2015 REGISTRATION DOCUMENT

MICHELIN
A better way forward

CONTENTS

RFA

This pictogram indicates chapters and sections that are also included in the Annual Financial Report

REGISTRATION DOCUMENT

2015

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on March 7, 2016, in accordance with the provisions of Article 212-13 of the General Regulation of the AMF. It may be used in connection with an Information Memorandum approved by the Autorité des marchés financiers. It was prepared by the issuer and is the responsibility of the person whose signature appears therein.

INTERVIEW

Jean-Dominique Senard

Chief Executive Officer

"WE'RE PREPARING FOR THE FUTURE, 10, 15 YEARS AND EVEN FURTHER OUT, TO BECOME THE WORLD'S SUSTAINABLE MOBILITY LEADER"

HOW DID THE TIRE MARKET DO IN 2015?

Jean-Dominique Senard : We saw robust demand in Western Europe and North America in the truck and light vehicle segments. Situations varied in the emerging markets, with a sharp contraction in truck tires in South America and Asia. There was a noticeable decline in demand for mining and farm machinery tires. The two-wheel and aircraft tire markets continued to trend upwards.

HOW DID MICHELIN PERFORM IN THIS MIXED ENVIRONMENT?

J-D.S. : One of our priorities for 2015 was to step up the pace of growth, which we did by increasing tonnages sold by more than 3% over the year. All of our businesses outperformed their markets. This was particularly the case in car and light truck tires, where we grew three times faster than the global market with a nearly 7% increase in volumes.

This growth was accompanied by a historically high operating margin of more than 12%, reflecting the 18.8% surge in operating income [(1)] to €2.58 billion. In a highly competitive environment shaped by falling raw materials prices and overcapacity in Asia, we successfully defended our margins and reaped the benefits from our 2012-2016 competitiveness plan. In four years, the plan has delivered €964 million in gains, or 80% of the targeted €1.2 billion.

Our continuing operations, excluding acquisitions, generated €965 million in available cash flow, after €1.8 billion in capital expenditure [(2)]. This strong cash flow meant that we could invest in growth, competitiveness and flexibility while maintaining a robust balance sheet.

(1) Before non-recurring items.
(2) Excluding the €312 million invested in acquisitions during the year.

As a result, at the next Annual Meeting, we're going to ask shareholders to approve a 14% increase in the dividend, to €2.85 a share. At the same time, in January 2016, we launched a new tranche of our share buyback and cancellation program, which already reduced the share capital by 2.7% in 2015. In this way, we would like to thank shareholders for enabling us to finance our dynamic growth strategy by massively subscribing the €1.2 billion rights issue in 2010.

HOW DO YOU EXPLAIN SUCH RECORD EARNINGS IN A HIGHLY COMPETITIVE ENVIRONMENT?

J-D.S. : They benefited from the quality and continuous enhancement of our offering, the increasing agility of our production base and our balanced global footprint. Our strength is to be present everywhere, in every tire market around the world, so that we can capture growth opportunities. In 2015, the European and US markets saw strong gains, which we were able to leverage thanks to our dedicated efforts in recent years to become more competitive and responsive in every market, to serve our customers more effectively and to respond to the wide fluctuations in demand.

"MICHELIN'S STRENGTH IS TO BE PRESENT EVERYWHERE, IN EVERY TIRE MARKET AROUND THE WORLD, SO THAT WE CAN CAPTURE GROWTH WHEREVER IT MAY BE."

Last but far from least, innovation has been a fantastic engine driving faster growth. In every line, we launched new products that were very well received and worked with customers to develop highly appreciated solutions.

In car tires, the MICHELIN CrossClimate was a huge success, while in the OE segment, the MICHELIN brand was certified on a record number of vehicles, which will feed through to more replacement sales in the future. In the truck tire market, we're introducing innovative services that enable customers to lower their fuel bills, with money-back performance guarantees. More than 600 truck fleets have already taken up these offers.

In the Specialty segments, our radial tires were recently certified as exclusive fittings on the new line of Boeing 777 long-haul jets, beginning in July 2016.

These wins underscore the technical superiority of MICHELIN tires and our expertise in materials, which is making a big difference today and will make an even bigger one tomorrow.

YOU'VE EMPHASIZED THE PERFORMANCE OF THE MICHELIN BRAND. WHAT ABOUT THE OTHERS?

We're developing a portfolio of brands in every segment to meet the different expectations of our users and dealers. For 2015, I would note the success of the new range of BFGoodrich tires in North America and our advances in the value-line segment, which represents around 400 million tires sold every year around the world. It also occupies an important place on dealer racks, and we can't leave it to the competition. We now know how to drive profitable growth in this segment thanks to a new business model that has demonstrated its effectiveness and is going to be widely deployed.

YOU OFTEN TALK ABOUT AGILITY. WHAT DOES THAT WORD MEAN FOR A MULTI-NATIONAL LIKE MICHELIN?

For an organization like Michelin, being agile primarily means being able to adjust to circumstances, from market volatility to shopfloor events.

In Europe, we experienced difficulties due to the recession and Asian imports, especially in the new and retread truck tire markets.

We shouldn't wait until things turn bad before taking action and aligning ourselves with changing markets. It is our duty to plan ahead so that we can build robust manufacturing situations. Reorganizations have to be carried out before a crisis hits, calmly and effectively. We make a point of honor of doing so in the best conditions with regard to employee issues, and that's what we did in Europe when we had to reorganize several production units in the United Kingdom, Germany and Italy. We are investing so that we have powerful, competitive production capacity in the selected segments.

We also have to be agile in organizing work so that the entire Group can be more flexible in serving demand that is less and less predictable. These adjustments have to be made as part of an open, constructive social dialogue process that we want to deploy in every plant and office facility.

WHAT ARE YOUR PRIORITIES FOR THE FUTURE?

We're in the midst of a digital revolution that offers a powerful lever for transforming our business and driving faster growth. It is changing our customer relationships, our operating procedures and our management practices.

Rather than resisting these changes, we want to proactively embrace them by stepping up our efforts in four main areas: improving the quality of our customer service, simplifying our operating procedures, empowering our teams and digitalizing every aspect of our business. These four initiatives will help us to grow sustainably far into the future.

The quality of our customer service has to be impeccable, and we are working tirelessly to make that a reality, while also expanding our proprietary and franchised dealership networks. We've sharply increased our presence in digital channels through major acquisitions and investments, which are helping us to better understand our customers' online buying experience, while more responsively meeting their needs.

At the same time, we're leading an assertive services strategy to improve customer satisfaction.

Service is in our genes. In 1900, Michelin was already publishing guides to make travel easier for its tire users. We're investing in tire-related digital services to make mobility more efficient. With MICHELIN Tire Care for example, we're offering customers the possibility of optimizing their truck fleet operations.

Lastly, we intend to seize the opportunities offered by the digital revolution to enhance our mobility-assistance services. That's why in early 2016, we acquired Bookatable, the European leader in online restaurant booking services.

We're transforming our operating procedures to make life easier for our employees and customers. This simplification concerns the entire organization, with the support, in particular, of a new business process management system and harmonized information systems. This far-reaching initiative is scheduled for completion in two years.

"CUSTOMER SERVICE, SIMPLIFICATION, EMPOWERMENT AND DIGITALIZATION ARE OUR PRIORITIES"

We need to simplify to innovate more quickly, get our solutions to market sooner, reduce our costs and improve our efficiency.

We also want to free up the creativity, sense of initiative and enterprising spirit of all our employees. The factory of the future will be a factory connected to its market, where employee empowerment and delegation will be critical performance factors. That's why we're going to massively deploy our empowering organizations.

YOU'VE EMBEDDED SUSTAINABLE DEVELOPMENT DEEP IN YOUR STRATEGIC VISION. HOW IS THIS BEING DEMONSTRATED IN PRACTICE?

We're confronted with a huge challenge because the worldwide demand for transportation is expected to double by 2050. But we're going to address it sustainably and responsibly, just as we've done for the past 125 years. Our corporate mission – "offering everyone a better way forward" – is encouraging us to design and bring to market products and services capable of sustainably improving mobility.

A MICHELIN tire is an outstanding piece of technological equipment that ensures maximum safety. It is also a product that cuts down on carbon emissions. We're working to use our raw materials more wisely and more effectively by designing tires that are lighter, more robust and longer-lasting.

That's why we partnered the COP21 conference held in Paris last December. During the event, we reaffirmed our support for the introduction of a global carbon pricing system and announced our ambitious 2030 target of cutting the in-use CO_2 emissions from our products by 20% compared with 2010. This would represent a decline of 1% per tire per year.

We are also actively involved in sustainable rubber tree farming, biosourced materials and end-of-life tire recycling.

By ranking Michelin as "Industry Best" in six sustainability categories in 2015, the DJSI World Index recognized our ability to fulfill our commitments.

In this way, we're better equipped to drive growth over the long term.

WHAT IS THE OUTLOOK FOR 2016 AND BEYOND?

The market trends observed in 2015 are likely to remain operative in 2016. As a result, we expect to see growth in sales volumes at least in line with global markets, a further increase in operating income (3) and more than €800 million in structural free cash flow. We have specified our operating margin (4) targets for the 2016-2020 period, which now stand at 11% to 15% in the Passenger Car and Light Truck tire segment, 9% to 13% in the Truck tire segment and 17% to 24% in the Specialty tire segment.

We will continue to expand, while striving to halve the environmental footprint of our production facilities (5) and further improving employee engagement, which is already high thanks to the attention paid to working conditions and everyone's professional growth.

The future of mobility is very bright and we enjoy unrivaled strengths in addressing the challenges ahead. I am totally confident in the ability of our teams to fulfill our ambitions by embodying and demonstrating our corporate mission of offering everyone a better way forward so that we can all share the adventure of better mobility.

(3) Before non-recurring items at constant exchange rates.
(4) Before non-recurring items, at constant scope of consolidation and raw materials prices, and assuming average annual growth in demand of 2.5% for car and light truck tires and of 1.5% for truck tires.
(5) Compared with 2005.

1 MICHELIN AT A GLANCE

1.1 COMPANY PROFILE

Since 1889, Michelin has constantly innovated to enhance the mobility of people and goods.

Today, it is setting the benchmark across every tire and travel-related services market, while leading a global strategy to drive sustainable, profitable growth.

In 2015, Michelin once again demonstrated its ability to structurally generate cash flow and create value, while maintaining a strong capital expenditure commitment. Operating income before non-recurring items stood at €2,577 million for the year.

- 111,700 employees (105,800 full-time equivalents).
- Net sales: €21.2 billion; operating income: €2.6 billion.
- 68 production facilities in 17 countries.
- Marketing operations in 170 countries, 14.0% of the global tire market. (1)

In addition, during the year, the Group continued to work toward the highly ambitious objectives set in 2013 for 2020, combining performance and responsibility.

1.1.1 A COMPREHENSIVE BRAND PORTFOLIO

- A global premium brand: MICHELIN.
- A primary brand dedicated to sports cars and SUVs: BFGoodrich®.
- Strong regional brands: Uniroyal in North America, Kleber in Europe and Warrior in China.
- Market-leading national brands.

MICHELIN			
BFGoodrich®	KLEBER	UNIROYAL	WARRIOR
KORMORAN	RIKEN	TAURUS	TIGAR
SIAMTYRE			

1.1.2 PRODUCTS AND SERVICES YOU CAN TRUST

- **Tires** for cars, vans, trucks, farm machinery, earthmovers, motorcycles, scooters, bicycles, aircraft, subway trains and tramways, with innovative solutions tailored to widely varying expectations and conditions of use.
- 184 million tires produced in 2015.
- **Dealerships and service centers:** the integrated Euromaster (Europe) and TCi (United States) dealership networks; TyrePlus franchises or brand partnerships for car tires in Asia, the Middle East, Russia, Australia and Mexico; Michelin Commercial Service Network franchises for truck tires in the United States; Michelin Truck Service Center partnerships in Asia, the Middle East and Algeria, and exclusive truck service networks in Brazil, Mexico and Argentina, which all set the market standard for expert advice and quality service; online tire retailers in France (40% of Allopneus.com) and the United Kingdom (Blackcircles.com).
- More than 4,000 proprietary and franchised outlets in 29 countries.
- **Truck driver assistance services** with Michelin Euro Assist.
- **Fleet tire advice, maintenance and management services** with Michelin Fleet Solutions in Europe and Michelin Business Solutions in North America.
- **Michelin Travel Partner:** MICHELIN maps and guides and ViaMichelin mobility assistance services:
  - more than 16 million maps and guides published in 2015;
  - 1.2 billion itineraries calculated by ViaMichelin in 2015.
- **Michelin Lifestyle products developed in partnership with licensees:** car and bike accessories, work, sports and leisure gear, and collectibles.

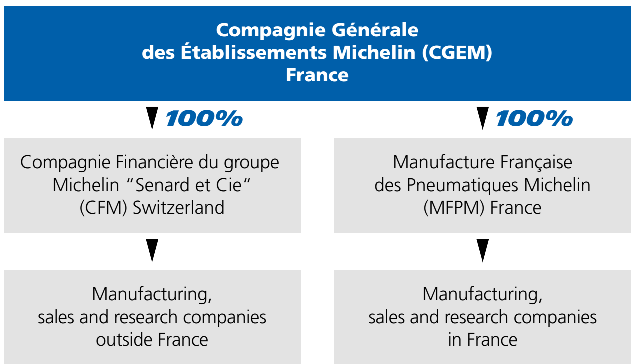
(1) Source: 2014 sales in US dollars published by Tire Business in September 2015.

1.1.3 AN EFFICIENT ORGANIZATION

- **8 Product Lines,** each with its own marketing, development, production and sales resources: Passenger car and Light truck, Truck, Specialty product lines (Aircraft, Earthmover, Agricultural and Two-Wheel), Materials and Other businesses with Michelin Travel Partner and Michelin Lifestyle Limited.
- **A Technology Center** in charge of research, development and process engineering, with operations in Europe, North America, South America and Asia.
- **7 Regions** that ensure the regional deployment of the Group's strategic vision and provide the resources needed to support the Product Lines: North America, South America, Europe, Eastern Europe, East Asia/Australia, China and Africa/India/Middle East.
- **Comprehensive dealership networks:** integrated (Euromaster, TCi), franchised (TyrePlus) and online (Allopneus and Blackcircles) retail networks; wholesale networks (Euromaster, Meyer Lissendorf and Ihle).
- **11 Corporate Departments** that ensure the consistency of the Group's policies.
- **A Progress and Geographic Zones Department** responsible for ensuring that improvement initiatives are aligned with the Group's strategy.

1.2 SUMMARY ORGANIZATION CHART

(at December 31, 2015)



The Group's parent company is Compagnie Générale des Établissements Michelin (CGEM), which directly or indirectly owns all of its subsidiaries and associates. Its two main subsidiaries are:

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all of the Group's manufacturing, sales and research operations in France;
- Compagnie Financière Michelin "Senard et Cie" (CFM), a wholly-owned subsidiary that owns most of the Group's manufacturing, sales and research companies outside of France and coordinates their operations.

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

They are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

1.3 HISTORY AND DEVELOPMENT OF THE COMPANY

Compagnie Générale des Établissements Michelin traces its origins to Barbier, Daubrée et Cie, a partnership limited by shares set up on July 15, 1863 in Clermont-Ferrand, in the Puy-de-Dôme region of France. Michelin's history closely parallels the history of the pneumatic tire.

1832	Aristide Barbier and Édouard Daubrée open a factory to make farm machinery and rubber balls in Clermont-Ferrand.
July 15, 1863	Barbier, Daubrée et Cie is incorporated as a partnership limited by shares in Clermont-Ferrand, in the Puy-de-Dôme region of France.
1889	The Company is renamed Michelin et Cie. A patent is filed for the first pneumatic tire.
1891	Michelin develops the first removable bicycle tire.
1895	Michelin introduces Éclair, the first car to be fitted with pneumatic tires.
1898	Birth of Bibendum, the Michelin Man.
1900	The first Michelin Red Guide is published.
1906	Michelin opens its first plant outside France, in Turin, Italy.
1927	The first plant opens in the United Kingdom.
1929	Michelin invents the Micheline locomotive and the pneumatic tire for railway cars.
1931	The first plant opens in Germany.
1934	The first plant opens in Spain.
1935	Michelin acquires a controlling interest in French carmaker Citroën, which it will hold until 1975.
1940	Michelin et Cie is renamed Manufacture de Caoutchouc Michelin.
1946	Michelin files a patent for the revolutionary radial tire.
October 15, 1951	Manufacture de Caoutchouc Michelin transfers its manufacturing assets in France to the newly created Manufacture Française des Pneumatiques Michelin and changes its name to Compagnie Générale des Établissements Michelin (CGEM), which has no industrial operations of its own.
1952	Michelin adapts its radial technology to truck tires.
1959	Michelin introduces the first radial tire for earthmovers.
1960	The Group's foreign assets are transferred to a single holding, Compagnie Financière Michelin (CFM), with its head office at Granges-Paccot, Canton of Fribourg (Switzerland). CFM is an intermediate holding company that also manages the Group's financing, sourced from banks and the financial markets.
1965	Inauguration of the Ladoux Testing and Research Center, north of Clermont-Ferrand.
1960s and 1970s	The Group's expansion gains new momentum with the construction of a large number of plants, first in France, then in other countries, and particularly in the Americas, beginning in the 1970s.
1980	The world's tenth largest tire manufacturer in 1960 and sixth largest in 1970, Michelin becomes the second largest, behind Goodyear, in 1980.
1981	Development of the Michelin X Air, the first radial aircraft tire. Start-up of operations in Brazil with two plants.
1984	Michelin develops the first radial motorcycle tire, which will be brought to market in 1987.
Beginning in 1985	Start-up of manufacturing operations in Asia through joint ventures.
1990	Acquisition of US tire manufacturer Uniroyal Goodrich, following Bridgestone's acquisition of Firestone in 1988.
1993	Michelin invents the new C3M tire manufacturing process.
1994	Launch of the fuel-efficient Energy tire lineup.
Beginning in 1995	Expansion in Eastern Europe.
2001	Positions strengthened in China with the creation of Shanghai Michelin Warrior Tire. Michelin develops the world's largest earthmover tire. Creation of the ViaMichelin travel assistance website.
2003	Introduction of the MICHELIN XeoBib, the first agricultural tire that operates at a constant low pressure.
2004	Michelin presents the Active Wheel.
2005	Michelin supplies tires for the first flight of the Airbus A380, introduces the first dual-compound motorcycle tire, the Michelin Power Race, and launches Michelin Durable Technologies, a package of innovations that revolutionize the performance and longevity of bus and truck tires.
2011	Launch of the "New Phase of Dynamic Growth".
2012	First Passenger car and Light truck tire produced at the Itatiaia plant in Brazil. First Truck tire produced at the new Shenyang 2 plant in China.
2013	First Passenger car and Light truck tire produced at Shenyang 2 in China. First Truck tire produced at the new Chennai plant in India.
2014	Michelin acquires Sascar, Brazil's leading digital fleet management company.
2015	Launch of the MICHELIN branded CrossClimate tire, the first summer tire certified for winter use. Michelin acquires online tire retailers (Blackcircles and 40% of Allopneus).

1.4 FACILITIES

Property, plant and equipment are described in note 14 to the Consolidated Financial Statements.

1.4.1 68 PRODUCTION FACILITIES IN 17 COUNTRIES

1.4.1 a) 55 tire production facilities in 17 countries

/ Europe

Country	Location	Products	Number of employees (1) (at December 31, 2015)	Maximum available capacity *(in tons/year)*
France	Avallon	Truck tires*	498	10,700
	Bourges	Aircraft tires	516	4,600
	Cataroux (2)	Passenger car – Light truck tires	2,112	9,500
	Cholet	Passenger car – Light truck tires	1,183	61,800
	Combaude (2)	Truck tires*	945	9,900
	Gravanches (2)	Passenger car – Light truck tires	717	20,700
	La Roche-sur-Yon	Truck tires	712	69,200
	Le Puy-en-Velay	Earthmover tires	572	42,800
	Montceau-les-Mines	Earthmover tires	945	25,800
	Roanne	Passenger car – Light truck tires	861	47,000
	Troyes	Agricultural tires	806	55,100
Germany	Bad-Kreuznach	Passenger car – Light truck tires	1,316	86,200
	Bamberg	Passenger car – Light truck tires	810	69,600
	Homburg	Truck tires	1,180	80,800
	Karlsruhe	Truck tires	570	49,300
	Oranienburg	Truck tires*	163	2,800
Spain	Aranda	Truck tires	1,158	145,800
	Lasarte	Two-wheel tires	531	14,400
	Valladolid	Passenger car – Light truck tires – Truck tires* – Agricultural tires	1,546	95,700
	Vitoria	Passenger car – Light truck tires – Earthmover tires	2,907	212,300
Italy	Alessandria	Truck tires	839	86,300
	Cuneo	Passenger car – Light truck tires	1,991	120,200
United Kingdom	Ballymena	Truck tires	771	74,300
	Dundee	Passenger car – Light truck tires	761	59,500
	Stoke on Trent	Truck tires*	319	6,800
Hungary	Budapest	Truck tires	128	10,700
	Nyiregyhaza	Passenger car – Light truck tires	963	26,100
Poland	Olsztyn	Passenger car – Light truck tires – Truck tires – Agricultural tires	4,127	203,200
Romania	Victoria	Passenger car – Light truck tires	1,107	38,100
	Zalau	Truck tires	1,074	52,400
Serbia	Pirot	Passenger car – Light truck tires – Two-wheel tires	3,108	106,100
Russia	Davydovo	Passenger car – Light truck tires – Truck tires*	750	18,200

(1) Full-time equivalent.
(2) Plant located in Clermont-Ferrand.
** Retread operations only.*

/ North America

Country	Location	Products	Number of employees (1) (at December 31, 2015)	Maximum available capacity *(in tons/year)*
United States	Ardmore	Passenger car – Light truck tires	1,933	139,900
	Asheboro	Truck tires*	206	30,600
	Columbia-Lexington-Anderson	Passenger car – Light truck tires – Earthmover tires	2,197	272,400
	Covington	Truck tires*	156	30,700
	Dothan	Passenger car – Light truck tires	570	53,900
	Fort Wayne	Passenger car – Light truck tires	1,649	121,500
	Greenville 1	Passenger car – Light truck tires	989	116,800
	Greenville 2	Passenger car – Light truck tires	479	19,900
	Norwood	Aircraft tires	423	7,100
	Spartanburg	Truck tires	1,071	129,000
	Tuscaloosa	Passenger car – Light truck tires	1,328	98,000
Canada	Bridgewater	Passenger car – Light truck tires	1,099	62,200
	Pictou	Passenger car – Light truck tires	509	7,700
	Waterville	Truck tires	1,286	127,800
Mexico	Queretaro	Passenger car – Light truck tires	353	18,100

/ South America

Country	Location	Products	Number of employees (1) (at December 31, 2015)	Maximum available capacity *(in tons/year)*
Brazil	Campo Grande	Truck tires – Earthmover tires	2,774	138,500
	Resende – Itatiaia	Passenger car – Light truck tires – Truck tires*	1,231	30,100

/ Asia (excluding India)

Country	Location	Products	Number of employees (1) (at December 31, 2015)	Maximum available capacity *(in tons/year)*
China	Shenyang 1 - 2	Passenger car – Light truck tires – Truck tires	3,162	132,200
	Shanghai	Passenger car – Light truck tires	2,208	79,000
Thailand	Laem Chabang	Passenger car – Light truck tires	1,862	96,500
	Nongkae	Truck tires – Aircraft tires	1,750	62,600
	Phrapadaeng	Passenger car – Light truck tires – Truck tires – Two-wheel tires	1,334	39,300

/ Africa India Middle-East

Country	Location	Products	Number of employees (1) (at December 31, 2015)	Maximum available capacity *(in tons/year)*
India	Chennai	Truck tires	861	14,800

(1) Full-time equivalent.
** Retread operations only.*

Most of the above plants also manufacture components and/or semi-finished products.

1.4.1 b) 13 semi-finished product and component plants in seven countries

Country	Location	Products	Number of employees [1] (at December 31, 2015)
France	Bassens	Synthetic rubber	397
	Golbey	Metal cables	542
	Tours	Membranes	245
	Vannes	Metal cables	481
Germany	Treves	Metal cables	100
Italy	Fossano	Metal cables	385
	Torino	Compounds	349
Romania	Zalau	Metal cables	309
United States	Anderson	Metal cables	260
	Louisville	Synthetic rubber	349
China	Shanghai	Metal cables	274
Thailand	Rayong	Metal cables	508
	Hat Yai	Compounds	215

(1) Full-time equivalent.

The above list does not include:

- the natural rubber production units;
- the franchised RECAMIC and Michelin Retread Technologies (MRT) retreading plants.

1.4.2 OTHER MATERIAL PROPERTY ASSETS

1.4.2 a) Headquarters – Offices – Research Centers

Country	Location	Type
France	Carmes [1]	Headquarters
	Ladoux [1]	Research Center
Japan	Ota	Research Center
Spain	Almeria	Testing plant
United States	Greenville – HNA	Offices
	Greenville – MARC	Research Center

(1) Facilities located in Clermont-Ferrand.

1.4.2 b) Other material property assets costs

Please refer to note 14 to the consolidated financial statements.

2 / REPORT OF THE MANAGING PARTNERS

2.1 AMBITIONS 2020: MICHELIN PERFORMANCE AND RESPONSIBILITY

Michelin is stepping up the pace of expansion to harness the vibrant growth in new markets and the expected increase in demand for more environmentally friendly tires – an area in which it is the world leader*.

Combining performance and responsibility, the Group is embarking on a new phase of dynamic growth by helping to foster sustainable road mobility.

2.1.1 AMBITIONS 2020: BE RECOGNIZED AS ONE OF THE WORLD'S MOST INNOVATIVE, RESPONSIBLE AND HIGH-PERFORMANCE COMPANIES AS WELL AS A LEADER IN SUSTAINABLE MOBILITY

In its drive to be a company that is both high performance and responsible, in 2013, Michelin defined six major objectives for 2020, backed by measurable targets. Known as Ambitions 2020, these objectives have been expressed by commitments in the areas of financial performance, social responsibility and environmental stewardship. Each one is firmly focused on measurable performance and aligned with the Group's strategy. Deployed across our organization, these six ambitious objectives for 2020 are designed to make Michelin a global leader in sustainable mobility and one of the world's most innovative, responsible and high-performance companies in fulfilling its financial, environmental and social responsibility commitments.

As a signatory of the UN Global Compact and an official partner of the COP21 climate conference held in Paris in November 2015, Michelin took the opportunity to reaffirm its commitment to sustainable development. The Group is working to reduce its tires' carbon footprint in use by 20% by 2030, while also halving the CO_2 emissions from its plants by shifting to renewable energies. In addition, ambitious programs have been undertaken to plant rubber trees in designated areas, while also restoring the equivalent amount of native forest.

1. Widen our lead in product performance
- Improve the overall performance of our products by at least 10% compared with 2010, while using fewer raw materials in their production.
- Save 3 billion liters of fuel over the lifespan of our tires and avoid emitting 8 million tonnes of CO_2 compared with 2010 thanks to product improvements.

2. Set the industry standard for responsible manufacturing
- Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF), by 50%, notably by improving our energy efficiency by 38% in relation to 2005.
- Develop a responsible supply chain and reduce its CO_2 emissions by 10%.
- Assess the sustainable development performance of our top 400 suppliers and provide encouragement and support so that 70% of them are confirmed as compliant with our standards.

3. Secure our financial performance
- Deliver €1 billion in structural free cash flow per year as from 2020.
- Achieve, as from 2020, at least a 15% return on capital employed (ROCE) after-tax and at constant scope of consolidation.

4. Demonstrate our commitment to the well-being and development of our employees
- Achieve and maintain an 85% employee engagement rate for the entire Group.
- Further improve safety performance and achieve a Total Case Incident Rate (TCIR) of less than 2 for the entire Group.
- Ensure that 75% of all management positions are held by employees who come from within the Company, reflecting our ever-increasing diversity.
- Increase the percentage of women in all management[(1)] positions to 30%.
- Increase the percentage of local top managers in growth regions to 80%.

5. Live in harmony with our host communities
- Deploy a community involvement program in every plant, in line with the 2013 guidelines.
- Encourage employee involvement in initiatives that support the local community by donating 30,000 working days per year.
- Contribute to local employability through Michelin Development, with the creation of 2,000 jobs each year.

6. Improve everyone's quality of life through sustainable mobility
- Reinforce our advocacy of road safety, with a strong focus on driver education in emerging countries.
- Promote energy-efficient, low-emissions mobility, particularly in cities.
- Contribute to the development of a circular economy by advocating renewable and recycled solutions.

Integrated into every project and cascaded to all our teams, these Ambitions 2020 objectives express our commitment to building growth over the long term and helping to address societal challenges by putting our values into practice.

(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
** Group estimate.*

2.1.2 CHALLENGES: THE FUTURE SHAPE OF MOBILITY

In today's increasingly open world, freight transport is constantly on the rise, while people want to travel more often and more safely. The number of vehicles on the road could double by 2030, to more than 1.5 billion. At the same time, the automotive industry is undergoing a profound mutation to address the challenges of dwindling fossil fuels, climate change, environmental protection and urbanization (more than 60% of the projected 8.2 billion people on the planet in 2030 will live in cities). The challenge is to develop cleaner, safer, more fuel-efficient, more sustainable road mobility solutions that make the most of information technologies.

2.1.2 a) Safer mobility

Every year, 1.2 million people are killed and 50 million are injured in traffic accidents, which are the leading cause of mortality among young people. The statistics are particularly dramatic in developing nations.

2.1.2 b) Cleaner mobility

Road transport accounts for 18% of all fossil-based CO_2 emissions caused by human activity, with tires representing 4% from the fuel burned to overcome their rolling resistance. This is roughly the equivalent of one full tank out of every five for a car and one out of three for a truck. To limit the average increase in global temperatures to 2°C in 2100[(1)], CO_2 emissions must be halved by 2050[(2)], even though the number of vehicles on the road and total distances driven are expected to double by that time.

What's more, around the world, quality of life in big cities is under attack from the closely inter-related threats of congestion, noise and pollution.

2.1.2 c) More fuel-efficient, cost-effective mobility

More than 60% of the world's oil output is used in transportation. Increasingly rare, oil is a major geo-strategic challenge, as are other non-renewable energy sources and raw materials. In 2015, the cost of raw materials used in production represented 22% of Michelin's net sales. Optimizing their use is essential to conserve these ressources over the long term and keep tires at affordable price. The challenge is to meet these goals with the best tire performance.

2.1.2 d) Connected mobility

Mobility today is a way of connecting people and goods. It obviously includes locating and organizing the movement of goods and people, transmitting technical data to anticipate maintenance needs and connecting the user with services and leisure facilities.

2.1.2 e) More sustainable mobility

At a time when urban areas are expanding rapidly (by more than 60% in 2015) and demand is rising for more accessible, easier and healthier forms of mobility, particularly in cities, where the greatest economic, social and environmental challenges lie, the goal is to move beyond day-to-day management and invent real, positive mobility experiences for people and goods.

2.1.3 OUR CORE STRENGTHS

To meet the challenges of sustainable mobility, while embarking on a new phase of dynamic growth in every geography and strengthening its presence in the global marketplace, Michelin can count on its core strengths: the powerful MICHELIN brand, a global footprint, technological leadership, the market's broadest offering and a solid balance sheet.

2.1.3 a) The MICHELIN brand

With its promise of balanced performance and extraordinary capital of trust and affinity, the MICHELIN brand ranks among the world's greatest brands. For the public, the brand is associated with safety, reliability, durability, technology and innovation, expertise and services. This confidence stimulates the buy decision and nurtures customer loyalty, as seen in the brand's performance in every geography.

The MICHELIN brand has already demonstrated its power in Europe and North America, where the Group holds forefront positions, and its influence is growing in emerging markets, especially China. In North America, the MICHELIN brand has earned 77 JD Power Awards, more than five times the number won by all of its competitors combined between 1989 and 2014. In Europe, the brand's Net Promoter Score of 42 is twice as high as the average competitor's, reflecting the exceptional loyalty of its customers. According to the second-half 2013 BCM report, MICHELIN enjoys a strong position in China, with 80% brand recognition and purchase intentions more than three times as high as the average competitor's.

In all, the MICHELIN brand accounted for some 75% of volumes sold in the Passenger Car and Light Truck tire segment in 2015, around 85% in Truck tires and roughly 95% in Specialty tires.

(1) Compared with the pre-industrial era.
(2) Compared with 2008.

2.1.3 b) Solid technological leadership

Throughout its history, Michelin's development has been fuelled by technical innovation. With such technological breakthrough, both in tires (radial tire and fuel efficient tire) and in materials, we have been a key driver of progress in our industry and enjoy a recognized lead in the most demanding technical segments.

Thanks to its technical lead, its ability to develop the technologies carmakers want and the performance of its tires, which is widely recognized by specifiers around the world, Michelin acts as the benchmark in the global premium tire market*, with particularly strong positions in high-performance car and light truck tires.

2.1.3 c) A truly global leader

Very early on, Michelin developed an exceptionally broad geographical presence, to the extent that today, we manufacture tires in 17 countries and sell them in more than 170.

As one of the few global tire manufacturers, the Group enjoys critical mass and synergies that help to foster innovation, productivity and fair, balanced relations with global OEMs (Original Equipment Manufacturers) and tire dealers. The geographical breakdown of net sales attests that this global presence is well balanced between Western Europe, North America, and the other markets. To fully leverage these strengths, extensive programs are underway to standardize processes and share best practices across the global organization.

2.1.3 d) A comprehensive range of tires and services

Michelin is organized around three product lines – Passenger Car and Light Truck tires, Truck tires and Specialty Businesses – that market the world's broadest portfolio of products and services.

The Group holds forefront positions in each segment, including passenger cars, vans, trucks, farm equipment, earthmovers and handling equipment, bicycles, motorcycles and aircraft. Because we partner original equipment manufacturers, pay close attention to every user, and operate in a wide array of distribution channels, we are particularly well positioned to understand customer expectations. In addition, we are bringing the power of digital solutions to the trucking industry with a suite of products that simplify maintenance, improve reliability and uptime, manage fleets, safeguard cargo and lower operating costs. As part of this commitment, Sascar, Brazil's leading digital fleet management company, was acquired in 2014.

This comprehensive offering, combined with our global market leadership, means that Michelin can seize every possible growth opportunity, regardless of business segment or host geography.

2.1.3 e) A robust balance sheet

In 2015, operating income rose during the year, value was created for the fifth year in a row and free cash flow helped to keep consolidated net debt low. This solid underpinning is crucial for the future, in order to guarantee our independence and to support our ambition for development.

2.1.4 A POWERFUL CAPACITY FOR INNOVATION

Customer-focused innovation has long been a Michelin growth driver and a powerful vector of differentiation. The MICHELIN brand promise, as expressed in MICHELIN Total Performance, is to constantly innovate and deploy advanced technologies to deliver more performance in each of our solutions, instead of asking customers to choose between different areas of tire performance that may at first seem incompatible.

2.1.4 a) Innovation and differentiation

One of the main thrusts of Michelin's strategy is to leverage technology and innovation to differentiate its products and services, so as to consolidate its leadership and effectively meet the needs of tire users. For more than 20 years, our innovation programs have focused on delivering sustainable mobility solutions. Today, we are the world's leading manufacturer of fuel-efficient tires* and a pioneering champion of the functional economy, which consists of selling a service or the use of a product rather than the product itself. For example, trucking companies and airlines can choose to be billed based on the number of kilometers traveled, the number of tonnes transported or the number of landings carried out using tires supplied and maintained by Michelin. We are committed to maintaining our solid lead in this new services-based economy by delivering targeted solutions combining product innovation and service innovation.

With an annual R&D budget of more than €700 million, 6,000 employees and a patent portfolio that has tripled in 10 years, Michelin's innovation priorities are to:

- bring new product lines to market more quickly for the MICHELIN brand and other Group brands;
- continuously improve performance so that each new range outperforms the previous generation;
- develop breakthrough innovations to develop totally new solutions to mobility challenges.

In 2015, with the inauguration of the new Urbalad building, Michelin launched the upgrade to the Ladoux worldwide research center in Ladoux (France), which celebrated its 50th anniversary. By 2018, some €270 million will have been invested to boost the center's innovation potential.

Michelin is exploring three pathways forward: i) the vehicle of the future, with fuel-cell and autonomous car projects; ii) the mobility of the future, with the integration of tire solutions into tomorrow's intelligent transportation systems (ITS) and support for emerging usage trends like car-pooling and car-sharing; and iii) the reinvention of urban mobility, which is a major concern given that 60% of the world's population is projected to live in cities by 2030.

Michelin is taking a leadership role with Michelin Challenge Bibendum, which brings together the major transportation stakeholders to explore the mobility of the future.

2.1.4 b) The innovation governance system

A new innovation governance system that involves and empowers all of Michelin's leadership teams was set up in 2012 with the creation of the Group Innovation Committee, which can include people from outside the Group. This system ensures that our research units are extremely open to the outside world and to new technologies, in particular by working with academic institutions

* *Group estimate.*

and subcontractors. Marketing and research teams cooperate seamlessly so that the products and services they create are value creators and can be brought to market more quickly and efficiently without ever sacrificing quality.

2.1.4 c) Bringing customer-focused innovation to market more quickly

In 2015, the MICHELIN CrossClimate, a summer tire certified for driving on snowy roads, was introduced after just three years in development. An immediate hit, with stronger-than-expected sales, the technology-packed tire features a new rubber compound, a tread pattern that guarantees grip and safety on dry, wet or snow-covered roads and EverGrip self-regenerating tread technology.

For mining companies, the new MICHELIN XDR 250 tire increases load capacity by 25%, while the recently introduced MEMS[(1)] Evolution 3 system constantly monitors mining tire temperature and pressure and alerts operators in real-time online or *via* email or text messages.

At the same time, the renewal of the KO2 and COMP-2 lines will enable the BFGoodrich brand to win back market share, while the new intermediate truck tire ranges introduced in North America, South America, the Africa/Middle East region and Southeast Asia are getting off to a favorable start.

The excellence of these innovations is recognized by the tire industry: in 2015, Michelin won Tire Manufacturer of the Year and Tire Technology of the Year distinctions at the Tire Technology International Awards for Innovation and Excellence.

2.1.5 OUR GROWTH STRATEGY

In a structurally expanding tire market, Michelin is leveraging its global geographic footprint to drive strong, diversified growth by capturing the full value of its products and services in mature markets and expanding more quickly in new markets.

2.1.5 a) Driving faster growth

Michelin is investing more than ever in the MICHELIN brand, which expresses its commitment to quality and innovation.

MICHELIN brand sales are driving the growth strategy across every Product Line (Passenger Car and Light Truck tires, Truck tires and Specialty tires) and in every market. The benchmark premium brand, MICHELIN is widely recognized for the quality of its products and services, and is being enhanced by a multi-brand portfolio. Because it is also designed to help us reach our profitability targets, this portfolio is being initially focused on the fast-growing segment for competitively priced, high-performance tires, with the BFGoodrich®, KLEBER, UNIROYAL, TIGAR, KORMORAN, RIKEN, TAURUS, SIAMTYRE and WARRIOR brands.

Multiple brands also enable us to serve retail networks that want to offer each customer just the right tire without leaving the Michelin Group brand universe.

Another growth driver is the steady improvement in market access. Michelin is strengthening its networks both through acquisitions and the deployment of franchising programs around the world, in a commitment to having more than 5,000 dealerships by 2020.

In addition, we are acquiring online dealers and wholesalers. In 2015, for example, we expanded our European sales network with the acquisition of e-tailers in France (40% of Allopneu.com) and the United Kingdom (100% of Blackcircles.com), and the purchase of wholesalers in Germany (Meyer Lissendorf and Ihle).

2.1.5 b) Maintaining capital expenditure

With €1.8 billion invested in 2015, Michelin is pursuing a sustained capital expenditure program, designed to meet the following domains:

- increase production capacity in fast growing markets (Premium Passenger cars tire, North America, Asia);
- continue aligning plants in mature markets to keep pace with product developments and make them more competitive;
- continue optimizing our supply chain to improve customer services (Information Systems, logistic centers);
- develop digital services;
- raw material and high technology semi-finished products.

Three new high-capacity plants are currently ramping up production: Itatiaia in Brazil for Passenger Car and Light Truck tires; Chennai in India for Truck tires; and Shenyang 2, which is designed to significantly increase Passenger car and truck tire production capacity in China. By 2020, they are expected to be producing an aggregate 400,000 tonnes a year.

2.1.6 IMPROVED COMPETITIVENESS

Since 2005, Michelin has been steadily progressing on the path to operational excellence, with the goal of improving its customer service, reducing its costs and becoming more competitive.

2.1.6 a) Competitive production plants in mature markets

The strategy pursued before the recession to strengthen manufacturing operations in mature markets has paid off. Thanks to the deployment of the Michelin Manufacturing Way (MMW), the commitment of capital expenditure to increase productivity and the consolidation of manufacturing operations at larger, more specialized facilities, we have assertively improved our ability to manage abrupt changes in market condition.

In 2015, a reorganization plan was deployed for operations in the United Kingdom and Italy, supported by €265 million in capital projects to upgrade their manufacturing facilities and supply chain. In Germany, the Pneu Laurent plant in Oranienburg will cease production, while in France, the Roanne plant will now focus exclusively on making 18-inch and larger tires for the Ultra-High Performance market. In the latter case, the Industrial Affairs Department, plant management,

(1) *Michelin Earthmover Management System.*

Michelin France and employee representatives worked together to devise and officially sign an agreement securing the plant's future, backed by a series of mutual commitments.

