustment. The increase resulted from the acquisition of a 50% stake in the TBC wholesaling joint venture created in the United States with Sumitomo Corporation of Americas in April 2018, and, to a lesser extent, a 20% stake in A.T.U., a German wholesaler, in association with Mobivia.

3.4.6 DEFERRED TAX ASSETS AND LIABILITIES

Excluding the negative €1 million translation adjustment, **net deferred tax assets** declined by €27 million compared with December 31, 2017, mainly due to the actuarial gains and losses recognized during the year on employee benefit obligations, particularly in the United States, as well as to the use of deferred tax losses and the recognition of deferred tax liabilities arising on timing differences.

3.4.7 TRADE WORKING CAPITAL REQUIREMENT

(in € million)	June 30, 2018	June 30, 2017	Change	June 30, 2018 (as a % of net sales, last 12 months)	June 30, 2017 (as a % of net sales, last 12 months)
Inventories	4,633	4,766	-133	21.5%	22.0%
Trade receivables	3,658	3,214	+444	17.0%	14.8%
Trade payables	(2,205)	(1,985)	-220	-10.3%	-9.2%
Reverse factoring contracts	(530)	(489)	-41	-2.5%	-2.3%
TRADE WORKING CAPITAL REQUIREMENT	**5,556**	**5,506**	**+50**	**25.8%**	**25.4%**

Operating working capital requirement rose by €50 million compared with June 30, 2017, primarily due to the increase in trade receivables. It represented 25.8% of moving 12-month net sales, a 0.4-point increase on June 30, 2017.

At €4,633 million, **inventories** ended the period down €133 million year-on-year with a €58 million decrease from changes in the scope of consolidation (the deconsolidation of the TCi inventory contributed to TBC was partially offset by the consolidation of the Fenner inventory). The 4% rise in the tonnage was more than offset by the raw material price decline.

Trade receivables increased by €444 million year-on-year to €3,658 million at June 30, 2018, reflecting (i) the nearly €300 million net increase following the consolidation of Fenner Plc and the deconsolidation of TCi, and (ii) the sharp increase in business in the second half of the second quarter.

Trade payables, including those **covered by reverse factoring contracts,** rose by €261 million year-on-year to €2,735 million, as a result of longer payment periods and the increase in business.

3.4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €1,021 million at June 30, 2018, a €752 million decline from December 31, 2017 (before the positive €1 million translation adjustment) that mainly reflected the following factors:

- increases from:
  - the €2,025 million in new debt, of which:
  - the €5 million in proceeds from the exercise of stock options;
- decreases from:
  - the negative €2,049 million in free cash flow,
  - the payment of €647 million in dividends and other distributions,
  - the outlay of €75 million for share buybacks,
  - other decreases in an amount of €11 million.

3.4.9 EQUITY

Consolidated equity increased by €218 million to €11,479 million at June 30, 2018 from the €11,261 million reported at December 31, 2017, primarily as a result of the following factors:

- increases:
  - €928 million in comprehensive income for the period, including:
    - €917 million in net income,
    - €80 million in post-employment obligations,
    - the €19 million increase in taxes payable on these obligations,
    - €5 million in net unrealized gains on available-for-sale financial assets,
    - the €33 million decline in the fair value of hedging instruments,
    - €31 million in unfavorable translation adjustments,
    - a €9 million increase from other factors,
  - €5 million in proceeds from the issue of 106,085 new shares on the exercise of stock options and the conversion of bonds,
  - €5 million in service costs on performance share plans,
  - €2 million in other increases;
- decreases:
  - the payment of €647 million in dividends and other distributions,
  - the outlay of €75 million to buy back and cancel Company shares.

As a result, at June 30, 2018, the **share capital** of Compagnie Générale des Établissements Michelin stood at €357,957,682, comprising 178,978,841 shares corresponding to 245,363,566 voting rights.

3.4.10 NET DEBT

Net debt stood at €3,753 million at June 30, 2018, up €3,037 million from December 31, 2017, mainly as a result of the following factors:

- the net use of €2,764 million in cash, reflecting:
  - the €2,049 million in negative free cash flow for the period,
  - the €640 million in dividend payments, withholdings and other changes in equity,
  - the €75 million in share buybacks during the period;
- €275 million in other factors increasing net debt, of which:
  - a €193 million increase from the first-time consolidation of Fenner Plc and other changes in scope,
  - €34 million in new finance leases,
  - €35 million in other non-cash increases,
  - €13 million in translation adjustments;
- a €2 million decrease from other factors.

CHANGES IN NET DEBT

(in € million)	First half 2018	First half 2017
At January 1	**716**	**944**
Free cash flow[1]	+2,049	+305
Distributions and other	+640	+586
Purchases of Michelin shares (actual and commitments)	+75	+100
Interest expense on the zero-coupon convertible bonds	-2	-193
Translation adjustment	+13	-177
Other	+262	+120
AT JUNE 30	**3,753**	**1,685**
CHANGE	**+3,037**	**+741**

(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.

3.4.10 a) Gearing

Gearing stood at 33% at June 30, 2018, *versus* 16% a year earlier.

3.4.10 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

3.4.11 PROVISIONS

Provisions and other non-current liabilities stood at €1,567 million *versus* €1,676 million at December 31, 2017, a €109 million decrease (before the positive €7 million currency effect) that was led by the reversal of provisions on projects to improve the competitiveness of the Group's manufacturing operations, particularly in Europe.

3.4.12 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other defined benefit plans	First half 2018	First half 2017
At January 1	**2,149**	**1,820**	**3,969**	**4,763**
Contributions paid to the funds	(40)	-	(40)	(54)
Benefits paid directly to the beneficiaries	(17)	(58)	(75)	(89)
Other movements	21	-	21	-
Items recognized in operating income				
Current service cost	21	29	50	52
Actuarial (gains) or losses recognized in other comprehensive income	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	(62)
Past service cost resulting from plan curtailments	(8)	(5)	(13)	-
Effect of any plan settlements	-	-	-	-
Other items	8	-	8	7
Items recognized outside operating income				
Net interest on employee benefit obligations	21	23	44	59
Items recognized in other comprehensive income				
Translation adjustments	10	10	20	(134)
Actuarial (gains) or losses	(57)	(31)	(88)	42
Portion of unrecognized asset due to the application of the asset ceiling	8	-	8	(14)
AT JUNE 30	**2,116**	**1,788**	**3,904**	**4,570**

The net obligation recognized in the balance sheet at June 30, 2018 amounted to €3,904 million, down €65 million compared with December 31, 2017, primarily due to €88 million in actuarial gains generated over the period, partially offset by the consolidation of the €21 million in defined benefit obligations carried by Fenner.

The expense recognized in the income statement in respect of defined benefit plans came in slightly under Group forecasts, at €89 million instead of the estimated €104 million. Of this amount, €45 million was recognized in operating income and €44 million outside operating income.

Total payments under defined benefit plans during first-half 2018 amounted to €115 million, *versus* €143 million in first-half 2017. They included:

- contributions paid to fund management institutions for €40 million, *versus* €54 million in first-half 2017;
- benefits paid directly to employees for €75 million, *versus* €89 million in first-half 2017.

Contributions paid by the Group for defined contribution plans totaled €114 million in first-half 2018, unchanged from €114 million in first-half 2017.

Actuarial gains recognized in equity at June 30, 2018 totaled a negative €88 million, which may be analyzed as follows:

- €223 million in actuarial gains on the obligation, mainly resulting from the use of higher discount rates in North America;
- €135 million in actuarial losses on plan assets, stemming from the low real return on the assets over the period in North America.

A negative €8 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 2018	First half 2017	Change
EBITDA from recurring activities	**1,985**	**2,070**	**-85**
Change in inventories	(175)	(475)	+300
Change in trade receivables	(403)	(464)	+61
Change in trade payables	(96)	192	-288
Restructuring cash costs	(96)	(48)	-48
Tax and interest paid	(296)	(629)	+333
Other	(114)	(26)	-88
CASH FLOWS FROM OPERATING ACTIVITIES	**805**	**620**	**+185**

At €1,985 million, **EBITDA** from recurring activities was down €85 million year-on-year, reflecting both the decline in operating income from recurring activities, to €1,327 million from €1,393 million in first-half 2017, and the slight €19 million decrease in depreciation and amortization charges for the period.

Cash flows from operating activities rose by €185 million, to €805 million from €620 million in first-half 2017, primarily as a result of the combined impact of:

- the €85 million decline in EBITDA;
- the €73 million decrease in the adverse impact of higher working capital requirement, despite the run-up in raw materials prices. The decrease, to a negative €674 million from a negative €747 million in first-half 2017, mainly stemmed from:
  - the steep decline in the negative impact of the increase in inventory, to a negative €175 million from a negative €475 million in first-half 2017,
  - the less negative impact from the increase in trade receivables and prepayments, which stood at €403 million compared with €464 million in the year earlier period,
  - these two positive factors were partially offset by the €288 million reduction in the positive impact from the change in trade payables, which represented a decrease of €96 million in first-half 2018 *versus* an increase of €192 million the year before,
  - the decrease in inventory and trade payables was primarily due to the year-on-year decline in raw materials prices;
- the increase in provisions for restructuring cash costs, to €96 million;
- the €333 million decrease in tax and interest paid, to €296 million from €629 million in first-half 2017, mainly as a result of reduction in income tax expense and the payment in first-half 2017 of €193 million in capitalized interest on the OCEANE zero-coupon convertible bonds.