From 2015, the Michelin Manufacturing Way approach was enhanced by optimizing the manufacturing supply chain and the ambitious plant service targets to improve plant flexibility and customer service.

By 2018, this competitiveness strategy, combined with the productivity of the plants in emerging markets and the ramp-up of the new mega-plants, is expected to increase average capacity of the Passenger Car and Truck tire facilities to 96,000 tonnes.

2.1.6 b) Making us more agile and competitive with the OPE business process management system

Michelin is introducing new standard, horizontal operating procedures and information systems in a commitment to increasing sales volumes by offering customers competitively differentiated services, enhancing the efficiency of its administrative processes and sharply improving the responsiveness of its supply chain.

With an annual cost of around €100 million over the next three years, this program will, by 2019, drive at least a €250 million reduction in inventory and at least a €200 million reduction in annual costs.

2.1.6 c) Improving competitiveness to drive growth

As the key source of improved competitiveness, operational excellence concerns every Michelin unit. Underway since 2012, the competitiveness plan is designed to deliver €1.2 billion in gains by 2016, before inflation and including avoided costs.

To lower production and transportation costs, and thereby drive a €600 million to €700 million reduction in the cost structure over the period, productivity improvement plans are being pursued and the production plants are being more quickly aligned with the best practices deployed as part of the Michelin Manufacturing Way.

At the same time, the quality and efficiency of corporate support services are being closely tracked with the goal of reducing overheads by between €300 million and €400 million over the 2012-2016 period as part of the Efficiency program.

Lastly, the cost of raw materials used in production each year is expected to decline by between €200 million and €300 million over the same period thanks to the ongoing optimization of raw material content and reduction in tire weight as part of the Design-to-Cost program.

By the end of 2015, total gains from the plan stood at €964 million, of which €394 million in production and transportation costs, €421 million in overheads and €149 million in raw materials costs.

2.1.6 d) An efficient manufacturing base

Europe	North America	Asia (excluding India)
15 Car and Light Truck tire plants 15 Truck tire plants 9 Specialty tire plants 8 for components and semi-finished products	10 Car and Light Truck tire plants 4 Truck tire plants 3 Specialty tire plants 2 component and semi-finished product plants	5 Car and Light Truck tire plants 4 Truck tire plants 2 Specialty tire plants 2 component and semi-finished product plants
	South America	**Africa/India/Middle East**
	1 Car and Light Truck tire plant 2 Truck tire plants 1 Specialty tire plant	1 Truck tire plant

2.1.7 MOVING FORWARD TOGETHER

The Michelin corporate community is made up of more than 110,000 people, representing 120 nationalities. Their diversity is a valuable asset and source of creativity, while their professionalism and commitment are instrumental in driving the performance and development of a Group whose employee relationships are rooted in dialogue and mutual respect.

2.1.7 a) A mutual commitment

Michelin firmly believes that business performance and the professional success of its employees go hand in hand. The "Moving Forward Together" program reaffirms the values that guide us every day and expresses the mutual commitments that the Group has undertaken and that employees are expected to demonstrate. Michelin wants every employee to be able to find fulfillment in his or her job. That's why performance and potential are assessed with a view to the long-term, and training policies allow each employee to continue to grow throughout his or her career, while helping to drive the Group's development. As the same time, career management focuses on promoting from within and offering mobility opportunities.

Diversity is actively encouraged, to build teams that look like our host societies, and a structured equal opportunity process is in place to combat all forms of discrimination.

A large number of employees receive performance-based compensation, with different bonus systems adapted to each country and job function. The Group has also set up a stock option plan open to many employees and regularly carries out worldwide employee share issues.

2.1.7 b) Respect for people, the foundation of social cohesion

By making workplace safety a priority and a reality, we have made Michelin one of the world's safest manufacturers. Major programs are also in place to attenuate risks and improve outcomes in the areas of occupational health and quality of worklife.

When production has to be scaled back due to a falloff in demand, a wide range of solutions are deployed to limit short-time work, such as conducting preventive maintenance, bringing forward vacation or organizing training. Implementation of these measures is facilitated by initiatives to develop a sense of mutual responsibility and co-destiny, in a commitment to improving corporate performance and protecting jobs.

Whenever industrial reorganization measures have been necessary, the employees concerned have been offered inplacement opportunities and individual support if external solutions were preferred or inevitable.

2.1.7 c) A motivating corporate culture

Inspired by its founders, Michelin is dedicated to enhancing mobility through innovation and quality, by basing its development on the core values of Respect for Customers, Respect for People, Respect for Shareholders, Respect for the Environment and Respect for Facts.

Our sustainable development approach, embodied in the Michelin Performance and Responsibility (PRM) process, structures this corporate culture and coordinates our commitment to the principles of sustainable, balanced, responsible growth.

In 2013, the approach's governance system was modified to make it more efficient and to integrate it more effectively at every level and in every skills-set. The new Ambitions 2020 objectives are included in everyone's strategic plans and targets and deployed in every host country, plant and unit. They are quantified, tracked and measured.

At the Group level, an 11-member PRM Council chaired by Jean-Dominique Senard defines the targets. The PRM Operations Committee is in charge of seeing that they are met, across the organization. Each country has a PRM correspondent responsible for promoting sustainable development on a day-to-day basis and for reporting on the implementation of objectives defined by the PRM Council, as well as actions initiated locally. Action plan advances and outcomes are regularly measured.

This structured, global approach has made it possible to deploy our sustainable development approach in internal improvement initiatives and in our relations with partners and the community. The engagement of our employees and their ability to work together to drive fast improvement has been recognized by several corporate sustainable development rating agencies, whose issued opinions have encouraged employees to take the process even further.

2.1.8 PROGRESS TOWARD MEETING OUR AMBITIONS FOR 2020

	Ambitions for 2020	Key Performance Indicators (KPI)	Progress made in 2015
1 Widen our lead in product performance	Save 3 billion liters of fuel over the lifespan of our tires, thereby reducing CO_2 emissions by over 8 million tonnes compared with 2010	Total improvement in the rolling resistance of Passenger Car, Light Truck and Truck tires compared with 2010	The energy performance of Passenger Car, Light Truck and Truck tires improved in 2015 in line with Michelin's 2020 objectives
	Improve the overall performance of our products by at least 10% compared with 2010, while using fewer raw materials in their production	Percent improvement in the composite performance indicator compared with 2010	The energy total performance of Passenger Car, Light Truck and Truck tires improved in 2015 in line with Michelin's 2020 objectives
2 Set the industry standard for responsible manufacturing	Reduce the environmental impact of our sites as measured by the Michelin sites Environmental Footprint (MEF) by 50%, notably by improving our manufacturing energy efficiency by 38% (compared with 2005)	1) Michelin Environmental Footprint Index 2) Energy use per produced tonne of tire	1) 37.2% improvement in the MEF compared with 2005* 2) 25% improvement compared with 2005*
	Develop a responsible supply chain and reduce its CO_2 emissions by 10% (compared with 2010)	CO_2 emissions per tonne of tires sold outside the Group	5% improvement on land-based logistics activities perimeter
	Assess the sustainable development performance of our top 400 suppliers	Number of suppliers assessed by EcoVadis	409 as of end-2015 (355 as of end-2014)
	Provide encouragement and support so that 70% of these suppliers are confirmed as compliant with our standards	Percentage of the 400 suppliers assessed by EcoVadis that are confirmed as compliant	66% as of end-2015 (51% as of end-2014)

* *Information reviewed in detail and subject to a report by an independent third party in accordance with France's Grenelle II Act (for more details, see section 6 of this document).*

	Ambitions for 2020	Key Performance Indicators (KPI)	Progress made in 2015
3 Secure our financial performance	Deliver €1 billion in structural free cash flow per year as from 2020	Free cash flow (cash flows from operating activities less cash flows used in investing activities) adjusted for the impact of raw materials and end-of-year volumes on working capital and for non-recurring items	€833 million in 2015 (€717 million in 2014)
	Achieve a return on capital employed (ROCE) of at least 15%	Return on capital employed (ROCE)	12.2% in 2015 (11.1% in 2014)
4 Demonstrate our commitment to the well being and development of our employees	Further improve safety performance and achieve a Total Case Incident Rate (TCIR) of less than 2 for the entire Group	Total Case Incident Rate (TCIR)	2.67 in 2015* (2.84 in 2014)
	Achieve and maintain an 85% employee engagement rate	The Groupwide employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey	77% in 2015 (74% in 2014)
	Ensure that 75% of all management positions are held by employees who come from within the Company, reflecting our ever-increasing diversity	Percentage of management positions held by employees promoted through internal mobility	75% in 2015 (73% in 2014)
	Increase the percentage of women in management and supervisory roles to 30%	Percentage of women among employees with a level of individual responsibility of A to N, according to the Hay method used by the Group	(24.2% in 2015* (23.5% in 2014)
	Ensure that 80% of the managers in fast-growing regions come from fast-growing regions	Percentage of managers coming from fast-growing regions	68% in 2015 (65% in 2014)
5 Live in harmony with our host communities	Deploy a community involvement program in every plant, in line with the 2013 guidelines	Number of sites effectively implementing the new guidelines	110 plants and offices in the Group moved their programs into compliance with the guidelines in 2015
	Encourage employee involvement in initiatives that support the local community by donating 30,000 working days per year	Number of days that employees dedicate to local community involvement	27,733 in 2015 (23,942 in 2014)
	Help to create 2,000 local jobs per year through Michelin Development	Number of jobs created with the help of Michelin Development	1,665 in 2015 (1,988 in 2014)
6 Improve everyone's quality of life through sustainable mobility	Reinforce our advocacy of road safety, with a strong focus on driver education in emerging countries	Number of awareness-building programs deployed and number of people reached with these programs	Brazil: 400 young people reached through an awareness campaign that involved the installation of telematic display units in their cars. Spain: 21 campuses visited and 26,000 young people reached as part of the Crash Attack program. Italy: 2,000 students reached through the Michelin Campus Tour. Thailand: 200 school children reached through Road Safety Day. Turkey: school bus driver training, benefitting 9,800 drivers through 164 training programs. US: 200 driving instructors trained (ADTSEA) and 20,000 people reached as part of National Teen Drivers Safety Week.
	Promote energy-efficient, low-emissions mobility, particularly in cities	Number of initiatives and ideas	Participation in the WBCSD Mobility 2.0 urban mobility improvement project, with Michelin overseeing the Chengdu, China, pilot.
	Contribute to the development of a circular economy by increasing the percentage of renewable or recycled materials in our tires to 30%	Percentage of renewable or recycled tire materials in the tires we produce	The success of new production processes for raw materials obtained from recycled used tires (Tire RECycling) and bio-sourced materials such as butadiene in the BioButterfly project (with Axens and IFPEN) or isoprene (with Braskem and Amyris) will help the Group reach its 2020 targets.

* *Information reviewed in detail and subject to a report by an independent third party in accordance with France's Grenelle II Act (for more details, see section 6 of this document).*

2.2 TIRE MARKETS

2.2.1 A GLOBAL MARKET WORTH SOME $180 BILLION (1) IN 2014

The global tire market totaled $180 billion in 2014 (1), with light-vehicle tires accounting for around 60% of sales and truck tires 30% (2). By volume, it represented nearly 1.5 billion car and light truck tires and a little more than 180 million truck and bus tires(2). In all, three out of four tires were sold in the replacement market.

Over the 2014-2020 period, Michelin expects new tire demand to grow by an average of 2.5% a year in the Passenger car and Light truck segment and by an average 1.5% a year in the Truck segment.

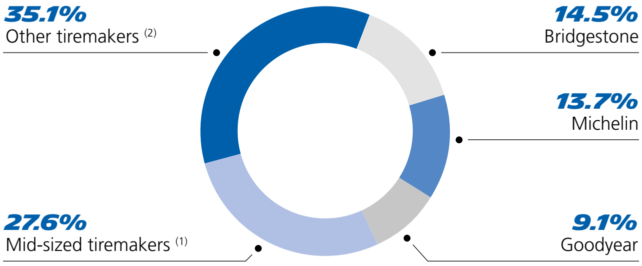
Longer term, tire demand is likely to expand by 1-2% a year in mature markets and by 5-10% a year in the new markets.

New standards

Tire performance ratings displayed on standardized labels have been mandatory across the European Union since November 2012, with stricter standards scheduled for introduction in November 2016. Similar legislation has been in effect in South Korea since 2012 (labelling) and 2013 (thresholds) for Passenger car tires and since 2014 for Light truck tires, while the standardized labeling introduced in Japan in 2010 is being extended to other parameters, such as rolling noise. Legislation introducing minimum performance standards for rolling resistance and wet traction was passed in the United States in December 2015 and will probably be implemented in 2017, and a new labeling system to help consumers is scheduled for launch in 2018. Regulated tire labeling systems are also under consideration in China and Brazil.

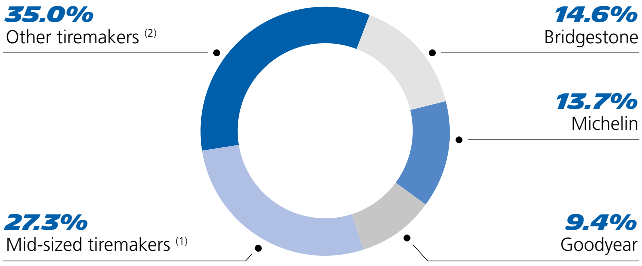
These trends are favorable to low rolling resistance tires, where Michelin sets the market standard. Original equipment sales of these tires are expected to increase by around 200 million units between 2010 and 2020 to a total of nearly 500 million units a year (2).

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2014



Source: 2014 sales in US dollars, published in Tire Business, September 2015.
(1) Tiremakers with a 2-6% market share according to the Tire Business ranking.
(2) Tiremakers with a less than 2% market share according to the Tire Business ranking.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2013



Source: 2013 sales in US dollars, published in Tire Business, September 2014.
(1) Tiremakers with a 2-6% market share according to the Tire Business ranking.
(2) Tiremakers with a less than 2% market share according to the Tire Business ranking.

2.2.2 TIRE MARKETS IN 2015

Global tire markets had a mixed year in 2015, with demand rising steadily in North America and Western Europe but continuing its steep decline in most of the new markets, except for Passenger car and Light truck tires in China and Truck tires in India. At the same time, mining tire demand was dampened by sustained inventory drawdowns and production scale-backs and agricultural tires saw a contraction in both the OE and replacement segments. 2015 also saw an increase in international tire trade, with a sharp rise in European tire exports in particular.

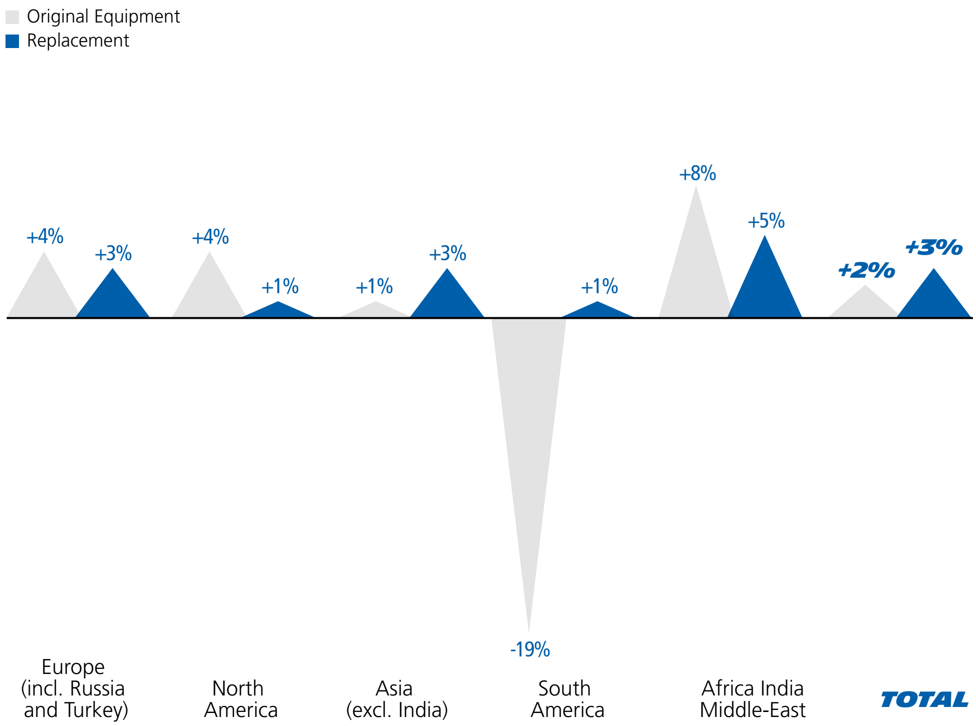
Methodological note: Tire market estimates reflect sell-in data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and expressed in the number of tires sold.

(1) Source: Tire Business – September 2015.
(2) Michelin estimates.

2.2.3 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS IN 2015

The number of **Passenger car and Light truck tires** sold worldwide rose by 2% over the year, with gains in North America, Western Europe and China offsetting the market turmoil in Eastern Europe and South America.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2015 VS. 2014



Michelin estimates.

2.2.3 a) Original equipment

Demand for original equipment (OE) tires ended the year up 2% overall, with buoyant conditions in Western Europe, North America and China contrasting with contractions in South America, Eastern Europe and the Asia/Pacific region.

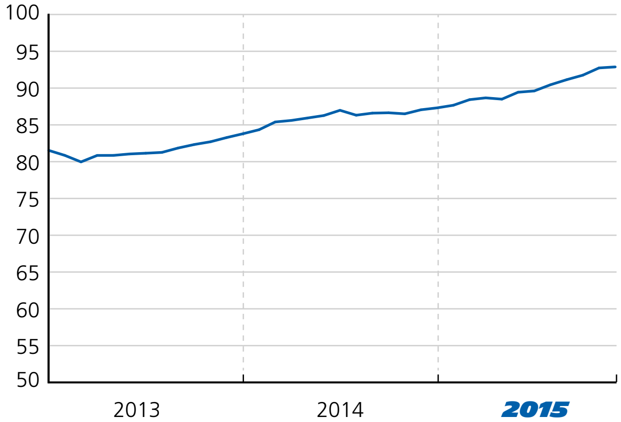
Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	**2015**	**2014**	**2015/2014**	**2nd-Half 2015/2014**	**4th-Quarter 2015/2014**	**3rd-Quarter 2015/2014**	**1st-Half 2015/2014**	**2nd-Quarter 2015/2014**	**1st-Quarter 2015/2014**
Europe (1)	98.5	94.5	+4%	+6%	+6%	+5%	+3%	+2%	+4%
North America (2)	86.4	83.2	+4%	+5%	+3%	+6%	+3%	+5%	+1%
Asia (excluding India)	196.3	195.1	+1%	+2%	+9%	-6%	-1%	-3%	+1%
South America	15.5	19.0	-19%	-23%	-25%	-22%	-14%	-16%	-13%
Africa/India/Middle East	28.6	26.7	+8%	+13%	+15%	+12%	+4%	-1%	+9%
TOTAL	**425.4**	**418.5**	**+2%**	**+3%**	**+6%**	**-1%**	**+0%**	**-1%**	**+1%**

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

In **Europe,** the 4% overall increase in demand reflected the combined impact of a robust 7% gain in the west and a 24% decline in the east (including a 25% drop in the fourth quarter) in a persistently difficult economic environment.

THE OE PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

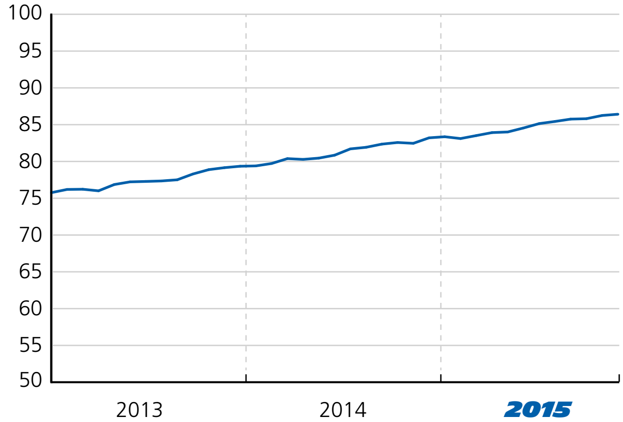


Michelin estimates.

The **North American** market remained buoyant, expanding by 4% over the year on the back of vehicle demand, low fuel prices and favorable economic conditions.

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

(in millions of tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** ended the year up 1% overall. While cooling to 5% from 9% in 2014, the Chinese market continued to expand, thanks to a government subsidy-led rebound in compact car sales and the sustained popularity of SUV models. Other markets in the region, which are more export-driven, declined by an aggregate 5% over the year.

Demand retreated 19% in **South America,** in line with the decline in local automobile output as Brazil and Argentina remained mired in recession.

In the **Africa/India/Middle East** region, the market rose by 8% overall, lifted by a sharp increase in new vehicle sales in India.

2.2.3 b) Replacement

The global replacement tire market grew by 3% overall during the year, but performance varied by region.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	**2015**	**2014**	**2015/2014**	**2nd-Half 2015/2014**	**4th-Quarter 2015/2014**	**3rd-Quarter 2015/2014**	**1st-Half 2015/2014**	**2nd-Quarter 2015/2014**	**1st-Quarter 2015/2014**
Europe (1)	348.8	337.4	+3%	+4%	+10%	-1%	+3%	+4%	+2%
North America (2)	280.4	278.3	+1%	+2%	+3%	+1%	-0%	+4%	-5%
Asia (excluding India)	261.9	255.5	+3%	+3%	+1%	+5%	+2%	+7%	-2%
South America	75.2	74.6	+1%	+1%	-1%	+3%	+1%	+1%	+1%
Africa/India/Middle East	103.9	98.8	+5%	+5%	+5%	+6%	+5%	+5%	+6%
TOTAL	**1,070.2**	**1,044.6**	**+3%**	**+3%**	**+4%**	**+1%**	**+2%**	**+5%**	**-0%**

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

The **European market** saw a 3% increase over the year.

Demand rose by 6% in Western Europe, with a stronger rebound in Spain, Italy, Turkey and Central Europe. The gains were led by dealer export volumes to non-euro markets and, to a lesser extent, by fast growth in summer tire sales and sustained demand for entry-level lines. Winter tire sell-in eased back 1% despite firm dealer sell-out.

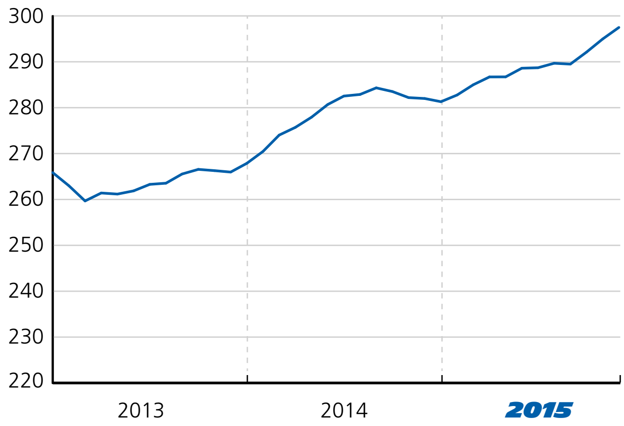
In the still difficult Eastern European economy, demand continued to drop, losing 7% over the year due to the devaluation of the ruble, the decline in winter tire sales and high dealer inventory.

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

Passenger car and Light truck tires – Replacement	Year-on-year change
WESTERN EUROPE	**6%**
▶ of which France	4%
▶ of which Spain	8%
▶ of which Italy	6%
▶ of which United Kingdom	6%
▶ of which Germany	2%
▶ of which Poland	4%
▶ of which Turkey	16%
EASTERN EUROPE	**-7%**
▶ of which Russia	-9%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

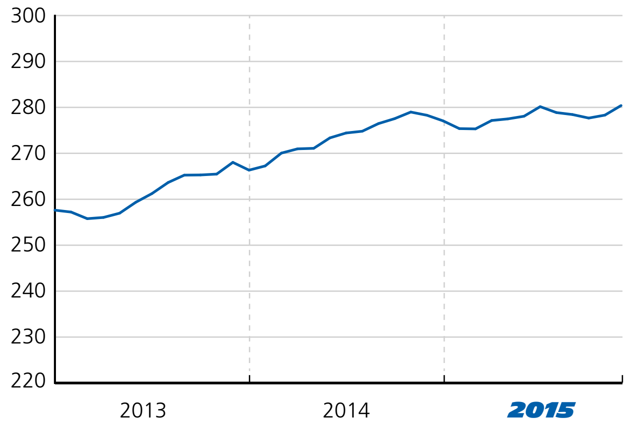
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

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

(in millions of tires – moving 12 months)



Michelin estimates.

The **North American market** ended the year up 1% overall, as strong growth in Mexico offset nearly flat demand in the United States and Canada. Low fuel prices and an increase in vehicle miles traveled helped to drive 5% growth in the number of tires sold by members of the Rubber Manufacturers Association, while import sales fell 14% as dealers cleared out inventory built up ahead of the introduction of customs duties on Chinese tires.

Demand in **Asia (excluding India)** rose by 3% overall, driven by the sustained strong growth in the Chinese market (up 8%). Markets in the rest of region eased back by an aggregate 1%, reflecting a 4% contraction in Japan, due to the decline in winter tire sales and comparison with early-year 2014, and continued expansion in Indonesia and Thailand.

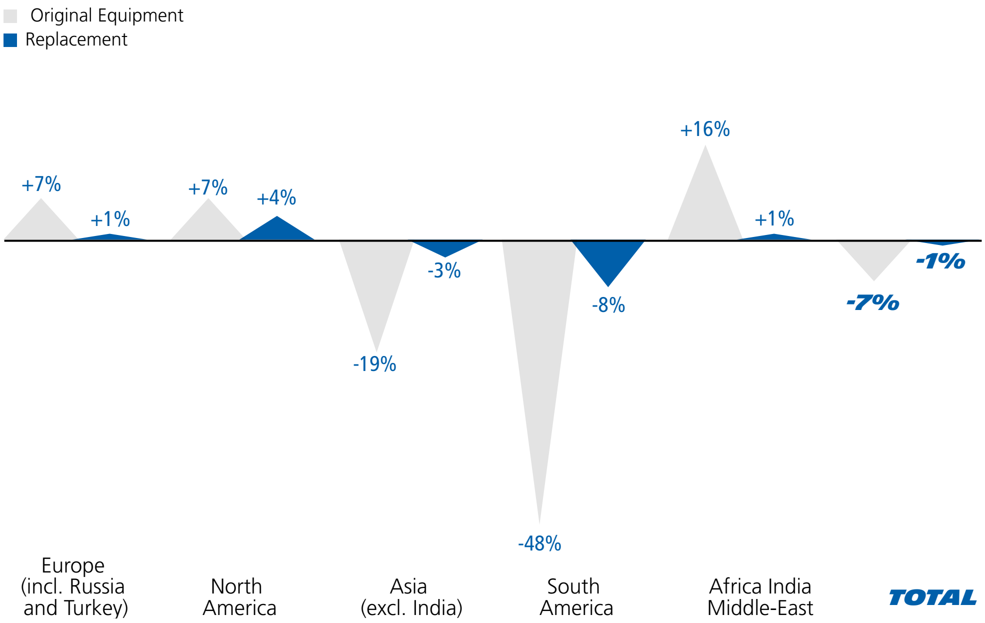
South American demand rose 3% overall in a mixed economic and political environment, reflecting a 3% gain in Brazil with a decline in imports, an upwards trend in the Pacific coast markets and a contraction in Argentina and Venezuela.

The **Africa/India/Middle East** market rose by 5%, with a strong 16% increase in India and more modest gains in South Africa and the Middle East.

2.2.4 TRUCK TIRE MARKETS IN 2015

Unit sales of new radial and bias **Truck tires** edged down a slight 2% during the year, with robust growth in mature markets and a decline in the rest of the world.

THE GLOBAL TRUCK TIRE MARKET, 2015 VS. 2014



Michelin estimates – new tire market only.

2.2.4 a) Original equipment

The **global OE market** was dragged down 7% during the year by the fall-off in demand in Asia, Russia and South America, which partially offset the rebound in Europe and India and the sustained strong growth in North America.

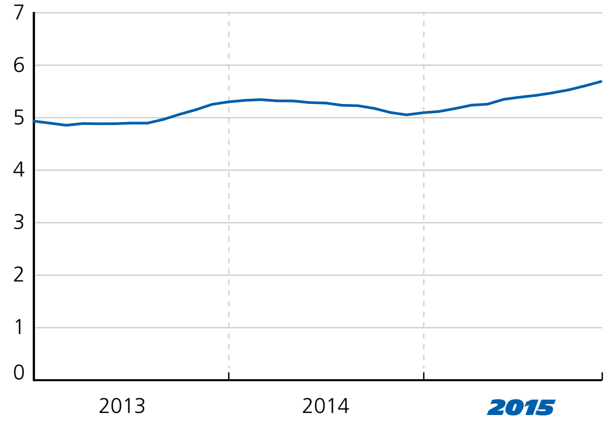
Truck tire markets Original equipment *(in millions of new tires)*	2015	2014	2015/2014	2nd-Half 2015/2014	4th-Quarter 2015/2014	3rd-Quarter 2015/2014	1st-Half 2015/2014	2nd-Quarter 2015/2014	1st-Quarter 2015/2014
Europe (1)	6.3	5.8	+7%	+11%	+15%	+6%	+4%	+8%	+1%
North America (2)	6.5	6.1	+7%	-1%	-5%	+3%	+17%	+12%	+21%
Asia (excluding India)	12.7	15.5	-19%	-16%	-28%	-4%	-20%	-18%	-21%
South America	1.1	2.1	-48%	-53%	-55%	-52%	-43%	-47%	-41%
Africa/India/Middle East	5.0	4.4	+16%	+16%	+12%	+21%	+15%	+11%	+19%
TOTAL	**31.7**	**33.9**	**-7%**	**-6%**	**-12%**	**-1%**	**-7%**	**-6%**	**-8%**

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

The **European** market rose by 7% overall in 2015, as the quickening momentum in the West, to 11%, offset the continued weakness in the East, where the troubled geopolitical and economic environment caused demand to fall by 20%.

THE OE TRUCK TIRE MARKET IN EUROPE

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

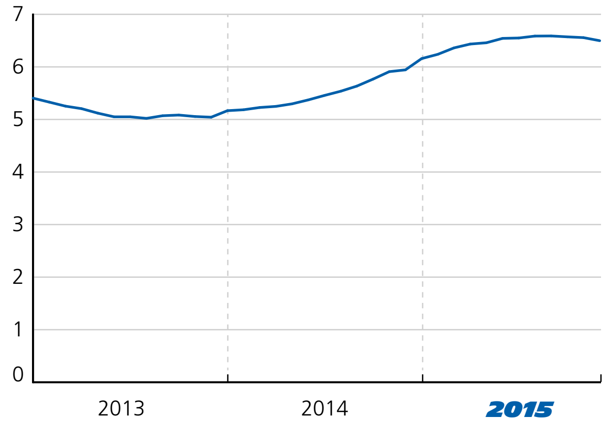


Michelin estimates.

The **North American** market climbed 7% over the year, but growth slowed quarter after quarter due to high prior-year comparatives. The strong demand is being underpinned by the sustained production of new trucks to replace relatively aging fleets in a still favorable economic environment.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

Demand for radial and bias tires **in Asia (excluding India)** declined by 19% overall.

China, which accounts for a little over 70% of the regional market, saw a 21% drop due to the slowdown in manufacturing output and the ongoing optimization programs across the freight and passenger transportation chain. In the rest of the region, demand slid 12% overall, with steep declines in Indonesia and South Korea partly offset by an upturn in Thailand off of very low prior-year comparatives.

In **South America,** the market plummeted 48% over the year in a very difficult economic environment. The Brazilian OE market declined by 51% after truck and bus production was stopped, even in the heavy truck and trailer segments. The collapse followed on from both weaker domestic demand and lower exports of Brazilian-made trucks due to the economic difficulties in Argentina and Venezuela. In all, Truck sales in Brazil have returned to 2003-2005 levels after the spike in fleet replacements fueled by the Brazilian government's FINAME subsidized financing program.

In the **Africa/India/Middle East** region, the radial and bias tire market continued to expand, climbing 16% on the 26% surge in the Indian market fueled by the arrival of Chinese-manufactured radials.

2.2.4 b) Replacement

The **global replacement market** contracted by 1%, with, as in the OE segment, gains in the mature markets and declines in the new ones.

Truck tire markets Replacement *(in millions of new tires)*	**2015**	**2014**	**2015/2014**	**2nd-Half 2015/2014**	**4th-Quarter 2015/2014**	**3rd-Quarter 2015/2014**	**1st-Half 2015/2014**	**2nd-Quarter 2015/2014**	**1st-Quarter 2015/2014**
Europe (1)	22.2	22.0	+1%	+3%	+6%	+1%	-3%	-1%	-5%
North America (2)	23.9	23.0	+4%	+3%	+3%	+3%	+5%	+5%	+4%
Asia (excluding India)	62.6	64.4	-3%	-3%	-3%	-2%	-3%	-1%	-5%
South America	13.0	14.2	-8%	-10%	-13%	-7%	-6%	-9%	-4%
Africa/India/Middle East	30.4	30.2	+1%	+1%	-1%	+3%	+0%	+1%	-0%
TOTAL	**152.1**	**153.9**	**-1%**	**-1%**	**-1%**	**-0%**	**-2%**	**-0%**	**-3%**

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

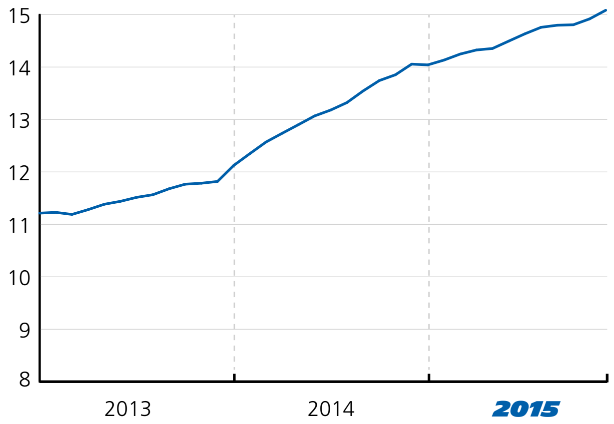
In **Europe,** the market edged up 1% overall, with the decline in Russia easing somewhat in the second half.

Demand rose 7% in Western Europe, lifted by the increase in tonnes carried/km (which has not yet impacted freight rates), the growing low-cost tire imports from Asia hitting the retread segment, and dealer exports to non-euro markets on the back of the weaker euro.

The Eastern European market ended the year down 11% due to the problems in Russia, but showed a slight upturn in the fourth quarter off of very low comparatives.

THE NEW REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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



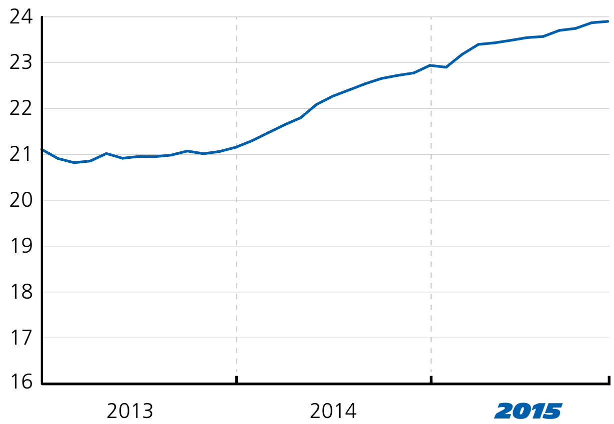
Michelin estimates.

In **North America,** the market remained strong, rising by 4% thanks to sustained demand for freight services in a vibrant economy.

The retread segment continued to feel the adverse impact of competition from Asia, which reaped the benefits of declining raw materials prices.

THE NEW 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 3% for the year, with the Chinese market losing 3% as the cooling economy weighed on freight demand.

Markets in the rest of the region also waned, with a significant decline in Thailand and, to a lesser extent, Japan, where demand fell off sharply from the heights reached in early 2014 ahead of the increase in the VAT rate.

The **South American** radial and bias replacement market contracted by 8% overall and to a greater extent in Brazil, in a challenging economic environment.

In the **Africa/India/Middle East** region, the radial and bias market rose 1% overall, reflecting a slight decline in Africa and the Middle East and gains in India, where demand rose 1%, thanks in part to imports from China.

2.2.5 SPECIALTY TIRE MARKETS IN 2015

Earthmover tires: The mining tire market contracted significantly for the second year in a row, as operators further reduced inventory and used fewer tires due to production scale-backs and productivity gains. OE demand ended the year down in the mature markets (despite a turnaround in the fourth quarter) and fell sharply in China. Demand for tires used in infrastructure and quarries increased in the mature markets, led by North America.

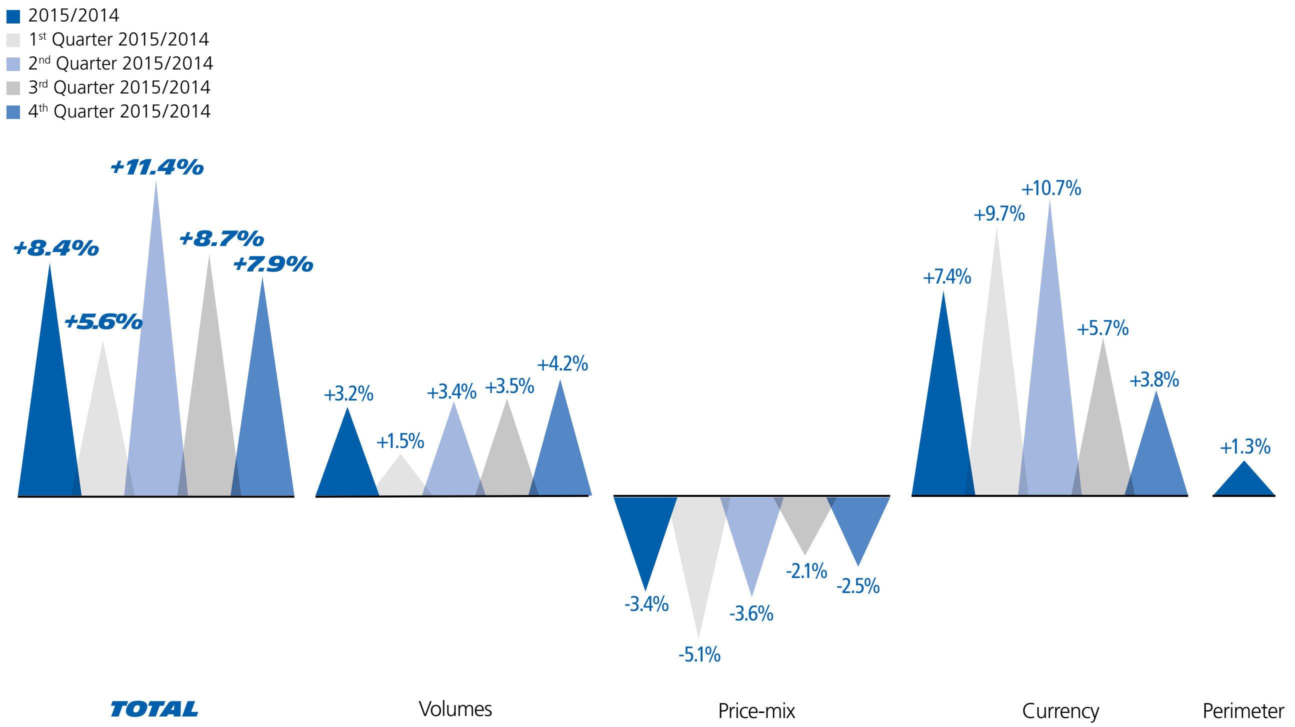
Agricultural tires: Although OE demand leveled off in the fourth quarter, it ended the year down sharply in the mature markets, dampened by lower farm commodity prices and extensive replacement sales of farm machinery in recent years. Replacement demand also softened in the mature markets for the same reasons.

Two-Wheel tires: The motorcycle and scooter tire markets improved in both mature and emerging geographies.

Aircraft tires: Demand in the commercial aircraft segment continued to grow, led by the increase in passenger traffic.

2.3 NET SALES

2.3.1 ANALYSIS OF NET SALES



Net sales stood at €21,199 million for the year, up 8.4% from the €19,553 million reported in 2014.

The increase reflected the net impact of the following positive and negative factors:

- a €624 million increase from the 3.2% growth in volumes, which outpaced the market;
- the €687 million or 3.4% negative effect of changes in the price mix. Price adjustments reduced net sales by €715 million, of which one third corresponded to the application of indexation clauses based on raw materials prices. The mix effect was positive at €28 million, reflecting the still highly favorable product mix, less the adverse impact of (i) the geographic mix; (ii) the increasing sales of entry-level tires and original equipment fittings; and (iii) the decline in Earthmover tire sales;
- the favorable effect of changes in scope for €256 million reflecting the consolidation of Sascar, the Brazilian leader in digital fleet management, German wholesaler Ihle and Blackcircles.com, the UK's leading online tire retailer;
- €1,453 million or 7.4% increase from the currency effect, stemming primarily from the decline in the euro, against the US dollar, Chinese yuan, British pound, Thai baht and Canadian dollar.

(in € million and %)	2015	2nd-Half 2015	4th-Quarter 2015	3rd-Quarter 2015	1st-Half 2015	2nd-Quarter 2015	1st-Quarter 2015
NET SALES	**21,199**	**10,702**	**5,392**	**5,310**	**10,497**	**5,475**	**5,022**
Year-on-year change	**+1,646**	**+827**	**+398**	**+429**	**+820**	**+556**	**+264**
Volumes	+624	+392	+216	+176	+232	+163	+69
Price mix	-687	-257	-134	-123	-430	-185	-245
Currency	+1,453	+483	+198	+285	+971	+528	+443
Scope	+256	+209	+118	+91	+47	+49	-2
Year-on-year change	**+8.4%**	**+8.3%**	**+7.9%**	**+8.7%**	**+8.5%**	**+11.4%**	**+5.6%**
Volumes	+3.2%	+3.8%	+4.2%	+3.5%	+2.4%	+3.4%	+1.5%
Price mix	-3.4%	-2.4%	-2.5%	-2.1%	-4.3%	-3.6%	-5.1%
Currency	+7.4%	+4.7%	+3.8%	+5.7%	+10.2%	+10.7%	+9.7%
Scope	+1.3%	+2.1%	+2.4%	+1.9%	+1.0%	+2.6%	+0.0%

2.3.2 NET SALES BY REPORTING SEGMENT

(in € million)	2015	2nd-Half 2015	4th-Quarter 2015	3rd-Quarter 2015	1st-Half 2015	2nd-Quarter 2015	1st-Quarter 2015
GROUP	**21,199**	**10,702**	**5,392**	**5,310**	**10,497**	**5,475**	**5,022**
Passenger car/Light truck tires & related distribution	12,028	6,168	3,190	2,978	5,860	3,083	2,777
Truck tires & related distribution.	6,229	3,161	1,554	1,607	3,068	1,594	1,474
Specialty businesses (1)	2,942	1,373	648	725	1,569	798	771
Year-on-year change	**+8.4%**	**+8.3%**	**+7.9%**	**+8.7%**	**+8.5%**	**+11.4%**	**+5.6%**
Passenger car/Light truck tires & related distribution	+14.6%	+15.7%	+16.5%	+14.9%	+13.4%	+16.5%	+10.2%
Truck tires & related distribution	+2.4%	+0.2%	-1.6%	+2.0%	+4.8%	+8.8%	+0.8%
Specialty businesses (1)	-1.0%	-1.5%	-4.3%	+1.1%	-0.6%	-0.7%	-0.5%

(1) Speciality businesses: Earthmover, Agricultural, Two-wheel and Aircraft tires; Michelin Travel Partner and Michlin Lifestyle.

2.3.2 a) Passenger car/Light truck tires & related distribution – Analysis of net sales

The Passenger car and Light truck tire business turned in a very positive volume performance, with a strong gain of 6.7% that outperformed the market in both the original equipment and replacement segments.

In Western **Europe,** OE sales rose, in particular to premium carmakers, while replacement sales were lifted by the success of the MICHELIN CrossClimate and Pilot Sport 4 tires, as well as by the upsurge in demand for the Group's entry-level brands in a market boosted by strong dealer exports outside the eurozone. In Eastern Europe, sales suffered from the economic difficulties and automobile production stoppages in Russia, as well as from the collapse of the ruble.

In the still buoyant **North American** market, net sales rose sharply thanks to (i) the robust brand and product dynamic, as seen in the success of the new MICHELIN Premier LTX, LTX Force and BFGoodrich g-Force Comp 2 A/S tires, and (ii) faster delivery of supplies since the fall.

In **South America,** sales growth outpaced the market in a mixed economic environment, while currency movements helped to strengthen the Group's prices.

In **Asia (excluding India),** Michelin sales were boosted in China by strong growth in replacement sell-in and sell-out. Sales tracked the market up in Thailand and shrank in line with demand in Japan.

In the **Africa/India/Middle East** region, sales rose sharply in India and Africa.

In all, net sales in the Passenger car/ Light truck tires & related distribution segment rose by 14.6% in 2015, to €12,028 million from €10,498 million the year before. Tonnages climbed by 6.7%, considerably outpacing the market's 2% growth, with the gains evenly spread throughout the year and across the brands, market segments and geographies. This vigorous growth was accompanied by a sustained upmarket trend in the product mix, especially for the MICHELIN brand (up 6%) and for 17-inch and larger tires (up 13%), which was somewhat held back by higher sales of the other brands (up 10%). As falling commodity prices spurred more aggressive competition, the Group was able to continue leveraging the favorable effect of currency movements, and the decline in prices reflected the application of raw materials indexation clauses in the OE segment and the repositionings implemented in 2014 and 2015 in the replacement segment. The scope of consolidation now includes the net sales from Ihle and Blackcircles, which were acquired in 2015.

2.3.2 b) Truck tires & related distribution – Analysis of net sales

In Western **Europe,** sales were generally in line with market dynamics, with good performances recorded in the OE segment, driven in particular by the popularity among manufacturers of the Group's low-rolling resistance products, and resilient retread sales in a market experiencing a significant decline. In Russia and the CIS, the Group focused on protecting its margins in a falling tire market shaped by aggressive competition, notably from Chinese tiremakers, and devalued currencies.

In **North America,** against a buoyant market backdrop, the improvement to the supply chain, particularly from Europe, enabled the Group to strengthen its position on the OE market. In the replacement segment, sales of MICHELIN brand new tires rose and retread sales held up well in spite of the declining market, while the Group also successfully launched its Uniroyal brand in Canada and Mexico. The Group's fleet services are also growing rapidly.

In **South America,** the Group's replacement tire sales held up well despite a steep decline in the market, with the growth of the Intermediate brand offering.

In **Asia (excluding India),** sales in China rose in the OE segment and stood up well in the replacement segment in spite of a market downturn and strong price competition. In Southeast Asia, sales were uneven across the region but the success of the intermediate brand SIAM Tire launched in 2014 continues to grow, vindicating the Group's strategy.

In the **Africa/India/Middle East** region, sales increased sharply, buoyed by the Indian market but above all as a result of strong growth in intermediate sales and by the improved intercontinental supply chain which enables the Group to better serve its customers, and MICHELIN brand customers in particular.

In all, net sales in the Truck tires & related distribution segment amounted to €6,229 million for the year, up 2.4% from 2014. This increase was due to the favorable currency effect, the consolidation, since the beginning of the year, of Sascar, the slight increase in volumes sold (up 0.3% over the period), outpacing the global Truck tire market, and, excluding the impact of indexation clauses in the OE segment, prices held firm, in accordance with the strategy to improve profitability.

2.3.2 c) Specialty businesses – Analysis of net sales

Earthmover tires: Net sales contracted over the period due to lower volumes and the unfavorable impact of applying raw materials-based indexation clauses. The currency effect was positive and sales volumes in the Infrastructure and OE segments were higher.

Agricultural tires: Net sales declined in line with the contraction in volumes. Favorable currency effects offset the negative impact of price reductions, which were primarily due to the application of indexation clauses.

Two-Wheel tires: Sales rose as a result of the increase in volumes in both mature and new markets.

Aircraft tires: Net sales rose thanks to the favorable currency effect, and volumes delivered edged up slightly, lifted by radial sales.

Michelin Travel Partner's net sales rose sharply, primarily on the back of the continued share gains in the Print markets, where demand was mixed depending on the sector. Other positive factors included the Digital business' faster migration to mobile screens, which now account for 38% of online visits, and the growth at Michelin Restaurants in France and Germany, which is continuing to enhance its offering. The year ended with Michelin's acquisition of Livebooking Holdings (BookaTable), an important strategic move in the development of the business.

In all, net sales by the Specialty businesses stood at €2,942 million for the year, compared with €2,973 million in 2014. Overall, the favorable currency effect was offset by the impact of price adjustments related to indexation clauses against a backdrop of lower raw materials prices and the 4% decline in volumes in a market that contracted by 6%.

2.3.3 CHANGES IN EXCHANGE RATES FOR THE GROUP'S MAIN CURRENCIES

At current exchange rates, consolidated net sales rose by 8.4% in 2015.

This increase included a €1,453 million positive currency effect, primarily stemming from the euro's rise against the US dollar, Chinese yuan, British pound and Canadian dollar.

Average exchange rate	2015	2014	Change
Euro/USD	1.111	1.330	-16.4%
Euro/CAD	1.416	1.467	-3.5%
Euro/MXN	17.575	17.674	-0.6%
Euro/BRL	3.631	3.118	+16.5%
Euro/GBP	0.726	0.807	-9.9%
Euro/JPY	134.424	140.323	-4.2%
Euro/CNY	6.980	8.192	-14.8%
Euro/THB	37.979	43.194	-12.1%
Euro/AUD	1.475	1.473	+0.1%
Euro/ZAR	14.071	14.415	-2.4%
Euro/ARS	10.189	10.733	-5.1%
Euro/TRY	3.008	2.907	+3.4%
Euro/RUB	67.151	50.015	+34.3%

Net sales break down as follows by currency:

Currencies	%	Currencies	%
AUD	1%	JPY	1%
BRL	3%	MXN	2%
CAD	3%	PLN	1%
CLP	1%	RUB	1%
CNY	5%	THB	1%
EUR	34%	TRY	1%
GBP	3%	USD	39%
INR	1%	Other	3%
TOTAL			**100%**

2.3.4 NET SALES BY REGION

(in € million)	2015	2015/2014	2nd-Half 2015	1st-Half 2015
GROUP	**21,199**	**+8.4%**	**10,702**	**10,497**
Europe	8,203	+2.7%	4,185	4,018
of which France	*1,974*	+2.6%	*998*	*976*
North America (including Mexico)	8,084	+17.4%	4,128	3,956
Other	4,912	+5.0%	2,390	2,523

In € million	2015	% of total	2014	% of total
GROUP	**21,199**		**19,553**	
Europe	8,203	38.7%	7,990	40.9%
of which France	*1,974*	*9.3%*	*1,924*	*9.8%*
North America (including Mexico)	8,084	38.1%	6,883	35.2%
Other	4,912	23.2%	4,680	23.9%

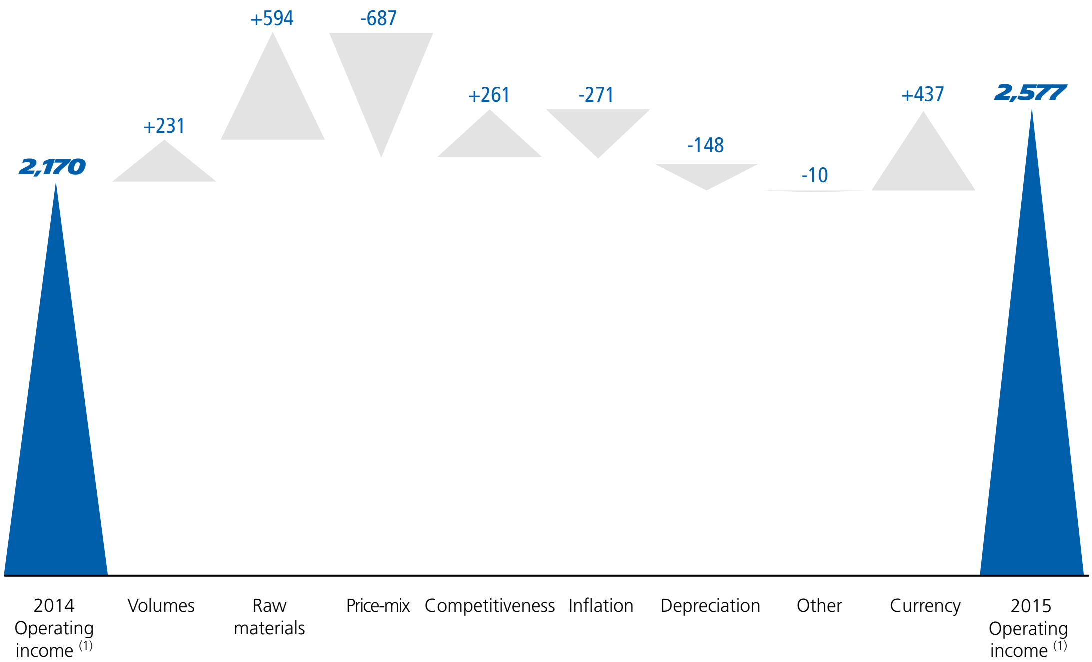
Net sales increased in every region, driven by significantly higher volumes and a positive currency effect.
More than 60% of consolidated net sales were generated outside Europe and more than 90% outside France.

2.4 CONSOLIDATED INCOME STATEMENT REVIEW

(in € million, except per-share data)	2015	2014	2015/2014	2015 *(as a % of net sales)*	2014 *(as a % of net sales)*
Net sales	**21,199**	**19,553**	**+8.4%**		
Cost of sales	(14,238)	(13,299)	+7.1%	67.2%	68.0%
Gross income	**6,961**	**6,254**	**+11.3%**	**32.8%**	**32.0%**
Sales and marketing expenses	(1,929)	(1,842)	+4.7%	9.1%	9.4%
Research and development expenses	(689)	(656)	+5.0%	3.3%	3.4%
General and administrative expenses	(1,707)	(1,596)	+7.0%	8.1%	8.2%
Other operating income and expenses	(59)	10	NM	0.3%	0.1%
Operating income before non-recurring income and expenses	**2,577**	**2,170**	**+18.8%**	**12.2%**	**11.1%**
Non-recurring income and expenses	(370)	179	+106.9%	1.7%	0.9%
Operating income	**2,207**	**1,991**	**+10.8%**	**10.4%**	**10.2%**
Cost of net debt	(184)	(130)	+41.5%	0.9%	0.7%
Other financial income and expenses	(30)	(43)	-30.2%	0.1%	0.2%
Net interest on employee benefit obligations	(141)	(154)	-8.4%	0.7%	0.8%
Share of profits and losses from associates	17	(13)	NM	0.1%	0.1%
Income before taxes	**1,869**	**1,651**	**+13.2%**	**8.8%**	**8.4%**
Income tax	(706)	(620)	+13.8%	3.3%	3.2%
Net income	**1,163**	**1,031**	**+12.8%**	**5.5%**	**5.3%**
▶ Attributable to shareholders of the Company	1,168	1,031	+13.3%	5.5%	5.3%
▶ Attributable to non-controlling interests	(5)	0			
Earnings per share *(in €)*					
▶ Basic	6.28	5.52	+13.8%		
▶ Diluted	6.19	5.45	+13.6%		

2.4.1 OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



(1) Before non-recurring items.

Operating income before non-recurring items amounted to €2,577 million or 12.2% of net sales in the year ended December 31, 2015, versus €2,170 million and 11.1% as reported in 2014. The €370 million in net non-recurring expenses mainly consisted of restructuring costs related to the Group's competitiveness improvement projects, particularly in Europe.

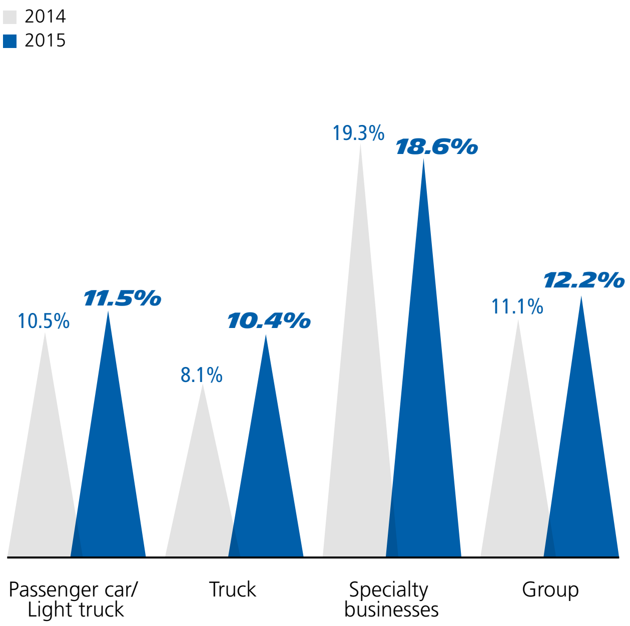
The increase may be analyzed as follows:

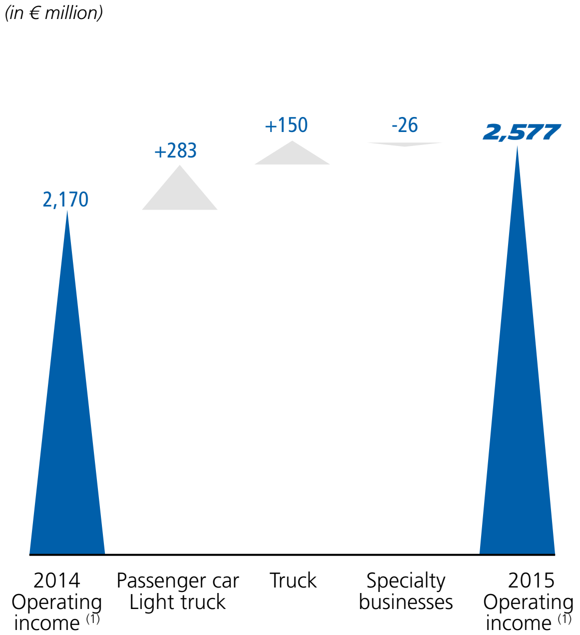
- A €231 million increase from the 3.2% growth in sales volumes;
- A €93 million net decrease corresponding to the €687 million negative impact of changes in the price mix (of which €715 million due to price reductions), partly offset by the €594 million positive impact of lower raw materials costs. This resulted in a net negative impact of €116 million for businesses whose prices are indexed to raw materials prices, and a net positive impact of €23 million for non-indexed businesses, in particular thanks to higher prices introduced in Europe;
- A modest €10 million net decrease corresponding to €261 million in benefits from the competitiveness plan, in line with the implementation schedule, (of which €142 million in general cost savings, €39 million in materials cost savings and €80 million in productivity gains), and the €271 million negative impact of inflation (including a €167 million increase in production costs and a €105 million rise in other costs);
- A €148 million increase in depreciation and amortization charges;
- A €10 million decrease from other factors (including start-up costs, changes in the scope of consolidation and other operating income and expenses;
- The continued favorable effect of currency movements, which added €437 million in a particularly competitive marketplace shaped by overcapacity in Asia and falling raw materials prices. Restated for the currency effect, operating income before non-recurring items decreased by €30 million.

2.4.2 OPERATING INCOME BEFORE NON-RECURRING ITEMS BY OPERATING SEGMENT

(in € million)	2015	2014	2nd-Half 2015	1st-Half 2015
Passenger car/Light truck tires & related distribution				
Net sales	12,028	10,498	6,168	5,860
Operating income before non-recurring items	1,384	1,101	752	632
Operating margin before non-recurring items	**11.5%**	**10.5%**	**12.2%**	**10.8%**
Truck tires & related distribution				
Net sales	6,229	6,082	3,161	3,068
Operating income before non-recurring items	645	495	352	293
Operating margin before non-recurring items	**10.4%**	**8.1%**	**11.1%**	**9.6%**
Specialty businesses				
Net sales	2,942	2,973	1,373	1,569
Operating income before non-recurring items	548	574	211	337
Operating margin before non-recurring items	**18.6%**	**19.3%**	**15.4%**	**21.5%**
Group				
Net sales	21,199	19,553	10,702	10,497
Operating income before non-recurring items	2,577	2,170	1,315	1,262
Operating margin before non-recurring items	**12.2%**	**11.1%**	**12.3%**	**12.0%**

2.4.2 a) Operating margin before non-recurring items by operating segment





(1) Before non-recurring items.

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

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

Passenger car/Light truck tires & related distribution *(in € million)*	**2015**	**2014**	**2015/2014**	**2015** *(% of Group total)*	**2014** *(% of Group total)*
Net sales	12,028	10,498	+14.6%	57%	54%
Change in volume	*6.7%*				
Adjusted operating income before non-recurring items	1,384	1,101	+25.7%	54%	51%
Adjusted operating margin before non-recurring items	11.5%	10.5%	+1.0pt		

In 2015, **operating income** before non-recurring items amounted to €1,384 million or 11.5% of net sales versus €1,101 million and 10.5% in 2014.

The one-point gain in operating margin before non-recurring items was led mainly by the steady 6.7% increase in tonnages, which was considerably more than the market's 2% growth and very evenly spread among brands, segments and geographies. The success of the new MICHELIN CrossClimate, MICHELIN Premier LTX, BFGoodrich KO2 and BFGoodrich g-Force Comp 2 A/S lines, and the similarly over-market 5% gain in the original equipment segment drove robust growth in sales of the MICHELIN brand (up 6%), 17-inch and larger tires (up 13%) and the other Group brands (up 10%). The overall decrease in prices reflected the application of raw materials indexation clauses in the OE segment and the repositionings implemented in 2014 and 2015 in the replacement segment. The highly favorable impact from the product mix was dampened by the shift in the brand mix driven by the strong sales growth in the Tier 2 and Tier 3 segments.

In the Passenger Car and Light Truck segment, the Group has set a 2016-2020 target of delivering an operating margin before non-recurring items between 11 and 15% of net sales.

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

Truck tires & related distribution *(in € million)*	**2015**	**2014**	**2015/2014**	**2015** *(% of Group total)*	**2014** *(% of Group total)*
Net sales	6,229	6,082	+2.4%	29%	31%
Change in volume	*+0.3%*				
Adjusted operating income before non-recurring items	645	495	+30.3%	25%	23%
Adjusted operating margin before non-recurring items	10.4%	8.1%	+2.3pt		

Operating income before non-recurring items came in at €645 million, representing 10.4% of net sales, compared with €495 million and 8.1% the previous year.

The 2.3-point margin improvement was primarily led by resilient volumes (up 0.3%), despite a 2% decline in the global Truck tire market, as strong growth in OE sales in mature markets balanced out difficulties in the retread segment and the new Intermediate lines introduced in South America, the Africa/Middle East region and Southeast Asia got off to a favorable start. Effective management of the business, particularly in the areas of price positioning, supplying growth markets and cost control, also contributed to the sustained improvement in margin performance.

In the Truck tires segment, the Group has set a 2016-2020 target of achieving an operating margin before non-recurring items between 9 and 13% of net sales.

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

Specialty businesses *(in € million)*	**2015**	**2014**	**2015/2014**	**2015** *(% of Group total)*	**2014** *(% of Group total)*
Net sales	2,942	2,973	-1.0%	14%	15%
Change in volume	*-4.0%*				
Adjusted operating income before non-recurring items	548	574	-4.5%	21%	26%
Adjusted operating margin before non-recurring items	18.6%	19.3%	-0.7pt		

Operating income before non-recurring items amounted to €548 million or 18.6% of net sales compared with €574 million or 19.3% in 2014.

Although operating margin was lifted by the currency effect, it was adversely impacted by the 4% decline in volumes in a market that shrank by 6% over the year due to mining company inventory drawdowns, the fall-off in mining output and the worldwide contraction in agricultural tire demand. At the same time, unit margins were squeezed by the time lag impact of price adjustments under raw materials indexation clauses.

In the Specialty businesses, the Group has set a 2016-2020 target of generating an operating margin before non-recurring items between 17 and 24% of net sales.

2.4.3 OTHER INCOME STATEMENT ITEMS

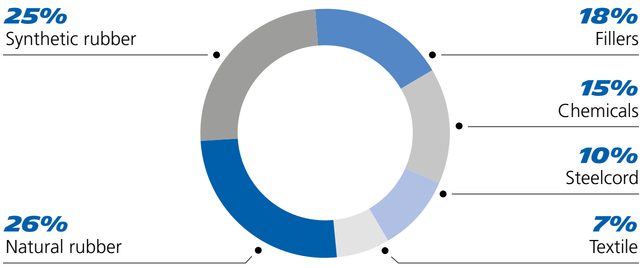
2.4.3 a) Raw materials

The cost of **raw materials** reported in the income statement under "Cost of sales" (€4,711 million in 2015 vs. €4,958 million in 2014) is determined by valuing raw materials, semi-finished and finished product inventories using a standard cost method that yields similar results to those that would be obtained 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.

In 2015, raw materials costs recognized in cost of sales included €594 million corresponding to lower prices, change in consumption volume and a residual currency effect.

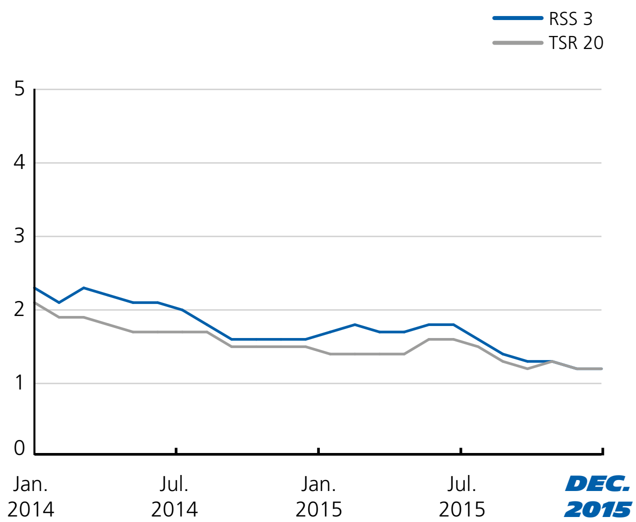
Changes in purchase prices for natural rubber and butadiene feed through to the income statement five to six months later.

RAW MATERIALS RECOGNIZED IN 2015 COST OF SALES (€4,711 MILLION)

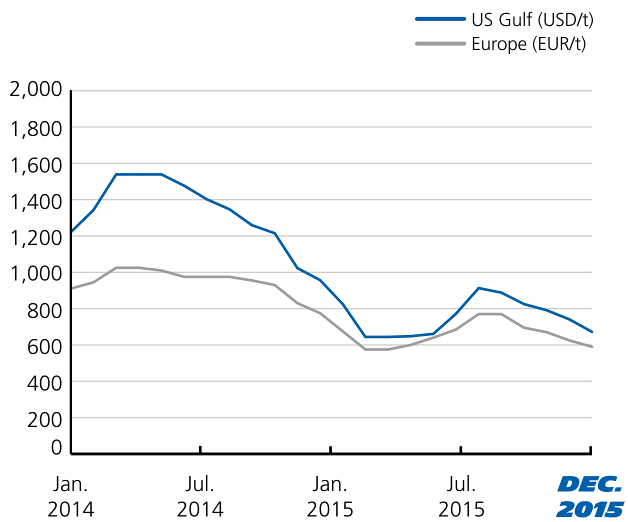


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



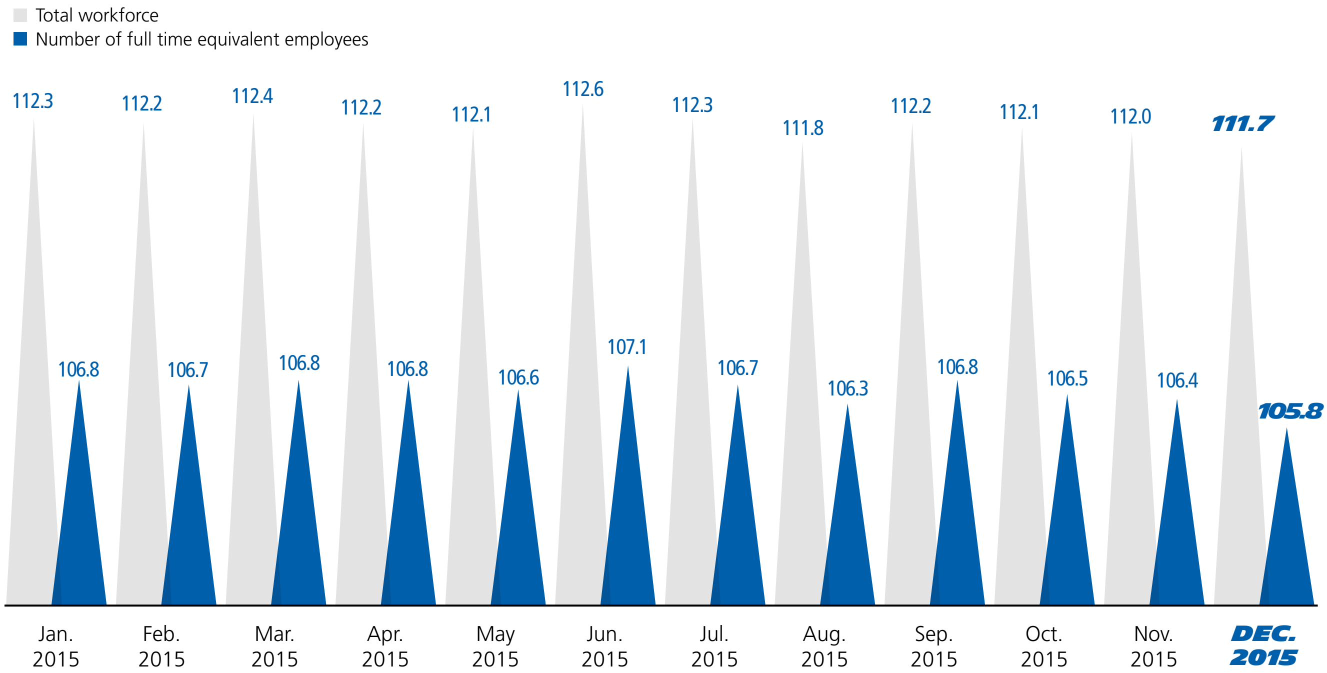
2.4.3 b) Employee benefit costs and number of employees

Almost all of the 9.3% increase in **employee benefit costs,** to €5,785 million from €5,292 million in 2014, was due to the unfavorable currency effect and the 3.9% increase in payroll, mainly in the emerging economies. These factors were partially offset by implementation of the competitiveness plan. The slight increase in the average number of full time equivalent employees over the year related to the addition of the new digital and distribution businesses. As a percentage of net sales, the costs were stable at 27.3%, versus 27.1% in 2014.

(in € million and number of people)	2015	2014	Change
Total employee benefit costs	5,785	5,292	+9.3%
As a % of net sales	*27.3%*	*27.1%*	*+0.2pt*
Employees on payroll at December 31	111,700	112,300	-0.5%
Number of full time equivalent employees at December 31	105,800	106,700	-0.8%
Average number of full time equivalent employees	106,600	106,400	+0.2%

NUMBER OF EMPLOYEES

(in thousands)

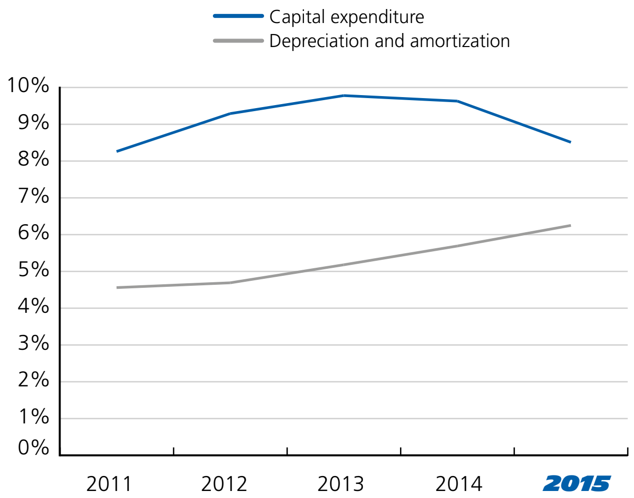


2.4.3 c) Depreciation and amortization

(in € million)	2015	2014	Change
Depreciation and amortization	1,324	1,112	+19.1%
As a % of additions to intangible assets and property, plant and equipment	*73%*	59%	

Depreciation and amortization charges rose by €212 million or 19.1% to €1,324 million, reflecting the Group's sustained capital spending program and a negative currency effect of €64 million. Given the projects currently underway, depreciation and amortization charges are expected to continue to increase in the coming years.

(as a % of net sales)



2.4.3 d) Transportation costs

(in € million)	2015	2014	Change
Transportation costs	1,129	1,020	+10.7%
As a % of net sales	*5.3%*	*5.2%*	

Transportation costs stood at €1,129 million, up 10.7% compared with 2014. The rise is mainly due to the increase in tonnage, in intercontinental transport costs required to serve growing markets and, to a lesser extent, unfavorable exchange rates. The decline in the oil price had a limited impact to the extent that supply chain costs are subject to indexation clauses with a time lag in most contracts. As a percentage of net sales, transportation costs were stable at 5.3%.

2.4.3 e) Sales and marketing expenses

Sales and marketing expenses represented 9.1% of net sales in 2015, down slightly from 9.4% in 2014. In value, they rose by €87 million to €1,929 million. This increase is due to unfavorable exchange rates: excluding the currency effect, sales and marketing expenses fell by €26 million as a result of the greater efficiency in spending, partially offset by the impact of inflation.

2.4.3 f) Research and development expenses

Research and development expenses stood at €689 million, up 5% from 2014. Excluding the currency effect, research and development expenses remained stable and reflected the Group's ongoing strategy of increasing the pace of new product and services launches, aligning innovation with real market needs and extending its technological leadership.

As a percentage of net sales, R&D expenses were stable at 3.3%, versus 3.4% in 2014.

2.4.3 g) General and administrative expenses

At €1,707 million, **general and administrative expenses** represented 8.1% of net sales, versus €1,596 million and 8.2% in 2014. The €111 million growth in value mainly corresponds to a negative currency effect of €51 million and the impact of changes in the scope of consolidation.

2.4.3 h) Other operating income and expenses

Other operating income and expenses represented a net expense of €59 million in 2015 versus net income of €10 million as reported the previous year. Excluding a €15 million favorable currency effect, the expense recognized in 2015 mainly corresponds to impairment losses on intangible assets and property, plant and equipment, changes in provisions for restructuring, adjusted payroll tax rates in France, costs related to stock options and provisions recognized in respect of salaries in the United States.

2.4.3 i) Non-recurring income and expenses

Non-recurring expenses came to €370 million, mainly relating to the cost of reorganizing the Group's operations in Europe , as well as to an expense corresponding to the impairment of investments made as part of the Earthmover project in Chennai (India) and of capitalized development costs.

2.4.3 j) Cost of net debt

(in € million)	2015	2014	Change
Cost of net debt	184	130	+54

At €184 million, the **cost of net debt** was up €54 million compared with 2014, primarily as a result of the following factors:

- a €66 million rise in net interest expense, primarily reflecting the combined impact of:
  - a €36 million increase due to the rise in average net debt to €1,517 million in 2015 from €992 million the year before,
  - a €7 million increase from the higher average gross interest rate on borrowings, at 6.06% versus 6.74% in 2014,
  - a €23 million net increase from a variety of factors, including the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost. In 2015, average invested cash and cash equivalents raised to €1,561 million from €1,442 million in 2014 and the average interest rate on investments represented 0.59% in 2015 versus 0.78% in 2014;
- a €13 million increase due to lower interest capitalization;
- an aggregate €24 million net decrease from other factors.

2.4.3 k) Other financial income and expenses

(in € million)	2015	2014	Change
Other financial income and expenses	(30)	(43)	+13

Other financial income and expenses (representing a net expense of €30 million) mainly included currency gains and losses, dividends, interest income and proceeds from the sale of financial assets.

2.4.3 l) Income tax

(in € million)	2015	2014	Change
Income before taxes	1,869	1,651	+218
Income tax	**(706)**	**(620)**	**+86**
Current tax	(616)	(511)	+105
Withholding tax	(48)	(52)	-4
Deferred tax	(42)	(57)	-15

Income tax amounted to €706 million in 2015, an increase of €86 million compared with €620 million in 2014. The effective tax rate was 37.8%, versus 37.5% the year before. The taxation of dividends exceptionally repatriated from Thailand had a 2-point impact on the 2015 effective tax rate.

2.4.3 m) Consolidated net income and earnings per share

(in € million)	2015	2014	Change
Net income	1,163	1,031	+132
As a % of net sales	*5.5%*	*5.3%*	*+0.2pt*
▶ Attributable to shareholders of the Company	1,168	1,031	+137
▶ Attributable to non-controlling interests	(5)	0	
Earnings per share *(in €)*			
▶ Basic	6.28	5.52	+0.76
▶ Diluted	6.19	5.45	+0.74

Net income came to €1,163 million, or 5.5% of net sales, compared with €1,031 million as reported in 2014. The €132 million increase reflected the following factors:

- Favorable factors:
  - the €407 million increase in operating income before non-recurring items,
  - the €13 million improvement in other financial income and expenses, net,
  - the €13 million decrease in net interest on net defined benefit obligations in 2015,
  - the €30 million increase in the Group's share of profit from associates;
- Unfavorable factors:
  - the €191 million increase in non-recurring expenses to €370 million in 2015 compared with €179 million the year before,
  - the €54 million increase in the cost of net debt,
  - the €86 million increase in income tax.

2.5 CONSOLIDATED BALANCE SHEET REVIEW

The Group retrospectively applied IFRIC 21 – "Levies", as of January 1, 2015. The published data for December 31, 2014 were restated in the financial statements to reflect this change in accounting principle and are presented in Chapter 5. The impacts of the restatement on the balance sheet at December 31, 2014 are described in paragraph 2.4 of the consolidated financial statements.
The following comments refer to the 2014 and 2015 consolidated financial statements as reported at December 31, 2014 and December 31, 2015, respectively.

ASSETS

(in € million)	December 31, 2015	December 31, 2014 reported	Total change	Currency effect	Movement
Goodwill	803	835	-32	-76	+44
Other intangible assets	621	602	+20	-12	+32
Property, plant and equipment	10,532	10,081	+451	+140	+312
Non-current financial assets and other assets	410	283	+126	-6	+132
Investments in associates and joint ventures	309	189	+119	+5	+115
Deferred tax assets	1,259	1,149	+110	+33	+77
Non-current assets	**13,934**	**13,139**	**+794**	**+84**	**+711**
Inventories	4,289	4,203	+87	+97	-10
Trade receivables	2,743	2,569	+174	+34	+140
Current financial assets	363	462	-100	-5	-95
Other current assets	1,012	883	+130	-19	+149
Cash and cash equivalents	1,552	1,167	+385	-16	+401
Current assets	**9,959**	**9,284**	**+676**	**+90**	**+586**
TOTAL ASSETS	**23,893**	**22,423**	**+1,470**	**+174**	**+1,297**

LIABILITIES AND EQUITY

(in € million)	December 31, 2015	December 31, 2014 reported	Total change	Currency effect	Movement
Share capital	364	371	-7	+0	-7
Share premiums	3,222	3,601	-379	+0	-379
Reserves	5,903	5,539	+365	-71	+436
Non-controlling interests	53	12	+41	+2	+39
Equity	**9,542**	**9,523**	**+20**	**-69**	**+89**
Non-current financial liabilities	2,444	1,621	+823	+103	+720
Employee benefit obligations	4,888	4,612	+276	+137	+140
Provisions and other non-current liabilities	1,681	1,476	+204	+27	+177
Deferred tax liabilities	118	95	+23	-13	+36
Non-current liabilities	**9,131**	**7,804**	**+1,327**	**+253**	**+1,073**
Current financial liabilities	548	726	-179	-100	-79
Trade payables	2,354	2,162	+192	+51	+141
Other current liabilities	2,318	2,208	+110	+54	+56
Current liabilities	**5,220**	**5,096**	**+124**	**+5**	**+119**
TOTAL EQUITY AND LIABILITIES	**23,893**	**22,423**	**+1,470**	**+189**	**+1,281**

2.5.1 GOODWILL

Goodwill at December 31, 2015 reflects a €76 million negative currency effect, and a €44 million increase corresponding mainly to goodwill recognized on the acquisition of Blackcircles, the UK's leading online tire supply company.

2.5.2 INTANGIBLE ASSETS

Intangible assets at December 31, 2015 amounted to €621 million, an increase of €32 million (excluding the €12 million negative currency effect) from the previous year-end that corresponds mainly to the acquisition of software and the Blackcircles brand.

2.5.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €10,532 million at December 31, 2015, a €312 million increase from December 31, 2014 before taking into account the €140 million positive currency effect. The increase was primarily led by the on-going deployment of investments in fast growing markets (the premium Passenger car segment, North America and Asia), and product investments for the premium and entry-level segments. The amount committed to investments in property, plant and equipment in 2015 was greater than depreciation expense for the year.

2.5.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets stood at €410 million, an increase of €132 million excluding the €6 million negative currency effect that was mainly due to:

- a €25 million decrease from fair value adjustments to available-for-sale financial assets;
- a €118 million increase in available-for-sale financial assets;
- a €36 million increase from fair value adjustments to derivative instruments;
- a €3 million net increase due to other movements.

2.5.5 INVESTMENTS IN ASSOCIATES

Excluding the positive €5-million translation adjustment, **investments in associates** increased by €115 million in 2015 following the acquisition of a 40% stake in AlloPneus, France's leading online tire dealer, and the investment in a natural rubber plantation in Indonesia.

2.5.6 DEFERRED TAX ASSETS AND LIABILITIES

At December 31, 2015, the Group held a **net deferred tax asset of €1,141 million,** representing an increase of €41 million compared with the amount reported at end-2014 (before taking into account the €46 million positive currency effect), mainly as a result of the actuarial gains recognized during the year on employee benefit obligations, notably in North America.

2.5.7 TRADE WORKING CAPITAL REQUIREMENT

(in € million)	December 31, 2015	December 31, 2014	Change	2015 *(as a % of net sales)*	2014 *(as a % of net sales)*
Inventories	4,289	4,203	+86	20.2%	21.5%
Trade receivables	2,743	2,569	+174	12.9%	13.1%
Trade payables	(2,354)	(2,162)	-192	11.1%	11.1%
TRADE WORKING CAPITAL REQUIREMENT	**4,678**	**4,610**	**+68**	**22.1%**	**23.6%**

Trade working capital requirement increased by €68 million compared with December 31, 2014, chiefly due to the €79 million positive currency effect. Excluding that impact, trade working capital requirement decreased by €11 million over the year and stood at 22.1% of net sales, compared with 23.6% in 2014.