3.5.2 CAPITAL EXPENDITURE

(in € million)	First half 2018	First half 2017	First semester 2018, % change YoY	First half 2018 *(as a % of net sales)*	First half 2017 *(as a % of net sales)*
Gross purchases of intangible assets and PP&E	**588**	**585**	**+3**	**5.5%**	**5.3%**
Investment grants received and change in capital expenditure payables	302	260	+42	2.9%	2.4%
Proceeds from sales of intangible assets and PP&E	(42)	(27)	-15	0.4%	0.2%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**848**	**818**	**+30**	**8.0%**	**7.4%**

Gross purchases of intangible assets and property, plant and equipment came to €588 million for the period, compared with €585 million in first-half 2017, and therefore represented 5.5% of net sales *versus* 5.3% before.

Of the total, growth investments stood at €203 million, committed primarily in Indonesia, China, Mexico, Brazil, the United States and France.

Note that the Group's financing depends on its ability to generate cash flow as well as on market opportunities. As a result, there is generally no direct link between financing sources and 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 2018	First half 2017	Change
Cash flows from operating activities	**805**	**620**	**+185**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(385)	(420)	+36
AVAILABLE CASH FLOW	**420**	**200**	**+220**
Growth investments	(203)	(165)	-38
Other cash flows from investing activities	(2,266)	(340)	-1,926
FREE CASH FLOW	**(2,049)**	**(305)**	**-1,744**

After subtracting €385 million in routine capital expenditure, available cash flow stood at €420 million for first-half 2018.

During the period, the Group invested €1,970 million in acquisitions, primarily in the areas of materials (Fenner Plc) and distribution (creation of a joint venture in North America with Sumitomo Corporation of Americas and acquisition of a stake in A.T.U. in Germany).

Free cash flow amounted to a negative €2,049 million, after the €203 million in growth investments.

3.6 OUTLOOK FOR FULL-YEAR 2018

Over the second half of the year, replacement markets are expected to remain on an upward trend, regardless of prevailing winter weather conditions. Demand for original equipment tires should remain strong in the Earthmover segment, but lose momentum in the Passenger car and Truck segments. Sales of mining tires should also continue to enjoy strong growth.

For the full year, Michelin confirms its targets of volume growth in line with global market trends, operating income from recurring activities exceeding the 2017 figure at constant exchange rates, and structural free cash flow of more than €1,100 million.

3.7 RELATED PARTIES

There were no new material related-party transactions during the first half of 2018, nor any material changes in the related-party transactions described in the 2017 Registration Document.

3.8 RISK MANAGEMENT

The Michelin group's main risks have been identified and are described in the 2017 Registration Document.

3.9 FINANCIAL HIGHLIGHTS

(in € million)	First half 2018	First half 2017	2017	2016	2015	2014	2013
Net sales	10,603	11,059	21,960	20,907	21,199	19,553	20,247
% change	*-4.1%*	*+7.5%*	*+5.0%*	*-1.4%*	*+8.4%*	*-3.4%*	*-5.7%*
Total employee benefit costs	2,951	3,080	5,871	5,542	5,785	5,292	5,292
As a % of net sales	*27.8%*	*27.9%*	*26.7%*	*26.5%*	*27.3%*	*27.1%*	*26.1%*
Average number of full time equivalent employees over the period	107,800	106,100	107,800	105,700	105,800	106,700	105,700
Research and development expenses	322	327	641	718	689	656	643
As a % of net sales	*3.0%*	*3.0%*	*2.9%*	*3.4%*	*3.3%*	*3.4%*	*3.2%*
EBITDA from recurring activities(1)	1,985	2,070	4,087	4,084	3,934	3,286	3,285
Operating income from recurring activities	1,327	1,393	2,742	2,692	2,577	2,170	2,234
Operating margin on recurring activities	12.5%	12.6%	12.5%	12.9%	12.2%	11.1%	11.0%
Operating income	1,350	1,420	2,631	2,791	2,207	1,991	1,974
Operating margin	12.7%	12.8%	12.0%	13.3%	10.4%	10.2%	9.7%
Cost of net debt	78	95	176	203	184	130	94
Other financial income and expenses	(6)	(10)	(0)	20	(30)	(43)	(15)
Income before taxes	1,209	1,260	2,354	2,464	1,869	1,651	1,702
Income tax	292	397	661	797	706	620	575
Effective tax rate	24.2%	31.5%	28.1%	32.3%	37.8%	37.5%	33.8%
Net income	917	863	1,693	1,667	1,163	1,031	1,127
As a % of net sales	*8.6%*	*7.8%*	*7.7%*	*8.0%*	*5.5%*	*5.3%*	*5.6%*
Dividends(2)	637	596	585	522	463	464	438
Cash flows from operating activities	805	620	2,741	2,764	2,695	2,522	3,089
As a % of net sales	*9.6%*	*5.6%*	*12.5%*	*13.2%*	*12.7%*	*12.9%*	*15.3%*
Gross purchases of intangible assets and PP&E	588	585	1,771	1,811	1,804	1,883	1,980
As a % of net sales	*5.5%*	*5.3%*	*8.1%*	*8.7%*	*8.5%*	*9.6%*	*9.8%*
Net debt(3)	3,753	1,685	716	944	1,008	707	142
Equity	11,479	10,461	11,261	10,646	9,542	9,523	9,256
Net debt(3)/Equity	33%	16%	6%	9%	11%	7%	2%
Net debt(3)/EBITDA(1)	1.89	0.81	0.18	0.23	0.26	0.22	0.04
Cash flows from operating activities/Net debt(3)	27.0%	36.8%	N/M	N/M	N/M	N/M	N/M
Operating income from recurring activities/Net interest charge(4)	14.8	15.3	15.9	13.3	12.8	16.0	15.7
Free cash flow(5)	(2,049)	(305)	662	1,024	653	322	1,154
Return on equity(6)	N/A	N/A	15.0%	15.7%	12.2%	10.8%	12.2%
Return on capital employed(7)	N/A	N/A	11.9%	12.1%	12.2%	11.1%	11.9%
Per-share data *(in €)*							
Net assets per share(8)	64.1	58.0	62.7	59.1	52.5	51.3	49.8
Basic earnings per share	5.12	4.76	9.39	9.21	6.28	5.52	6.08
Diluted earnings per share	5.09	4.73	9.34	9.03	6.19	5.45	5.98
Price-earnings ratio(9)	N/A	N/A	12.7	11.5	14.0	13.6	12.7
Dividend for the year	N/A	N/A	3.55	3.25	2.85	2.50	2.50
Payout ratio(10)	N/A	N/A	36.0%	36.5%	37.0%	40.6%	35.0%
Yield(11)	N/A	N/A	3.0%	3.1%	3.2%	3.3%	3.2%
Share turnover rate(12)	81%	79%	71%	78%	99%	91%	99%

(1) As defined in note 3.7.2 to the 2017 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 2017 consolidated financial statements.
(4) Net interest charge: interest financing expenses - 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 requirement), as defined in section 2.6 of the 2017 Registration Document.
(8) Net assets per share: net assets/number of shares outstanding at the end of the period.
(9) P/E: Share price at the end of the period/basic earnings per share.
(10) Distribution rate: Dividend/Net income.
(11) Dividend yield: dividend per share/share price at December 31.
(12) 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

- €18,656 billion at June 30, 2018.

Average daily trading volume

- 580,028 shares since January 1, 2018.

Indices

The Michelin share is included in two leading stock market indices. As of June 30, 2018, it represented:

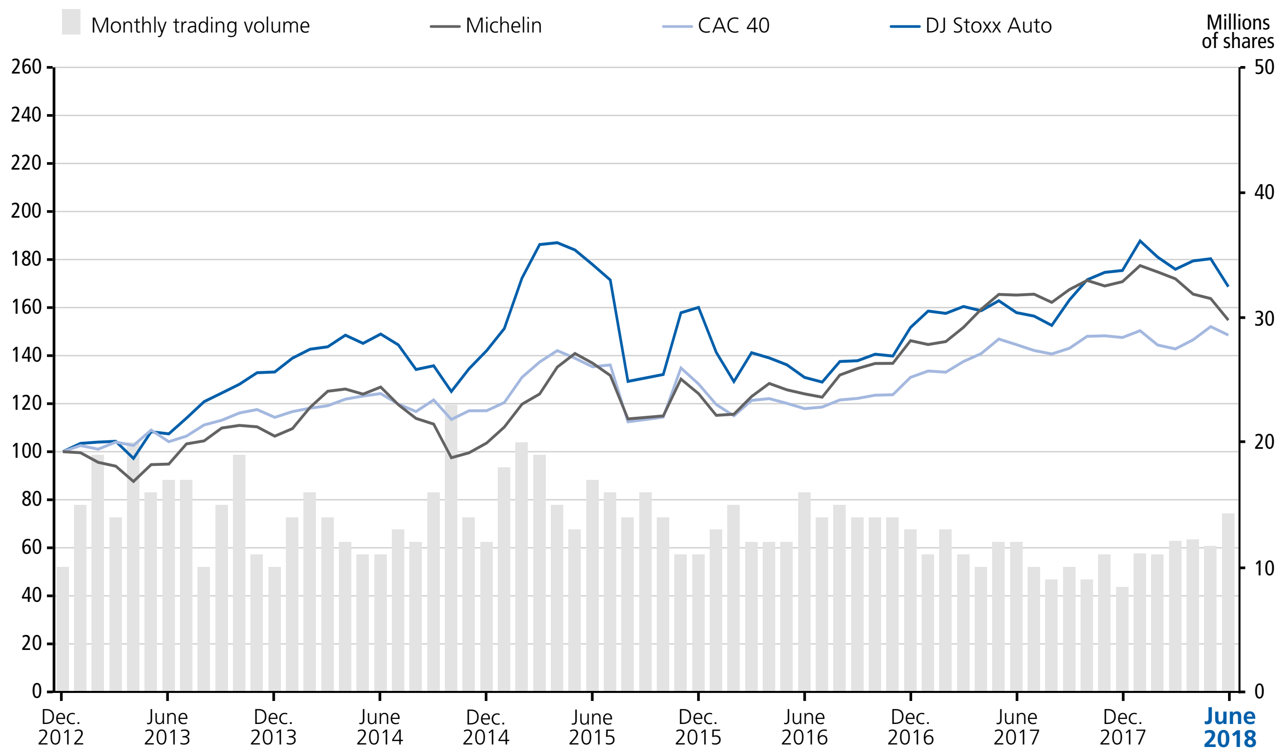
- 1.88% of the CAC 40 index;
- 0.84% of the Euronext 100 index.