Inventories amounted to €4,289 million, representing 20.2% of net sales for 2015. Excluding translation adjustments, they were €10 million lower than at year-end 2014, primarily because the decline in raw materials prices offset the 4% increase in raw material and semi-finished tonnages.

Excluding translation adjustments, **trade receivables** rose by €140 million to represent €2,743 million at December 31, 2015, primarily as a result of the growth in net sales. As a percentage of net sales, they declined by 0.2 point, to 12.9% from 13.1% a year earlier.

The growth in net sales also had the effect of increasing **trade payables,** which ended the year up €141 million at €2,354 million (including €94 million in reverse factoring contracts but before €51 million in translation adjustments).

2.5.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents rose by €401 million year-on-year, excluding translation adjustments, to €1,552 million. The increase reflected the net impact of the following factors:

- Increases from:
  - the €653 million in free cash flow, after investing a little more than €300 million in acquisitions (mainly the 49% stake in Royal Lestari Utama, the 40% interest in AlloPneus, all outstanding shares in Blackcircles and 90% of Livebookings Holdings Limited),
  - the €109 million in proceeds from the sale of cash management instruments,
  - the net €462 million increase in debt, reflecting the €802 million in new bonds maturing in 2022 (€299 million), 2027 (€296 million) and 2045 (€206 million), less the repayment of €274 million in commercial paper and bank loans and €66 million in non-controlling interests,
  - the €64 million in proceeds from the exercise of stock options,
  - the €56 million in other proceeds;
- Decreases from:
  - the payment of €483 million in cash dividends, including tax on the distribution of cash dividends,
  - the outlay of €451 million for share buybacks during the year,
  - the €9 million in other outlays.

2.5.9 EQUITY

Consolidated equity increased by €20 million to represent €9,542 million at December 31, 2015 compared with €9,523 million at December 31, 2014, primarily as a result of the following factors:

- Increases:
  - recognition of the €840 million in comprehensive income for the year, including:
    - net income of €1,163 million,
    - actuarial gains and losses of €235 million after deferred taxes, reflecting the combined impact of Canadian asset ceiling and lower-than-expected actual returns on plan assets,
    - €25 million in unrealized losses on available-for-sale financial assets, net of deferred tax,
    - the €70 million negative difference from translating foreign operations,
    - €7 million in other favorable items,
  - €64 million from the issuance of 1,137,488 new shares upon exercise of stock options and for delivery under performance share plans,
  - €9 million corresponding to the service costs linked to share-based payment plans (performance share plans),
  - the €44 million in non-controlling interests in the new share issues carried out by Group subsidiaries;
- Decreases:
  - the €483 million in dividends and other distributions,
  - buyback and cancellation of 4,961,534 Michelin shares under the shareholder-approved plan, for €451 million.
  - other factors in an amount of €3 million.

At December 31, 2015, the **share capital** of Compagnie Générale des Établissements Michelin stood at €363,804,364, comprising 181,902,182 shares corresponding to 242,005,720 voting rights.

2.5.10 NET DEBT

Net debt stood at €1,008 million at December 31, 2015, up €301 million from December 31, 2014, primarily as a result of the following factors:

- €161 million in net uses of cash, including:
  - €653 million in free cash flow generated during the year, less
  - dividends, net share buybacks and other items, for a total outlay of €814 million;
- €140 million in other factors increasing net debt, of which:
  - the €33 million interest expense on the zero-coupon convertible bonds,
  - €36 million in negative translation adjustments,
  - €55 million corresponding to new finance leases,
  - other unfavorable factors in an amount of €16 million.

CHANGES IN NET DEBT

(in € million)	2015	2014
At January 1	**707**	**142**
Free cash flow[(1)]	-653	-322
Distributions and other	+814	+545
Interest expense on the zero-coupon convertible bonds	+33	+33
Translation adjustment	+36	+164
Other	+71	+145
AT DECEMBER 31	**+1,008**	**+707**
CHANGE	**+301**	**+565**

(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).

2.5.10 a) Gearing

Gearing stood at 11% at December 31, 2015, versus 7% at year-end 2014, due primarily to the €451 million share buyback program and acquisitions corresponding to a total amount of just over €312 million (mainly the 49% stake in Royal Lestari Utama, the 40% interest in AlloPneus, all outstanding shares in Blackcircles and 90% of Livebookings Holdings Limited).

2.5.10 b) Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière du groupe Michelin "Senard et Cie" (CFM) are as follows:

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

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

2.5.11 PROVISIONS

Provisions and other non-current liabilities amounted to €1,681 million, versus €1,476 million at December 31, 2014, mainly led by the programs to reorganize the Group's operations in Europe.

2.5.12 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other defined benefit plans	2015	2014
At January 1	**2,326**	**2,286**	**4,612**	**3,895**
Translation adjustments	67	70	137	184
Contributions paid to the funds	(240)	-	(240)	(70)
Benefits paid directly to the beneficiaries	(32)	(123)	(155)	(152)
Changes in scope of consolidation	-	(53)	(53)	-
Net cost recognized in operating expenses				
Current service cost	73	64	137	121
Actuarial (gains) or losses recognized on other long term benefit obligations	-	(5)	(5)	20
Past service cost arising from plan amendments	-	-	-	(7)
Past service cost arising from plan curtailments and settlements	1	1	2	(27)
Employee benefit costs included in non-recurring restructuring provisions	(3)	(2)	(5)	11
Costs recognized below the line				
Net interest on the net defined benefit obligation (asset)	68	73	141	153
Costs recognized in other comprehensive income				
Actuarial (gains) or losses	158	(40)	118	461
Portion of unrecognized asset due to the application of the asset ceiling	199	-	199	23
NET OBLIGATION AT DECEMBER 31	**2,617**	**2,271**	**4,888**	**4,612**

The net obligation recognized in the consolidated balance sheet at December 31, 2015 stood at €4,888 million, an increase of €276 million compared with December 31, 2014.

The main factors underlying this increase are as follows:

- the combined effects of applying the asset ceiling and IFRIC 14, for a net amount of €199 million, primarily in relation to Canadian pension plans (€195 million);
- actuarial losses for a net amount of €118 million, mainly reflecting an actual rate of return on plan assets that was lower than the discount rate;
- changes in the measurement scope leading to a €53 million decrease in the net obligation, mainly due to the conversion of two defined benefit plans in Spain into defined contribution plans.

The total cost recognized in respect of defined benefit plans represented €270 million in 2015, compared with €271 million in 2014.

The amount recognized in operating expenses came to €129 million, versus €118 million in 2014. Net interest on the net defined benefit obligation, reported below the line, represented €141 million in 2015, compared with €153 million in 2014.

The cost recognized in respect of defined contribution plans amounted to €187 million in 2015, up €48 million compared with 2014. The increase, of which a significant portion is attributable to the change in the euro-dollar exchange rate, relates mainly to defined contribution plans in North America.

Total payments under defined benefit plans amounted to €395 million in 2015, versus €222 million the year before, including:

- contributions paid to fund management institutions for €240 million in 2015, versus €70 million the year before, with the increase mainly reflecting pension fund front-loading in the United Kingdom in an amount of €140 million;
- benefits paid directly to employees for €155 million, versus €152 million in 2014.

Total payments under defined contribution plans amounted to €187 million in 2015 compared with €139 million the previous year.

Actuarial losses recorded in 2015 in the amount of €317 million corresponded to:

- actuarial losses on defined benefit obligations in the amount of €11 million;
- actuarial losses on plan assets in the amount of €107 million, due to an actual rate of return on plan assets that was lower than the discount rate;
- actuarial losses of €199 million arising from the application of the asset ceiling, mainly for Canadian pension plans.

2.6 CONSOLIDATED CASH FLOW STATEMENT REVIEW

2.6.1 CASH FLOWS FROM OPERATING ACTIVITIES

(in € million)	2015	2014	Change
EBITDA before non-recurring income and expenses	**3,934**	**3,286**	**648**
Change in inventory	60	-71	132
Change in trade receivables and prepayments	-66	234	-300
Change in trade payables and prepayments	34	87	-53
Restructuring cash costs	-98	-77	-21
Other changes in provisions	-258	-114	-144
Tax and interest paid	-897	-760	-137
Other operating working capital	-14	-63	49
CASH FLOWS FROM OPERATING ACTIVITIES	**2,695**	**2,522**	**173**

At €3,934 million, **EBITDA** before non-recurring income and expense was up €648 million year-on-year.

Cash flow from operating activities climbed €173 million, to €2,695 million from €2,522 million, primarily as a result of:

- the positive change in working capital requirement, which decreased by €33 million in 2015 compared with a €250 million decrease in 2014, under the impact of:
  - the €60 million decrease in inventories, versus a €71 million increase in 2014, primarily due to the decline in raw materials prices,
  - the €66 million increase in trade receivables and prepayments, versus a €234 million decrease in 2014, mainly reflecting the volume effect related to the growth in net sales,
  - the change in trade payables, which decreased by €34 million compared to €87 million in 2014, despite the reverse factoring contracts with certain suppliers for €78 million;
- the increase in restructuring cash costs, which rose to €98 million from €77 million in 2014;
- the increase in tax and interest paid during the year, to €897 million from €760 million in 2014.

2.6.2 CAPITAL EXPENDITURE

(in € million)	2015	2014	2015/2014	2015 *(as a % of net sales)*	2014 *(as a % of net sales)*
Gross purchases of intangible assets and PP&E	**1,804**	**1,883**	**-79**	**8.5%**	**9.6%**
Investment grants received and change in capital expenditure payables	(30)	(49)	+18	0.1%	-0.2%
Proceeds from sales of intangible assets and PP&E	(43)	(41)	-2	0.2%	-0.2%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,730**	**1,793**	**-63**	**8.2%**	**9.2%**

Additions to **intangible assets and property, plant and equipment** amounted to €1,804 million during the year, compared with €1,883 million in 2014, a decrease of €79 million, including the €120 million negative currency effect. As a result, total capital expenditure represented 8.5% of net sales versus 9.6% in 2014. Growth investments accounted for €808 million of the total for the year.

By Product Line, the main capital projects completed during the year or still underway are as follows:

Passenger car and Light truck tires:

- Projects to increase capacity, improve productivity or refresh product lines in:
  - Roanne, France,
  - Shenyang, China,
  - Pirot, Serbia,
  - Indonesia.

Truck tires:

- Projects to increase capacity, improve productivity or refresh product lines in:
  - Shenyang, China,
  - Thailand,
  - Tours and La Roche-sur-Yon, France.

Specialty products:

- Agricultural tires.

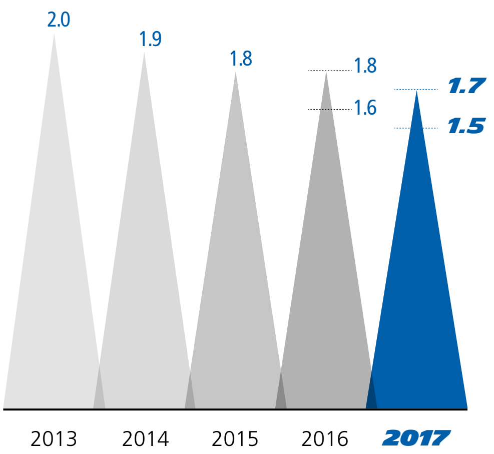
In addition, Michelin is actively investing in the following areas:

- Customer service (information systems, logistics hubs, etc.);
- Fast growing markets, such as premium car and van tires, North America and China;
- Digital services;
- Raw materials and semi-finished products.

The amounts expected to result from this investment strategy are illustrated below.

CHANGE IN ACTUAL AND ESTIMATED PURCHASES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in € thousand)



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

2.6.3 AVAILABLE CASH FLOW AND FREE CASH FLOW

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

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

(in € million)	2015	2014
Cash flows from operating activities	**2,695**	**2,522**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(996)	(840)
AVAILABLE CASH FLOW	**1,699**	**1,682**
Growth investments	(808)	(1,043)
Acquisitions	(312)	(400)
Other	74	83
FREE CASH FLOW	**653**	**322**

After deducting €996 million in routine capital expenditure, **available cash flow** was strongly positive in 2015, at €1,699 million.

Free cash flow ended the year at €653 million, after the (€808) million in growth investments and acquisitions totaling €312 million (mainly the 49% stake in Royal Lestari Utama, the 40% interest in AlloPneus, all outstanding shares in Blackcircles and 90% of Livebookings Holdings Limited).

2.7 RETURN ON CAPITAL EMPLOYED (ROCE)

Achieving an annual return on capital employed (ROCE) after tax and at constant scope of consolidation of at least 15% by 2020 is one of Michelin's strategic objectives.

In 2016, the Group is aiming to deliver an ROCE of at least 11%.

ROCE is measured as:

- net operating profit after tax (NOPAT), calculated at a standard tax rate of 31%, corresponding to the Group's average effective tax rate;
- divided by the average economic assets employed during the year, *i.e.,* all of the Group's intangible assets, property, plant and equipment, loans and deposits, and net working capital requirement.

Non-euro currencies are translated at year-end rates for balance sheet items and average rates for income statement items.

If ROCE is greater than weighted average cost of capital (WACC) for the year, then the Group has created value during the period.

The Group's weighted average cost of capital (WACC) is based on a theoretical balance between equity and debt. The rates used are determined (i) for equity capital, based on the yield on Michelin shares expected by the stock markets, and (ii) for debt capital, on the market risk-free rate plus the risk premium applied to Michelin by the markets, as adjusted for the tax effect. Based on this calculation method, 2015 WACC remained below the 9% target the Group uses to assess its value creation.

(in € million)	2015	2014
Operating income before non-recurring income and expenses	2,577	2,170
Average standard income tax rate used for ROCE calculation	31%	31%
Net operating profit before non-recurring items after tax (NOPAT)	**1,778**	**1,497**
Intangible assets and property, plant and equipment	11,957	11,518
Loans and deposits and other long term assets	77	70
Investments in associates and joint ventures	308	189
Total non-current financial assets	12,342	11,777
Working capital requirement	2,574	2,533
Economic assets at December 31	14,916	14,310
Average economic assets	**14,613**	**13,492**
ROCE	**12.2%**	**11.1%**
Passenger car/Light truck tires & related distribution ROCE	12.2%	11.1%
Truck tires & related distribution ROCE	9.4%	7.4%
Specialty businesses ROCE	18.9%	19.5%

2.8 OUTLOOK

2.8.1 OUTLOOK

In 2016, demand for Passenger Car, Light Truck and Truck tires is expected to continue rising in the mature markets and remain in line with 2015 trends in the new markets. Demand for Specialty tires is expected to continue to be affected by mining company inventory drawdowns.

In this environment, Michelin's objectives for 2016 are volume growth in line at least with global trends in its operating markets, an increase in operating income before non-recurring items at constant exchange rates, and structural free cash flow of more than €800 million.

For 2016-2020, the Group set ambitious targets in terms of operating margins before non-recurring items, between 11% and 15% in the Passenger car and Light truck tire segment, 9% and 13% in the Truck tire segment and 17% and 24% in the Specialty segment.

2.8.2 PROFIT FORECASTS OR ESTIMATES

No precise earnings or operating margin forecasts or estimates were issued for 2016.

In light of trend information provided in section 2.8.1, any previously published targets for 2016 do not take into account the current economic environment and are not achievable this year.

2.8.3 RECENT EVENTS

Michelin adapts the organization of its activities in Clermont-Ferrand

On March 1st, 2016, Michelin announced a series of decisions that adapt its industrial and service activities in Clermont-Ferrand, with the aim of strengthening the Group's decision-making centre, along with its research and development activities and high-tech products.

/ Closure of the truck re-treading workshop on the Combaude site by the end of 2017, without any compulsory redundancies

Michelin has decided to close the truck re-treading workshop on the Combaude site without any compulsory redundancies, by the end of 2017. The 330 employees in the workshop, including the 266 production operators will benefit from an internal reclassification plan and will be redeployed to other industrial sites in the Clermont-Ferrand area. The plan will see each of the employees concerned offered of several comparable positions within one of Michelin's Clermont-Ferrand sites. The strong recruitment needs of other plants in the Clermont-Ferrand area, which need to hire 400 production workers over the next three years, will facilitate these internal redeployments. In addition, voluntary early retirement plans will be offered to people nearing retirement.

The re-treading crisis has led to structural overcapacity in the production of re-treaded tyres in Europe and has meant Michelin is now forced to rationalize its industrial base by focusing its re-treading activities on a limited number of sites. For information, the volume of the European re-treading market fell 25% between 2007 and 2015.

/ 90 million euros in new investment by 2020 in Clermont-Ferrand to accelerate the transformation of the Clermont-Ferrand sites into industrial and technological centres of excellence

In the context of its industrial competitiveness strategy launched in France in 2013, Michelin would like to consolidate the positioning of its Clermont-Ferrand sites on activities with high technological content and high added value, in particular by exploiting synergies with its global research and development centre in Ladoux, near Clermont-Ferrand. With this in mind, Michelin is engaging in a new €90 million investment programme to finance equipment and advanced processes on its sites in Cataroux, Combaude and Gravanches.

- **The Combaude site** will specialize in the role of supporting the development of new products. Its industrial and technical innovation missions will be strengthened, particularly as regards the design of curing moulds and high technology textile reinforcements, and the development of specific tools for manufacturing processes. It will also continue to operate its logistics activities.
- **The Cataroux site** will benefit from major investment to finance new production processes to develop the production of racing tyres and their components, and also to strengthen its industrial missions in support of research and development activities.
- **The Gravanches site**, which manufactures high performance car and van tyres using the most innovative processes, will receive investment to further increase the highly technical nature of its products.

/ Reorganization of Engineering by the end of 2018, without any compulsory redundancies

Michelin Group Engineering has 2,400 employees worldwide, 1,100 in France, with 970 in Clermont-Ferrand. After a several month-long study, Michelin is reorganizing Engineering by creating a Manufacturing Engineering (ME) entity, the global management of which will be located on the Carmes site in Clermont-Ferrand.

This new organization aims to improve the development and deployment of the Group's industrial processes. The teams located in Clermont-Ferrand will focus on the global management of the activity, the coordination of developments in processes and the development of the most innovative projects in conjunction with the global Technology Center in Ladoux.

The reorganization will result in 164 job cuts by the end of 2018, all based in Clermont-Ferrand, but without any compulsory redundancies. A voluntary internal mobility plan will be offered to the engineering employees concerned by the project in Clermont-Ferrand, mostly executives. Employees who choose this functional mobility plan will all be able to move into new positions on a Clermont-Ferrand site or in the area. The internal mobility plan will be supplemented by a voluntary early retirement plan for people nearing retirement.

/ Development of other Group "Support" services

Other Michelin Group "Support" services in Clermont-Ferrand will over time gradually adapt their organizations.

Over the next few years, the transformation of the Group's business lines into service activities and the retirement of numerous people working in the central services represent a challenge for the Group in terms of skills, training and developing people. Michelin will anticipate and support these changes in the context of the GPEC (jobs and skills management) negotiations with union organizations.

As required by law, Michelin will present an employment protection plan to the employee representative bodies at a special meeting of the central works committee and the Clermont-Ferrand works committee to be held on 16 March. The company management will present its proposals for measures to support employees in the re-treading workshop on the Combaude site and for those employees affected by the reorganization of engineering.

The GPEC negotiations with the unions, intended to anticipate and manage the changes in business lines and skills for the Group's French employees until 2019, will begin in early April 2016.

Adapting Michelin's activities in Clermont-Ferrand is part of the Group's commitment to drive its strategy for competitiveness and industrial change in a spirit of responsibility towards its employees and the territories where it operates. By strengthening the positioning of its Clermont sites on to industrial and service activities with high added value, Michelin intends reaffirming its anchorage in Clermont-Ferrand, the historic cradle of the company.

To finance these restructuring projects, the Michelin Group will enter a provision of approximately €55 million euros in non-recurring expenses in its accounts to 30 June 2016.

2.9 OPERATING HIGHLIGHTS

2.9.1 PERFORMANCE

Michelin is reorganizing its activities in the United Kingdom, Italy and Germany

(November 3, 2015) – Michelin is strengthening its competitiveness strategy supporting its growth in Europe to face market changes by consolidating its positioning on high value-added productions. The continent accounts for 40% of the Group's business, has 40 Michelin production sites and more than 65,000 employees.

In this objective, Michelin has initiated a project to reorganize its activities in the United Kingdom, Italy and Germany which will be accompanied by €265 million in investments to modernize production facilities and the logistics network.

In Italy

Michelin Italy manufactures over 10% of the European production of tires and employs more than 4,000 employees. To maintain its strong local presence, the Group is implementing a strategic plan for the next five years, with €180 million in investments to increase production by 20% by 2020 on the Cuneo (Light truck) and Alessandria (Heavyweight) sites. The Fossano site, specialized in semi-finished products, a market demanding competitive manufacturing costs, will close by the end of 2016.

In the United Kingdom

Created in 1905, Michelin Tyre PLC, the leading tire manufacturer in the country, now employs 2,500 people. Michelin wants to refocus its activity on the growth segments of the market with €85 million in investments to increase production by 30% on the Dundee site (Light truck) and strengthen the Stoke-on-Trent site (Retreading). Finally, the closure of the Ballymena plant, specializing in the competitive Truck tires market, is under consideration.

In Germany

In Germany, the Pneu Laurent site in Oranienburg will cease operations, which are to move to the Avallon site in France by the end of 2016.

In these three countries, Michelin Développement will implement the necessary means to support the revitalization of the territories affected by site closures.

Michelin confirms the suspension of its Earthmover tire facility project in India

(November 3, 2015) – After demand for Earthmover tires fell in the Indian OE and Infrastructure segments, in mid-2013 Michelin suspended the construction of a facility to produce 49" and under Earthmover tires at the Chennai, India plant. However, it continued to work on a new Truck tire facility, which came on stream in 2013 and is now ramping up on schedule.

A certain number of joint capital projects were undertaken for the two facilities, most of which are now being used by the Truck tire operations.

As a result, in 2015 it will recognize a non-recurring impairment loss of around €75-million on the project's related assets and capitalized process engineering costs.

Michelin strengthens its online sales strategy

(July 30, 2015) – Michelin acquired 100% of Meyer Lissendorf, a major distributor in Germany which had a turnover of €57 million in 2014. Since 1974, the company has built a dynamic distribution network of specialized and independent dealers, and will strengthen Michelin access to German market.

Moreover Michelin invests in two major online sales companies to strengthen its commercial strategy.

Michelin takes 40% stake in the French e-commerce leader for tires, Allopneus SAS for an outlay of €60 million. It sold some 3 million tires in France in 2014, and now accounts for 7% of the French market.

Michelin also buys Blackcircles.com, the number one Internet tire sales company in the United Kingdom, for a sum of £50 million.

Both investments contribute to diversifying Michelin's access to the tire market by building on synergies with its distributors Euromaster and ATS.

A Future Major 3D Metal Printing Player

(September 7, 2015) – Michelin and the global leader of high added value machines Fives are joining forces to create FIVES MICHELIN ADDITIVE SOLUTIONS. The joint-venture, based in Clermont-Ferrand, will be dedicated to developing and marketing industrial machines and production Shops on a global scale via "metal additive manufacturing" technology – commonly known as metal 3D printing. FIVES MICHELIN ADDITIVE SOLUTIONS will be 50% owned by Fives and 50% by Michelin. The market for metal additive manufacturing in 2014 was already worth more than €600 million. MICHELIN ADDITIVE SOLUTIONS will serve various industry verticals such as automotive, aerospace or healthcare.

Implementation of a €750 million Share Buyback Program

(September 9, 2015) – Michelin implements a second share buyback following the announcement of the launch of that Program on April 22, 2015. It confirms the Group's confidence in its ability to structurally generate free cash flow. An Investment Services Provider sold a certain number of Compagnie Générale des Établissements Michelin shares -representing a maximum of €200 million- to Compagnie Générale des Établissements Michelin, which undertakes to buy them between September 10, 2015 and December 15, 2015, at an average price to be determined objectively and that may not exceed the maximum purchase price of €140 per share approved in May 22, 2015.

All of the shares bought back have been cancelled at the end of 2015.

Michelin successfully places a bond issue in three tranches

(May 26, 2015) – The Group has successfully placed a bond issue in three tranches: a €300 million seven-year tranche with a 1.125% coupon and a €300 million 12-year tranche with a 1.750% coupon. On September 28, a complementary tranche of €209 million, with a maturity of 30 years and offering a coupon of 3.250%, was welcomed. The issue was rated BBB+ by Standard & Poor's and A3 by Moody's. These emissions are within the framework of Michelin Debt active management and strengthen its liquidity.

Capital reduction: Cancellation of 4,961,534 treasury shares

(December 15, 2015) – Pursuant to the decisions of the Chief Executive Officer on December 11 and 22, 2015 and the ninth resolution of the May 22, 2015 Shareholders Meeting, Compagnie Générale des Établissements Michelin has decided to cancel 4,961,534 treasury shares, representing 2.65% of the total shares outstanding. The resulting capital reduction is effective.

Following the capital reduction, the Company's issued share capital now consist of 181,843,891 shares, as indicated in the Euronext notice dated December 22, 2015.

Michelin Builds upon Ride-Sharing in China

(August 25, 2015) – Through its Incubator Office, Michelin has invested in a start-up called Luli Information Technology. Founded in Shanghai in 2014, it offers a mobile application helping people to find each other and ride-share together, typically to commute to their work places. Carpooling is a key component of multimodal urban transport, which will improve mobility in the long term. Investing in such a start-up in China reinforces Michelin's commitment to develop sustainable mobility.

2.9.2 INNOVATION

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

MICHELIN CrossClimate to conquer Europe

(March 2, 2015) – Michelin proceeded with the European market launch of the MICHELIN CrossClimate, the first summer tire certified for winter use. It combines summer and winter tire technologies that until now were thought to be incompatible. Since 65% of European drivers keep the same tires all year round, the MICHELIN CrossClimate tire accommodates this usage in optimal safety conditions. This innovative tire reached over 2 million sales in September 2015. The Frankfurt Motor Show confirmed the strong interest from both manufacturers and distributors; sales forecast are currently exceeding initial forecasts by 33%.

The JD Power study distinguishes Michelin once more

(April 24, 2015) – The famous American JD Power study assesses the satisfaction of car owners concerning their OE tires in the Luxury, Passenger and Sports car segments. In 2015, the MICHELIN brand was most appreciated in the Luxury and Passenger car segments, far ahead of its competitors.

These new distinctions bring the number of JD Power awards for Michelin since the launch of the study in 1989 to 77 – four times more than the other competitor tire manufacturers!

BFGoodrich expands its range of all-terrain tires

(June 25, 2015) – 38 years after the launch of its legendary tire, the All-Terrain, BFGoodrich has released a new generation of all-terrain tires, the BFGoodrich® All-Terrain T/A® KO2. A heavy-duty tire with more grip, more robustness and better durability, available in Europe from July 1.

Built on technologies tested in race conditions, in particular on the course of the famous Mexican Baja, the BFGoodrich® All-Terrain T/A® KO2 tire is the first all-terrain consumer tire to integrate CoreGard™ technology. Having proven itself and won awards at rallies, this technology provides unmatched protection against damage to the sidewalls. The proof: when thrown from a plane, it withstands the impact!

The KLEBER Citilander tire, the first KLEBER tire for SUVs and crossovers

(October 1, 2015) – KLEBER has launched its very first tire for SUVs and Crossovers. Safety, quality, price: "The right choice, with confidence".

Produced in three plants in Europe (in Cholet and Roanne in France and Olsztyn in Poland), this new all-season tire has been designed to overcome the obstacles of everyday life safely. With its reinforced casing capable of absorbing urban obstacles and grooves that evacuate water, it reduces the risk of aquaplaning. It has a very good lifespan thanks to optimal distribution of rigidities which ensure slow and regular tire wear and excellent traction on all types of surface. Its 3PMSF* and M+S** markings make it an ideal tire for all seasons, approved for summer and for winter, without having to change tires.

In short, a robust, practical and affordable tire, available in 18 dimensions. More than enough to convince owners of SUVs and crossovers, such as the Nissan Qashqai, Volkswagen Tiguan, Toyota RAV4 or SKODA Yéti, to try it! Especially as KLEBER offers its "satisfied or money back" warranty. Reassuring!

2.9.2 b) Truck tires and related distribution

MICHELIN X® LINE™ Energy rated AAA in rolling resistance

(November 1, 2015) – The new MICHELIN X® LINE™ ENERGY™ FRONT and MICHELIN X® LINE™ ENERGY™ D2 have been approved by MERCEDES-BENZ for its new heavy duty truck ACTROS. This range is the market's first fitting that has earned a "Triple A" rating in rolling resistance on every axle under EU labeling rules.

Compared with the MICHELIN X® LINE™ Energy tires rated BBA, these new models will help to save up to one liter of fuel per 100 km, thereby avoiding the emission of 2.66 kg of CO_2 over the same distance. Moreover, these gains are delivered while maintaining Michelin performance in other areas such as safety and mileage.

Something new for haulers

(February 15, 2015) – MICHELIN® TIRE CARE™ is the first suite of digital and connected solutions for haulers. The power of digital technology will help simplify their lives thus contributing to making their activities more reliable, increase safety and reduce their operating costs. The stake of this global program is to collect and recover, in a reliable, automatic, simple, rapid and relevant fashion, all information concerning the tires on a fleet of vehicles. Launched in February in North America, this offer is now also available in Europe since October 5.

MICHELIN® solutions: EFFITRAILER™, the innovative answer to the semi-trailer paradox

(November 20, 2015) – In this context, where the semi-trailer – a key component of transport – is not treated in a manner reflecting its potential value, MICHELIN® solutions has created EFFITRAILER™, a new support solution for fleet managers. The aim is to improve their economic and quantitative performance by tracking semi-trailers and:

- reinforcing the safety of assets and equipment;
- lowering the cost of owning towed vehicles;
- improving rolling stock maintenance, which becomes more preventive than corrective;
- guaranteeing delivery lead times and demonstrating greater reactivity in response to shippers' requests.

SIAMTYRE HIGHWAY RADIAL for heavy-duty trucks launch in southeast-asia and will combine radial technology, safety and good value for money

(March 1, 2015) – SIAMTYRE entered the value-for-money segment of the tire market in Southeast Asia with the launch of SIAMTYRE Highway Radial. With this new product, the company combines radial technology to ensure longer tire life, safer handling and better fuel economy than the average bias tires. Since it was created in Thailand in 1987, SIAMTYRE has been a local brand internationally recognized for its products quality and reliability.

Uniroyal® launches truck tires in Canada

(April 16, 2015) – Uniroyal® has announced the launch of six truck tires on the Canadian market. The new range of tires offers an affordable solution for every position and for every application, from long-distance and regional transport to road/off-road travel. Two of the tires, the RS20™ and the LS24™ meet the requirements of the Environmental Protection Agency (EPA) for their outstanding fuel efficiency, and thus enjoy SmartWay® approval.

2.9.2 c) Specialty businesses

/ Earthmover tires

Breaking innovations for mining tires

(June 15, 2015) – Michelin innovates to allow open-pit mining operators improve their productivity by introducing the new MICHELIN XDR 250 50/80 R57. It increases productivity of rigid dumpers by at least 25% more TKPH (Ton Kilometer Per Hour) compared to its main competitor, the Bridgestone 46/90 R57 VRDP and VRPS. Michelin goes the extra mile in its service offering for mining operators: Michelin Earthmover Management System (MEMS) Evolution3 captures the tire data and sends real-time alerts to all stakeholders of the mine *via* the Internet, email or SMS. This innovation is a new step towards mining usage of communicating tires.

/ Agricultural tires

New Holland has chosen Michelin and its MICHELIN Ultraflex technology on the theme "feed the world"

(June 19, 2015) – The Michelin and New Holland groups, major actors in the agricultural world, have committed to sustainable agriculture. The world's biggest tractor tire, the MICHELIN AxioBib IF 900/65 R46, with the exclusive MICHELIN Ultraflex technology and a diameter of 2.32 m, equipped the New Holland T9 tractor during the Universal Exhibition in Milan: New Holland also offers MICHELIN tires using the Ultraflex technology on its entire range of tractors, from the T4 (85 ch) to the T9 (565 ch).

A study by the British Institution Harper Adams shows that the MICHELIN Ultraflex low-pressure technology improves the agronomic yield by 4% by the reduced soil compaction it generates. This means that if all agricultural vehicles of the main wheat producing areas were equipped with MICHELIN Ultraflex tires, the gain for the planet would be 23 million tonnes of wheat [(1)], which is the annual production of Germany. Enough to feed the United States for one year in wheat.

Michelin is proud to have been recognized by New Holland for its contribution to sustainable agriculture.

Agricultural tires supporting the industry's growth

(March 10, 2015) – The Michelin Agricultural Line of products has been acknowledge for its innovation capacities and its service quality by the "John Deer Excellence Program". Michelin has been named "Supplier of the Year" and "Partner-level Supplier" for 2014.

On July, Michelin also received the 2015 "Best Supplier Award" from CNH Industrial, a global leader in the areas of agricultural machinery. This award promotes a continuous enhancement and a sustainable partnership. It recognizes Michelin's capacity to sustain economic growth in new markets such as India and China.

/ Two-Wheel tires

Michelin renews its two-wheel ranges

(December 15, 2015) – 2015 was placed under the sign of high performance with the renewal of nearly all ranges of supersport and circuit motorbike tires as well as the launch of the new MICHELIN Starcross 5 range.

The MICHELIN Scorcher ranges dedicated to Harley-Davidsons are now available in all tire distribution networks and are expanding with new dimensions to also equip the iconic Harley-Davidson Street Glide®, Electra Glide®, Road Glide® and Road King models.

The Paris Fair in December also saw the unveiling of what's new for 2016 in tires for maxi-scooters: the MICHELIN Pilot Power 3 Scooter and MICHELIN Pilot Road 4 Scooter.

(1) Source: OECD-FAO Agricultural Outlook 2013-2012 – June 5, 2015.

/ Aircraft tires

Michelin expertise recognized by the aviation

(April 16, 2015) – Last April, Michelin Group's Aircraft Tire Division was recognized as "Supplier of the Year" by Boeing, a few months after having won the "Performance Excellence Award." This distinction enhances Michelin's ability to respond to cost, quality and technical expertise issues. Besides, Michelin presented during the 2015 Paris Air Show its new range of tires MICHELIN Air X, integrating the Near Zero Growth technology. The tires, which are more reliable, efficient (up to 100% more landings) and cleaner, will be deployed on the Airbus A350, the Boeing 737 and 777, as well as on Dassault Aviation's Falcon 5X and Falcon 8X.

/ Michelin Travel Partner

With the acquisition of BookaTable, Michelin becomes the European online restaurant reservation leader

(January 11, 2016) – Michelin announced its acquisition of BookaTable, demonstrating the Group's intention to accelerate its development in the online restaurant reservation market in Europe. BookaTable, with its head office in London, UK, is the European leader in the online restaurant reservation market with more than 15,000 establishments using its service, and more than 34 million covers booked in 2015 in Europe.

With this acquisition Michelin is able to capitalise on its traditional experience in the restaurant industry and becomes the European leader in the online restaurant reservation market. Michelin will be able to roll out its offering in new countries in the future – in particular in Scandinavia.

With its focus on mobility, Michelin is now speeding up its growth in travel assistance services by offering customers a unique mobility experience with high added value products and services. The association between Michelin, the world restaurant guide leader with its MICHELIN guide, and BookaTable, the European leader in the online restaurant reservation market, helps restaurateurs develop their business by offering new solutions and helps customers by making it easier to book.

2.9.3 SUSTAINABLE DEVELOPMENT

An eco-friendly joint venture for the production of rubber

(May 18, 2015) – Michelin and the Barito Pacific Group have formed a joint venture to reinforce the ecological production of the raw material of the tire in Indonesia. The world's leading buyer of natural rubber, Michelin has invested USD55 million in this company, in which it holds 47% of the shares. The partners will plant rubber trees over 88,000 hectares in the Sumatra, Borneo and Greater Mekong regions, which have been ravaged by deforestation.

In addition, Michelin is committed with its partner WWF to the promotion of sustainable rubber cultivation and the fight against deforestation.

Sustainable mobility: Our ambition 2030

(November 30, 2015) – In 2050, there will be twice as many vehicles in circulation as there are today. By developing innovative technologies and services, Michelin is committed to a more environment-friendly daily mobility. By 2030, Michelin, inventor of the low-consumption tire, has set a goal of reducing the carbon footprint of each tire sold by 20% compared to 2010, and the energy consumption of its production sites by 50%, by favoring clean energy sources.

During the COP21 event, which the Michelin Group was an official partner of, the day devoted to transportation was co-organized by the UN SLoCat initiative (Partnership on Sustainable, Low Carbon Transport), Bridging the Gap and Michelin Challenge Bibendum. It confirmed the commitment of over 150 companies and organizations in the Paris Process for Mobility in favor of a global agreement to reduce greenhouse gas emissions in the transport sector.

The Michelin Group also participated in the World Bank's Carbon Pricing Leadership Coalition, which wants to establish global carbon pricing. It would strengthen the economic competitiveness of companies which reduce their CO_2 emissions.

Finally, the Michelin Group was also at Expo Milano 2015 alongside the agricultural machinery manufacturer, New Holland Agriculture. It promoted sustainable agricultural practices at the event, making a commitment to soil conservation. The MICHELIN Ultraflex low-pressure agricultural tire technology limits soil compaction and guarantees its agronomic potential over time.

Michelin's sustainable policy acknowledged

(September 22, 2015) – The Michelin Group has once again been commended for its commitment to sustainable development. The latest Dow Jones Sustainability World Index ranking (DJSI survey by RobecoSAM), gives Michelin a score of 87/100, up 4 points, which takes it to first place in the original equipment sector. Michelin ranks first in its sector in relation to 12 of the 18 assessment criteria used by the survey in the three major corporate social responsibility fields: social aspects, environmental aspects and societal aspects. As far as environment is concerned, for the second consecutive year, Michelin has kept the maximum score of 100 for its climate strategy. For the record, the Group is committed to reducing its environmental footprint by 40% by 2020.

2.9.4 RACING

Motor sport: a year of success

(December 31, 2015) – Kicking off with a car-bike-truck treble at the Dakar Rally, 2015 saw Michelin tires showcased on all terrains. Apart from the FIA Endurance triumph with Porsche, magnified by a 24th victory at the 24 Hours of Le Mans, and a 25th Manufacturer's Title since 1973 in the FIA World Rally Championship, Michelin has imposed its brand in many other car and bike races. An exceptional track record completed by the acclaim of the teams participating in the FIA Formula E Championship, for which Michelin is now the sole manufacturer.

FIA Formula E: Testing tomorrow's Mobility

(October 1, 2015) – Michelin is again partner with the FIA Formula E, the championship for all-electric single-seaters. Since its inception in 2013, every vehicle in the race are equipped with MICHELIN Pilot Sport EV tires. After an eventful first season 2014/2015, FIA renewed its confidence in its technical partner. The Group will continue to be the championship's exclusive tires and associated services supplier until the end of the 2018/2019 season. MICHELIN Pilot Sport EV exclusive capacity for use on both dry and wet track has been made a prerequisite by the FIA. This partnership epitomizes Michelin's expertise to conceive and make highly efficient energy-saving tires.

2.10 RISK FACTORS

2.10.1 INTRODUCTION

In today's constantly evolving economic, competitive and technological environment, anticipating and managing risks are central to the success of Michelin's corporate strategy. Our geographic reach and leadership position in the global tire market, as well as the diversity of our business activities, mean that we are exposed to a variety of risks, both endogenous and exogenous. Strategic, financial, industrial, commercial, environmental and people-related risks have been clearly identified and are being managed in ways that minimize their occurrence and impact.

For Michelin, a risk corresponds to the possibility of an event occurring whose consequences could impact its objectives, particularly as concerns its financial position and reputation.

To ensure that risks are rigorously and consistently managed, a global risk management process is in place that complies with the most exacting international professional standards such as ISO 31000, COSO 2 and the reference framework of the French securities regulator, the AMF. This process, which is continuously updated to reflect the latest regulatory changes and risk management best practices, is described in detail in the report of the Chairman of the Supervisory Board on the Company's internal control and risk management procedures, on page 123 below.

As part of its risk mapping procedure, Michelin has reviewed the risks that could have a material adverse effect on its operations, financial position or earnings. The Group does not currently consider that it is exposed to any significant risks other than those presented herein. However, it is possible that other risks not described below or which have not been identified to date could also have a negative impact on its earnings, objectives, reputation or share price.

As part of this global process, certain procedures are in place to manage cross-functional risks. Two of these are described below as examples.

Insurance coverage

Some risks can be transferred to insurance companies in line with the Group's insurance strategy, with different solutions used depending on the frequency of the risks concerned.

/ High-frequency risks

To cover high-frequency risks, integrated global insurance programs have been arranged, to the extent possible, in the insurance and reinsurance markets. These mainly concern property & casualty/business interruption and liability insurance.

- The property & casualty/business interruption insurance program provides combined total coverage of €1.5 billion, except for natural disasters or business interruption due to machinery breakdown for which the coverage limit may be lower.
- The liability insurance program comprises three key coverage areas:
  - product liability for the manufacturing companies;
  - general liability, offering direct coverage in European Union countries and umbrella coverage in excess of local cover in all other countries;
  - environmental liability coverage for all Group companies.

/ Medium-frequency risks

To reduce costs by pooling medium-frequency risks, the Group has set up a captive insurance and reinsurance company to provide coverage primarily in the following areas, with limits commensurate with its resources:

- property & casualty risks, with a €50 million limit per claim;
- product liability in the United States and Canada, with limits of US$20 million per claim and US$40 million per year;
- product recall expenses, with limits of US$25 million per claim and US$50 million per year.

Aggregate premiums amounted to €67.9 million in 2015, including premiums paid to the captive insurance and reinsurance company.

Crisis management

A second cross-functional process concerns crisis management.

Given its size, the nature of its manufacturing and commercial activities and its environmental and social responsibility, Michelin is exposed in the course of its operations to the risk of crises that could affect its business and, potentially, its reputation. To foresee, plan for and effectively respond to any such events, a crisis management system is in place and led by the Group Quality, Audit and Risk Management Department. Its underlying processes are regularly updated to ensure maximum effectiveness and responsiveness.

2.10.2 RISKS RELATED TO THE GROUP'S OPERATIONS AND STRATEGY

2.10.2 a) Market risk

/ Risk factors

Michelin's principal business operations consist in selling, to vehicle manufacturers, dealer networks and end-users, tires for cars, vans and trucks as well as Specialty tires for earthmovers, farm machinery, mining equipment, aircraft, scooters, motorcycles and bicycles.

Around 75% of the car, van and truck tire business involves replacement sales, which are shaped by a wide variety of factors, including consumer tire demand, the number of kilometers driven, average vehicle speeds, fuel prices, dealer inventory management and, in the case of winter tires, weather conditions.

The original equipment business, which represents around 25% of car, van and truck tire sales, depends on automotive demand in our host markets and on automaker production programs. Over the long term, the replacement tire business has been relatively stable and much less cyclical than the original equipment business.

Most of the Specialty tire markets primarily depend on raw material prices in the mining, oil and agriculture sectors.

More generally, demand is also influenced by such economic factors as the business environment, the availability of credit, consumer confidence, raw material prices and government programs to support the automobile industry.

/ Risk management response

On the operations side, the Chief Executive Officer and the Group Executive Committee are responsible for determining strategy and leading the Group. They are assisted in these tasks by analyses provided by the Corporate Development, Market Intelligence and Financial Control Departments. From time to time, the Chief Executive Officer submits major projects to the Supervisory Board for consideration, i.e. projects aimed at securing our sustainable, responsible growth over the long term. The strategic decisions related to these projects are approved by the Supervisory Board and implemented under the responsibility of the line management teams. The strategic plan is regularly reviewed over the medium term by the Chief Executive Officer and the Group Executive Committee.

Our broad global footprint offers a significant advantage in responding to any volatility in demand for particular products or in a particular geographic market.

2.10.2 b) Innovation risk

/ Risk factors

To retain the technological leadership that supports its ambitious growth objectives, Michelin invests heavily in research and innovation, as manifested in the portfolio of projects overseen by the Technology Centers.

In this regard, the Group is exposed to two distinct types of innovation risk. First is the risk of losing its technological leadership, which would expose it to increased competitive pressure. For example, changes in technologies or the regulatory environment could result in our products becoming obsolete or less appealing to customers. Similarly, our technological lead could be lessened if we experienced delays in new product development.

The second type of innovation risk involves the development of innovative products that are less successful than expected in the marketplace.

/ Risk management response

Innovation is a core component of corporate strategy, having been identified as one of the principal contributors to meeting our growth objectives. Each year, the Group dedicates more than €600 million in investment and nearly 6,000 employees to its innovation commitment.

To ensure that the innovation process is effectively managed, a specific governance framework has been put in place.

It is designed to involve and empower all of our executive teams, in particular by ensuring that:

- the R&D teams are highly receptive to the outside world and new technologies, notably by working in collaboration with universities;
- marketing teams and researchers work in close cooperation, to bring their creative products or service concepts viably to market as quickly as possible, while meeting the highest quality standards.

The process is supported by our Advanced Marketing Department, which performs marketing and profitability studies prior to every new product launch.

2.10.2 c) Competition risk

/ Risk factors

Michelin is exposed to increasingly aggressive global competition, particularly from Asian tiremakers, which is being driven by the fast pace of technological change, rising capital expenditure, sustained price pressure from certain competitors, temporary overcapacity and steadily improving manufacturing competitiveness.

If this situation persists it could have a negative impact on our revenue, financial position and earnings.

/ Risk management response

Our strategy to counter competition risk is to continuously innovate, expand more quickly in high-growth markets and improve our competitiveness. We are also taking steps to bolster our specific strengths such as our global footprint, our premium positioning, our leadership in the Specialty businesses* and the power of the MICHELIN brand. In tandem, the brand portfolio is being expanded to broaden and deepen our presence in every market segment.

Lastly, we have deployed a far-reaching competitiveness program, as described on page 18.

2.10.2 d) Risk of default by dealers

/ Risk factors

Michelin's channel strategy is based mainly on the development of external dealership networks.

Substantially all of these dealers are independent, with the integrated dealerships – Euromaster in Europe and TCi in North America – making only a limited contribution to sales volumes. This is the case, for example, of the mainly franchise-based TyrePlus network that is currently being developed in new markets.

In connection with these retail activities, the Group is exposed to the risk of default by its dealers and independent import companies.

/ Risk management response

The credit network, which reports to the Group Finance Department, tracks dealer risk on a daily basis. A monthly reporting process ensures the effective monitoring and management of payment periods, customer risk and credit portfolio quality. Bad debts written off in the annual financial statements have not been material for a number of years.

2.10.2 e) Raw materials risk

/ Risk factors

Michelin is exposed to fluctuations in raw material and energy prices.

Raw materials, which represented 40% of consolidated purchases in 2015, include both commodities traded directly on organized markets, such as natural rubber, and manufactured products, like butadiene, styrene, metal cables and textiles, whose prices are negotiated with producers.

On the basis of estimated 2015 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

- a US$0.10 per kg decrease in natural rubber prices would feed through to around an US$80 million reduction in full-year purchasing costs;
- a US$1.00 per barrel decline in oil prices would feed through to a US$12.5 million decrease in full-year purchasing costs.

Raw materials costs for 2013, 2014 and 2015	2013	2014	2015
In € millions	5,668	4,958	4,711
As a % of net sales	28.0%	25.4%	22.2%
Of which:			
Natural rubber	33%	28%	26%
Synthetic rubber	25%	25%	25%
Reinforcing agents	17%	19%	18%
Chemicals	12%	13%	15%
Metal cables	8%	9%	10%
Textiles	5%	6%	7%

* *Group estimate.*

/ Risk management response

The impact of changes in raw materials prices is tracked and managed by analyzing:

- changes in the cost of raw materials used, as recognized in the income statement;
- the impact on working capital requirement.

The impact of higher raw materials prices is estimated using internal models that take into account a number of factors, such as actual changes in the cost of raw materials used in production, production volumes, exchange rates and the time required to transform the raw materials, from delivery and storage to manufacturing.

Michelin has long been committed to managing selling prices in such a way as to maintain a favorable net effect between changes in prices and changes in raw materials costs. In 2015, the €594 million positive impact from the decline in the cost of raw materials used in production was offset by a €715 million reduction in prices, resulting in a net negative impact of €121 million.

Margins on certain fixed-price sales contracts have been protected using short-term futures. At December 31, 2015, these futures had a positive fair value of €1 million, recorded in assets. This compares with the €4.7 billion cost of raw materials used in production in 2014 (see note 16.3 to the consolidated financial statements on page 224).

2.10.2 f) Reputational risk

/ Risk factors

Michelin has an excellent brand image, both in terms of its products and as a company. However, like any other well-known multinational corporation, it is exposed to events and circumstances that could damage its brands and/or reputation.

In addition, the rapidly growing influence of social media means that we are exposed to online reputational risk, at a time when information is being openly and rapidly circulated, in particular on the Internet.

/ Risk management response

It is vital to safeguard our reputational equity, which is one of our major assets. A dedicated corporate department, Communication and Brands, therefore leads a full array of measures to ensure that our brands and reputation are protected.

Among these efficient measures is a systematic, ongoing intelligence process that analyzes online and other media to identify any initiatives or comments that could spiral out of control and lastingly damage our image.

The crisis management system also helps control reputational risk.

2.10.3 OPERATIONAL RISKS

2.10.3 a) Ethical risk

/ Risk factors

Michelin pays particular attention to the risk of ethics violations and expects every employee to consistently act with integrity and to respect the internal and external standards that have underpinned our corporate culture for over a century. Any conduct that runs counter to these values could constitute an ethics violation.

/ Risk management response

Michelin is committed to conducting business in an ethical manner in every host country, in line with our firm belief that the way we achieve our results is just as important as the results themselves.

This is why a dedicated ethics and compliance system is in place, based on the following components:

- A Code of Ethics distributed across the organization, whose 17 chapters define the behavioral standards applicable to our business activities, along with guidelines to help employees make decisions about key ethical issues:
  - Michelin's pledge to uphold international principles, such as the UN Global Compact and the Universal Declaration of Human Rights;
  - legal and regulatory compliance;
  - conflicts of interest;
  - gifts and invitations;
  - governmental relations and anti-corruption measures;
  - donations and political contributions;
  - confidentiality;
  - fair competition;
  - insider trading;
  - protecting Group assets;
  - fraud;
  - supplier relations;
  - sales and international trade;
  - true and fair financial reporting;
  - health and safety;
  - discrimination and harassment;
  - protecting employee privacy.
- A training curriculum dedicated to these issues is currently being deployed.
- A governance structure comprising:
  - a Group Ethics Committee, meeting three or four times a year under the responsibility of the President, Geographic Zones. Its members include the Heads of the Legal Affairs, Finance, Personnel, Safety and Security, Quality, Audit and Risk Management Departments;
  - a dedicated Ethics Committee in each region;
  - a reporting process at both Group level and in each region to help swiftly relay any violations of the Code of Ethics.

Lastly, in every host region, an ethics hotline enables employees to report any suspected cases of fraud or unethical behavior.

2.10.3 b) Health and safety risks

/ Risk factors

Michelin directly employs 111,700 people worldwide and also uses temporary employment agencies and subcontractors. These people work in a very wide variety of environments, primarily in industrial facilities – where they use machines and equipment that range from manual to fully automated, depending on the type of product manufactured and the age of the machines – but also in logistics operations and dealerships.

Given the nature of our business, employees are exposed to:

- risks related to site equipment and organization (mechanical and electrical risks; ergonomic risks), risks related to the general working environment (heat, working at heights, psychosocial risks, and exposure to country-specific risks such as political instability, terrorism or kidnappings);
- risks related to exposure to chemicals;
- risks of industrial accidents and natural disasters;
- risks related to handling tires and using tire-handling equipment.

These risks can have an impact on the health, the well-being, and even the physical integrity of our employees and other people who work at our sites.

/ Risk management response

To anticipate and minimize potential risks to the health of both our employees and third parties, a specific procedure is in place to analyze, manage and attenuate health and safety risks for everyone.

Training programs, for example, encourage all employees, temporary workers and subcontractors to get personally involved in reducing these risks.

At the same time, managers ensure that our working methods, guidelines and practices are correctly applied in order to avoid the occurrence of any risks relating to health and safety.

The design and upgrades of machines and equipment are continuously improved so as to prevent most of these risks. Progress is tracked through management indicators such as the frequency and severity of workplace accidents, while the methods, guidelines and practices in place are assessed using internal control procedures.

For further information on health and safety risks, please refer to section 6.1.3 on page 155 below, as well as the 2015 Annual and Sustainable Development Report.

2.10.3 c) Environmental risk

/ Risk factors

Tires are non-biodegradable and are made of both natural and synthetic materials such as rubber, petroleum derivatives, chemicals and metals. They become worn through use and have a limited lifespan. As the only point of contact between a vehicle and the road, their use requires the burning of fuel and therefore the emission of greenhouse gases. This means that more than 90% of a tire's lifecycle environmental impact comes from its use.

Tire production processes use energy, electricity and water as well as steam generated internally in gas, coal or oil-fired boilers, which means that they can also potentially pose a risk to the environment. The land and sea transport both of semi-finished products among the various plants and of manufactured products to dealerships in 170 countries across the globe gives rise to CO_2 emissions.

Lastly, the Group is exposed to the risk of legal or financial consequences if its operations cause soil or air pollution or if it fails to comply with the applicable local, national or international environmental regulations and standards.

/ Risk management response

Michelin's assertive commitment to shrinking its environmental footprint has led to the launch of a number of initiatives.

First, the rolling resistance of our tires is being steadily reduced in order to improve their fuel efficiency. Since 1992, we have developed five generations of more fuel-efficient tires for cars and three for trucks. Furthermore, consumption of rubber and synthetic products has been considerably reduced in recent years thanks to R&D investments, which have enabled the production of lighter tires that last longer and can carry heavier loads.

Second, we are actively attenuating the environmental impact of the tire manufacturing process, with a substantial reduction in energy and water use and in VOC and carbon emissions. We have also scaled back as far as possible the amount of waste produced. At the same time, end-of-life tires are recycled in all of our host countries, with the recycling rate reaching 95% in the European Union.

Progress in our environmental responsibility performance is measured annually. In 2015, the review showed that the Michelin Environmental Footprint indicator was 37.2% lower than in 2005.

For further information on environmental risks, please refer to section 6.3 on page 173, as well as the 2015 Annual and Sustainable Development Report.

2.10.3 d) Risk related to the safety and performance of products and services

/ Risk factors

The tire is an important vehicle safety component. Michelin's brand image is inextricably linked to the innovative features, quality, reliability and safety of its products, which are also an important factor in vehicle safety. Every year, we manufacture nearly 184 million tires worldwide to equip everything on wheels, including cars, trucks, buses, aircraft, scooters, motorcycles, earthmovers, farm tractors and subway trains.

The regulatory environments in our operating markets vary widely and our tires are used in a broad range of conditions. Consequently, Michelin's exposure to product risk can arise from weather conditions (temperature and humidity), from the quality and type of pavement (motorways, highways and runways), from the unusually extreme use of our tires in some geographic regions (in terms of load or speed), from counterfeit tires that do not offer customers the same safety guarantees, and from highly specific uses that push the boundaries of current technological capabilities.

/ Risk management response

Tire quality, reliability and safety are part of our corporate DNA and the primary concern of every employee. This corporate culture is demonstrated in operations by strict procedures and processes that guarantee optimal quality at each stage in a tire's service life, from specifications and design to process engineering, manufacture, distribution and use. To effectively anticipate and manage potential risks related to the use of our products, their in-use behavior is constantly monitored to detect even the slightest hint of malfunction and to swiftly implement the requisite corrective measures.

2.10.3 e) Accounting and financial risks

Organization of financial risk management

The Corporate Financing Department controls, measures and supervises financial risks for each company and region, as well as at Group level. These tasks are overseen by the Group Financial Department, to which the Corporate Financing Department reports.

One of the Corporate Financing Department's ongoing missions is to define the rules for applying financial risk management policies, which are monitored on the basis of a full array of internal standards, procedures and authoritative literature. Geographic zone finance managers oversee the implementation of the Group's financial risk management policies by the finance managers of the companies in their zone. In addition, compliance with financial risk policies is assessed through internal audit reviews to evaluate risk control efficiency and identify means of improvement.

All decisions regarding Group financial risk hedging policy are taken by the Group Financial Department. As a general rule, the Group strictly limits the use of derivatives to the sole purpose of hedging clearly identified exposures.

The Financial Risks Committee is responsible for defining and approving financial risk management policies, identifying and assessing risks, and approving and monitoring hedges. It meets on a monthly basis and comprises representatives from the Group Financial Department and the Corporate Financing Department.

Liquidity risk

/ Risk factors

Liquidity is defined as the ability to repay borrowings when they fall due and to find new stable sources of financing so that there is always sufficient money to cover expenses. In the course of its business, the Group is exposed to the risk of having insufficient liquid resources to finance its operations and make the investments needed to drive its growth. It must therefore manage its cash reserves and committed lines of credit on a continuous basis.

/ Risk management response

The Corporate Financing Department is responsible for ensuring that the Group has the financing and liquidity it needs at the lowest possible cost. The Group raises financing on the capital markets through long-term financial instruments (bond issues), as well as through bank resources (loans and credit lines), commercial paper programs and securitization of accounts receivable. The Group has also negotiated committed back-up credit lines and maintains cash reserves that are calibrated in order to ensure the refinancing of short-term debt. Long-term financing and committed back-up credit lines are essentially concentrated at the level of the financial holding companies, in particular Compagnie Financière du groupe Michelin, "Senard et Cie" (CFM), which acts as the financing hub for the Group.

Except in the case of particular obligations related to the specific features of local financial markets, the operating subsidiaries are financed in accordance with a model that is being progressively deployed across the Group:

- cash pooling with the Group for the management of day to day liquidity requirements;
- intercompany credit lines and loans to meet medium and long-term requirements.

Short-term financing for subsidiaries that do not participate in the cash pool is under the responsibility of the local treasurer.

The management of liquidity risk is supported by a forecasting system of short and long-term financing requirements based on business forecasts and the strategic plans of the operating entities.

As a matter of prudent financial policy, the Group strives to ensure that its financial contracts do not include hard covenants or "material adverse change" clauses that could restrict its ability to utilize credit lines or accelerate its repayments. At December 31, 2014 no such clause featured in the Group's loan agreements. With regard to default and acceleration clauses, there is only a very low probability that the related triggering events will actually occur, and any potential impact on the Group's financial position would not be material. For further information on the Group's liquidity risk, please refer to note 4.2.1 to the 2015 consolidated financial statements on page 210.

Currency risk

/ Risk factors

Currency risk is defined as the impact on financial indicators of fluctuations in the exchange rates of foreign currencies used in the normal course of business. The Group is exposed to currency risks on its foreign currency transactions (transaction risk) and also on the translation of its net investment in foreign subsidiaries (translation risk).

Foreign currency transaction risk arises from the monetary assets and liabilities of the Group and its subsidiaries (mainly cash and cash equivalents, receivables, payables and borrowings) that are denominated in foreign currencies. It corresponds to the risk of exchange rate fluctuations between the date when these monetary assets and liabilities are recorded in the accounts and the date when they are recovered or settled.

Currency translation risk arises from the Group's net investment in foreign subsidiaries. It corresponds to the risk of fluctuations in the exchange rate used to translate the net investment in the foreign subsidiary into euros during the consolidation process.

/ Risk management response

Foreign currency transaction risk

Foreign currency transaction risk is monitored by the Corporate Financing Department.

Each Group company continually calculates its accounting foreign exchange exposure in relation to its functional currency and hedges it systematically. A number of temporary exemptions can, however, be granted by the Group Financial Department when it is not possible to hedge a currency or when it is justified under exceptional market conditions.

Foreign currency payables and receivables of the same type and with equivalent maturities are netted off and only the net exposure is hedged. This is normally carried out through the financial holding company, or, alternatively, through a bank. The financial holding company in turn assesses its own resulting net exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts. The structural exposure is hedged using long-term instruments (with a life of up to five years) and the operational exposure is hedged using short-term instruments (generally expiring within three months). Currency risk monitoring and hedging is based on Group internal standards and procedures. A currency transaction risk alert system is implemented throughout the Group under the responsibility of the Corporate Financing Department. These exposures are tracked on a monthly basis via a detailed management report.

Foreign currency translation risk

The Group does not use hedging instruments to actively manage this risk.

Investments in foreign subsidiaries are booked in the functional currency of the parent company and are not included in the parent company's foreign exchange position.

For further information on the Group's currency risk, please refer to note 4.2.2 to the 2015 consolidated financial statements on page 210.

Interest rate risk

/ Risk factors

The Group's income statement may be affected by interest rate risk. An unfavorable change in interest rates may adversely affect future finance costs and cash flows. The Group is in a net debt position and is exposed to the risk of an increase in interest rates on its variable rate debt. It may also be exposed to an opportunity risk in the case of a fall in interest rates, if too great a proportion of debt is at fixed rates, It is also exposed to interest-rate risk on its financial investments and the related yields.

/ Risk management response

The objective of interest rate management is to minimize financing costs whilst protecting future cash flows against unfavorable movements in interest rates. For this purpose, the Group uses various derivative instruments available in the market, but restricts itself to the use of "plain vanilla" instruments (interest rate swaps, caps, collars, etc.).

Interest rate exposure is analyzed and monitored by the Financial Risks Committee using monthly performance indicators and management reports.

The interest rate position is centralized by currency by the Corporate Financing Department which is the only department permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risk Committee determines the limits for hedging by currency, notably taking into consideration the Group's gearing (as hedging requirements evolve in line with the relative weighting of debt).

For further information on the Group's interest rate risk, please refer to note 4.2.3 to the 2015 consolidated financial statements on page 211.

Equity risk

/ Risk factors

The Group owns shares in listed companies whose share price fluctuates, among other things, in line with changes in the global stock markets, the multiples applied by the markets to the industries in which these companies operate and their specific economic and financial metrics.

Equity investments are made for strategic rather than trading purposes. Equities are held under a medium or long-term strategy, and not for short-term trading portfolio management.

/ Risk management response

The Group Investments Committee, which comprises representatives from the Finance, Legal Affairs and Corporate Development Departments, is responsible for ensuring that investment management and monitoring rules are properly applied. To this end, the Committee reviews investments each year to assess the degree of risk involved and the results obtained compared with the stated objectives.

For further information on the Group's equity risk, please refer to note 4.2.4 to the 2015 consolidated financial statements on page 211.

Counterparty risk

/ Risk factors

Counterparty risk is the risk of a debtor refusing or being unable to fulfill all of part of its obligations. The Group is exposed to counterparty risk on its contracts and financial instruments. Counterparty risk may lead to an impairment loss or a loss of liquidity. The Group is exposed to the risk of impairment losses arising from the investment of available cash in money market instruments and other marketable securities, as well as on finance receivables, derivative instruments and third party guarantees. It is exposed to the risk of a loss of liquidity on its undrawn committed lines of credit.

/ Risk management response

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the industrial and commercial risks that are associated with its operations, the Group gives priority to the security and liquidity of all its cash investments. Cash investments consist of (i) financial instruments that are subject to no risk or an insignificant risk of changes in value purchased from a sufficiently diversified group of leading banks, and (ii) unrestricted units in diversified money market funds or short-term bond funds.

As well as cash investments, counterparty risk is borne on the asset value of derivative instruments used for hedging purposes. These amounts and their distribution by banks are tracked weekly by Group Treasury and monitored monthly by the Financial Risks Committee.

To limit counterparty risk on hedging instruments, the Group enters into two-way collateral agreements with its main banks.

For further information on the Group's counterparty risk, please refer to note 4.2.5 to the 2015 consolidated financial statements on page 211.

Credit risk

/ Risk factors

Credit risks may arise when the Group grants credit to its customers. If a customer becomes insolvent or files for bankruptcy, it may default on the receivables held by the Group and this may have a negative impact on the Group's income statement.

/ Risk management response

The Credit Department, which is part of the Group Financial Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is also responsible for managing and collecting trade receivables. The main policies and procedures are defined by the Group and are monitored and controlled at both regional and Group level. A monthly credit risk reporting system has been set up to monitor these risks.

For further information on our major customers, please refer to note 4.2.6 to the 2015 consolidated financial statements on page 211.

2.10.3 f) Business interruption risk

/ Risk factors

The Group's tires are produced in two stages. First, semi-finished products are manufactured for use as components, which are then processed and assembled to produce the finished products that make up the different types of tires we sell. Consequently, any business interruption incident at a semi-finished product facility could have a serious impact, given that its output may be used by several different finished product plants.

There are a variety of external and internal factors that can give rise to business interruption risk for either type of production facility.

External risk factors include (i) supply shortages, which could jeopardize the output of semi-finished products and have a serious knock-on effect on the production of finished products; (ii) natural disasters, particularly in high-risk regions such as the United States (tornadoes) and Asia (flooding); and (iii) regulatory or geopolitical changes.

Internal sources of business interruption risk include fire, IT failures and other technical problems.

/ Risk management response

To effectively anticipate and manage business interruption risk, Michelin has set up a specific plan focused on the following three action areas:

1. Prevention, by stepping up training for plant staff, conducting technical inspections, securing component supply, strengthening fire safety measures, and strategically selecting plant locations.
2. Protection, by keeping buffer inventory of replacement parts for critical equipment, performing regular maintenance, multi-sourcing finished-product inputs, developing multi-sourcing among component suppliers, and striking the right balance between insourcing and outsourcing of component production.
3. Management, notably by deploying a Business Continuity Management process for all production activities. This process makes it possible to respond swiftly in the event of a crisis, by quickly transferring a production line to another plant and identifying critical products so that strategic decisions can be made ahead of time.

2.10.3 g) Supply continuity risk

/ Risk factors

Every year Michelin purchases nearly €12 billion worth of goods and services from around 60,000 different suppliers. These purchases may be broken down into three families:

1. Raw materials, divided into eight categories: natural rubber, monomers, elastomers, fillers, chemicals, oils and resins, textile reinforcements and metal reinforcements.
2. Industrial inputs, mainly engineering services for building new plants and improving existing facilities.
3. Services, primarily logistic, financial, advertising, consulting and industrial services.

The Group is therefore exposed to three types of risk factors related to supply continuity:

- any imbalance between supply and demand can lead to tighter markets, which in turn can create supply difficulties for rare, high-demand or single-source raw materials;
- the scarcity of certain components can make the Group dependent on their suppliers. For example, consolidation in commodity markets can exert pressure on the supply chain;
- certain regulatory constraints – such as the tightening of environmental regulations in Europe, the United States and a number of emerging markets – can impact the operations of some suppliers.

The Group is also exposed to the risk that one or more suppliers may cease trading, which can happen for a wide variety of reasons including financial difficulties, a deliberate decision to withdraw from an insufficiently profitable business, termination of production following acquisition by a competitor, or the closure of a production facility as a result of a fire, explosion, natural disaster or geopolitical event.

/ Risk management response

To more effectively anticipate, prevent and manage supply continuity risks, procedures have been introduced to centralize purchasing across the globe.

More generally, a variety of risk management measures have been implemented across the organization to deal with every type of supply continuity risk. These include training employees in this issue to improve risk planning, conducting audits of critical suppliers' business continuity plans, signing multi-year contracts with the main suppliers, looking for new suppliers, maintaining strategic buffer inventory for critical products and seeking substitute products when certain commodities become scarce.

2.10.3 h) Property security risk

/ Risk factors

The main property security risk is fire, both in production processes and in storage areas for raw materials and finished products. However, very few significant fire incidents have been reported Group-wide.

/ Risk management response

To manage this risk, Michelin developed the proprietary High Protected Risk Michelin (HPRM) standard, which covers prevention, protection, early detection and rapid response. A corporate team of risk management experts oversees a network of on-site correspondents to ensure that the standard is properly applied. In addition, existing facilities are currently being upgraded to HPRM standards. All new projects are audited by an Environmental and Prevention expert for HPRM-compliance using a proprietary application. Feedback and best practices are systematically shared across the organization and formally documented. Thanks to effective application of this standard, in the past decade no fire or other industrial accident at any of Michelin's sites worldwide has caused serious injury to employees, damage to Group or third-party assets, or an adverse environmental impact.

2.10.3 i) Knowledge retention risk

/ Risk factors

One of Michelin's competitive advantages stems from the ability to sharply differentiate its products and services thanks to continuous, sustained innovation. Consequently, protecting its knowledge, expertise and any and all trade secrets is a key factor in maintaining its leadership and driving its future growth.

The Group is exposed to risks in its cooperation with external stakeholders, including consumers, suppliers, partners, subcontractors and academic institutions. Likewise, it is dependent on the information systems used to store and share sensitive information.

Michelin is also exposed to risks relating to a fast-changing business environment, in which security breaches and piracy are becoming increasingly sophisticated and require constant vigilance and responsiveness from the IT teams. In addition, the Group has to take into account the growing use of social networks and the resulting risk of information leakage.

Sensitive information mainly concerns products, services, materials, procedures, equipment, techniques and methods, as well as design, testing and manufacturing data. However, information about production, research, marketing and other business strategies, as well as consumer and supplier databases, also risks being lost or stolen.

/ Risk management response

To prevent the risk of Michelin know-how and/or expertise being disclosed or lost, the Group safeguards its intellectual property by means of a policy based on a broad vision of what constitutes a trade secret and, whenever possible or appropriate, by filing patent applications. Operating markets are therefore closely monitored to ensure that our intellectual property rights are not infringed. In the last decade, for example, the patent portfolio has tripled to more than 2,000 active patents. Sensitive information and assets are also protected by physical and logical security systems.

2.10.3 j) Human resources risk

/ Risk factors

Michelin's strategy for the years ahead is built on four pillars: innovating with passion, growing to serve our customers, improving competitiveness across the board and moving forward together (with mutual commitments between the Company and its employees). With this in mind, we need to refresh and adapt our capabilities both to support our growth in emerging markets and to replace employees who are nearing retirement age, especially in the mature markets. This means upgrading current skills-sets and incorporating new ones, transferring knowledge and expertise, and encouraging employee mobility, both geographically and across businesses. For these reasons, maintaining our appeal as an employer and enhancing our induction, training and skills development initiatives for new hires will act as key enablers over this period.

Moreover, in a fast-moving competitive environment, being unable to attract and retain talent worldwide or effectively transfer our culture and expertise represents a significant risk that could prevent us from meeting our objectives.

/ Risk management response

To refresh and sustainably nurture its capabilities, Michelin has undertaken a large number of initiatives to attract the best talent and ensure the effective transfer of knowledge and expertise among employees. In addition, mobility among units, job-tracks and countries is strongly encouraged. The Group has a network of experienced in-house trainers. In 2015, the percentage of training hours per total hours worked was 3.5%.

Note as well that in North America, the United Kingdom and certain other regions, employee benefits include defined benefit pension plans, which represent a long-term benefit payment obligation for the Group. Michelin's total obligation for pension plans and other employee benefits amounted to €11.3 billion as of December 31, 2015, including €7.9 billion in partially or fully funded commitments. At the same date, the related plan assets totaled €6.4 billion.

The main factors that affect the amount of the employee benefit obligation are returns on plan assets, actuarial assumptions (including the discount rate), experience adjustments, changes in legislation and plan amendments. An adverse change in one or more of these factors could result in a significant increase in the amount of the obligation and consequently require the Group to make additional contributions to make up for the funding shortfall.

For further information on the financing of employee benefits, please refer to note 27 to the consolidated financial statements, which gives a breakdown of provisions for employee benefit obligations.

2.10.3 k) Legal and tax risks

/ Risk factors

By virtue of its size, industry, global footprint and diverse business lines and processes, Michelin faces a certain number of legal and tax risks.

Among the legal risks that affect all international manufacturing companies, the Group is exposed to the following:

- **antitrust risks:** due to the size of our market share, we have to be particularly vigilant about our position vis-à-vis the competition.
- **product liability risks,** reflecting the safety issues associated with our products.
- **intellectual property risks:** in view of the important role that innovation plays in our business model, our knowledge and expertise have to be protected by carefully and diligently managing our trade secrets and by filing patent applications where appropriate.

/ Risk management response

The Group Legal Affairs Department constantly monitors the regulatory landscape to identify any changes or developments.

More specifically, it supports the contract management process by systematically reviewing sale and purchase agreements. It has also devised an internal program aimed at ensuring compliance with antitrust laws and has set up product liability insurance coverage.

Meanwhile, the Tax Department, which reports to the Group Financial Department, has put in place its own system for tracking changes in tax legislation.

Lastly, Michelin believes that as of the date this document was prepared there were no non-recurring events or governmental, legal or arbitration proceedings either in progress or impending that would be likely to have or had in the past 12 months a material impact on the Group's financial position, results, operations or assets.

2.10.3 l) Information technology and information systems risks

/ Risk factors

Michelin's business relies on state-of-the art information technology, systems and infrastructure (datacenters, servers and networks).

Over the past 10 years, we have extensively overhauled our information technology and systems, building on both legacy assets and those of the successive companies acquired. Our broad geographic footprint and highly diverse business base, product ranges and procedures all make for a complex environment, with the result that our information system has several thousand applications, a thousand or so main servers and around one hundred datacenters.

To cite just a few of the major changes, management of IT infrastructure (servers, networks and datacenters) has been outsourced, partnerships have been formed to develop applications, and data hosting sites have been centralized. As a result, we are becoming more dependent on our partners for deploying and maintaining our IT infrastructure and software and are particularly exposed to the risk of a service interruption by a key provider. Other IT risk factors may include security breaches, piracy, theft of knowledge, expertise or confidential information, the shutdown of one or several systems due to an IT failure, obsolescence of an information system component (e.g. an application or server), and regulatory changes, notably concerning the Internet (licenses, copyright, personal data protection, etc.).

/ Risk management response

To deal with the above-described IT and information systems risks, multi-year action plans have been prepared based on the following measures: (i) closely tracking contractual terms and conditions to be able to respond in the event of service provider default, (ii) reinforcing the physical and logical security of IT systems, (iii) systematically reviewing IT continuity needs and putting in place IT recovery plans, and (iv) replacing obsolete components with new ones or a solution combining several applications. The internal auditors periodically monitor and analyze these measures to ensure that they are effective and are being correctly applied.

2.10.3 m) Project management risk

/ Risk factors

In view of the tire market's medium- to long-term structural growth prospects, Michelin plans to maintain its capital expenditure commitment in coming years, investing between €1,500 and €1,800 million a year, excluding acquisitions and depending on the outlook for its host markets.

There are three types of major projects.

The first are growth projects, which are mainly focused on manufacturing facilities and aimed at increasing production capacity. For example, a new synthetic elastomer plant is currently being built in Indonesia.

The second are business transformation projects, which have been consolidated into two priority programs: the OPE Business Management System – intended to create an integrated reporting and information sharing system to enhance management and performance – and the Efficiency Program, designed to streamline and optimize the support function processes.

The third are technological innovation projects to support the development of new components or new products. Examples include the production of the material for Selfseal® technology, the MICHELIN® X® TWEEL® airless radial tires and, more recently, the CrossClimate tire for the European market.

Michelin is therefore exposed to a number of risks that may arise when implementing major projects, such as the risk of a project falling out of alignment with corporate strategy or failing after not meeting its milestone or budget targets.

/ Risk management response

To effectively control the risks that may arise on major projects, an annual process is in place to allocate the necessary resources for their management. Moreover, to ensure consistent implementation, standard project management methods defined by the Group Quality, Audit and Risk Management Department are used across the organization. Each major project has its own governance framework, with responsibilities allotted among the project owner, the project manager and the project contributors. Coaches are also assigned to major projects to support project managers in leading the project and managing change.

Lastly, quality controls are performed to ensure that any potential risks have been identified and addressed in line with Group practices. In addition, major projects are audited by the Group Audit and Risk Management Department.

2.11 MATERIAL CONTRACTS

There are no material contracts other than those concluded in the ordinary course of business.

2.12 CHANGE OF CONTROL

Because the Company is organized as a société en commandite par actions (partnership limited by shares), any shareholder gaining control of the capital and corresponding voting rights could not exercise control over the Company without the approval, in accordance with the bylaws, of the Non-Managing General Partner and/or, as the case may be, all of the General Partners and/or the Supervisory Board, which would be required to make the following decisions:

- election of new Managing Partners;
- amendment of the bylaws;
- election of new General Partners.

2.13 INFORMATION CONCERNING SUPPLIER PAYMENTS

(Provided in compliance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code)

	Past due		Due within 60 days		Due beyond 60 days		Total trade payables	
Trade payables *(including tax, in € thousands)*	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Foreign suppliers:								
Group	0	0	16,648	11,236	0	0	16,648	11,236
Non-Group	0	0	1,517	505	0	0	1,517	505
French suppliers:								
Group	0	0	118,948	125,465	0	0	118,948	125,465
Non-Group	0	0	375	78	0	0	375	78
TOTAL	**0**	**0**	**137,488**	**137,284**	**0**	**0**	**137,488**	**137,284**

Trade payables totalled €137 million at December 31, 2015 and €137 million at December 31, 2014. They are reported under "Other liabilities" which, including other payables, amounted to €319 million at year-end 2015 and €282 million at year-end 2014.

2.14 MATERIAL CHANGES IN THE COMPANY'S BUSINESS OR FINANCIAL POSITION

There were no material changes in the Company's business or financial position between February 9, 2015 (the date of the Statutory Auditors' Report) and the date on which this Registration Document was filed with the *Autorité des Marchés Financiers.*

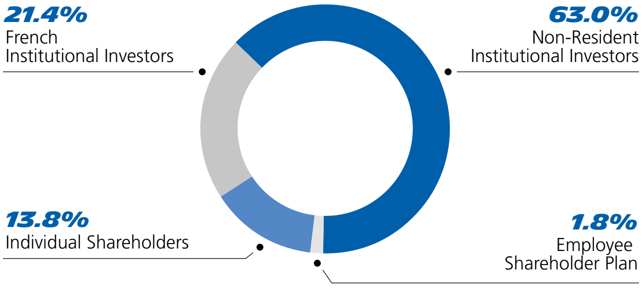
2.15 OWNERSHIP STRUCTURE AND VOTING RIGHTS

At December 31, 2015:

- share capital: €363,804,364;
- shares outstanding: €181,902,182, all fully paid up;
- voting rights outstanding: 242,005,720.

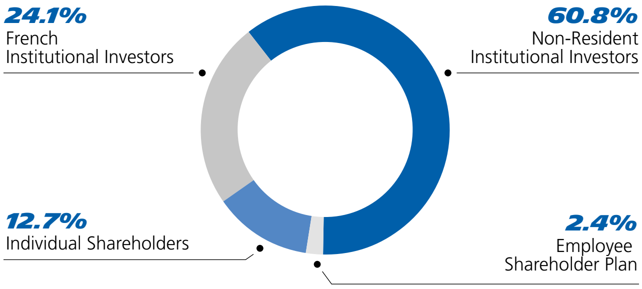
SHARE OWNERSHIP

(at December 31, 2015)



VOTING RIGHTS

(at December 31, 2015)



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

At December 31, 2015, 181,902,182 shares were held by the public, corresponding to 100% of the voting rights.

At the date of filing and to the best of the Company's knowledge:

- on February 25, 2014, Franklin Resources, Inc. held 6.5% of the capital and 5% of the voting rights;
- on November 23, 2015, BlackRock Inc. held 5.05% of the capital and 3.8% of the voting rights;
- no other shareholder directly or indirectly holds more than 5% of the capital and voting rights;
- there are no shareholders' agreements or pacts;

There has been no material change in the Company's ownership structure over the last three years.

2.16 INFORMATION DISCLOSED IN COMPLIANCE WITH FRANCE'S GRENELLE 2 ACT

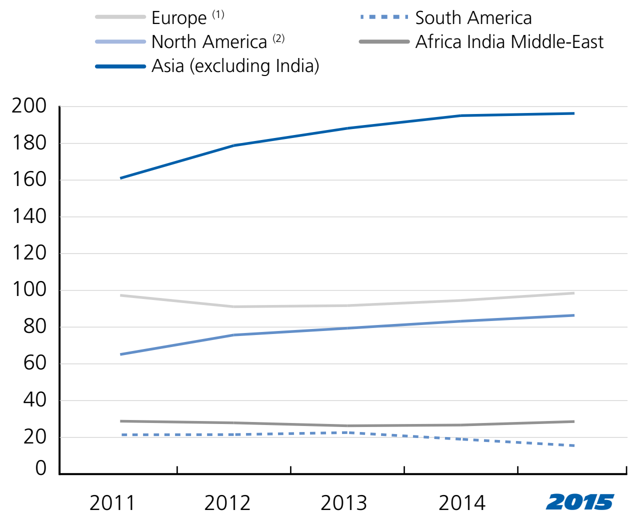
The 2015 social, societal and environment information disclosed in compliance with Article 225 of the Grenelle 2 Act, as well as the Auditors' review report, may be found in section 6, "2015 Employee, Societal and Environmental Information".