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

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

SHARE PERFORMANCE

(closing price at June 30, 2018)



3.10.2 SHARE DATA

Share price *(in €)*	First half 2018	2017	2016	2015	2014	2013
High	130.85	128.4	106.8	103.9	94.3	84.7
Low	103.65	98.9	77.4	71.6	65.1	57.2
High/Low ratio	1.3	1.3	1.4	1.5	1.5	1.5
Closing price, end of period	104.3	119.6	105.7	87.9	75.3	77.3
Average share price over the period	104.5	115.7	92.0	90.3	82.1	72.3
Change over the period	-12.8%	+13.1%	+20.3%	+16.8%	-2.6%	+7.9%
Change in the CAC 40 over the period	*+0.2%*	*+9.3%*	*+4.9%*	*+8.5%*	*-0.5%*	*+18.0%*
Market value at end of period *(in € billion)*	**18.66**	**21.45**	**19.03**	**15.98**	**13.98**	**14.35**
Average daily trading volume over the period	580,028	503,534	554,262	719,709	662,063	719,464
Average shares outstanding	178,872,756	182,212,806	182,122,667	185,960,394	185,954,390	184,901,269
Volume of shares traded over the period	73,083537	128,401,095	142,445,218	184,245,619	168,826,055	183,463,371
Share turnover rate	**81%**	**71%**	**78%**	**99%**	**91%**	**99%**

3.10.3 PER-SHARE DATA

(in € per share, except ratios)	First half 2018	2017	2016	2015	2014	2013
Net assets per share	64.1	62.7	59.1	52.5	51.3	49.8
Basic earnings per share	5.12	9.39	9.21	6.28	5.52	6.08
Diluted earnings per share(1)	5.09	9.34	9.03	6.19	5.45	5.98
Price-earnings ratio	**N/A**	**12.73**	**11.48**	**14.00**	**13.64**	**12.71**
Dividend for the year	N/A	3.55	3.25	2.85	2.50	2.50
Pay-out ratio	N/A	36.0%	36.5%	37.0%	40.6%	35.0%
Yield(2)	N/A	3.0%	3.1%	3.2%	3.3%	3.2%

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

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

3.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2018, Michelin's share capital amounted to €357,957,682.

	At June 30, 2018		
	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors		26.2%	27.7%
Non-resident institutional investors	3,379	60.1%	60.0%
Individual shareholders	111,332	11.7%	9.6%
Employee shareholder plan	72,261	2.0%	2.7%
Treasury shares	-	-	-
TOTAL	**186,972**	**178,978,841(1)**	**245,363,566 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 2018

3.11.1 PERFORMANCE

January 3, 2018

To enhance product availability and delivery service for their customers in the United States and Mexico, Michelin and Sumitomo Corporation create TBC, the region's second largest tire wholesaler by folding their wholesale and retail operations into a 50/50 joint venture.

January 5, 2018

Successful non-dilutive convertible 2023 bond issue from Michelin.

February 12, 2018

Mobivia, the European leader in multi-brand vehicle servicing and parts, has joined forces with Michelin to expand its A.T.U. chain in Germany, Switzerland and Austria by selling the Group a 20% stake in the chain.

February 14, 2018

Implementation of a partial share buyback management agreement.

March 21, 2018

CFAO and Michelin team up to market high-quality tires in Kenya and Uganda, enabling Michelin to accelerate the distribution of its high-end tires, which have proven longevity and durability.

May 18, 2018

Jean Dominique Senard's succession plan: given that the Chief Executive Officer's term of office will expire at the close of the 2019 Annual Meeting, shareholders at the May 18, 2018 Annual Meeting elected Florent Ménégaux as General Managing Partner and Yves Chapot as Managing Partner.

May 31, 2018

Following the public offer announced on March 19, 2018, Michelin has completed the acquisition of Fenner Plc, a world leader in conveyor belt solutions and reinforced polymer products.

June 28, 2018

In its first edition, the MICHELIN guide Guangzhou highlights 63 restaurants, reflecting the city's culinary richness. This is another milestone in the guide's international expansion.

3.11.2 INNOVATION

January 2018

Commercial launch of the MICHELIN Primacy4.

February 15, 2018

The MICHELIN CrossClimate range extends into light trucks and vans with the MICHELIN AGILIS CrossClimate, a summer tire with complete winter capability.

February 22, 2018

The MICHELIN Road 5 high-tech Sport Touring tire, the fifth generation of Michelin's motorcycle tire designed entirely for road use and suited to most types of road bike.

March 22, 2018

MICHELIN's MyBestRoute app wins the SITL Technologies and Information Systems innovation award.

April 10, 2018

MICHELIN X Multi Energy tire fuel saving for regional transport

Extending the tire range for regional trucking operations, Michelin launches the X Multi Energy tire, which offers regional truckers a distinct product choice: to focus on greater fuel efficiency or longer tread life.

June 18, 2018

- Michelin and Maxion Wheels receive a 2018 CLEPA Innovation Award honoring their cooperation and innovation drive that enabled them to reinvent the wheel, with the ACORUS Flexible Wheel.
- At the Tire Cologne trade fair, MICHELIN Track Connect, the first fully networked solution for car tires, has been awarded the 2018 Creative Prize by the *Bundesverbands Reifenhandel und Vulkaniseur-Handwerk e.V.* (BRV).

3.11.3 SUSTAINABLE DEVELOPMENT

May 30, 2018

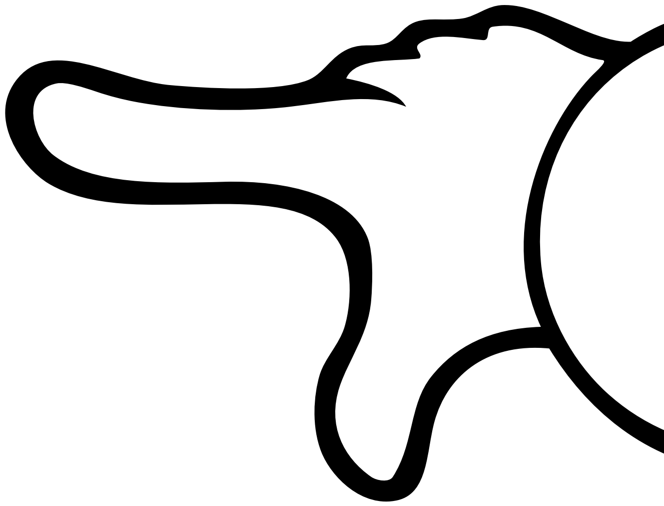
Total and Michelin join forces to launch an ambitious worldwide road safety education program targeting 10-18 year-olds, with the support of the Global Road Safety Partnership.

May 31, 2018

Michelin's 2048 ambitions: MICHELIN tires will be made using 80% sustainable materials and 100% of tires will be recycled.

June 1, 2018

MOVIN'ON – Engaged, innovative leaders and executives convene at the second edition of the global summit for sustainable mobility in Montreal, Canada.



4

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

DETAILED SUMMARY OF THE NOTES OF THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Net sales	3	10,603	11,059
Cost of sales		(7,062)	(7,387)
Gross income		**3,541**	**3,672**
Sales and marketing expenses		(932)	(948)
Research and development expenses		(322)	(327)
General and administrative expenses		(943)	(990)
Other operating income and expenses from recurring activities		(17)	(14)
Operating income from recurring activities	3	**1,327**	**1,393**
Operating income/(loss) from non recurring activities	4	23	27
Operating income/(loss)		**1,350**	**1,420**
Cost of net debt	5	(78)	(95)
Other financial income and expenses	5	(6)	(10)
Net interest on employee benefit obligations	11	(44)	(59)
Share of profit/(loss) from equity accounted entities	14	(13)	4
Income/(loss) before taxes		**1,209**	**1,260**
Income tax	2.5	(292)	(397)
NET INCOME/(LOSS)		**917**	**863**
▶ Attributable to the shareholders of the Company		925	863
▶ Attributable to the non-controlling interests		(8)	-
Earnings per share *(in €)*			
▶ Basic	6	5.12	4.76
▶ Diluted		5.09	4.73

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income/(loss)		**917**	**863**
Post-employment benefits	11	80	(28)
Tax effect – post-employment benefits		(19)	(3)
Equity investments – change in fair values	2.3.1	6	-
Tax effect – equity investments – change in fair values	2.3.1	(1)	-
Other items of comprehensive income that will not be reclassified to income statement		**66**	**(31)**
Equity investments – change in fair values	2.3.1	-	10
Tax effect – equity investments – change in fair values	2.3.1	-	(7)
Equity investments – gain/(loss) recognized in income statement	2.3.1	-	5
Currency translation differences		(31)	(326)
Other		(24)[1]	(3)
Other items of comprehensive income that may be reclassified to income statement		**(55)**	**(321)**
Other comprehensive income		**11**	**(352)**
COMPREHENSIVE INCOME		**928**	**511**
▶ Attributable to the shareholders of the Company		934	515
▶ Attributable to the non-controlling interests		(6)	(4)

(1) Including €1 million adjustment due to the first application of IFRS 9 (note 2.3.1).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	June 30, 2018	December 31, 2017	June 30, 2017
Goodwill	2.6.4	2,216	1,092	985
Intangible assets		866	785	631
Property, plant and equipment (PP&E)		11,064	10,883	10,612
Non-current financial assets and other assets		678	479	399
Investments in equity-accounted entities	14	943	356	357
Deferred tax assets		890	890	1,120
Non-current assets		**16,657**	**14,485**	**14,104**
Inventories		4,633	4,508	4,766
Trade receivables		3,658	3,084	3,214
Current financial assets		326	285	267(1)
Other current assets		1,056	1,132	1,060
Cash and cash equivalents		1,021	1,773	1,227(1)
Current assets		**10,694**	**10,782**	**10,534**
TOTAL ASSETS		**27,351**	**25,267**	**24,638**
Share capital	7	358	359	361
Share premiums	7	2,873	2,942	3,036
Reserves	8	8,217	7,925	7,021
Non-controlling interests		31	35	43
Equity		**11,479**	**11,261**	**10,461**
Non-current financial liabilities	9	2,611	2,366	2,342
Employee benefit obligations	11	3,904	3,969	4,570
Provisions and other non-current liabilities	12	1,567	1,676	1,547
Deferred tax liabilities		141	113	107
Non-current liabilities		**8,223**	**8,124**	**8,566**
Current financial liabilities	9	2,564	493	915
Trade payables		2,205	2,501	1,985
Trade payables under factoring contracts		530	503	489
Other current liabilities		2,350	2,385	2,222
Current liabilities		**7,649**	**5,882**	**5,611**
TOTAL EQUITY AND LIABILITIES		**27,351**	**25,267**	**24,638**

(1) The figures at June 30, 2017 have been restated for comparative purposes for an amount of €400 million, according to the information disclosed in the note 21 of the December 31, 2017 consolidated financial statements.

The notes 1 to 16 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, 2017	**360**	**3,024**	**7,215**	**47**	**10,646**
Net income/(loss)	-	-	863	-	863
Other comprehensive income	-	-	(348)	(4)	(352)
Comprehensive income	**-**	**-**	**515**	**(4)**	**511**
Issuance of shares	1	12	-	-	13
Reduction in capital	-	-	-	-	-
Dividends and other allocations	-	-	(613)	-	(613)
Share-based payments – cost of services rendered	-	-	3	-	3
Purchase of shares	-	-	(101)	-	(101)
Disposal of shares	-	-	-	-	-
Non-controlling interests in share capital increases	-	-	-	-	-
Other	-	-	2	-	2
At June 30, 2017	**361**	**3,036**	**7,021**	**43**	**10,461**
Net income/(loss)	-	-	837	(7)	830
Other comprehensive income	-	-	(37)	-	(37)
Comprehensive income	**-**	**-**	**800**	**(7)**	**793**
Issuance of shares	-	4	-	-	4
Reduction in capital	(2)	(99)	101	-	-
Dividends and other allocations	-	-	1	-	1
Share-based payments – cost of services rendered	-	-	4	-	4
Purchase of shares	-	-	-	-	-
Disposal of shares	-	-	-	-	-
Other	-	1	(2)	(1)	(2)
At December 31, 2017	**359**	**2,942**	**7,925**	**35**	**11,261**
Net income/(loss)	-	-	925	(8)	917
Other comprehensive income	-	-	9[(1)]	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**

(1) Including €1 million adjustment due to the first application of IFRS 9 (note 2.3.1).

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

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income		917	863
Adjustments			
▶ Cost of net debt	5	78	95
▶ Other financial income and expenses	5	6	10
▶ Net interest on benefits	11	44	59
▶ Income tax		292	397
▶ Amortization and depreciation of intangible assets and PP&E		658	677
▶ Operating income/(loss) from non recurring activities	4	(23)	(27)
▶ Share of loss/(profit) from associates		13	(4)
EBITDA from recurring activities		**1,985**	**2,070**
Operating income and expenses from non recurring activities (cash) and change in provisions	13	(165)	(132)
Cost of net debt and other financial income and expenses paid	13	(85)	(311)
Income tax paid		(211)	(318)
Change in working capital, net of impairments	13	(719)	(689)
Cash flows from operating activities		**805**	**620**
Purchases of intangible assets and PP&E	13	(890)	(845)
Proceeds from sale of intangible assets and PP&E		42	27
Equity investments in consolidated companies, net of cash acquired		(1,907)	(78)
Disposals of equity investments in consolidated companies, net of cash sold		157	-
Purchases of equity investments		(9)	(10)
Proceeds from sale of equity investments		-	4
Cash flows from other financial assets	13	(261)	16[(1)]
Cash flows from investing activities		**(2,868)**	**(886)**
Proceeds from issuances of shares	7	5	13
Dividends paid to the shareholders of the Company	7	(637)	(585)
Cash flows from financial liabilities	13	2,025	304
Purchase of shares	8	(75)	(44)
Other cash flows from financing activities		(8)	(14)
Cash flows from financing activities		**1,310**	**(326)**
Effect of changes in exchange rates		**1**	**(7)**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(752)**	**(599)**
Cash and cash equivalents at January 1		**1,773**	**1,826[(1)]**
Cash and cash equivalents at June 30		**1,021**	**1,227[(1)]**

(1) The figures at June 30, 2017 have been restated for comparative purposes, for an amount of €400 million, according to the information disclosed in note 21 of the December 31, 2017 consolidated financial statements.

The notes 1 to 16 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") manufacture, distribute and sell tires throughout the world.

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

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

After a review by the Supervisory Board, these condensed interim consolidated financial statements were authorized for issue by the Managing Chairman on July 23, 2018.

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, 2017, which have been prepared in accordance with IFRS as adopted by the European Union at closing date with a mandatory application.

2.2 Accounting policies

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended December 31, 2017.

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

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

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2018

/ 2.3.1 IFRS 9 "Financial Instruments"

The norm IFRS 9 has been adopted since January 2018. This norm, retrospectively applied, has been adopted without the restatement of comparative information in accordance with the transitory method indicated in paragraph 7 of IFRS 9. The reclassifications and adjustments related to the new rules concerning impairment loss are presented in equity.

2.3.1.1 Accounting policy from January 1, 2018

Classification and evaluation

At January 1, 2018 the Group classified its financial assets to the IFRS 9 categories depending on the SPPI factors (Solely Payment of Principal and Interest) and its business model. This model can take two forms: either collect the contractual cash flows and keep the financial asset until maturity (HTC: held to collect); or collect the contractual flows and sell the asset (HTCS: held to collect and sell).

The Group classifies and measures its debt instruments in the following categories:

- amortized cost: held to maturity financial assets in order to collect repayments from principal and interest;
- fair value through income statement: financial assets that do not meet the criteria to be classified either in amortized costs (SPPI and HTC), nor in fair value through other comprehensive income (SPPI and HTCS).

The Group has not identified debt instruments that meet the fair value through other comprehensive income criteria.

The Group measures all its non-consolidated equity investments at their fair value. When the Group chooses to use the irrevocable option to record fair value variations in other comprehensive income, the realized gains or losses on disposal are not recycled in the income statement. The impairment losses recognized on equity investments are not shown separately from the other variations in fair value.

Group financial assets have been classified to the IFRS 9 categories (fair value through income statement, fair value through other comprehensive income and amortized cost) in the following manner at January 1, 2018:

(in millions of euros)	Fair value through income statement	Fair value through other comprehensive income	Amortized cost	Total
Trade receivables	-	-	3,080	3,080
Current financial assets	71	-	214	285
Cash and cash-equivalents	1,323	-	450	1,773
Non-current financial assets	137	272	75	484
TOTAL	**1,531**	**272**	**3,819**	**5,622**

Impairment loss of financial assets

IFRS 9 provides a new impairment model that replaces "incurred losses" by "expected credit losses", which implies that the Group uses judgment to assess expected credit losses over the expected life of certain assets.