3 FINANCIAL HIGHLIGHTS

3.1 MARKETS

THE ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION

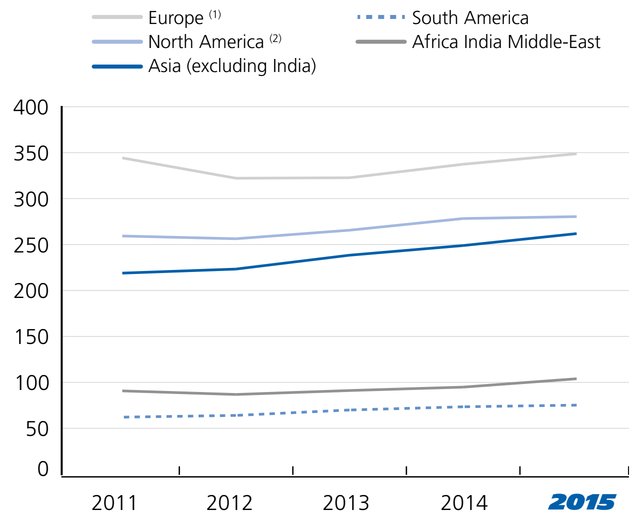
(in millions of tires)



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

THE REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION

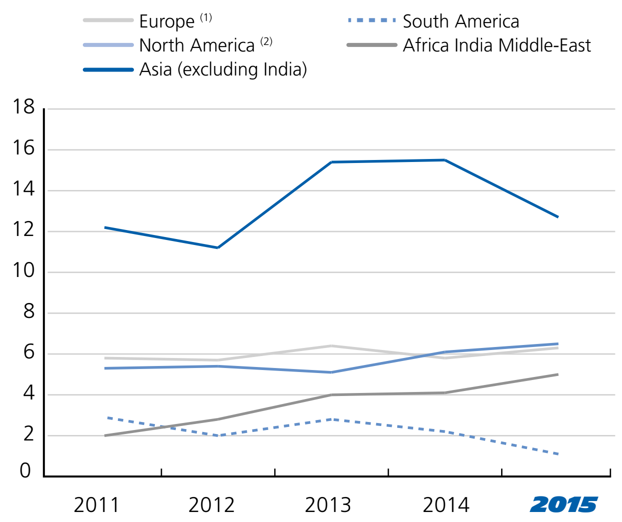
(in millions of tires)



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

THE ORIGINAL EQUIPMENT TRUCK TIRE MARKET BY REGION

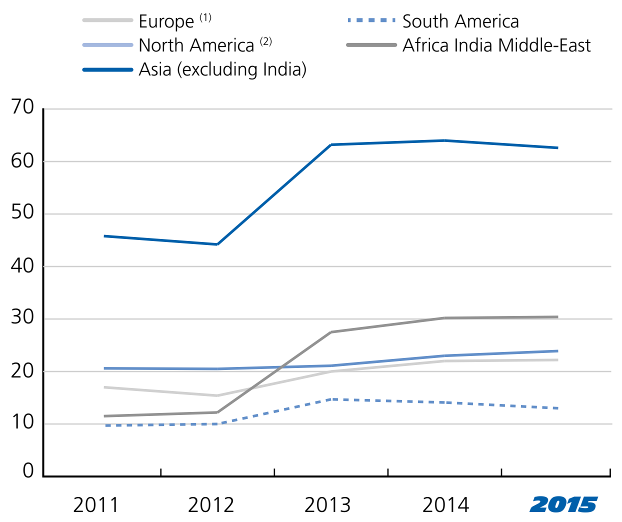
(in millions of new tires)



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

THE REPLACEMENT TRUCK TIRE MARKET BY REGION

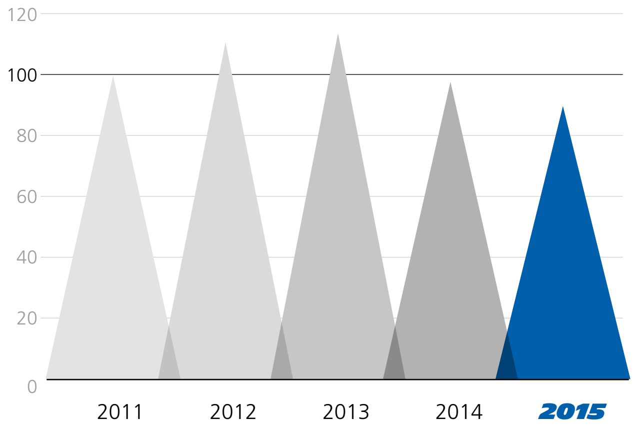
(in millions of new tires)



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

THE EARTHMOVER MINING TIRE MARKET

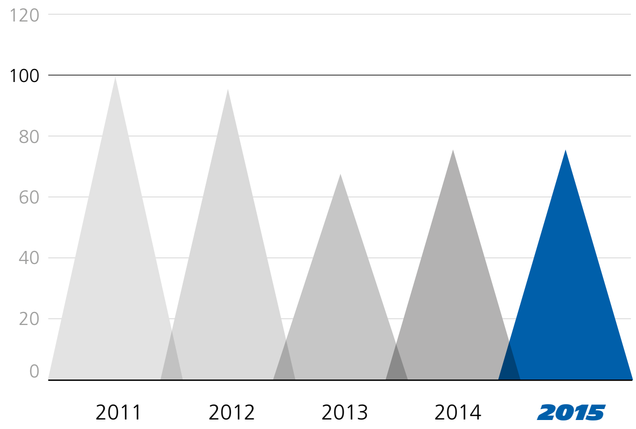
(base 100 in 2011 in number of tires)



Michelin estimates.

THE EARTHMOVER INFRASTRUCTURE & ORIGINAL EQUIPMENT TIRE MARKET

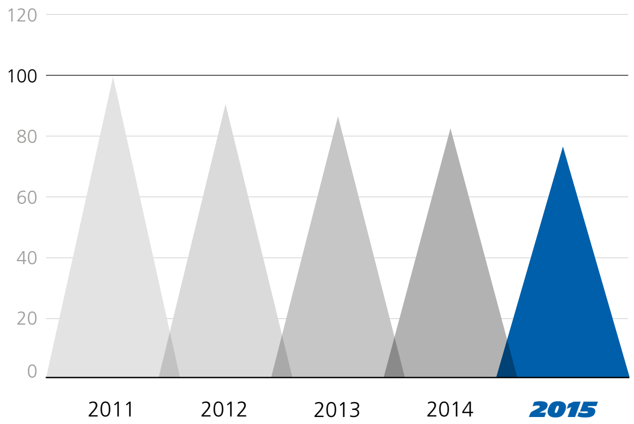
(base 100 in 2011 in number of tires)



Michelin estimates.

THE AGRICULTURAL TIRE MARKET

(base 100 in 2011 in number of tires in Europe and North America)

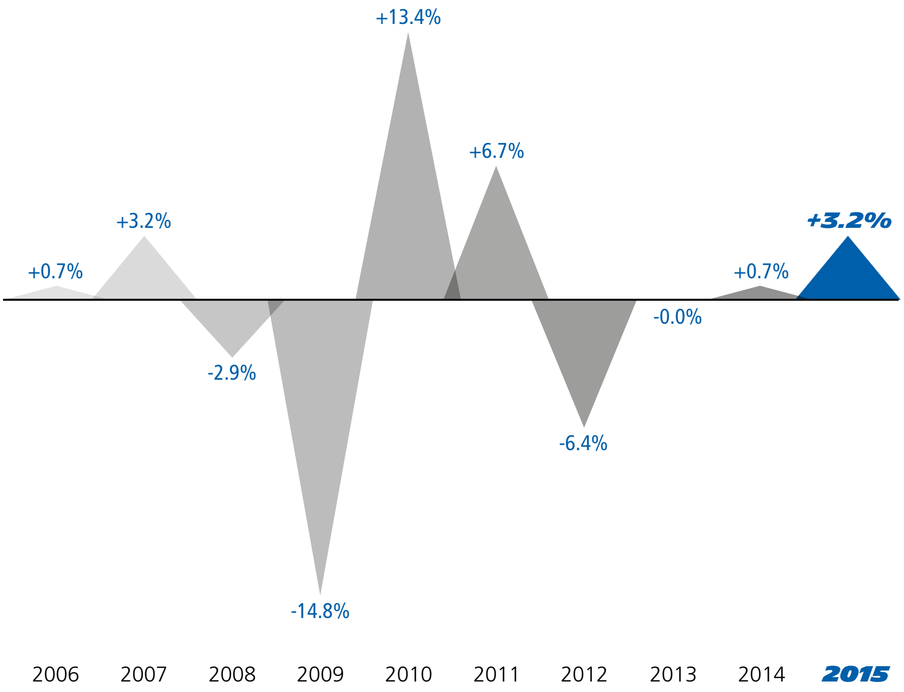


Michelin estimates.

3.2 SALES

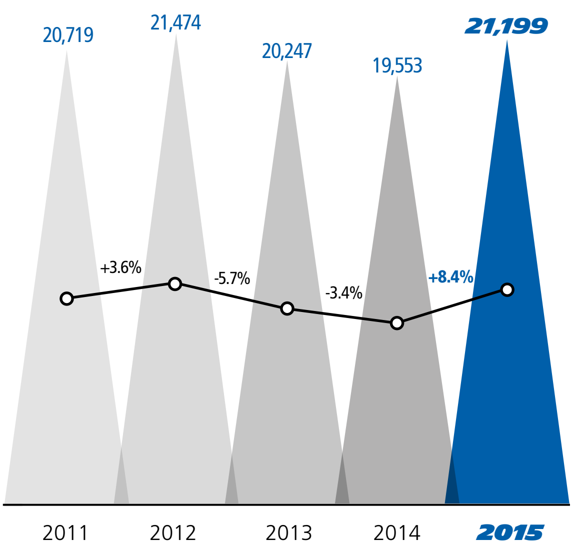
SALES VOLUME

(in tons)



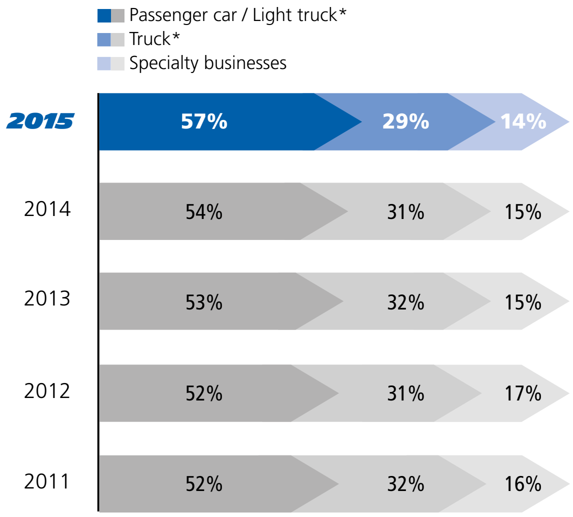
NET SALES

(in € million)



NET SALES BY REPORTING SEGMENT – BREAKDOWN

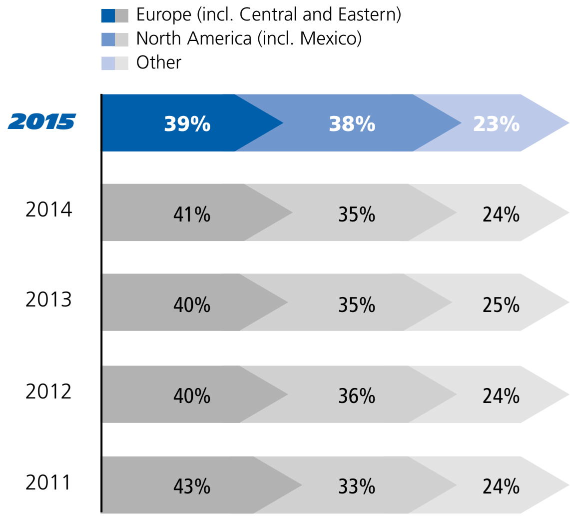
(in value)



* *And related distribution.*

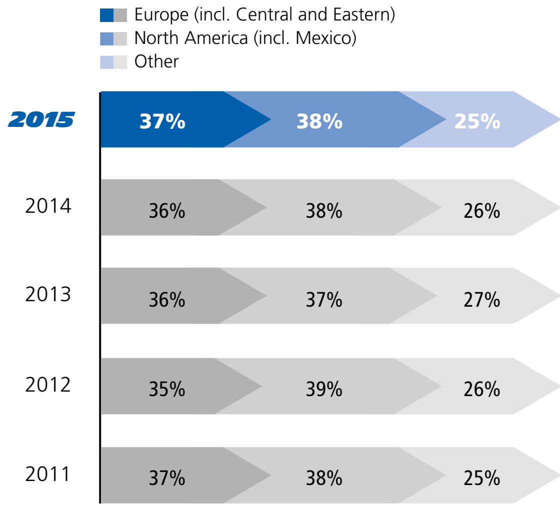
NET SALES BY REGION – BREAKDOWN

(in value)



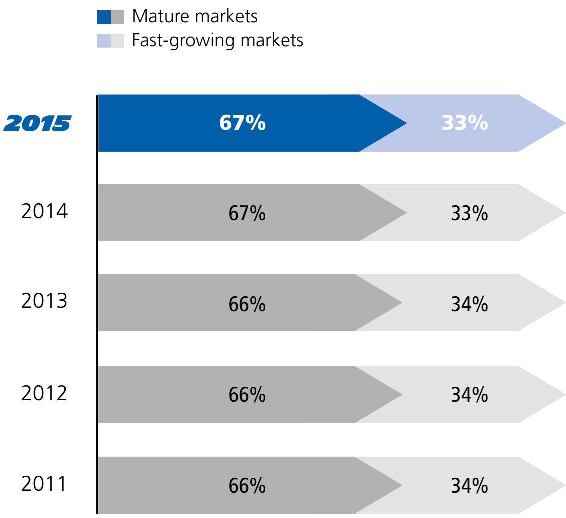
SALES BY REGION – BREAKDOWN

(in tons)



BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

(in tons)

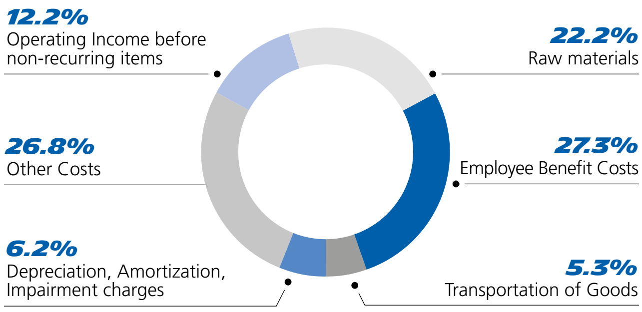


* *Mature markets: United States, Canada, Western Europe and Japan.*

3.3 EARNINGS

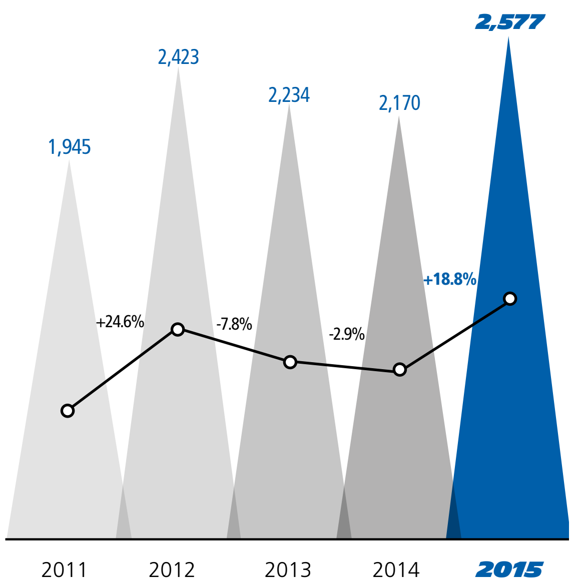
ANALYSIS OF OPERATING EXPENSES

(as a % of 2015 net sales)



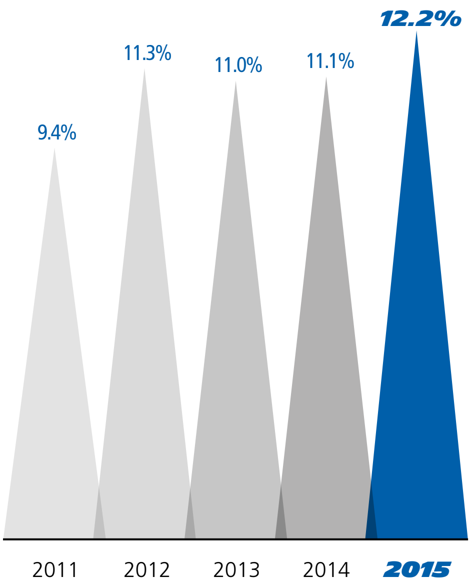
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



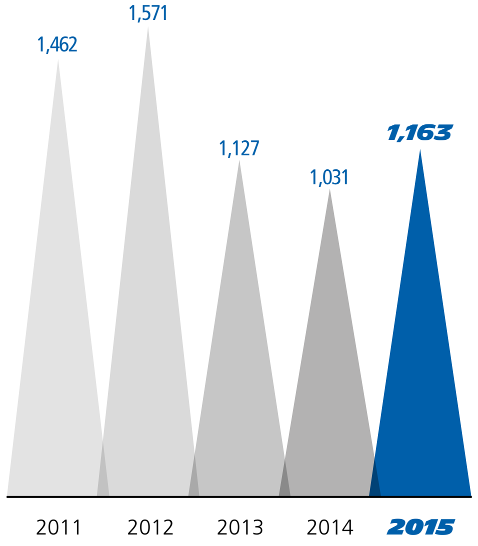
OPERATING MARGIN BEFORE NON-RECURRING ITEMS

(as a % of net sales)



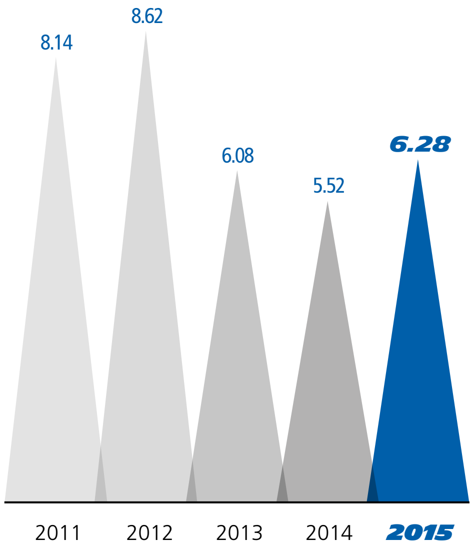
NET INCOME

(in € million)



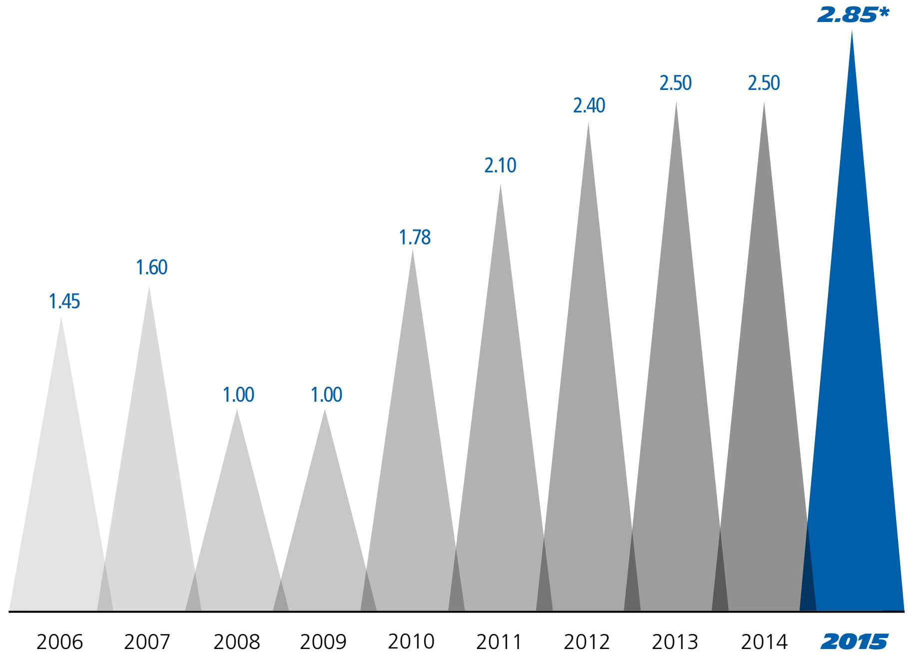
BASIC EARNINGS PER SHARE

(in €)



DIVIDEND PER SHARE

(in €)



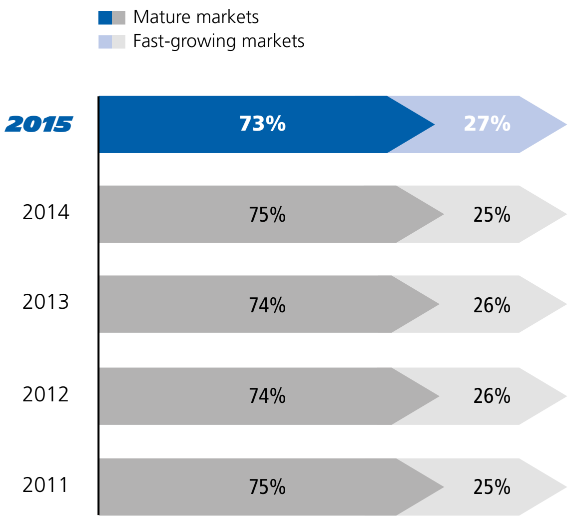
* *Subject to approval by the Annual Meeting of May 13, 2016.*

3.4 REPORTING SEGMENTS

3.4.1 PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

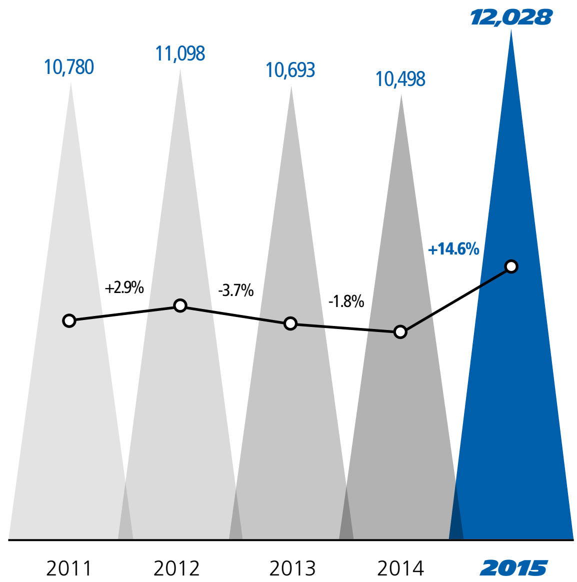
(in tons)



* *Mature markets: United States, Canada, Western Europe and Japan.*

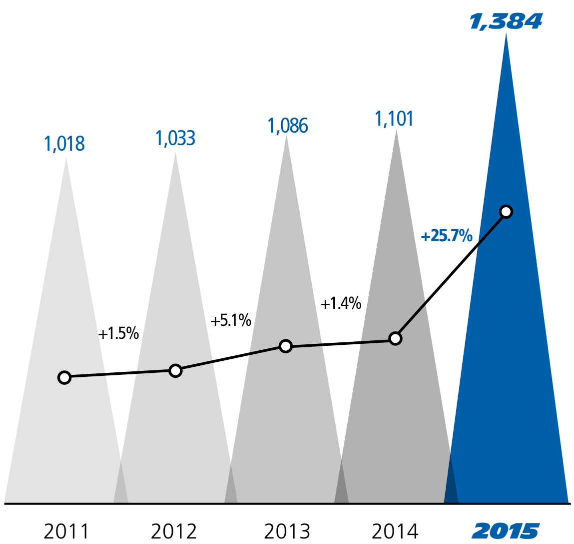
NET SALES

(in € million)



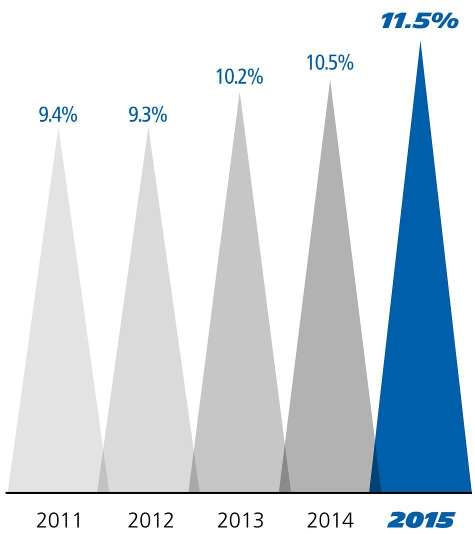
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

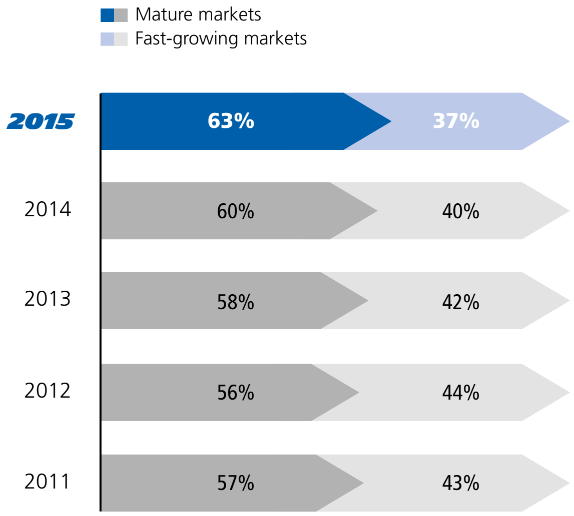
(as a % of net sales)



3.4.2 TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

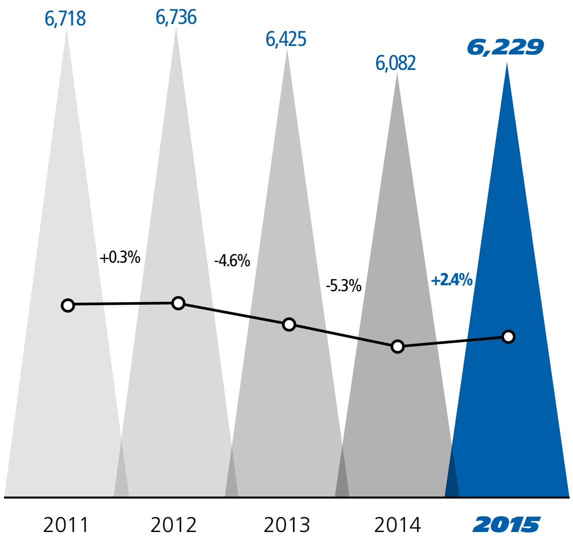
(in tons)



* *Mature markets: United States, Canada, Western Europe and Japan.*

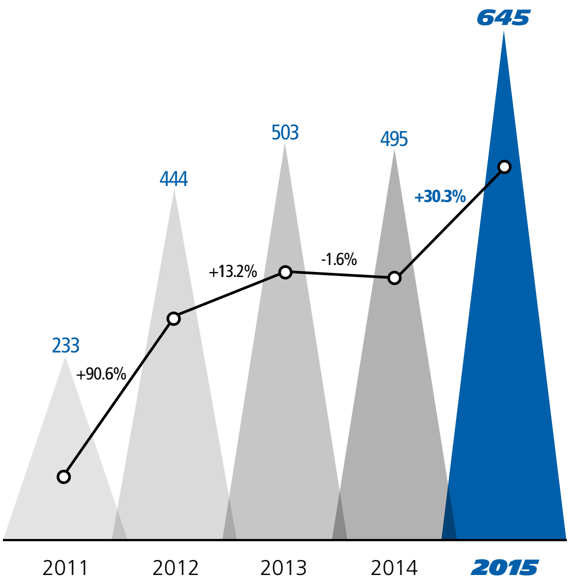
NET SALES

(in € million)



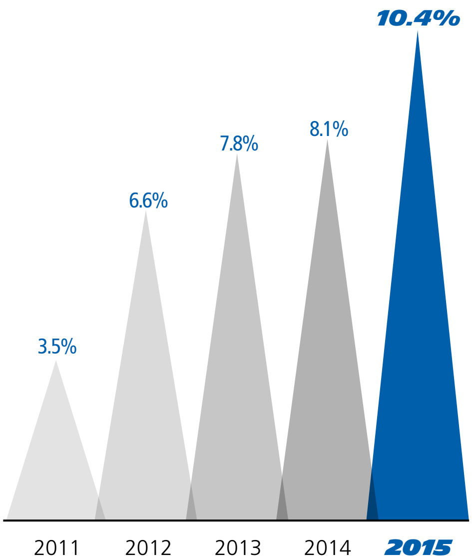
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

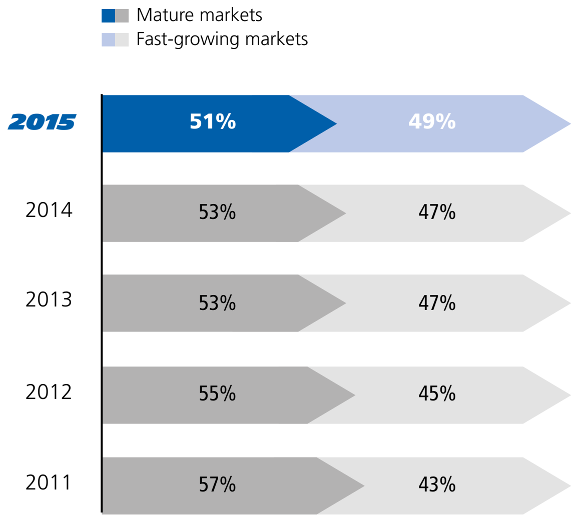
(as a % of net sales)



3.4.3 SPECIALTY BUSINESSES

BREAKDOWN OF SPECIALTY TIRE SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

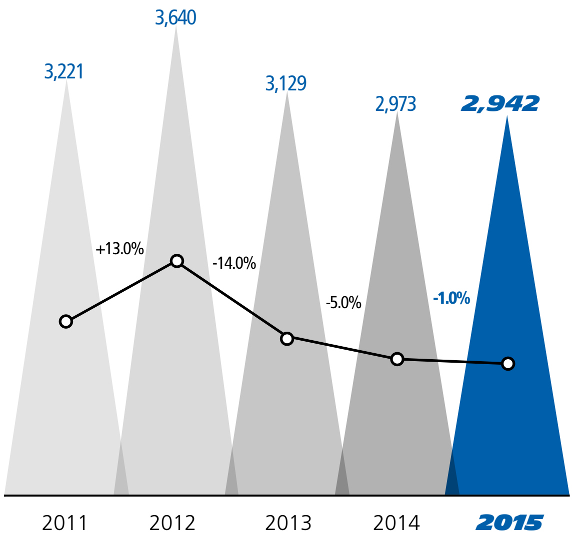
(in tons)



* *Mature markets: United States, Canada, Western Europe and Japan.*

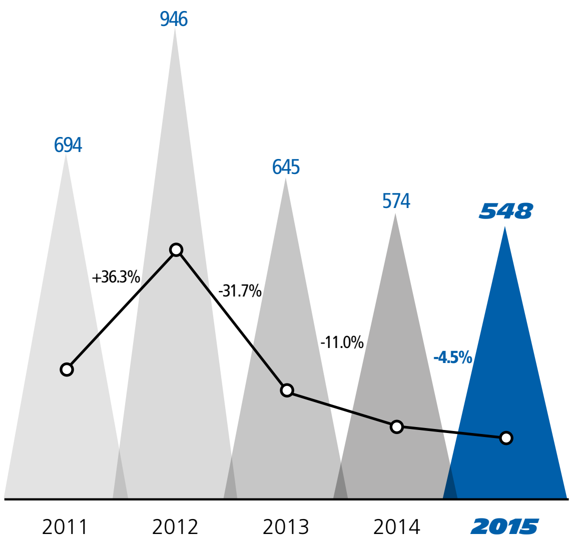
NET SALES

(in € million)



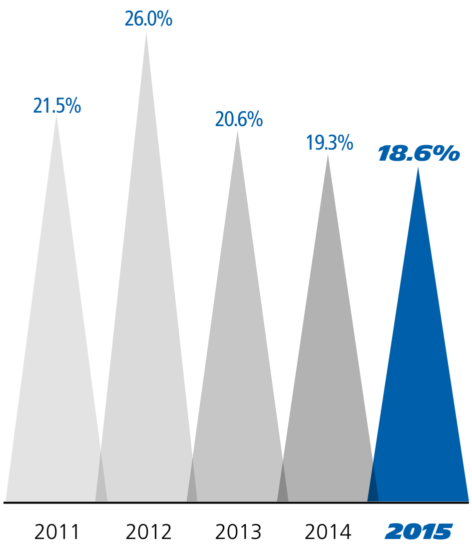
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

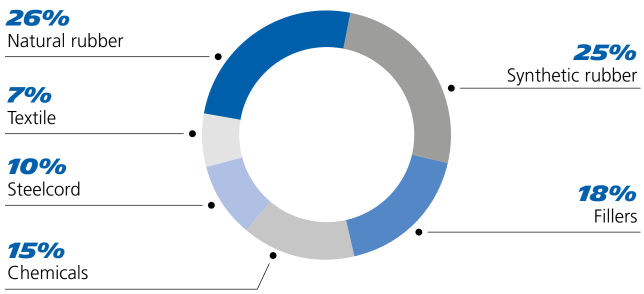
(as a % of net sales)



3.5 COST STRUCTURE

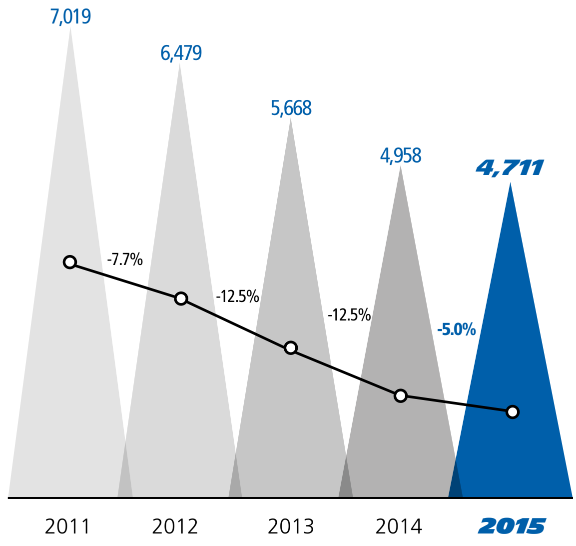
RAW MATERIAL COST

(in €, in 2015)



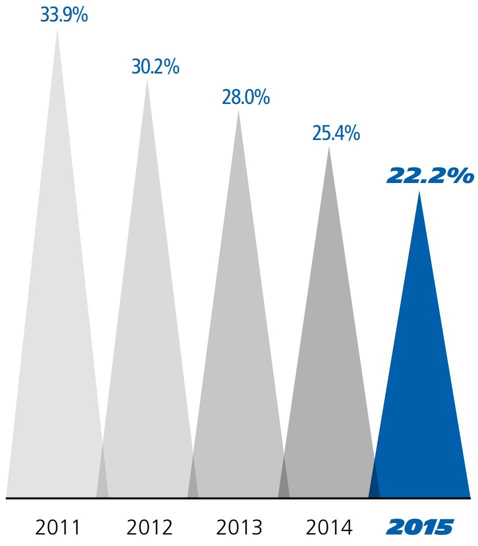
RAW MATERIAL COST

(in € million)



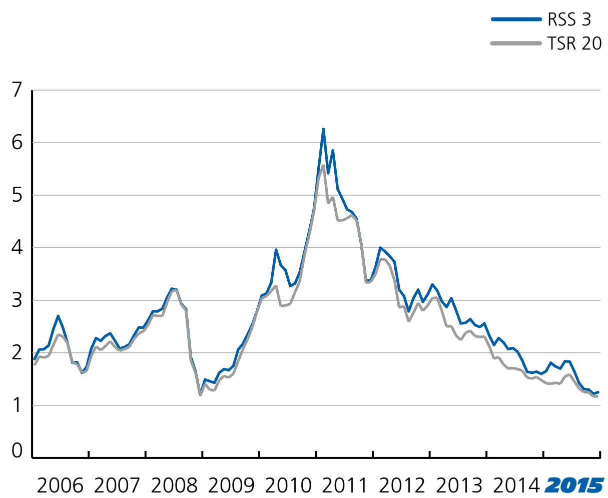
RAW MATERIAL COST

(as a % of net sales)



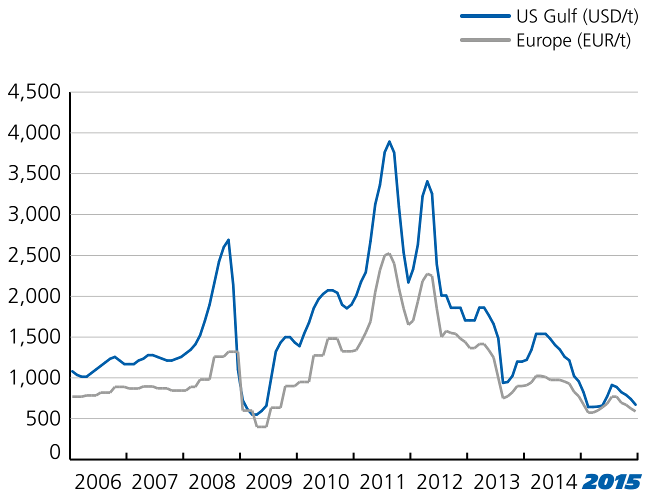
NATURAL RUBBER PRICES*

(in $/kg)



* *Monthly average.*

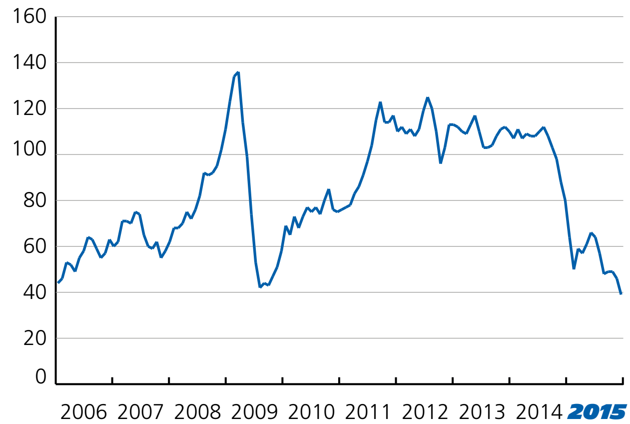
BUTADIENE PRICES*



* *Monthly average.*

BRENT OIL PRICES*

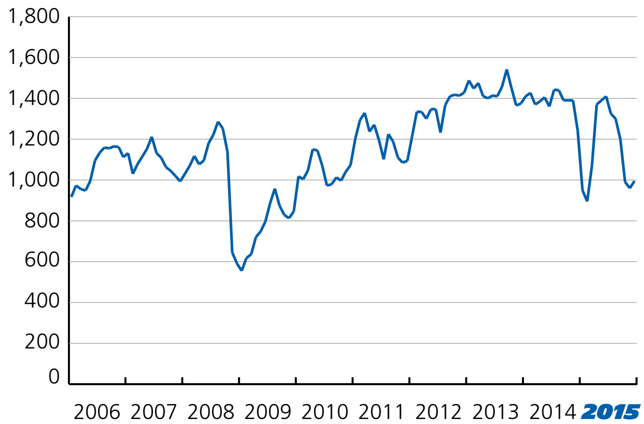
(in $/bbl)



* *Monthly average.*

STYRENE PRICES*

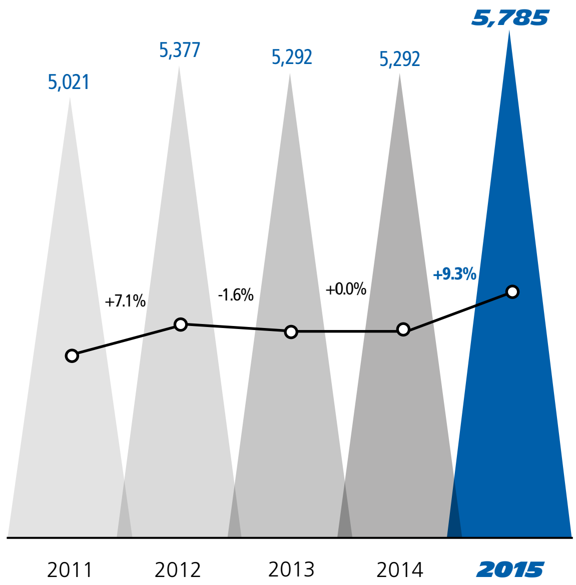
(in €/ton)



* *Monthly average.*

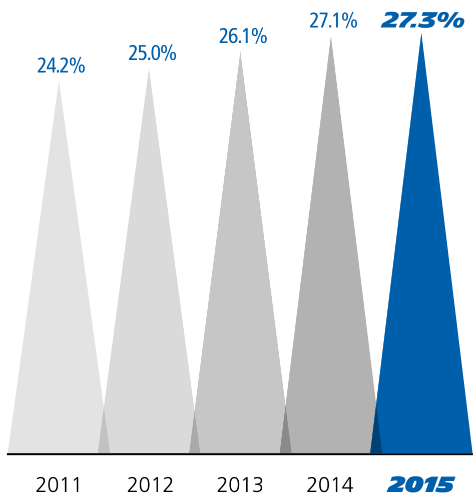
EMPLOYEE BENEFIT COSTS

(in € million)



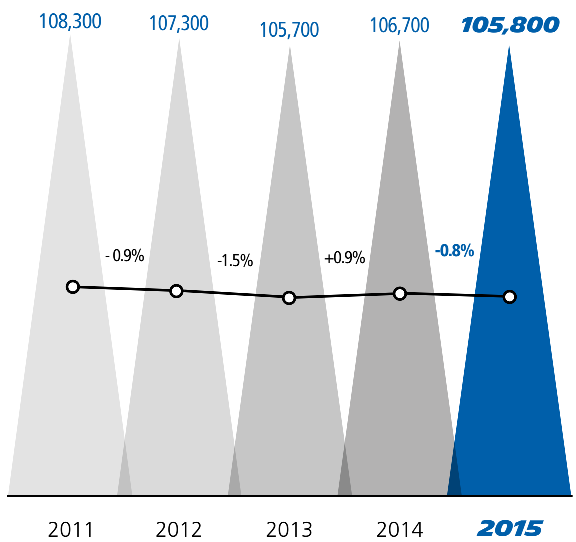
EMPLOYEE BENEFIT COSTS

(as a % of net sales)



NUMBER OF EMPLOYEE

(full-time equivalent employees at December 31)



EMPLOYEES BY REGION

(full-time equivalent employees at December 31)

	2015	2014	2013	2012	2011
Europe	61,400	61,300	62,100	63,100	64,500
North America	21,700	21,900	21,300	21,400	21,700
Asia (excluding India)	15,000	15,400	15,400	15,300	15,000
South America	6,000	6,300	5,100	5,500	5,300
Africa India Middle-East	1,700	1,800	1,800	2,000	1,800
TOTAL	**105,800**	**106,700**	**105,700**	**107,300**	**108,300**
including mature countries (1)	*67%*	*66%*	*68%*	*68%*	*68%*
including fast-growing countries	*33%*	*34%*	*32%*	*32%*	*32%*

(1) Mature countries: United States, Canada, Western Europe, Japan.