The Group holds two types of financial assets that require the recognition of expected credit losses:

- trade receivables (financial assets at amortized cost);
- debt instruments booked at amortized cost.

The Group has modified its models of impairment losses under IFRS 9 for each of these types of assets.

Trade receivables

The Group applies the IFRS 9 simplified approach in order to determine the expected credit loss of trade receivables. The model uses an expected credit loss at maturity for all trade receivables since their recognition.

Debt instruments booked at amortized cost

The financial assets at amortized cost include loans to related parties (affiliated companies or those accounted for using the equity method), loans to personnel, to clients and other loans.The model to determine the expected credit loss is based on the counterparty rating and the associated default probability. Depreciation is calculated over a 12-month horizon given the non-deterioration of counterparty credit risk.

Hedge accounting

The group holds hedging instruments where the new provisions of IFRS 9 are applied as follow:

- The effective portion of the changes in fair value is qualified in hedge accounting (cash-flow hedge) and is recognized in other reserves in equity. The ineffective portion is recognized in the income statement. When the Group qualifies options in hedge accounting, the changes to the intrinsic value of the option are recognized in the other reserves in equity. The variations in time value are also recognized in equity as the cost of hedging
- The accumulated gains or losses in equity on hedging instruments are recorded in the income statement when the hedged item impacts the income statement.

2.3.1.2. Impact of the transition for the Group

The adjustments booked for each line of the consolidated statement of financial position are shown below. The lines that have not been impacted by the adoption of IFRS 9 are not shown.

(in millions of euros)	December 31 , 2017 as published	IFRS 9	January 1, 2018 restated
Non Current assets			
Financial assets and other non-current assets	479	5	484
Current assets			
Trade receivables	3,084	(4)	3,080
Current financial assets	285	-	285
Cash and cash equivalent	1,773	-	1,773
EQUITY	**11,261**	**1**	**11,262**

Financial assets and other non-current assets

The group has chosen to use for some of its investments in equity shares, the irrevocable option to measure those investments at fair value through other comprehensive income as these investments are held with a strategic goal and are not expected to be sold in the short or medium term. If the investments are disposed, the realized gain or loss remains in equity and does not impact the income statement.

In IFRS 9, the exception of booking at cost is no longer allowed. For this reason, the measurement at fair value of some "AFS" investments that were measured at cost had an impact of €+5 million at January 1, 2018.

Trade receivables

The group applies the IFRS 9 simplified approach in order to determine the expected credit loss of trade receivables. The model uses a matrix of the probabilities of default established by each company of the Group based on historical write-offs, customer payment behavior and expected losses.

Following the adoption of the expected credit loss model, an increase in the allowance for doubtful trade receivables has been recognized for an amount of €4million at January 1, 2018.

Cash and cash equivalent

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less. Term deposits maturing in more than three months, but with early withdrawal terms of less than three months with guaranteed capital and negligible penalties are also classified as treasury and treasury equivalents. The Group decided to measure the term deposits at amortized cost and the money market funds at fair value. The money market funds "OPCVM" are measured at fair value through income statement. Cash and cash equivalents at amortized cost are subject to the new impairment model based on expected credit losses.

Hedging instruments

Derivative instruments qualified as hedge accounting at December 31, 2017 are eligible for hedge accounting under IFRS 9.The risk management policy and the hedging documentation are in line with the requirements of IFRS 9 and hedging relationships are treated in a continuous way. The application of the cost of hedging on the hedge relationships has no significant impact.

/ 2.3.2. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15, "Revenue from Contracts with Customers", published in May 2014 and adopted by the European Union in September 22, 2016, together with the amendment "Clarifications to IFRS 15" are effective for annual periods beginning on January 1, 2018. Their scope covers all contracts with customers, with the exception of leases, insurance contracts and financial instruments which are covered by other standards.

Accounting policy and critical judgements made in the application of IFRS15

The accounting principles concerning the recognition of income arising in the course of ordinary activities and the applicable principles from January 1, 2018 are presented below:

The sale of tires, in the original equipment or replacement market, constitutes the major part of Group income. In this commercial relationship, the Group acts as a principal and not as an agent. The clients have the full and complete possibility to use the tires for their own benefit, or to market them, and in this case, to fix the resale price. Furthermore, they carry the inventory risk.

The trade terms offered by Group companies, in line with normal market practice, vary according to the category of clients and the country in which the sales are made. They anticipate however, that the payment for the goods sold will be made in a period appreciably less than one year and there is therefore no reason to adjust the promised amounts of consideration from customers to take into account the effects of a financing component.

Each delivery of tires, either in the original equipment market with car manufacturers or in the replacement market, represents a distinct and separate performance obligation to be fulfilled at a point in time and which corresponds to the loading of goods or their delivery, in accordance with the underlying contract.

The warranties offered to the buyers cover design or manufacturing defects, which may appear as irregular or excessive tires wear under normal conditions of use. These warranties, which do not provide the client with any supplementary guarantee, apart from the fact that the tire is exempt from defects, continue to be accounted for in conformity with IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*.

The Group accepts, under certain conditions, to give trade concessions or to reimburse unsatisfied clients. It also gives, occasionally and under special circumstances, a right to return the products of which the customer had taken control. This right gives rise to the recognition of a refund liability and a reduction in income as well as the recognition of an asset representing the Group's right to recover the goods that customers will return.

In addition, the amount that the Group effectively receives for the tires delivered, as well as the revenue from sales booked to the income statement, can vary as a result of the deferred rebates, stipulated in contractual agreements and/or at the start of commercial campaigns, which will be paid to the customers at the end of the reference period and depending on the achievement of qualitative or quantitative objectives fixed for that period. Their value is determined using the expected value method. The Group relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be paid to the customers. The revenue from ordinary activities is therefore recognized taking into account the uncertainty surrounding the different elements of variable consideration and to the extent that it is highly probable that the outcome of the uncertainty concerning the different elements of variable consideration will not give rise to a significant reduction in the amount of sales already recognized, once the uncertainty is resolved. The difference between the amounts invoiced to the customers and the revenue from ordinary activities booked results in the recognition of a liability as a future reimbursement booked in the position "Other short term liabilities" of the consolidated statement of financial position.

The other sales categories comprise, essentially, the management of tires for commercial fleets and the supply of telematics services, the latter having for objective the reduction in the consumption of fuel and the efficiency of fleets. The services supplied within the framework of these contracts consist of a single performance obligation satisfied over time for which the revenue will be recognized according to the level of progress, measured on the basis of the efforts made and the costs incurred.

The Group is led to conclude multi-year agreements with customers, which include a commitment, relative to its capacity to supply the products, in exchange for a specific consideration. This is to be paid in advance of the fulfillment of the obligations of supplying the products which will be spread over the duration of the contract. As such, this commitment is considered to be linked to the supply of the products and will be recognized as revenue as and when the supply obligations are fulfilled. When the payment is received, a contract liability is recognized and split between the positions "provisions and other long term liabilities" and "other short term liabilities" of the consolidated statement of financial position, depending on the date of the execution of the performance obligations.

Impact of the transition

The analysis carried out, with regard to the new standard, of all contractual relationships with customers has led to the conclusion that the application of IFRS 15 does not have a significant impact on the amount of revenue recognized by the Group and on the timing of its recognition. As a consequence, the Group assessed that the implementation of IFRS15 does not result in any change to the presentation of its consolidated financial statements and have no impact on equity at January 1, 2018.

The breakdown of revenue from ordinary activities used within the Group to assess the performance is presented, by operating segment, in note 3 "Condensed segment reporting".

/ 2.3.3 IFRIC 22 "Foreign currency transactions and advance consideration"

According to IFRIC Interpretation 22 "Foreign currency transactions and advance consideration", purchase or sale transactions must be translated at the exchange rate prevailing on the date the asset or liability is initially recognized. In practice, this is usually the date on which the advance payment is paid or received. In the case of multiple advances, the exchange rate must be determined for each payment and collection transaction.

The interpretation is mandatory for financial years beginning on or after January 1, 2018. Its prospective adoption did not have any significant impact on the Group's consolidated financial statements.

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

/ 2.4.1 IFRS 16 "Leases"

IFRS 16 "Leases", published in January 2016, endorsed by the European Union in November 2017, is applicable at the latest from accounting period beginning on January 1, 2019. It provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.

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

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

The project launched in 2016 to assess the impacts of this standard and manage all aspects of the transition will continue until the end of 2018.

The identification and analysis of the contracts in order to collect the necessary information, is progressing according to the planning. The Group is implementing the tools and processes to be ready to comply with the requirements of the new standard.

With regards to the transition options the standard will be implemented according to the simplified retrospective approach. The Group is going to adopt the exceptions provided for short-term leases and those relating to low-value assets.

/ 2.4.2 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 is applicable for financial years beginning on January 1, 2019, subject to its adoption by the European Union and subject to retrospective application, with or without comparative information restatement for the first year of application. Studies are underway to analyze the possible impacts of this interpretation.

There are no other 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. The effective tax rate at June 30, 2018 is impacted by the significant decrease in the tax rate in the United States and by other one-off favourable elements specific to this first half-year.

2.6 Change in the scope of consolidation

/ 2.6.1 Acquisitions made in 2017

In October 2017, the Group acquired Lehigh Technologies in the United States. This company is specialized in the development and production of innovative raw materials based on the recycling of worn non-reusable tires and other rubber-based industrial products. The consideration paid in cash amounted to €20 million. As at December 31, 2017, the investment was provisionally presented under the section "Non-current financial assets and other assets" of the consolidated statement of financial position and the consolidated cash-flow statement. The allocation of the purchase price to the assets acquired and to the liabilities assumed was finalized during the first half of 2018; the goodwill resulting from the acquisition amounts to €4 million.

In October 2017, the Group also acquired 100% of the shares of the truck tire distributor and service provider Tructyre, in the United Kingdom. In December, the acquisition of PTG (Germany) and Teleflow (France), two leaders in tire pressure control systems, was completed. Given the short lapse of time before the finalization of the consolidated financial statements, it had not been possible to integrate them according to the acquisition method as at December 31, 2017 and they were provisionally presented under the section "Non-current financial assets and other assets" of the consolidated statement of financial position, as at December 31, 2017 for an amount of €36 million. The allocation of the purchase price to the assets and liabilities is still in progress at June 30, 2018 and the excess of the purchase consideration over the carrying amount of net asset acquired for those companies is recorded as provisional goodwill for an amount of €26 million.

/ 2.6.2 Creation of a joint venture with Sumitomo Corporation of Americas

Michelin North America, Inc. and Sumitomo Corporation of Americas announced on January 3, 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 transaction is forming the second largest player in the wholesale tire market in the United Sates which will operate under a new brand, NTW.

The transaction was completed on April 5, 2018, after obtaining customary approvals.

The Group contributed to the joint venture its Tire Centers, LLC wholesale network in the United States for an amount of USD 160 million, in addition to a cash consideration of USD 457 million. In consideration for its contribution, the Group received 50% of the share capital of TBC. These shares have been included on the line "Investments in equity-accounted entities" of the consolidated statement of financial position. Furthermore, each party Michelin and Sumitomo has granted a USD 200 million loan to the joint venture, thus completing its funding.

The Group accounted for the contribution of its wholesaler activity to the joint venture in accordance with IFRS 10.

The loss of control of Tire Centers, LLC led to (i) the derecognition of TCI's assets and liabilities from the consolidated statement of financial position, (ii) recognition of the shares received in the newly formed joint venture TBC at their fair value, and (iii) recognition of a disposal gain equal to the difference between the fair value of the shares received in counterpart of the TCI contribution and the net carrying amount of the assets and liabilities of the former subsidiary as a result of the loss of control. This disposal gain, amounting to €39 million, was recognized on the line "Operating income/(loss) from non recurring activities" of the consolidated income statement.

The Group has joint control over TBC, which has therefore been accounted for using the equity method in the consolidated financial statements since the acquisition date. The recognition of Michelin's share in net earnings of TBC will be based on TBC's financial statements for the prior month (May 31, 2018 for the half-year closing). As at June 30, 2018, the purchase price allocation is in progress.

/ 2.6.3 A.T.U.

On February 12, 2018, Michelin entered into an agreement with Mobivia, the European leader in multi-brand vehicle servicing and parts in order to drive further growth in A.T.U. (Auto-Teile-Unger), the largest network of auto centers in Germany. To that end, the Group acquired a 20% minority stake in the Swiss holding company of the A.T.U. network for a total amount of €60 million. This partnership is assessed as an associate being accounted for using the equity method.

/ 2.6.4 Acquisition of Fenner Plc

In March 2018, the Group and Fenner Plc announced that they have reached an agreement on the terms of a recommended cash acquisition pursuant to which Michelin would acquire the entire issued and to be issued share capital of Fenner Plc by means of a Court-sanctioned scheme of arrangement under Part 26 of the United Kingdom's Companies Act 2006.

After Fenner's shareholders approved the Scheme in May and clearance from the antitrust authorities was obtained, the Scheme was sanctioned by the Court and the acquisition became effective on May 31, 2018.

Each Fenner shareholder subject to the Scheme received 610 pence in cash for each Fenner Plc share on or before June 14, 2018, valuing Fenner Plc at approximately GBP 1.3 billion on an enterprise value basis.

Headquartered in Hessle, United Kingdom, Fenner Plc is one of the leaders in heavy conveyor belts industry and a global player in the heavy and complex conveyor belt solution market. It is a leading player in reinforced polymer technology as well. Fenner reported revenues of GBP 655 million for the year ended August 31, 2017.

By this acquisition, the Group's ambition is to provide 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. Furthermore, the transaction is expected to broaden high-technology materials expertise and innovation. Michelin and Fenner have each developed premium product portfolios. The addition of Fenner's polymer portfolio will help Michelin to break into the reinforced polymer markets, notably in consumer goods, industrial equipment and medical segments. Michelin will rely on Fenner to further develop its expertise in advanced materials and engineered products.

Considering the very recent date on which the transaction was completed, the Group has consolidated Fenner's statements of financial position as at May 3, 2018, but the income statement of June was not taken into account. Furthermore, the purchase price allocation to the identifiable assets acquired and to the liabilities assumed, as required by IFRS 3, has not yet been initiated. Provisional goodwill, calculated as the difference between the purchase price and the carrying amount of net asset at acquisition date ("carrying amount of net asset"), amounts to €1,107 million. The identification and measurement of the identifiable assets acquired and the liabilities assumed at their fair value at acquisition date will start during the second half of the year and it will be completed within 12 months from the acquisition date, *i.e.,* no later than May 31, 2019.

As at acquisition date, the consolidated statement of financial position of Fenner Plc is as follows:

(in € million)	**At acquisition date**
Intangible assets	54
Property, plant and equipment (PP&E)	238
Non-current financial assets and other assets	-
Deferred tax assets	16
Non-current assets	**308**
Inventories	109
Trade receivables and other current assets	181
Cash and cash equivalents	77
Current assets	**367**
Non-current financial liabilities	187
Provisions and other non-current liabilities	23
Deferred tax liabilities	-
Non-current liabilities	**210**
Current financial liabilities	-
Trade payables and other current liabilities	202
Current liabilities	**202**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**263**

The excess of purchase consideration over the carrying amount of net asset acquired, before allocation to identifiable assets and liabilities assumed, is as follows:

(in € million)	**At acquisition date**
Fair value of consideration transferred (1)	1,370
Carrying amount of net asset (2)	263
PROVISIONAL GOODWILL (1) - (2)	**1,107**

Net cash-flow generated by the acquisition is as follows:

(in € million)	**At acquisition date**
Fair value of consideration transferred	(1,370)
Cash acquired	77
Acquisition costs paid	(16)
CASH-FLOW FROM THE ACQUISITION	**(1,309)**

Given the amount, acquisition-related costs incurred in relation to the recommended cash offer for the shares of Fenner Plc have been accounted for on the line "Operating income/(loss) from non recurring activities" of the consolidated income statement.

2.7 Seasonality

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

2.8 Impacts of the Group's organizational change on financial information

On January 1, 2018, the Group changed its managerial and operational organization:

- 14 Business Lines (LB) were created with the mission of developing every strategic aspect in their product/customer segment. They manage their profitability, their industrial sourcing, their pricing policy, their product and service offers and their market approach, as well as partnerships/mergers and acquisitions;
- the Regions, numbering 10, market products and services, with no hierarchical link to the LBs;
- it all relies on 8 operational directions that provide expertise and support to LBs and Regions.

The Business Directions (DB), each headed by a member of the Group's Executive Committee, supervise the LBs according to their field of activity, which corresponds, with very few exceptions, to those of the old Product Lines.

As a result, the new organization does not have a significant impact on the structure of the segment reporting published.

In addition, goodwill is now tested at the level of LBs or groupings of LBs, to which they are assigned, according to the same logic that was used for their assignment in the previous organization.

In respect of the financial statements, as of June 30, 2018, the Group has not identified any indication of goodwill impairment before allocation according to the new organization.

NOTE 3 CONDENSED SEGMENT REPORTING

Following the new organization described in note 2.8, 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 the Specialty tire business activities (Mining, Off-Road, Two Wheel and Aircraft tires) and High Technology materials. As at June 30 2018 Fenner's business has been provisionally allocated to this segment.

These three operating segments are almost identic to the segments previously presented with the exception of some reallocation of activities; the main ones being:

(1) Transfer of the replacement light-truck tires, from the "Automotive" segment (formerly Passenger Car and Light Truck) to the "Road Transportation" segment;

(2) Transfer of Construction Truck tires from the "Road Transportation" segment (formerly Truck tires) to the "Specialty businesses" segment.

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

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

The information by operating segment is as follows:

	Six months ended June 30, 2018				Six months ended June 30, 2017			
(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
Net sales	5,607	2,782	2,214	**10,603**	6,009	2,928	2,122	**11,059**
Operating income from recurring activities	646	195	486	**1,327**	764	214	415	**1,393**
In percentage of net sales	*11.5%*	*7.0%*	*22.0%*	***12.5%***	*12.7%*	*7.3%*	*19.6%*	***12.6%***

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 that in the consolidated income statement.

Segment reporting assets are as follows:

	June 30, 2018				December 31, 2017			
(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	9,689	5,606	5,392	**20,687**	9,682	5,457	3,586	**18,725**

Segment assets consist of goodwill and intangible assets, property, plant and equipment, finished products inventories and trade receivables. They are measured in a manner consistent with that of the consolidated financial statements.