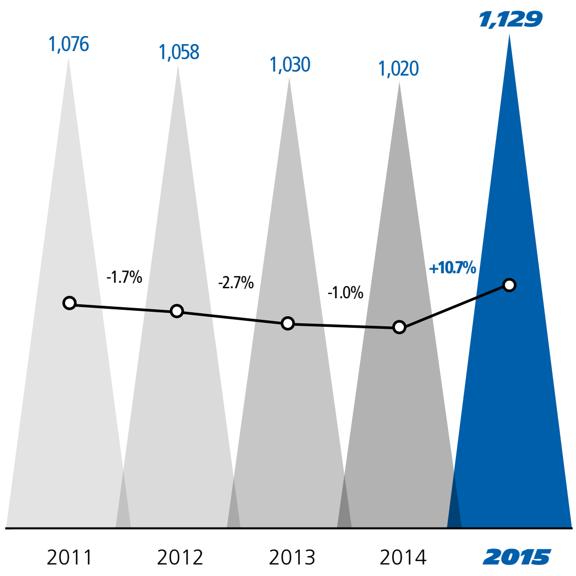
EMPLOYEES BY JOB CATEGORY

(total workforce at December 31)

	2015	2014	2013	2012	2011
Production workers	61.5%	62.4%	61.4%	63.1%	63.6%
Administrative and technical staff	30.3%	30.0%	31.0%	30.1%	30.0%
Managers	8.2%	7.6%	7.6%	6.8%	6.4%

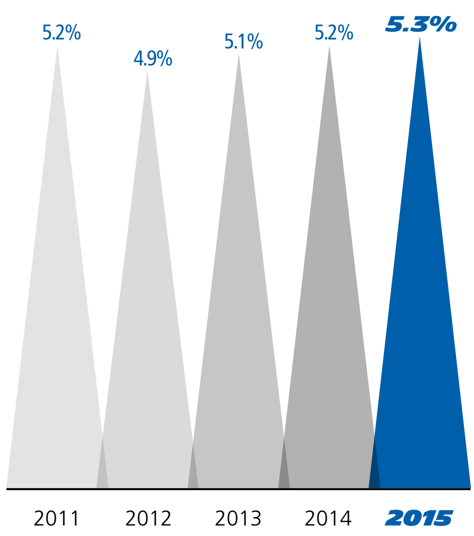
TRANSPORTATION COSTS

(in € million)



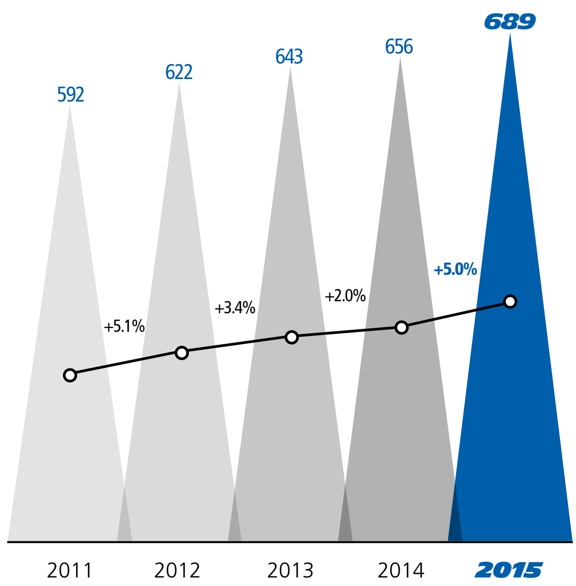
TRANSPORTATION COSTS

(as a % of net sales)



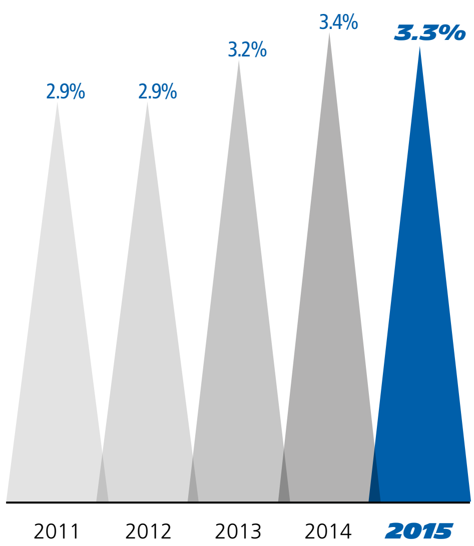
RESEARCH AND DEVELOPMENT COSTS

(in € million)



RESEARCH AND DEVELOPMENT COSTS

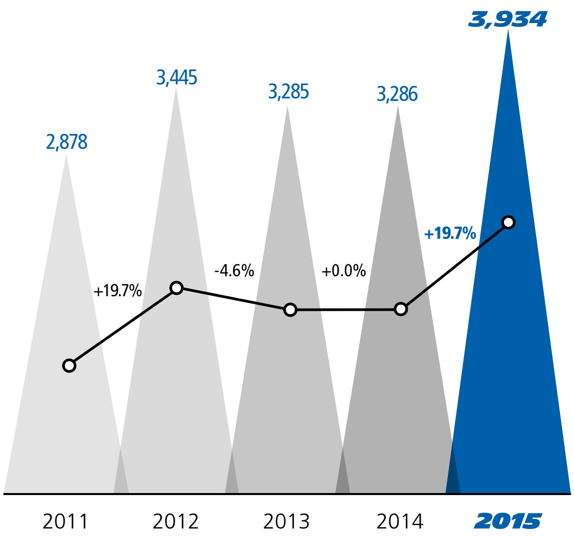
(as a % of net sales)



3.6 CASH FLOW AND BALANCE SHEET

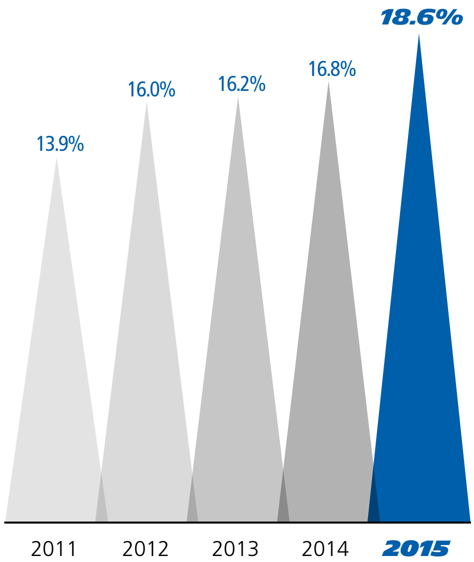
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES (1)

(in € million)



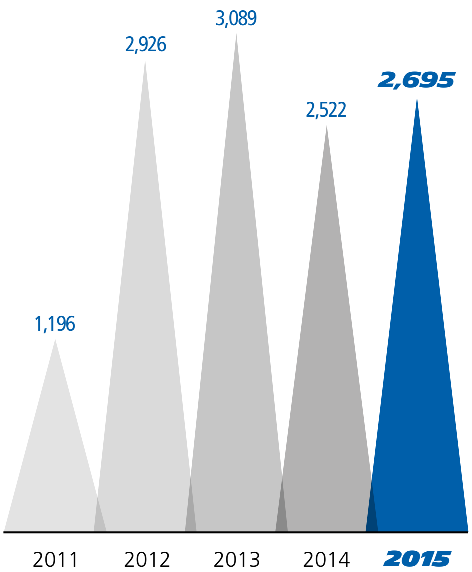
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES (1)

(as a % of net sales)



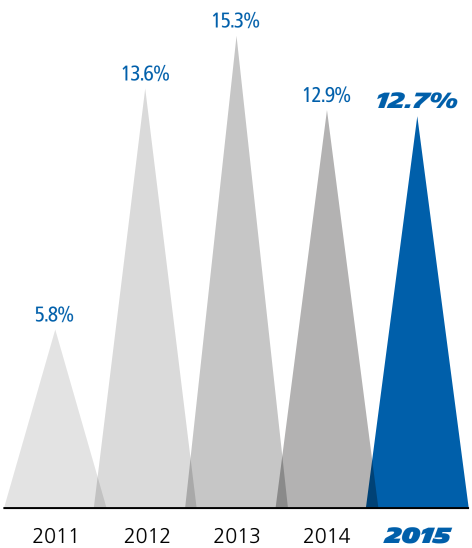
CASH FLOWS FROM OPERATING ACTIVITIES

(in € million)



CASH FLOWS FROM OPERATING ACTIVITIES

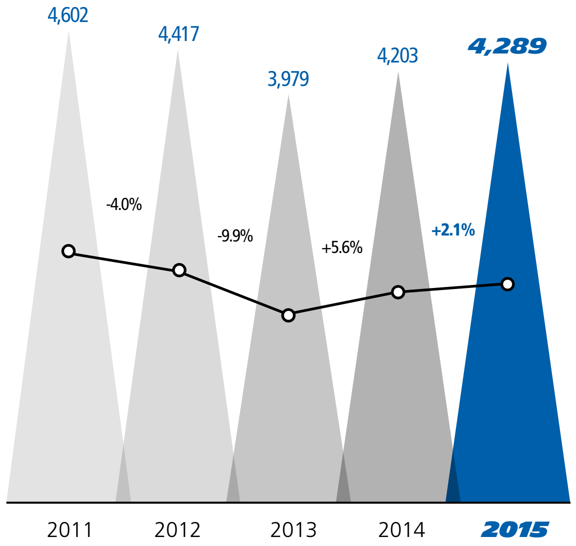
(as a % of net sales)



(1) This indicator is as defined in note 3.7.2 to the consolidated financial statements.

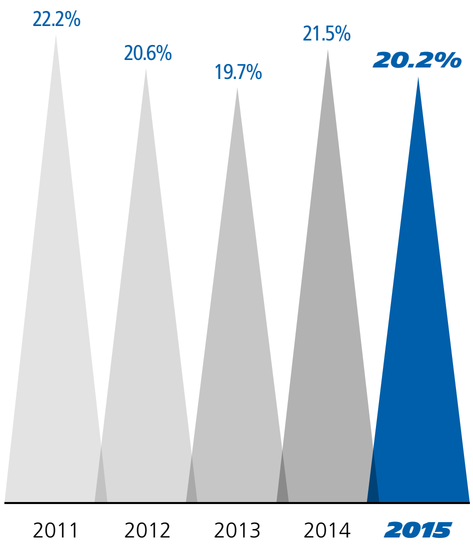
INVENTORIES

(in € million)



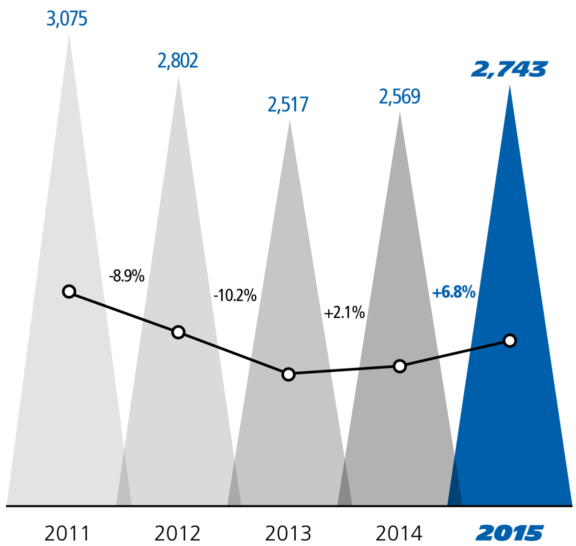
INVENTORIES

(as a % of net sales)



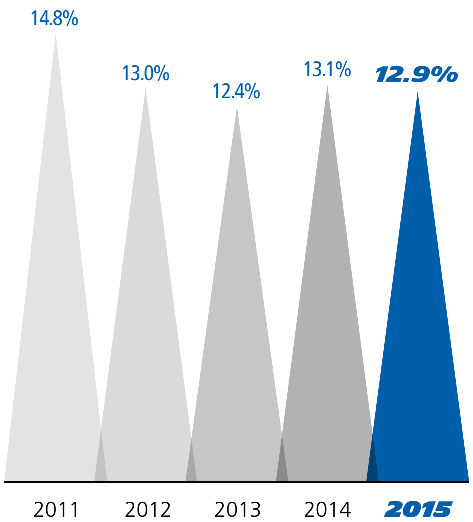
TRADE RECEIVABLES

(in € million)



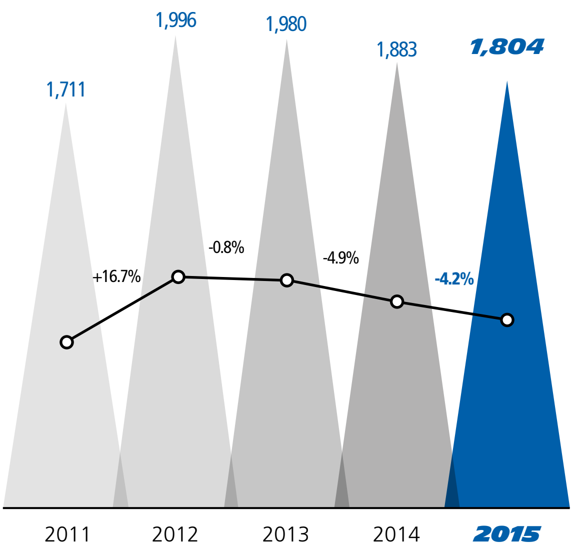
TRADE RECEIVABLES

(as a % of net sales)



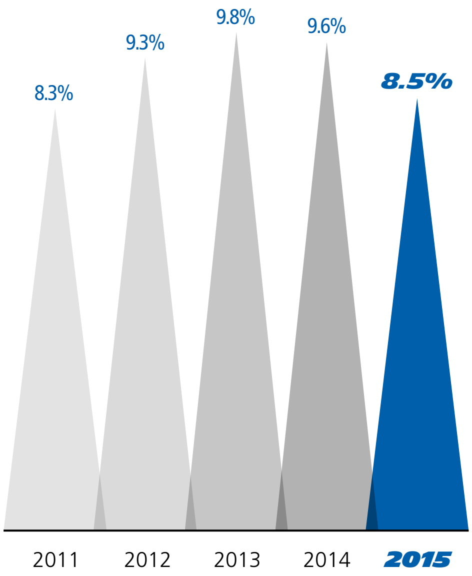
CAPITAL EXPENDITURE

(in € million €)



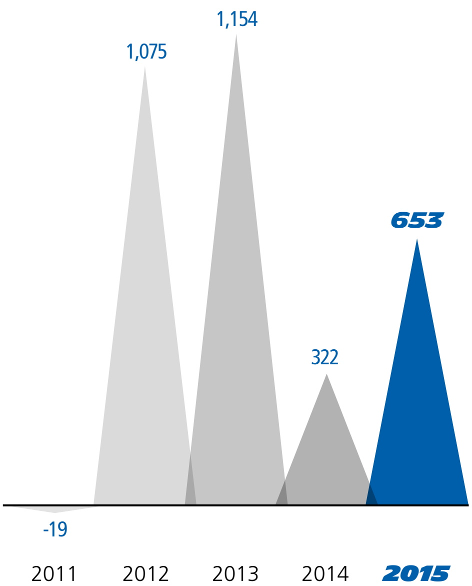
CAPITAL EXPENDITURE

(as a % of net sales)



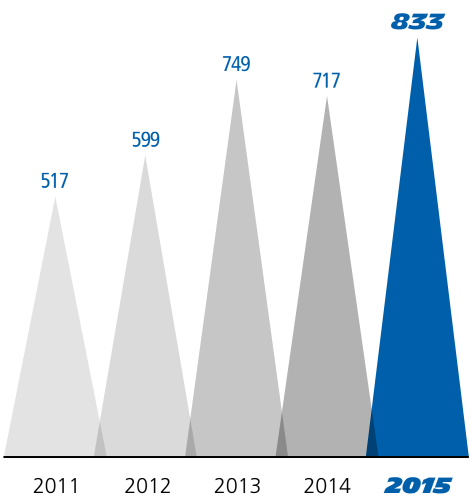
FREE CASH FLOW (1) (AFTER CAPITAL EXPENDITURE AND BEFORE PAYMENT OF DIVIDENDS)

(in € million)



STRUCTURAL FREE CASH FLOW (1)

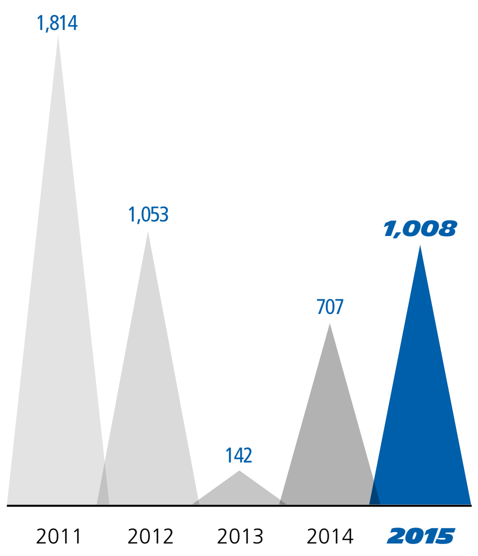
(in € million)



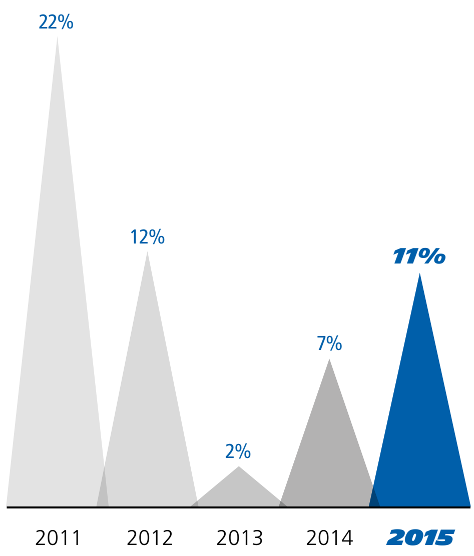
(1) This indicator is defined in section 3.6.3 of the present document.

NET DEBT (1)

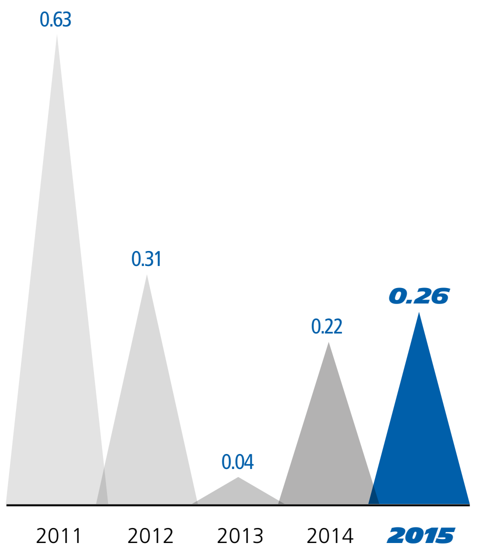
(in € million)



NET DEBT-TO-EQUITY RATIO (1)

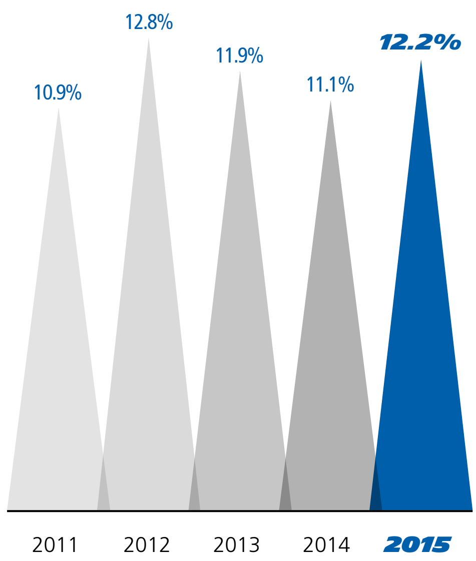


NET DEBT (1)-TO-EBITDA RATIO (2)



RETURN ON CAPITAL EMPLOYED (3)

(after tax)



(1) This indicator is defined in note 26 to the consolidated financial statements.
(2) This indicator is defined in note 3.7.2 to the consolidated financial statements.
(3) This indicator is defined in section 3.7 of the present document.

3.7 CONSOLIDATED KEY FIGURES AND RATIOS

In € million	2015	2014	2013	2012	2011
Net sales	21,199	19,553	20,247	21,474	20,719
% change	+8.4%	-3.4%	-5.7%	+3.6%	+15.8%
Total employee benefit costs	5,785	5,292	5,292	5,377	5,021
as a % of sales	27.3%	27.1%	26.1%	25.0%	24.2%
Number of employees (full time equivalent)	105,800	106,700	105,700	107,300	108,300
Research and development expenses	689	656	643	622	592
as a % of sales	3.3%	3.4%	3.2%	2.9%	2.9%
EBITDA before non-recurring income and expenses (1)	3,934	3,286	3,285	3,445	2,878
Operating income before non-recurring income and expenses	2,577	2,170	2,234	2,423	1,945
Operating margin before non-recurring income and expenses	12.2%	11.1%	11.0%	11.3%	9.4%
Operating income	2,207	1,991	1,974	2,469	1,945
Operating margin	10.4%	10.2%	9.7%	11.5%	9.4%
Cost of net debt	184	130	94	155	206
Other financial income and expenses	(30)	(43)	(15)	(22)	236
Income before taxes	1,869	1,651	1,702	2,307	1,996
Income tax	706	620	575	736	534
Effective tax rate	37.8%	37.5%	33.8%	31.9%	26.8%
Net income	1,163	1,031	1,127	1,571	1,462
as a % of sales	5.5%	5.3%	5.6%	7.3%	7.1%
Dividends (2)	463	464	438	378	314
Cash flows from operating activities	2,695	2,522	3,089	2,926	1,196
as a % of sales	12.7%	12.9%	15.3%	13.6%	5.8%
Gross purchases of intangible assets and PP&E	1,804	1,883	1,980	1,996	1,711
as a % of sales	8.5%	9.6%	9.8%	9.3%	8.3%
Net debt (3)	1,008	707	142	1,053	1,814
Equity	9,542	9,523	9,256	8,501	8,101
Gearing	11%	7%	2%	12%	22%
Net debt (3) / EBITDA (1)	0.26	0.22	0.04	0.31	0.63
Cash flows from operating activities / Net debt (3)	NS	NS	NS	NS	65.9%
Operating income before non-recurring items / Net interest charge (4)	12.8	16.0	15.7	14.2	9.2
Free cash flow (5)	653	322	1,154	1,075	(19)
ROE (6)	12.2%	10.8%	12.2%	18.5%	18.1%
ROCE (7)	12.2%	11.1%	11.9%	12.8%	10.9%
Per share data (in €)					
Net assets per share (8)	52.5	51.3	49.8	46.6	45.9
Basic earnings per share	6.28	5.52	6.08	8.62	8.14
Diluted earnings per share	6.19	5.45	5.98	8.41	7.97
Price-earnings ratio (9)	14.0	13.6	12.7	8.3	5.6
Dividend for the year (10)	2.85	2.50	2.50	2.40	2.10
Pay-out ratio (11)	37%	40.6%	35.0%	28.7%	30.0%
Yield (12)	3.2%	3.3%	3.2%	3.4%	4.6%
Share turnover rate (13)	99%	91%	99%	129%	180%

(1) As defined in note 3.7.2 to the 2015 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 2015 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 3.6.3.
(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 3.7.
(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) Subject to approval at the Annual Shareholders Meeting on May 13, 2016.
(11) Distribution rate: Dividend/Net income excluding non recurring income and expenses.
(12) Dividend yield: dividend per share/share price at December 31.
(13) Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.

4 CORPORATE GOVERNANCE

4.1 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

4.1.1 SENIOR MANAGEMENT

Michelin is led by Jean-Dominique Senard, Chief Executive Officer and General Partner.

	Directorships and other positions held
JEAN-DOMINIQUE SENARD Born in 1953 16,797 shares owned as of December 31, 2015 First elected: May 13, 2011 *(Managing General Partner)* **Experience:** Graduate of HEC business school, MA in Law. From 1979 to 1996, held various management positions in finance and operations at Total then Saint-Gobain. Joined Pechiney in 1996 as Chief Financial Officer and member of the Executive Committee, then Director, Primary Aluminum Division, until 2004. Subsequently appointed as a member of Alcan group's Executive Committee and Chairman of Pechiney S.A. Joined Michelin in 2005 as Chief Financial Officer and member of the Executive Council, becoming Non-General Managing Partner in 2007. **Business address:** 23, place des Carmes-Déchaux 63000 Clermont-Ferrand, France	**Chief Executive Officer** **2011** Non-General Managing Partner of CGEM* *(until May 2011)* Director of Compagnie Financière du groupe Michelin "Senard et Cie" (CFM) Director of Groupe SEB* **2012 – 2013** Managing Partner of Compagnie Financière du groupe Michelin "Senard et Cie" (CFM) Director of Groupe SEB* *(until May 2013)* Director of Saint-Gobain* **2014 – 2015** Managing Partner of Compagnie Financière du groupe Michelin "Senard et Cie" (CFM) Director of Saint-Gobain*

* *Listed company.*

4.1.2 SUPERVISORY BODIES

4.1.2 a) Membership of the Supervisory Board as of December 31, 2015 (1)

As of December 31, 2015, the Supervisory Board comprised nine members (seven of whom were qualified as independent).

	Directorships and other positions held
OLIVIER BAZIL Born in 1946 – French national 1,010 shares owned as of December 31, 2015 First elected: May 17, 2013 Current term expires: 2017 **Experience:** Olivier Bazil is a Director of Legrand* and a Member of the Board's Strategy and Social Responsibility Committee and Nominating and Governance Committee. He has spent his entire career with Legrand*, which he joined in 1973 as Deputy Company Secretary before becoming Chief Financial Officer (1979), a Director (1989), Deputy Chief Executive Officer and a Member of the Executive Committee (1994), and then Vice Chairman of the Board of Directors and Chief Operating Officer. He is a graduate of HEC and holds an MBA from Harvard Business School. **Business address:** Legrand 128, avenue de Lattre de Tassigny 87000 Limoges France	**Independent Member** **Chairman of the Audit Committee** **2011 – 2014** Director of Legrand* and a Member of the Board's Strategy and Social Responsibility Committee and Nominating and Compensation Committee Director of Firmenich International S.A. and Chairman of its Audit Committee Member of the Supervisory Board of Société Civile du Château Palmer Chairman of Fritz S.A.S. Director of Vallourec*, Chairman of its Audit Committee and member of its Strategy Committee **2015** Director of Legrand* and a Member of the Board's Strategy and Social Responsibility Committee and Nominating and Governance Committee Director of Firmenich International S.A. and Chairman of its Audit Committee Member of the Supervisory Board of Société Civile du Château Palmer Chairman of Fritz S.A.S. Director of Vallourec*, Chairman of its Audit Committee and member of its Strategy Committee

* *Listed company.*

(1) As explained in the 2014 Registration Document (see section 4.1.2 a)), Laurence Parisot, a member of the Supervisory Board since May 20, 2005, tendered her resignation on July 24, 2015, to comply with the rules on multiple directorships.

	Directorships and other positions held
PAT COX Born in 1952 – Irish national 491 shares owned as of December 31, 2015 First elected: May 20, 2005 Current term expires: 2018 **Experience:** Pat Cox is a former Member of the Irish Parliament and of the European Parliament. He served as President of the European Parliament from January 2002 to June 2004. He is President of *Fondation Jean Monnet pour l'Europe,* European Coordinator for the Scandinavian-Mediterranean Corridor transportation infrastructure project, Chairman of the KPMG Ireland Public Interest Committee and Chairman of the Board of *Alliance Française Dublin.* **Business address:** 7 Maretimo Gardens East Blackrock County Dublin Ireland	**Independent Member** **Member of the Compensation and Appointments Committee** **2011** President of the European Movement International Member of the Board of Trustees of Friends of Europe Director of UCD Michael Smurfit Graduate School of Business Member of the President's Consultative Board, University College Cork Patron of the Blue Box Creative Learning Centre Member of the Microsoft European Advisory Council **2012** Member of the Board of Trustees of Friends of Europe Director of UCD Michael Smurfit Graduate School of Business Member of the President's Consultative Board, University College Cork Patron of the Blue Box Creative Learning Centre President of the European Parliament Former Members Association **2013** Member of the Board of Trustees of Friends of Europe Director of UCD Michael Smurfit Graduate School of Business Member of the President's Consultative Board, University College Cork Patron of the Blue Box Creative Learning Centre President of the European Parliament Former Members Association **2014 – 2015** Member of the Board of Trustees of Friends of Europe Patron of the Blue Box Creative Learning Centre
BARBARA DALIBARD Born in 1958 – French national 485 shares owned as of December 31, 2015 First elected: May 16, 2008 Current term expires: 2018 **Experience:** Barbara Dalibard is Chief Executive Officer of the SNCF's Voyageurs Division. Before joining SNCF, she was a member of the France Telecom group Management Committee, in charge of enterprise communication solutions and prior to that she held various management positions within France Telecom and Alcatel. **Business address:** SNCF Direction Générale Voyageurs Campus Wilson 9, rue Jean-Philippe Rameau CS 20012 93212 Saint-Denis Cedex France	**Independent Member** **Chairman of the Compensation and Appointments Committee** **2011** Chief Executive Officer of SNCF Voyages Chairman of Voyages-SNCF.com S.A.S. Chairman of VFe Commerce S.A.S. Chairman of SNCF Voyages Développement S.A.S. Director of Nuovo Trasporto Viaggiatori S.p.A. (NTV) Member of the Supervisory Board of Wolters Kluwer **2012 – 2013** Chief Executive Officer of SNCF Voyages Chairman of VSC Group Director of Nuovo Trasporto Viaggiatori S.p.A. (NTV) Member of the Supervisory Board of Wolters Kluwer Director of Eurostar International Limited **2014** Chief Executive Officer of SNCF Voyages Chairman of VSC Group Director of Nuovo Trasporto Viaggiatori S.p.A. (NTV) Member of the Supervisory Board of Wolters Kluwer Director of Eurostar International Limited **2015** Chief Executive Officer of SNCF Voyages Chairman of VSC Group Director of Nuovo Trasporto Viaggiatori S.p.A. (NTV) *(until her resignation at the end of 2015)* Member of the Supervisory Board of Wolters Kluwer *(until her resignation in mid-2015)* Director of Eurostar International Limited Director of Société Générale *(since June 2015)*

	Directorships and other positions held
ANNE-SOPHIE DE LA BIGNE Born in 1960 – French national 903 shares owned as of December 31, 2015 First elected: May 17, 2013 Current term expires: 2016 **Experience:** Since 2008, Anne-Sophie de La Bigne has been Vice President in charge of civil affairs in the Public Affairs Division, France, at Airbus Group. Anne-Sophie de La Bigne began her career in 1983 as a financial controller with the Matra group before joining the Strategy & Business Development Department of the Lagardère group, where she worked from 1985 to 1999. She subsequently became Head of the Strategic Analysis Department at Aerospatiale Matra/EADS, a position she held until 2001. Between 2001 and 2006, she served as Vice President, Strategy and European Affairs, at Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS) and, from 2006 to 2007, she was responsible for international corporate relations in the EADS' Public Affairs Division. **Business address:** Airbus Group 12, rue Pasteur – BP 76 92152 Suresnes Cedex France	**Independent Member** **Member of the Audit Committee** **2010 – 2015** No other directorships
JEAN-PIERRE DUPRIEU Born in 1952 – French national 510 shares owned as of December 31, 2015 First elected: May 17, 2013 Current term expires: 2016 **Experience:** Jean-Pierre Duprieu is Executive Vice President of the Air Liquide group*. He has been a Member of Air Liquide's Executive Management team since 2010, in charge of supervising the group's European and Healthcare activities as well as corporate functions, including information systems and Efficiency/Purchasing programs. **Business address:** Air Liquide 75, quai d'Orsay 75006 Paris Cedex 07 France	**Independent Member** **Member of the Audit Committee** **2011 – 2012** Executive Vice President of the Air Liquide group* Director of Air Liquide Santé International Chairman of the Board of Directors of Air Liquide Eastern Europe *(since May 2012)* **2013** Executive Vice President of the Air Liquide group* Director of Air Liquide Santé International Chairman of the Board of Directors of Air Liquide Eastern Europe Director of Air Liquide Welding *(since June 2013)* **2014 – 2015** Executive Vice President of the Air Liquide group* Director of Air Liquide Santé International Chairman of the Board of Directors of Air Liquide Eastern Europe Director of Air Liquide Welding

* *Listed company.*

	Directorships and other positions held
ARUNA JAYANTHI Born in 1962 – Indian national 200 shares owned as of December 31, 2015 First elected: May 22, 2015 Current term expires: 2018 **Experience:** From 2011 until the end of 2015, Aruna Jayanthi was Chief Executive Officer of Capgemini India, responsible for overseeing all of the Capgemini group's operations in India, covering Consulting, Technology and Outsourcing Services provided by some 50,000 employees. On January 1, 2016, she became head of a new global Business Services unit comprising ITOPS and BPO (Capgemini and IGATE). After obtaining a Master's degree in finance management from the Narsee Monjee Institute of Management Studies in Mumbai, Aruna Jayanthi held various IT services positions between 1984 and 2000 (including at clients' offices in Europe and the United States), with Tata Consulting Services, Aptech and other companies. She joined the Capgemini group in 2000. **Business address:** Capgemini India Pvt. Ltd Godrej & Boyce Compound LBS Road, Vikhroli (West) Mumbai 400079 (India)	**Independent Member** **2011** Director of Capgemini Business Services India Limited Director of Thesys Technologies Private Limited Chairman of the Board of Directors of Capgemini India Private Limited **2012** Chairman of the Board of Directors of Capgemini India Private Limited Director of Capgemini Business Services India Limited **2013** Chairman of the Board of Directors of Capgemini India Private Limited Director of Capgemini Business Services India Limited Director of Pune Software Park Private Limited Director of Capgemini Technology Services Maroc S.A. **2014** Director of Capgemini Technology Services Maroc S.A. Chairman of the Board of Directors of Capgemini India Private Limited Director of Capgemini Business Services India Limited Director of Pune Software Park Private Limited Director of Capgemini Sverige AB Director of IBX Norge Director of Capgemini Norge AS **2015** Director of Capgemini Norge AS Director of Capgemini Technology Services Maroc S.A. Chairman of the Board of Directors of Capgemini India Private Limited Director of Capgemini Business Services India Private Limited *(formerly Capgemini Business Services India Limited)* Director of Pune Software Park Private Limited Chairman of the Board of Directors of Capgemini Sverige AB *(since July 22, 2015)*

	Directorships and other positions held
MONIQUE LEROUX Born in 1954 – Canadian national No shares owned as of December 31, 2015 (400 shares owned as of March 1, 2016) First elected: October 1, 2015 Current term expires: 2018 (appointed to the Board in 2015, subject to ratification at the 2016 Annual Shareholders Meeting) **Experience:** Monique Leroux, a Canadian national, has been Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins, Canada's largest cooperative financial group, since 2008. She is a graduate of *Université du Québec à Chicoutimi* and the University of Western Ontario, and is a Canadian certified public accountant. Prior to joining Mouvement des Caisses Desjardins in 2001, she was Senior Executive Vice President and Chief Operating Officer at Québécor, Inc., Senior Vice President, Finance at RBC Royal Bank, Senior Vice President, Quebec Division at RBC Royal Bank and Managing Partner for services to the financial industry at Ernst & Young. She has also served as President of the *Ordre des Comptables Professionnels Agréés Québec* (CPA) and sat on the Boards of many Canadian companies. She is a director of global companies and organizations such as ACT, Inc. (a Canadian company), Crédit Industriel et Commercial (CIC), the European Association of Cooperative Banks (EACB), and the International Confederation of Popular Banks (CIBP). In November 2015, she was elected President of the International Cooperative Alliance (ICA). She also chairs the International Accounting and Regulatory Affairs Committee of the ICA and the High Level Contact Group of the European Association of Cooperative Banks. In addition, she is a member of various advisory committees set up by Canadian government bodies. Monique Leroux is a member of the Order of Canada, an Officer of the *Ordre national du Québec* and a *Chevalier de la Légion d'honneur* (France) and has been awarded honorary doctorates by several Canadian universities. **Business address:** Mouvement des Caisses Desjardins Tour Sud – 40e étage 1, complexe Desjardins Montréal (Québec) H5B 1B2 Canada	**Independent Member** **2011 – 2013** Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins Chief Executive Officer of Desjardins Sécurité Financière Chief Executive Officer of Desjardins Groupe d'Assurances Générales Chair of the Board of Directors of Fédération des Caisses Desjardins du Québec/Mouvement des Caisses Desjardins Vice Chair of the Executive Committee and Director of the International Confederation of Popular Banks (CIBP) Member of the Executive Committee and Director of the European Association of Cooperative Banks **2014** Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins Chief Executive Officer of Desjardins Sécurité Financière Chief Executive Officer of Desjardins Groupe d'Assurances Générales Chair of the Board of Directors of Fédération des Caisses Desjardins du Québec/Mouvement des Caisses Desjardins Vice Chair of the Executive Committee and Director of the International Confederation of Popular Banks (CIBP) Member of the Executive Committee and Director of the European Association of Cooperative Banks Member of the Board of Directors of Crédit Industriel et Commercial (CIC) (*since December 2014*) Member of the Board of Directors of the Rideau Hall Foundation *(since November 2014)* **2015** Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins Chief Executive Officer of Desjardins Sécurité Financière Chief Executive Officer of Desjardins Groupe d'Assurances Générales Chair of the Board of Directors of Fédération des Caisses Desjardins du Québec/Mouvement des Caisses Desjardins Vice Chair of the Executive Committee and Director of the International Confederation of Popular Banks (CIBP) Member of the Executive Committee and Director of the European Association of Cooperative Banks Member of the Board of Directors of CIC Member of the Board of Directors of the Rideau Hall Foundation President of the International Cooperative Alliance (ICA) Member of the Board of Directors of the University of Montréal *(since June 2015)* Member of the Board of Directors of Alimentation Couche-tard *(since September 2015)*
CYRILLE POUGHON Born in 1975 – French national 400 shares owned as of December 31, 2015 First elected: May 16, 2014 Current term expires: 2018 **Experience:** Cyrille Poughon has 20 years' experience with the Michelin Group, where he has worked successively as a sales assistant in several Group companies, a technician in the Agricultural Tires business and then Export Manager with Manufacture Française des Pneumatiques Michelin. He served as Secretary of Michelin's European Works Council until October 2014. He is currently participating in the "Workplace Quality of Life" component of the Ambitions 2020 PRM program. **Business address:** Michelin 23, place des Carmes-Déchaux 63040 Clermont-Ferrand France	**Non-independent member (non-executive)** **2011 – 2014** Secretary of the Michelin European Works Council **2015** No other directorships

	Directorships and other positions held
MICHEL ROLLIER Born in 1944 – French national 24,250 shares owned as of December 31, 2015 First elected: May 17, 2013 Current term expires: 2017 **Experience:** Michel Rollier is Chairman of the Plateforme de la Filière Automobile and Member of the AFEP/MEDEF High Committee on Corporate Governance. He began his career at Aussedat-Rey (part of the International Paper group) in 1971, initially occupying the post of Financial Controller before going on to head up a business unit. He then held the position of Chief Financial Officer between 1987 and 1994 and subsequently Deputy Chief Executive Officer from 1994 to 1996. He joined Michelin in 1996 as Vice President, Financial & Legal Affairs and then served as Chief Financial Officer and a member of the Executive Council from 1999 to 2005. He was elected Managing General Partner by Michelin's shareholders on May 20, 2005, serving alongside Édouard Michelin until Mr. Michelin's tragic death in 2006. Mr. Rollier stepped down as Managing General Partner in May 2012. **Business address:** Michelin 27, cours de l'Île-Seguin 92100 Boulogne-Billancourt France	**Chairman of the Supervisory Board** **Member of the Compensation and Appointments Committee** **Non-independent member (non-executive)** **2011 – 2012** Managing General Partner of Compagnie Générale des Établissements Michelin* *(until May 2012)* Managing Partner of Compagnie Financière du groupe Michelin "Senard et Cie" (CFM) *(until June 2012)* Director of Lafarge Director of Moria S.A. **2013** Chairman of the Board of Directors of Siparex Associés Chairman of the Supervisory Board of Somfy* Director of Lafarge Member of the AFEP/MEDEF High Committee on Corporate Governance *(from October 8, 2013)* **2014 – 2015** Chairman of the Board of Directors of Siparex Associés Chairman of the Supervisory Board of Somfy* Director of Lafarge Member of the AFEP/MEDEF High Committee on Corporate Governance Chairman of the Board of Directors of *Association Nationale des Sociétés par Actions* (ANSA) *(since October 9, 2014)*

* *Listed company.*

4.1.2 b) Terms of office of Supervisory Board members at December 31, 2015

Name	First elected/ re-elected (1)	Current term expires (2)	Independent (3)
Olivier Bazil	May 17, 2013	2017	yes
Pat Cox	May 20, 2005 May 7, 2010 May 16, 2014	2018	yes
Barbara Dalibard	May 16, 2008 May 17, 2013 May 22, 2015	2019	yes
Anne-Sophie de La Bigne	May 17, 2013	2016	yes
Jean-Pierre Duprieu	May 17, 2013	2016	yes
Aruna Jayanthi	May 22, 2015	2019	yes
Monique Leroux	October 1, 2015 (4)	2018	yes
Cyrille Poughon	May 16, 2014	2018	no
Michel Rollier (Chairman)	May 17, 2013	2017	no

(1) At the Annual Meeting of May 15, 2009, shareholders voted to reduce the term of Supervisory Board members from five years to four.
(2) At the Annual Meeting of May 17, 2013, shareholders voted to elect Supervisory Board members for terms of two, three or four years, so that their terms do not all expire at the same time.
(3) Based on the criteria set in the Supervisory Board's internal rules which correspond to those recommended in the AFEP/MEDEF Corporate Governance Code for listed companies.
(4) Monique Leroux was appointed as a member of the Supervisory Board on October 1, 2015 to replace Laurence Parisot, who had resigned, for the remainder of Ms. Parisot's term of office.