Group corporate assets are allocated to each segment.

The geographic information is broken down by zone hereunder:

	Six months ended June 30, 2018				Six months ended June 30, 2017			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	4,177	3,692	2,734	**10,603**	4,106	4,100	2,853	**11,059**

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

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

The net sales in France for the six months ended June 30, 2018 amounted to €1,012 million (2017: €980 million).

NOTE 4 OPERATING INCOME AND EXPENSES FROM NON-RECURRING ACTIVITIES

(in € million)	Six months ended June 30, 2018	Six months ended June 30, 2017
Reorganizations and adaptation of activities	1	(3)
Impairment of fixed assets	(11)	(10)
Retiree benefit costs	(7)	52
Other operating income/(expense)	40	(12)
OPERATIONAL INCOME/(LOSS) FROM NON RECURRING ACTIVITIES	**23**	**27**

4.1 Six months ended June 30, 2018

Other operating income and expense 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 has been contributed to the TBC joint venture (note 2.6.2) and (ii) a €16 million expense corresponding to the acquisition-related costs incurred to effect the business combination with Fenner (note 2.6.4).

4.2 Six months ended June 30, 2017

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

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, 2018	Six months ended June 30, 2017
Interest expenses	(91)	(93)
Interest income	1	2
Interest rate derivatives	5	(11)
Fees on credit lines	(1)	(2)
Capitalized borrowing costs	8	9
COST OF NET DEBT	**(78)**	**(95)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	1	7
Currency remeasurement (including currency derivatives)	(3)	(12)
Other	(4)	(5)
OTHER FINANCIAL INCOME AND EXPENSES	**(6)**	**(10)**

NOTE 6 EARNINGS PER SHARE

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

	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income/(loss) *(in € million)*, excluding the non-controlling interests	925	863
▶ 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 earnings per share	**919**	**857**
▶ Plus, interest expenses on convertible bonds	-	-
Net income/(loss) attributable to the shareholders of the Company used in the calculation of diluted earnings per share	**919**	**857**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**179,481**	**180,081**
▶ Plus, adjustment for share option plans	171	288
▶ Plus, adjustment for convertible bonds	-	-
▶ Plus, adjustment for performance shares	885	670
Weighted average number of shares used in the calculation of diluted earnings per share	**180,537**	**181,039**
EARNINGS PER SHARE *(in €)*		
▶ Basic	5.12	4.76
▶ Diluted	5.09	4.73

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, 2018, 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, 2017	**360**	**3,024**	**3,384**
Issuance of shares from the exercise of share options and performance shares	1	12	13
Reduction in capital	-	-	-
Other	-	-	-
At June 30, 2017	**361**	**3,036**	**3,397**
Issuance of shares from the exercise of share options and performance shares	-	4	4
Reduction in capital	(2)	(99)	(101)
Other	-	1	1
At December 31, 2017	**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**

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2017	**180,066,121**	**-**	**180,066,121**
Issuance of shares from the exercise of share options and performance shares	226,269	-	226,269
Purchase of shares	-	(400,286)	(400,286)
Disposal of shares	-	-	-
Reduction in capital	-	-	-
Other	-	-	-
At June 30, 2017	**180,292,390**	**(400,286)**	**179,892,104**
Issuance of shares from the exercise of share options and performance shares	121,794	-	121,794
Purchase of shares	-	(492,911)	(492,911)
Disposal of shares	-	-	-
Reduction in capital	(893,197)	893,197	-
Other	-	-	-
At December 31, 2017	**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**

The dividend approved at the General Shareholders' Meeting on May 18, 2018, was €3.55 per share (2017: €3.25 per share). It has been fully paid in cash for a net amount of €637 million (2017: €585 million).

NOTE 8 RESERVES

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2017	**9**	**-**	**172**	**7,034**	**7,215**
Dividends and other allocations	-	-	-	(613)	(613)
Share-based payments – cost of services rendered	-	-	-	3	3
Purchase of shares	-	(101)	-	-	(101)
Disposal/cancellation of shares	-	-	-	-	-
Other	-	-	-	2	2
Transactions with the shareholders of the Company	**-**	**(101)**	**-**	**(608)**	**(709)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	863	863
Post-employment benefits	-	-	-	*(28)*	*(28)*
Tax effect – post-employment benefits	-	-	-	*(3)*	*(3)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	(31)	(31)
Equity investments – change in fair values	-	-	*10*	-	*10*
Tax effect – equity investments – change in fair values	-	-	*(7)*	-	*(7)*
Equity investments – gain/(loss) recognized in income statement	-	-	*5*	-	*5*
Currency translation differences	*(319)*	-	*(3)*	-	*(322)*
Other	-	-	-	*(3)*	*(3)*
Other items of comprehensive income that may be reclassified to income statement	(319)	-	5	(3)	(317)
Comprehensive income	**(319)**	**-**	**5**	**829**	**515**
At June 30, 2017 – carried forward	**(310)**	**(101)**	**177**	**7,255**	**7,021**

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At June 30, 2017 – brought forward	**(310)**	**(101)**	**177**	**7,255**	**7,021**
Dividends and other allocations	-	-	-	1	1
Share-based payments – cost of services rendered	-	-	-	4	4
Purchase of shares	-	-	-	-	-
Disposal/cancellation of shares	-	101	-	-	101
Other	-	-	-	(2)	(2)
Transactions with the shareholders of the Company	**-**	**101**	**-**	**3**	**104**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	837	837
Post-employment benefits	-	-	-	*294*	*294*
Tax effect – post-employment benefits	-	-	-	*(132)*	*(132)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	162	162
Equity investments – change in fair values	-	-	-	-	-
Tax effect – equity investments – change in fair values	-	-	*10*	-	*10*
Equity investments – gain/(loss) recognized in income statement	-	-	*(5)*	-	*(5)*
Currency translation differences	*(209)*	-	*3*	-	*(206)*
Other	*23*	-	*(86)*	*65*	*2*
Other items of comprehensive income that may be reclassified to income statement	(186)	-	(78)	65	(199)
Comprehensive income	**(186)**	**-**	**(78)**	**1,064**	**800**
At December 31, 2017	**(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)
Dsiposal/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 investments – change in fair values	-	-	*6*	-	*6*
Tax effect – equity investments – change in fair values	-	-	*(1)*	-	*(1)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	5	61	66
Equity investments – change in fair values	-	-	-	-	-
Tax effect – equity investments – change in fair values	-	-	-	-	-
Equity investments – gain/(loss) recognized in income statement	-	-	-	-	-
Currency translation differences	*(34)*	-	*2*	-	*(32)*
Other[(1)]	*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	**(507)**	**-**	**69**	**8,655**	**8,217**

(1) Including fair value variation on cash-flow hedge derivatives for €-35 million and €1 million adjustment due to the first application of IFRS 9 (note 2.3.1).

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 have been effectively bought back and 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.

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

NOTE 9 FINANCIAL LIABILITIES

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

(in € million)	June 30, 2018	December 31, 2017
Bonds	2,046	1,770
Loans from financial institutions and other	199	217
Finance lease liabilities	257	228
Derivative instruments	109	151
Non-current financial liabilities	**2,611**	**2,366**
Bonds and commercial paper	1,918	172
Loans from financial institutions and other	541	272
Finance lease liabilities	21	20
Derivative instruments	84	29
Current financial liabilities	**2,564**	**493**
FINANCIAL LIABILITIES	**5,175**	**2,859**

The Group net debt is analyzed in the table below:

(in € million)	June 30, 2018	December 31, 2017
Financial liabilities	5,175	2,859
Derivatives recognized as assets	(166)	(148)
Borrowing collaterals	(55)	(42)
Cash management financial assets	(180)	(180)
Cash and cash equivalents	(1,021)	(1,773)
NET DEBT	**3,753**	**716**

The Group issued in January 2018 exclusively cash-settled convertible bonds with a total face value of USD 600 million. The bonds were issued at 95.5% of their face value. Those bonds do not bear interest and are redeemable at par on November 10, 2023.

In addition to that bond issuance, the Group subscribed to 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.

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

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

Those bonds are redeemable at par and do not bear interest.

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

These operations have been accounted for in accordance with the accounting policies described in sections 3.4 to 3.6 of note 3 of the consolidated financial statements as at December 31, 2017.

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".

Other significant items for explaining the change in net debt are the dividend paid to the shareholders and the buyback of shares carried out in the first half of 2018 as detailed in note 8.

NOTE 10 SHARE-BASED PAYMENTS

No share-based payments were done during the first six-month period of 2018.

NOTE 11 EMPLOYEE BENEFIT OBLIGATIONS

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

(in € million)	Pension plans	Other plans	2018	2017
At January 1	**2,149**	**1,820**	**3,969**	**4,763**
Contributions paid to the funds	(40)	-	(40)	(54)
Benefits paid directly to the beneficiaries	(17)	(58)	(75)	(89)
Other movements	21	-	21	-
Items recognized in operating income				
Current service cost	21	29	50	52
Actuarial gains or (losses) recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from plan introductions or plan amendments	-	-	-	(62)
Past service cost due to curtailments of defined benefit plans	(8)	(5)	(13)	-
Gains or (losses) on settlements of defined benefit plans	-	-	-	-
Other items	8	-	8	7
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	21	23	44	59
Items recognized in other comprehensive income				
Translation adjustments	10	10	20	(134)
Actuarial gains or (losses)	(57)	(31)	(88)	42
Portion of unrecognized asset due to the application of the asset ceiling	8	-	8	(14)
AT JUNE 30	**2,116**	**1,788**	**3,904**	**4,570**

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, 2018	1.58%	2.55%	4.18%	3.60%	n/a
Discount rate at December 31, 2017	1.54%	2.55%	3.68%	3.50%	n/a
Inflation rate at June 30, 2018	1.85%	3.20%	2.50%	2.00%	n/a
Inflation rate at December 31, 2017	1.82%	3.30%	2.50%	2.00%	n/a
Actuarial gains/(losses) on change in assumptions	10	(25)	(192)	(16)	(223)
Experience gains/(losses) on plan assets	-	27	103	5	135
ACTUARIAL GAINS OR (LOSSES)	**10**	**2**	**(89)**	**(11)**	**(88)**

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

NOTE 12 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

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

(in € million)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2018	**410**	**454**	**864**
Additional provisions	16	51	67
Provisions utilized during the year	(92)	(37)	(129)
Unused provisions reversed during the year	(8)	(2)	(10)
Translation adjustments	-	-	-
Other effects	-	3	3
AT JUNE 30, 2018	**326**	**469**	**795**

The balance of the "Provisions and other non-current liabilities" caption includes mainly contracts liabilities as described in note 2.3.2.

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, 2018	Six months ended June 30, 2017
Investment grants	(6)	(6)
Change in employee benefit obligations	(64)	(95)
Change in litigation and other provisions	7	8
Restructuring costs	(96)	(48)
Other	(6)	9
Operating income and expenses from non recurring activities (cash) and change in provisions	**(165)**	**(132)**
Interest and other financial expenses paid	(98)	(326)
Interest and other financial income received	9	11
Dividends received	4	4
Cost of net debt and other financial income and expenses paid	**(85)**	**(311)**
Change in inventories	(175)	(475)
Change in trade receivables and advances	(404)	(464)
Change in trade payables and advances	(130)	(1)
Change in trade payables under factoring contracts	34	193
Change in other receivables and payables	(44)	58
Change in working capital, net of impairments	**(719)**	**(689)**
Purchases of intangible assets	(90)	(75)
Purchases of PP&E	(498)	(510)
Government grants received	10	19
Change in capital expenditure payables	(312)	(279)
Purchases of intangible assets and PP&E	**(890)**	**(845)**
Increase in other non-current financial assets	(232)	(16)
Decrease in other non-current financial assets	3	4
Net cash flows from cash management financial assets	-	2[(1)]
Net cash flows from borrowing collaterals	(13)	37
Net cash flows from other current financial assets	(19)	(11)
Cash flows from other financial assets	**(261)**	**16**
Increase in non-current financial liabilities	476	510
Decrease in non-current financial liabilities	(21)	(31)
Repayment of finance lease liabilities	(11)	(13)
Net cash flows from current financial liabilities	1,626	(76)
Derivatives	(45)	(86)
Cash flows from financial liabilities	**2,025**	**304**
Details of non cash transactions:		
▶ New finance leases	34	84
▶ Decrease of liabilities to minority shareholders	-	-
▶ New emission rights	6	4

(1) The figures at June 30, 2017 have been restated for comparative purposes, according to the information disclosed in the note 21 of the December 31, 2017 consolidated financial statements.

NOTE 14 EQUITY-ACCOUNTED ENTITIES AND RELATED PARTY TRANSACTIONS

Notes 2.6.2 and 2.6.3 describe the main changes in scope of consolidation relating to equity-accounted entities which occurred during the first-half 2018.

Share in net earnings of equity-accounted entities is as follows:

(in € million)	Six months ended June 30, 2018	Six months ended June 30, 2017
Share in net earnings of associates	-	1
Share in net earnings of joint ventures	(13)	3
SHARE IN NET EARNINGS OF EQUITY ACCOUNTED COMPANIES	**(13)**	**4**

The profit resulting from "downstream" transactions made with TBC was deducted from the share in TBC net earnings by the percentage representing the Group's equity interest in the joint venture for an amount of €9 million.

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

(in € million)	Investments in associates	Investments in joint ventures	Total investment in equity accounted entities
At January 1, 2017	**202**	**107**	**309**
Share in net earnings of the period	1	3	4
Dividend payments	(2)	-	(2)
Change in scope of consolidation	41	-	41
Translation adjustments	(6)	(5)	(11)
Other	(1)	17	16
At June 30, 2017	**235**	**122**	**357**
Share in net earnings of the period	8	2	10
Dividend payments	(1)	(7)	(8)
Change in scope of consolidation	(7)	-	(7)
Translation adjustments	(3)	(3)	(6)
Other	1	9	10
At December 31, 2017	**233**	**123**	**356**
Share in net earnings of the period	-	(13)	(13)
Dividend payments	(4)	-	(4)
Change in scope of consolidation[(1)]	63	519	582
Translation adjustments	1	16	17
Other	5	-	5
AT JUNE 30, 2018	**298**	**645**	**943**

(1) Including €519 million relating to the formation of the TBC joint venture (note 2.6.2) and €60 million relating to the shareholding interest in the associate holding the A.T.U. distribution network (note 2.6.3).

There were no other significant new transaction between related party during the first half of 2018 nor other significant changes in the scope of transactions between related party which are described in the 2017 consolidated financial statements.

NOTE 15 LITIGATIONS AND CONTINGENT LIABILITIES

15.1 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 during the first half of 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 payment becomes due within a month from the receipt of the final notifications issued by the German tax authorities (Federal and Local) to the company head of the German tax group. The receipt of these notifications started on July 12th and is on-going at the date these financial statements are published.

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

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

- A request for suspension of enforcement related to the payment. A decision is expected within the next few weeks.
- An appeal against the methodology used by the tax authorities and based on the Group average margin.

Furthermore, the Group is preparing to apply for a Mutual Agreement Procedure (MAP) according to the EU Arbitration Convention or the respective Double Tax Treaties, with respect to the specific items of the tax assessment notices, amounting to €298 million and relating to the transfer price policy.

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 filled.

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

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

15.2 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 BRL1,029 million (around €230 million at June 30, 2018 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 BRL 32 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 that it restitutes all of 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 as of December 31, 2017, 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 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. As at June 30, 2018, certification and official publication of the decision were pending. The decision can be appealed by the Public Prosecutor until August 2, 2018.

Furthermore, as the decision of dismissing the lawsuit was provided without judgment of the substantive matter of the case, the Public Prosecutor could file a similar lawsuit with additional elements and claims.

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.

15.3 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 2018.

NOTE 16 EVENTS AFTER THE REPORTING DATE

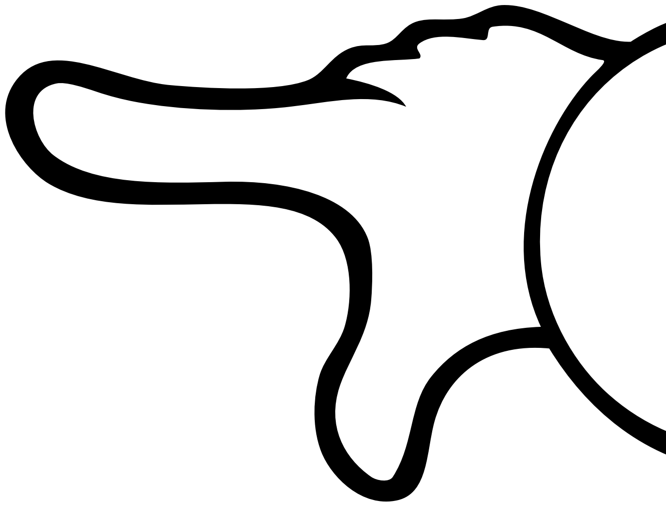
The reported amounts of assets and liabilities at the date of the consolidated statement of financial position were adjusted, if needed, up to the date when the Managing Chairman authorized for issue the interim financial statements.

Acquisition of Camso

On July 12, 2018, Michelin and Camso announced that they have reached an agreement whereby the Group will acquire Camso, headquartered in Magog, Quebec, Canada and whereby the two companies' off-the-road (OTR) operations will be combined. Acquisition price will amount to USD 1.45 billion.

Reporting net sales of USD 1 billion, Camso has been designing, manufacturing and marketing OTR mobility solutions since 1982. Camso is a market leader in rubber tracks for farm equipment and snowmobiles, and in solid and bias tires for material handling equipment. It also ranks among the top three players in the construction market, in track and tire solutions for small heavy equipment.

The transaction is subject to the customary approvals. Within the context of this acquisition, the Group strategy is to hedge its euro/dollar currency risk with contingent forward contracts and options.



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STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 INTERIM FINANCIAL INFORMATION

For the half year ended June 30, 2018

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, 2018;
- the verification of the information contained in the interim management report.

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

I. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

II. SPECIFIC VERIFICATION

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

Neuilly-sur-Seine and Paris-La Défense, July 23, 2018

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

Statutory auditors

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STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST HALF 2018 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 98 presents a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

Jean-Dominique Senard

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