4.1.3 STATUTORY AUDITORS

Please refer to section 9.2 – Statutory Auditors.

4.1.4 NON-MANAGING GENERAL PARTNER

In application of CGEM's bylaws, Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and consequently has unlimited liability for the Company's debts.

The Chairman of SAGES, Jacques d'Armand de Chateauvieux, is its only executive director.

	Directorships and other positions held
JACQUES D'ARMAND DE CHATEAUVIEUX Born on February 13, 1951 No shares owned directly 250,908 shares owned by SAGES as of December 31, 2015 Chairman of SAGES since April 2011 **Experience:** Jacques d'Armand de Chateauvieux is a graduate of *Institut Supérieur de Gestion de Paris* and holds an MBA from Columbia University, New York. As Chairman of BOURBON since 1979, he was instrumental in converting the company from a diversified conglomerate into an international group specialized in offshore oil and gas marine services. **Business address:** BOURBON 33, rue du Louvre 75002 Paris France	**2011** Chairman of BOURBON Chairman of Cana Tera S.A.S. Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg) Chairman of Sapmer S.A. Director of AXA Director of Sinopacific Shipbuilding Group (China) Director of Sinopacific Offshore and Engineering (China) Director of Piriou S.A.S. Director of Evergas (Denmark) Non-voting Director of CBo Territoria S.A. **2012** Chairman of BOURBON* Chairman of Cana Tera S.A.S. Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg) Chairman of Sapmer S.A. Chairman and Director of Greenship Holdings (Singapore) Director of Sinopacific Shipbuilding Group (China) Director of Piriou S.A.S. Non-voting Director of CBo Territoria S.A. **2013 – 2014** Chairman of BOURBON* Chairman of Cana Tera S.A.S. Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg) Chairman of Sapmer S.A. Chairman and Director of Greenship Holdings (Singapore) Director of Sinopacific Shipbuilding Group (China) **2015** Chairman of BOURBON* Chairman of Cana Tera S.A.S. (Luxembourg) Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg) Chairman of Sapmer Holding Pte. Ltd (Singapore) Chairman of Sapmer S.A. Chairman and Director of Greenship Holdings (Singapore) Director of Sinopacific Shipbuilding Group (China)

* *Listed company.*

4.1.5 STATEMENTS

There are no family relationships between Michelin's Chief Executive Officer, any Supervisory Board members and the Chairman of SAGES (CGEM's Non-Managing General Partner).

To the best of the Company's knowledge, neither Michelin's Chief Executive Officer nor the Chairman of SAGES nor any Supervisory Board member, has, in the past five years, been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Neither Michelin's Chief Executive Officer nor the Chairman of SAGES nor any Supervisory Board member has a service contract with the Company or any of its subsidiaries.

There are no:

- Arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which they were selected as a Chief Executive Officer or as a member of the Supervisory Board or as Chairman of SAGES.
- Conflicts of interest between the duties to the Company of the Chief Executive Officer, the Supervisory Board members or the Chairman of SAGES and their private interests and/or other duties.
- Restrictions accepted by these persons on the disposal of their Michelin shares within a certain period of time, except for those resulting from insider dealing rules and the specific rules applicable to the Chief Executive Officer.

4.2 PRACTICES OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Tire manufacturing is a capital-intensive industry in which the pace of technological innovation is relatively slow. It is therefore essential to be able to devise long-term plans and follow them through.

Throughout its history, Compagnie Générale des Établissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (S.C.A.).

This partnership model offers three main advantages:

- It aligns Group management decisions with shareholder interests.
- It guarantees clear segregation of management and supervisory powers.
- It fosters direct ties with each shareholder, as all shares must be registered.

There are two partner categories:

The limited partners or shareholders, who provide capital, elect the members of the Supervisory Board and the Managing Partners and approve the financial statements presented by Management. Their liability is limited to the amount of their investment. All Michelin shares are registered, which enables the Group to better understand the expectations of its shareholders, who receive a return on their investment in the form of a dividend.

The General Partners, who have unlimited personal liability for the Company's debts. They can be relieved of this liability only by decision of the shareholders in an Extraordinary Meeting. The General Partners may be shareholders, but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors. The General Partners receive a share of the Company's profits in accordance with its bylaws, subject to shareholder approval at the Annual Shareholders Meeting.

Since May 11, 2012, Michelin has had two General Partners: Jean-Dominique Senard, General Managing Partner (Chief Executive Officer), and Société Auxiliaire de Gestion (SAGES), Non-Managing General Partner.

4.2.1 AN EXPERIENCED, STABLE AND RESPONSIBLE MANAGEMENT TEAM

4.2.1 a) Members

Michelin is managed by a General Managing Partner – Jean-Dominique Senard [1] – who holds the position of Chief Executive Officer in accordance with the bylaws.

General Managing Partners must each hold at least 5,000 shares in the Company.

At the Annual Shareholders Meeting on May 13, 2011, on the recommendation of the General Partners, the shareholders voted to amend the Company's bylaws in order to establish a four-year term for Managing Partners elected for the first time by the Annual Shareholders Meeting on the recommendation of the Supervisory Board.

The shareholders also decided that this four-year term would be renewable at the initiative of the Non-Managing General Partner (SAGES [2]), with the agreement of the Supervisory Board of CGEM.

Previously, the only restriction on a Managing Partner's term was an age limit of 72.

In accordance with these rules, on October 6, 2014 SAGES, in its capacity as Non-Managing General Partner, decided to ask the Supervisory Board to approve the renewal of Jean-Dominique Senard's term as General Managing Partner for a period of four years.

At its meeting on October 31, 2014, the Supervisory Board unanimously approved the proposed renewal, after the Compensation and Appointments Committee expressed a favorable opinion. This decision was announced in a press release published on November 3, 2014.

(1) For biographical details about Jean-Dominique Senard, please refer to section 4.1.1.
(2) For details about SAGES, please refer to section 4.1.4.

Consequently, the term of office as General Managing Partner of Jean-Dominique Senard has been renewed for four years, and will expire at the close of the Annual Shareholders Meeting to be called in the first half of 2019 to approve the financial statements for 2018.

The Company's bylaws stipulate that the General Managing Partner may resign provided that the decision is announced at least six months before the next Annual Shareholders Meeting. However, his resignation will be effective only when it has been formally accepted by an Extraordinary Shareholders Meeting held on the same day as the Annual Meeting.

Furthermore, the General Managing Partner may be removed from office according to the same procedure as that applicable for the renewal of his appointment.

4.2.1 b) Role and responsibilities

The Chief Executive Officer is responsible for administering and managing the Company.

As such, his core responsibilities are to:

- Define and implement the Group's strategy.
- Lead the Group's business.
- Establish internal control and risk management procedures and oversee their implementation.
- Approve the financial statements of the Company and the Group.
- Define financial information policies.
- Prepare the various reports to shareholders.

He fulfills these responsibilities under the oversight of the Supervisory Board.

The Group's operating activities are headed by a General Operations Department and organized into four product lines that are dedicated to bringing products and services to their markets worldwide. The product lines each define their own strategy and are responsible for their results. They include:

- Passenger car – Light truck Product Line.
- Truck Product Line.
- Specialty Product Line including the Earthmover, Agricultural, Two-Wheel and Aircraft tire lines.
- Materials Product Line.

The Corporate Departments ensure the consistency of the Group's policies. They provide specialized assistance to the product lines, lending expertise as appropriate and guaranteeing process effectiveness and efficiency. The Corporate Departments include:

- Purchasing.
- Digital Operations, mainly overseeing Michelin Solutions and Sascar.
- Corporate Development.
- Distribution, overseeing Euromaster, TCi, franchising, e-tailing and wholesaling.
- Finance.
- Legal.
- Brands and External Relations, notably overseeing the operations of Michelin Travel Partner (travel services) and Michelin Lifestyle (non-tire licensed products under the MICHELIN brand).
- Personnel.
- Quality, Audit and Risk Management.
- Research and Development.
- Information Systems.

The Progress and Geographic Zones Department is responsible for ensuring that improvement initiatives are aligned with the Group's strategy while developing suitable progress methods for the Group's various units. It leads the product line support functions in the Group's seven host regions (Geographic Zones), which have been identified based on their specific features. These regions are: Africa-India-Middle East, North America, South America, East Asia and Australia, China, Europe, and Eastern Europe.

The Chief Executive Officer is assisted by an Executive Committee comprising the following 12 members:

- **Yves Chapot,** Executive Vice President, Distribution
- **Thierry Chiche,** Executive Vice President, Passenger Car and Light Truck Product Line
- **François Corbin,** Executive Vice President, Progress and Geographic Zones
- **Claire Dorland-Clauzel,** Executive Vice President, Communication, Brands and External Relations
- **Terry Gettys,** Executive Vice President, Research and Development
- **Jean-Christophe Guérin,** Executive Vice President, Materials Product Line
- **Jean-Michel Guillon,** Executive Vice President, Personnel
- **Marc Henry,** Chief Financial Officer and Executive Vice President, Specialty Product Lines
- **Serge Lafon,** Executive Vice President, Truck Product Line
- **Florent Menegaux,** Chief Operating Officer
- **Laurent Noual,** Executive Vice President, Corporate Development
- **Florence Vincent,** Executive Vice President, Quality, Audit and Risk Management.

4.2.1 c) Liability

As a General Partner, the Chief Executive Officer has unlimited personal liability for Michelin's debts. This offers shareholders a rarely found level of assurance that the Group is run in their medium- to long-term interests, particularly during times of volatile markets or economic crisis. It also means that the Chief Executive Officer is especially vigilant in his management of corporate risks.

In line with this system based on long-term responsibility and commitment, the Chief Executive Officer may not relinquish his status as General Partner without the prior approval of shareholders given at an Extraordinary Meeting. His interests are therefore closely aligned with the long-term consequences of the Group's management decisions.

4.2.2 INDEPENDENT SUPERVISORY BODIES REPORTING DIRECTLY TO SHAREHOLDERS

4.2.2 a) Supervisory Board

A description of the Supervisory Board's activities during 2015 is included in the report of the Chairman of the Supervisory Board on the Board's membership, the application of the principle of equal representation of men and women on the Board, the preparation and organization of the Board's work and the Group's internal control and risk management procedures (see section 4.5.1 b) below).

/ Members

In accordance with applicable law and the Company's bylaws, the Supervisory Board may have no less than three and no more than ten members elected by the Annual Shareholders Meeting for a term of four years (1). The General Partners (including the Chief Executive Officer) may not take part in the vote. Supervisory Board members may be re-elected.

According to the bylaws, no more than one-third of Supervisory Board members may be aged over 75.

Supervisory Board member biographies can be found in section 4.1.2 a) above, while information concerning their compensation is presented in section 4.3.4 below.

The dates on which the Supervisory Board members in office at December 31, 2015 were first elected and the expiration dates of their current terms are shown in the table in section 4.1.2 b).

The main provisions of the internal rules setting out the roles and practices of the Supervisory Board and its Committees are presented below.

/ Role and responsibilities

The Supervisory Board exercises permanent oversight of the Company's management and assesses its quality for the benefit of the shareholders, presenting a report thereon at each Annual Shareholders Meeting. Its oversight procedures include:

- Reviewing the separate and consolidated financial statements approved by the Chief Executive Officer.
- Assessing the quality of the Group's financial information.
- Assessing the Group's internal control and risk management systems.
- Reviewing strategic roadmaps and their implementation.
- Ensuring that shareholders' rights are respected.

The recommendation provided under Article 4 of the AFEP/MEDEF Code, according to which material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors, cannot apply in this instance, because of the Company's legal form as a partnership limited by shares. With this type of partnership, the General Managing Partner (Chief Executive Officer) has unlimited personal liability and his powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no authority to become involved in managing the Company.

However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its bylaws (2) as well as the Supervisory Board's internal rules.

Pursuant to the internal rules, the Chief Executive Officer must submit to the Supervisory Board details of any planned capital projects, new commitments, asset disposals or business acquisitions representing material amounts before any final decision is made.

This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate.

This exception to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 4.5.1 c) prepared in accordance with the "comply or explain" rule.

Lastly, in application of the bylaws, the Supervisory Board's internal rules and the internal rules of the Compensation and Appointments Committee, the Supervisory Board must be consulted or express an opinion (depending on the case) on all decisions concerning the Managing Partners (election, re-election and removal from office of the General Managing Partner and Chief Executive Officer) and the determination of the Chief Executive Officer's compensation package.

/ Independence

A majority of the members of the Supervisory Board must be independent and without any vested interests (*i.e.* with no relationship of any kind whatsoever with the Company or its management which might risk coloring the member's judgment), as determined based on the criteria listed in the AFEP/MEDEF Code.

See the Report of the Chairman of the Supervisory Board on the Board's work in section 4.5 below for further details of the independence review performed by the Compensation and Appointments Committee on which the Supervisory Board's decision is based.

The Supervisory Board's internal rules also explicitly stipulate that its members are required to inform the Board of any potential or existing conflict of interest and are banned from taking part in the discussion and vote on the matters concerned.

/ Supervisory Board practices

To enable the Supervisory Board to effectively fulfill its oversight role, its members receive quarterly reports presenting key performance indicators, as well as regular information such as copies of the Group's main press releases, research reports published by analysts who follow Michelin, and updates on the Group's business environment.

Supervisory Board meetings may be held by videoconference on the basis stipulated in the Board's internal rules.

(1) Except when shorter periods are proposed in order to effectively stagger the terms of office of Supervisory Board members (see information given in section 4.1.2 b).

(2) Article 17 of the bylaws states that "(...) The Supervisory Board is jointly and regularly informed about the Company's situation and the key issues listed in the Supervisory Board's internal rules. The Supervisory Board reports to the Shareholders Meeting on the fulfillment of its duties (...)".

/ Supervisory Board self-assessments

The Chairman carries out an annual assessment of the Supervisory Board's practices and part of one Board meeting is devoted to discussing this issue.

The conclusions of the annual assessment are presented in the Chairman's report on the Board's work (see section 4.5 below).

The Supervisory Board is assisted in its oversight role by two committees, the Audit Committee and the Compensation and Appointments Committee.

4.2.2 b) The Audit Committee

/ Members

The Audit Committee has at least three members appointed for their full term as Supervisory Board members. At least two thirds of the members must be independent. Since May 17, 2013, the Audit Committee has comprised the following members:

- Olivier Bazil, independent member and Committee Chairman.

  Olivier Bazil was born in 1946 and is a French national. He is a Director of Legrand and a member of Legrand's Strategy and Social Responsibility Committee and Nominating and Governance Committee. He is also a Director of Vallourec, Chairman of Vallourec's Audit Committee and member of its Strategy Committee.

  He has spent his entire career with Legrand, which he joined in 1973 as Deputy Company Secretary before going on to become Chief Financial Officer (1979), a Director (1989), Deputy Chief Executive Officer and a member of the Executive Committee (1994), and then Vice Chairman of the Board of Directors and Chief Operating Officer.

  Mr. Bazil is a graduate of HEC and holds an MBA from Harvard Business School.

- Jean-Pierre Duprieu, independent member.

  Jean-Pierre Duprieu was born in 1952 and is a French national. He is Executive Vice President of the Air Liquide group, and since 2010 has been a member of Air Liquide's Executive Management team, in charge of supervising the group's European and Healthcare activities as well as corporate functions, including information systems and Efficiency/Purchasing programs.

  Mr. Duprieu has spent his entire career with the Air Liquide group, which he joined in 1976 as part of the International Marketing Department. He then successively served as Assistant to the Chief Executive Officer (1985), Vice President of Sales and Marketing for French Operations (1988) and Chief Operating Officer for the group's Industrial Gases business in France (1991), before going on to head up several group subsidiaries (notably in South America, Canada, Italy and France) as from 1995.

  In 2000, he became Senior Vice President of Air Liquide S.A. and joined the group's Executive Committee. In this role he was in charge of the group's operations in Europe, Africa and the Middle East and in 2005 took on responsibility for the Asia Pacific region and the Worldwide Electronics business line. He spent five years based in Tokyo, Japan.

  Mr. Duprieu holds a master's degree in Agricultural Sciences from the *Institut National Agronomique de Paris-Grignon* (Agro-Paris Tech), with a specialization in the food industry. He is also a graduate of the *Institut de Contrôle de Gestion* in Paris and the International Forum (an Advanced Management Program at Wharton University).

- Anne-Sophie de La Bigne, independent member.

  Anne-Sophie de La Bigne was born in 1960 and is a French national. Since 2008, she has been Vice President in charge of Civil Affairs in the Public Affairs Division, France, at Airbus Group.

  She began her career in 1983 as a financial controller with the Matra group before joining the Strategy & Business Development Department of the Lagardère group, where she worked from 1985 to 1999. She subsequently became Head of the Strategic Analysis Department at Aerospatiale Matra/EADS, a position she held until 2001.

  Between 2001 and 2006, she served as Vice President, Strategy and European Affairs, at Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS) and from 2006 to 2007, she was responsible for international corporate relations in the EADS Public Affairs Division.

  Ms. de La Bigne is a graduate of *École des Hautes Études Commerciales* (HEC).

Due to the extensive experience acquired during their careers, notably as part of the executive management and strategic advisory teams of large corporations, the Audit Committee's three members have a deep understanding of financial and accounting matters.

/ Role and responsibilities

The main provisions of the Audit Committee's internal rules are outlined below.

The Audit Committee assists the Supervisory Board in fulfilling its oversight role. It operates as a specialized committee tasked with addressing issues related to the preparation and control of accounting and financial information in accordance with Articles L. 823-19 and L. 823-20-4 of the French Commercial Code.

The Audit Committee's role includes:

- Reviewing the annual and interim financial statements, as approved by the Chief Executive Officer and audited by the Statutory Auditors, as well as the quarterly financial information.
- Obtaining assurance that the Group's accounting methods and policies are appropriate and are applied consistently, and overseeing the quality of information given to the shareholders.
- Assessing the effectiveness of internal control and risk management systems.
- Reviewing all of the Group's risks, assessing the effectiveness of measures taken to control these risks and examining their accounting treatment and the related disclosures in the Group's communications.
- Reviewing the Statutory Auditors' annual audit programs.
- Reviewing the Quality, Audit and Risk Management Department's internal audit programs and recommending internal audits of specific financial risks.
- Verifying the Statutory Auditors' independence and objectivity and expressing an opinion about their appointment or re-appointment.

The Audit Committee's activities during 2015 are described in the report of the Chairman of the Supervisory Board (see section 4.5.1 d) below).

/ Committee practices

The Committee's work program and meeting schedule are decided by the Supervisory Board.

In view of the distance they may have to travel to attend meetings and the other business commitments not only of the Supervisory Board and Audit Committee members but also of the members of Executive Management, the Audit Committee conducts its formal review of the financial statements half a day before they are examined by the Supervisory Board. However, to enable the Committee to perform its work as efficiently as possible:

- The documents concerning the financial statements are made available to the Committee members several days in advance.
- The Chairman of the Audit Committee meets with the Group's Chief Financial Officer in advance to review the financial statements and prepare the Committee's meeting.

This process ensures that the discussion of the financial statements by the Committee and the Board is both efficient and of a high quality.

This exception to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 4.5.1 c) prepared in accordance with the "comply or explain" rule.

The Committee may also call on the services of independent experts. In addition, the Committee meets with the Statutory Auditors once a year without any members of management being present.

The Committee chooses the location of its meetings and may decide to conduct meetings by videoconference.

The Committee's Chairman reports on the Committee's work to the Supervisory Board several times a year.

4.2.2 c) Compensation and Appointments Committee

/ Members

The Compensation and Appointments Committee has at least three members, appointed for their full term as Supervisory Board members. The Chairman and a majority of the members must be qualified as independent.

The current members of the Compensation and Appointments Committee are:

- Barbara Dalibard, an independent member of the Board since her election and Chair of the Committee since October 2015. Barbara Dalibard was born in 1958 and is a French national. She is Chief Executive Officer of SNCF Voyageurs. Before joining SNCF, she was a member of the France Telecom group Management Committee, in charge of enterprise communication solutions and prior to that she held various management positions within France Telecom and Alcatel.
- Pat Cox, an independent member, born in 1952 and an Irish national. He is President of the European Parliament Former Members Association, and European Coordinator for the Scandinavian-Mediterranean Corridor transportation infrastructure project.

  Mr. Cox is a former member of the Irish Parliament and of the European Parliament. He served as President of the European Parliament from January 2002 to June 2004.
- Michel Rollier, a non-executive non-independent member, who was born in 1944 and is a French national. He is currently Chairman of the Plateforme de la Filière Automobile (PFA) and a member of the AFEP/MEDEF High Committee on Corporate Governance.

  He began his career at Aussedat-Rey (part of the International Paper group) in 1971, initially occupying the post of Financial Controller before going on to head up a business unit. He then held the position of Chief Financial Officer between 1987 and 1994 and subsequently Deputy Chief Executive Officer from 1994 to 1996.

  He joined Michelin in 1996 as Vice President, Financial & Legal Affairs and then served as Chief Financial Officer and a member of the Executive Council from 1999 to 2005. He was elected General Managing Partner by Michelin's shareholders on May 20, 2005, serving alongside Édouard Michelin until Mr. Michelin's tragic death in 2006. Mr. Rollier stepped down as General Managing Partner in May 2012.

  Michel Rollier is a graduate of the *Institut d'Études Politiques de Paris* (IEP) and holds an MA in Law.

The Company chose to recommend that employees should be represented on the Supervisory Board and an employee of a Group company was elected to the Supervisory Board at the 2014 Annual Shareholders Meeting. However, the Compensation and Appointments Committee does not include any member representing employees.

In view of the limited number of Committee members and their current situation in relation to the AFEP/MEDEF Code's independence rules, the inclusion on the Committee of the Supervisory Board member representing employees would have the effect of reducing the proportion of independent members to just half of the members, versus the majority required by the AFEP/MEDEF Code.

This exception to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 4.5.1 c) prepared in accordance with the "comply or explain" rule.

The main provisions of the Compensation and Appointments Committee's internal rules are outlined below.

/ Role and responsibilities

The Compensation and Appointments Committee is responsible for reviewing:

- Senior management compensation policy, including the criteria used to determine:
  - Fixed and variable compensation paid to members of the Executive Committee.
  - Variable compensation paid to other senior executives.
- The stock option and performance share allocation policy
- Senior management appointments policy; senior management career and succession plans.
- The policy concerning the appointment of Managing Partners, including career and succession plans, developed jointly with the Non-Managing General Partner (SAGES).

Concerning the specific issue of the compensation paid to the Chief Executive Officer (the only Managing Partner), in light of the legal provisions specifically applicable to partnerships limited by shares and the provisions of the bylaws, the Committee makes proposals to the Supervisory Board about the various components of the Chief Executive Officer's package which currently includes (i) variable profit shares that depend on one or several performance criteria and (ii) fixed compensation paid by a subsidiary in respect of his duties within the subsidiary.

The Committee's proposals help the Supervisory Board to formulate recommendations to the Non-Managing General Partner about the different components of the profit share payable to the Chief Executive Officer.

The Committee also reviews all amounts and benefits awarded or to be awarded to the Chief Executive Officer for the previous year by Group companies.

As part of the review, the Committee particularly verifies that the amounts paid or awarded to the Chief Executive Officer are proportionate and consistent in terms of (i) the Group's performance and (ii) industry and market practice.

The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced, by (i) assessing the components of his variable compensation (profit-share allocation) calculated over one year and several years, and (ii) ensuring that his profit shares never exceed a reasonable percentage of his fixed compensation.

In assessing the level of his variable compensation, the Committee considers (i) the inherent variability of the Company's profits, (ii) projected future profits and (iii) the fact that General Partners are in an unusual situation to the extent that they have unlimited joint and personal liability for the Company's debts.

In addition to working on this review process and issuing the corresponding recommendations for the Board, the Committee prepares and submits to the Board and the Non-Managing General Partner its conclusions on the components of the compensation due or paid by the Company to the Chief Executive Officer for the previous year, in order to help the Board prepare its report to the Annual Shareholders Meeting for the advisory vote on the Chief Executive Officer's compensation.

/ Committee practices

The Committee chooses the location of its meetings and may decide to conduct meetings by videoconference.

The Committee's Chairman reports on the Committee's work to the Supervisory Board several times a year.

Further information about the work performed by the Compensation and Appointments Committee is provided in the Chairman's report in section 4.5.1 below.

The Compensation and Appointments Committee may invite the Executive Vice President, Personnel or any internal or external expert to attend its meetings, depending on the agenda items.

Meetings of the Committee are attended by the Chief Executive Officer, except when his compensation or succession plans for the Chief Executive Officer or the Supervisory Board members are being discussed, in accordance with the AFEP/MEDEF Code, recommendations 17.1 and 18.1 (1).

4.2.3 SAGES, A NON-MANAGING GENERAL PARTNER, GUARANTEEING THE COMPANY'S LONG-TERM VIABILITY (2)

Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and as such has unlimited liability for the Company's debts. General Partners can be relieved of this liability only by decision of the shareholders in Extraordinary Meeting. The General Partners may be shareholders, but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors.

As SAGES is not a Managing Partner, it is not authorized to play any part in the Company's management. However, if the position of CGEM's Managing Partner were to fall vacant, SAGES would take on the Managing Partner's role for an interim period and would be responsible for calling an Extraordinary Shareholders Meeting to elect a new Managing Partner.

As well as assuming liability for CGEM's debts, in its capacity as General Partner, SAGES is responsible for recommending candidates for election as Managing Partner at the Shareholders Meetings, the re-election of Managing Partners or their removal from office, after obtaining the agreement of the Supervisory Board.

SAGES is a French *société par actions simplifiée* (joint stock company) registered in Clermont-Ferrand under No. 870 200 466.

SAGES has three groups of shareholders – members of the founding family, current and former Michelin executives and qualified persons from outside the Group – each of which has the same proportionate shareholding and the same number of seats on its Board of Directors.

To enable SAGES to assume its liability as Non-Managing General Partner of CGEM, at least 30% of its distributable earnings (derived mainly from the share of profits paid by CGEM in accordance with CGEM's bylaws) is allocated to a contingency reserve fund set up purely for the purpose of covering any losses that may result from its liability as CGEM's General Partner or, on an exceptional, interim basis, as Managing Partner. At least 50% of the reserve is invested in CGEM shares.

(1) This rule also results from the legal ban on a general partner becoming involved in appointing the members of the Supervisory Board of a partnership limited by shares (see Article L. 226-4, paragraph 3 of the French Commercial Code, the Company's bylaws and the Supervisory Board's internal rules, as well as the detailed explanations provided in section 10.2 of the Registration Document concerning the resolutions presented at the Annual Shareholders Meeting of May 22, 2015).

(2) See section 4.1.4 for biographical details about the Chairman of SAGES.

4.3 MANAGEMENT AND SUPERVISORY BOARD COMPENSATION

The data and tables in this section:

- Have been prepared in accordance with the AFEP/MEDEF Code and related implementation guidelines.
- Comply with AMF recommendation 2012-02 (as updated on January 25, 2016) on "corporate governance and executive compensation in companies that refer to the AFEP/MEDEF Code – Consolidated presentation of the recommendations contained in the AMF's annual reports", as well as with AMF recommendation 2009-16 (as updated on April 13, 2015), which serves as a guide to preparing registration documents.

4.3.1 SUMMARY INFORMATION

4.3.1 a) Compensation, stock options and performance shares awarded to Jean-Dominique Senard (in €) (based on Table 1 in the AFEP/MEDEF Code)

Jean-Dominique Senard, Chief Executive Officer and General Partner with unlimited personal liability for the Company's debts	2014	2015
Compensation due for the year (see Table 4.3.1 b) for details)	1,856,931	2,383,869
Value of long-term variable compensation granted during the year	0	0
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
TOTAL	**1,856,931**	**2,383,869**
Reference CGEM consolidated net income	*1,031,090,189*	*1,163,401,238*

4.3.1 b) Compensation due and paid to Jean-Dominique Senard (in €) (based on Table 2 in the AFEP/MEDEF Code)

	2014		2015	
Jean-Dominique Senard, Chief Executive Officer and General Partner with unlimited personal liability for the Company's debts	**Due**	**Paid**	**Due**	**Paid**
Fixed compensation (1)	1,100,000	1,100,000	1,100,000	1,100,000
Annual variable compensation	750,037 (2)	1,200,000 (3)	1,276,975 (4)	750,037 (2)
Long-term variable compensation	0	0	0 (5)	0
Long-term incentive bonus	0	0	0	0
Exceptional compensation	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefit (car)	6,894	6,856	6,894	6,894
TOTAL	**1,856,931**	**2,306,894**	**2,383,869**	**1,856,931**
Reference CGEM consolidated net income	*1,031,090,189*	*1,127,444,560*	*1,163,401,238*	*1,031,090,189*

(1) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, in consideration of his role as Non-General Managing Partner of the Company.

(2) Including €50,000 received from Compagnie Financière du groupe Michelin "Senard et Cie" (CFM), a controlled entity. These profit shares are entirely variable as they are contingent on the profit generated by each of the two companies (CFM and CGEM) in 2014.

(3) Entirely variable profit shares contingent on profit generated in 2013. Paid by CGEM and CFM in 2014 following approval of the related resolutions at their 2014 Annual Shareholders Meetings.

(4) This amount has been estimated based on applying the performance criteria. It is proportional to CGEM's 2015 consolidated earnings and is proposed with the endorsement of the Supervisory Board and the agreement of SAGES, Non-Managing General Partner. It is subject to approval of the share of profits by CGEM shareholders at the next Annual Meeting on May 13, 2016 (see section 4.3.2 a). It includes the estimated €50,000 corresponding to the statutory share of CFM's 2015 profit that is payable by that company subject to approval by its shareholders at the 2016 Annual Meeting. This statutory share is entirely variable to the extent that it depends on CFM's profit for the year.

(5) The calculation method and basis are described in the information submitted to the shareholders' advisory vote on compensation for 2015. Jean-Dominique Senard's long-term variable incentive bonus is not reported in CGEM's accounts because (i) it does not represent a commitment given by CGEM or any other Group company, and (ii) payment of this long-term compensation is subject to several conditions that are uncertain of being fulfilled (including the availability of sufficient profits at the end of the long-term period) and fulfillment of certain performance criteria (see section 4.3.2 a).

4.3.1 c) Attendance fees and other compensation received by the Supervisory Board members (based on Table 3 in the AFEP/MEDEF Code)

See the table in section 4.3.4 below.

4.3.1 d) Stock options granted during the year to Jean-Dominique Senard by the issuer and any other Group company (based on Table 4 in the AFEP/MEDEF Code) [1]

No stock options were granted by the Company in 2015 to Jean-Dominique Senard (Chief Executive Officer and the Company's sole executive officer).

No executive officer of the Company has received any stock options since 2005.

	Plan no. and date	Type of options (purchase or subscription)	Value of the options calculated by the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Jean-Dominique Senard	-	-	0	0	-	-

4.3.1 e) Stock options exercised during the year by Jean-Dominique Senard (based on Table 5 in the AFEP/MEDEF Code) [1]

	Plan no. and date	Number of options exercised during the year	Exercise price
Jean-Dominique Senard	No. 8 – May 15, 2006	6,216	€55.99

4.3.1 f) Performance shares granted during the year to Jean-Dominique Senard by the issuer and any other Group company (based on Table 6 in the AFEP/MEDEF Code) [2]

Of the 84,892 performance share rights granted on November 25, 2015, pursuant to the authorization given at the May 16, 2014 Annual Shareholders Meeting, none were granted to Jean-Dominique Senard, Chief Executive Officer and sole executive officer of the Company.

	Plan no. and date	Number of performance share rights granted during the year	Value of the performance shares calculated by the method used for the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Jean-Dominique Senard	-	0	0	-	-	-

4.3.1 g) Performance shares granted to Jean-Dominique Senard whose sale restrictions were lifted during the year (based on Table 7 in the AFEP/MEDEF Code) [3]

	Plan no. and date	Number of performance shares whose sale restrictions were lifted during the year	Vesting conditions
Jean-Dominique Senard	-	0	-

4.3.1 h) Past awards of stock options – Information about stock options (based on Table 8 in the AFEP/MEDEF Code)

See the table in section 5.5.4 a) below.

(1) Refer also to the Managing Partners' Special Report and to the details of current plans, as presented in the table in section 5.5.4 concerning stock options.
(2) Refer also to the Managing Partners' Special Report and to the details of current plans in section 5.5.5 concerning performance shares.
(3) Refer also to the Managing Partners' Special Report and to the details of current plans in section 5.5.5 concerning performance shares.

4.3.1 i) Stock options granted to and exercised by the ten employees other than executive officers who received the greatest number of options

See the table in section 5.5.4 b) below.

4.3.1 j) Past awards of performance shares

See the table in section 5.5.5 a) below.

4.3.1 k) Employment contracts, supplementary pension benefits and other benefits (based on Table 10 in the AFEP/MEDEF Code)

Executive officer	Employment contract		Supplementary pension benefits		Benefits or advantages due or likely to be due as a result of terminations or changes of office		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Dominique Senard Position: Chief Executive Officer and General Partner Start date of term of office: 2011 Expiration of term of office: 2019 (1)		X	X (2)		X (3)		X (4)	

(1) Joined the Group in 2005; Non-General Managing Partner from 2007 to 2011; first elected as General Managing Partner at the 2011 Annual Shareholders Meeting; re-elected for a term expiring at the Annual Shareholders Meeting to be held in 2019 to approve the 2018 financial statements (see section 4.2.1 a).
(2) Defined benefit pension plan set up for senior executives of MFPM (for detailed explanations, see section 4.3.2 c).
(3) Benefit defined in the CGEM bylaws:
– set by the Non-Managing General Partner with the endorsement of the Supervisory Board;
– only payable in the event of forced departure due to a change of strategy or of control;
– capped at two years' fixed and variable compensation (this cap includes any other benefits payable on termination of office such as a non-compete indemnity);
– subject to performance conditions (see section 4.3.2 d);
(4) Indemnity payable in his capacity as an executive officer of CGEM:
– with the possibility for the Board to waive the implementation of the non-compete clause;
– capped at 16 months' worth of his most recent aggregate compensation;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation, applicable to all benefits payable on termination of office, including the termination benefit payable in the event of a forced departure as a result of a change in the Company's strategy or control (for detailed explanations, see section 4.3.2 e).

4.3.2 AMOUNTS ALLOCATED TO JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER AND GENERAL PARTNER

Michelin's Executive Management and Supervisory Board have decided to apply the recommendations of the AFEP/MEDEF Code concerning an advisory "say-on-pay" shareholder vote on the individual compensation awarded to executive officers. In order for shareholders to be fully informed for the purpose of this vote, in addition to the figures presented in section 4.3.1 and the information provided below, section 4.3.3 sets out further details on the components of the compensation due, paid or payable to Jean-Dominique Senard for 2015, as provided for in the AFEP/MEDEF Code and its implementation guidance.

In his capacity as a General Partner of CGEM, Jean-Dominique Senard has unlimited personal liability for the Company's debts. As consideration for this liability, the General Partners [1] each receive a portion of the Company's profits as provided for in the bylaws [2]. This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit.

4.3.2 a) Compensation and profit shares

/ Compensation policy

As in prior years, the Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation due, awarded or to be awarded to Mr. Senard, Chief Executive Officer and sole executive officer. In accordance with Article 30, paragraph 3, of CGEM's bylaws (see section 5.1.2 e)) the share of profit (Profit Share) allocated to the two General Partners of CGEM – Jean-Dominique Senard and SAGES – is:

- Set at 12% of the Company's net income for the year, net of dividend income corresponding to distributions of profits or reserves by MFPM and Compagnie Financière du groupe Michelin (CFM).
- Capped at 0.6% of the Group's consolidated net income.

Taking into account the legal provisions specifically applicable to partnerships limited by shares and the provisions of the bylaws, as described above, the Committee makes proposals to the Supervisory Board about the various components of the Chief Executive Officer's compensation package which includes (i) a Profit Share that depends

(1) At December 31, 2015, the Company had two General Partners: Jean-Dominique Senard, Chief Executive Officer, and SAGES, Non-Managing General Partner (see presentation in section 4.1.4).
(2) See Article 30 of the bylaws, reproduced in section 5.1.2 e) below.

on one or several performance criteria, paid by the Company and by a subsidiary of which he is an executive officer, and (ii) fixed compensation paid by a subsidiary in respect of his duties as an executive officer of the subsidiary.

The Committee's proposals are discussed by the Supervisory Board, which then makes recommendations to the Non-Managing General Partner (SAGES) about the different criteria to be applied to the Profit Share payable to the Chief Executive Officer.

When formulating its proposals, the Committee ensures that the principles used to determine the amounts paid or awarded or the benefits due, awarded or to be awarded to the Chief Executive Officer by Group companies result in the said amounts or benefits being reasonable and consistent with (i) the Group's performance and (ii) industry and market practice.

The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced, by (i) assessing the components of his variable compensation (profit-share allocation) calculated over one year and several years, and (ii) ensuring that his profit shares never exceed a reasonable percentage of his fixed compensation.

In assessing the level of his variable compensation, the Committee considers (i) the inherent variability of the Company's profits, (ii) projected future profits and (iii) the fact that General Partners are in an unusual situation to the extent that they have unlimited joint and personal liability for the Company's debts.

To link his variable compensation, fully taken from the Profit Shares, even more closely to the Group's performance, effective from 2014 this component comprises three parts:

- A first annual variable component determined on the basis of the first performance criterion, the level of profit for the year.
- A second annual variable component determined by reference to the level of profit for the year and also additional annual performance criteria, such as business growth, the level of overheads and growth in free cash flow.
- A third long-term variable component determined on the basis of additional performance criteria assessed over three years and correlated with the Group's long-term strategy as expressed in the Ambitions 2020 objectives, such as business growth and share performance.

This structure means that Mr. Senard's variable compensation fluctuates partly in line with annual profit but, for the most part, on the basis of several additional performance conditions related to Michelin's strategy.

Mr. Senard does not receive any stock options or performance shares.

/ 2015 compensation

The Company does not have any specific commitments towards Mr. Senard other than those described in this section.

No new agreement or commitment was entered into between CGEM and Mr. Senard in 2015 concerning his compensation.

Fixed compensation

The policy chosen for 2015 was to maintain the Chief Executive Officer's fixed compensation at the same level as the previous year.

In 2015, Mr. Senard received fixed compensation of €1,100,000 from MFPM for his role as the Company's Non-General Managing Partner, unchanged from the previous year.

Annual variable compensation

Details of the method to be used to calculate the Annual Variable Components of Mr. Senard's compensation were announced by the Supervisory Board in a press release posted on the Company's website on July 7, 2015.

Shared features

The Annual Variable Components of Mr. Senard's compensation are paid out of the Profit Shares allocated to the two General Partners on a mutually agreed basis.

For 2015, the Profit Share payable to the General Partners amounts to €6,980,407, as recommended in the resolution concerning the appropriation of net income to be put to the Annual Shareholders Meeting of May 13, 2016.

Since 2015, as decided by the General Partners on the recommendation of the Supervisory Board, the basis used to calculate the Annual Variable Components (the Consolidated Calculation Basis) has been set at 0.6% of the Group's consolidated net income, and not the net income of the holding company, CGEM, in the interest of aligning the said Basis with the objectives of the Group as a whole.

Based on consolidated net income of €1,163,401,238, the Compensation and Appointments Committee has noted that the Consolidated Calculation Base amounted to €6,980,407 for 2015.

Given the mutually agreed division of the Profit Share between the General Partners, and the performance achieved in 2015 with respect to the conditions governing the Annual Variable Component, as described below, the total amount payable to Mr. Senard represents €1,276,975.

Single-Criterion Annual Variable Component

This component is equal to 8% of the Consolidated Calculation Base. The Compensation and Appointments Committee has noted that, based on a Consolidated Calculation Base of €6,980,407, the Single-Criterion Annual Variable Component amounts to €508,432 for 2015. This amount is net of the sum payable by CFM as compensation for Mr. Senard's role as General Managing Partner of this subsidiary, estimated at €50,000.

Multi-Criteria Annual Variable Component

This component corresponds to between 0% and 14% of the Consolidated Calculation Base, depending on achievement rates for seven criteria.

These performance conditions are as follows:

- **Three quantitative criteria** – the same as those applied to determine the 2015 variable compensation of the Executive Committee members and Group managers – which together account for up to 100/150^{ths}:
  - Annual growth in unit sales, accounting for up to 50/100^{ths}, with performance in relation to the target measured by reference to the observed increase.
  - Annual savings from the Efficiency project to reduce overheads, measured on the basis of an appropriate SG&A/gross margin ratio; this criterion accounts for up to 25/100^{ths}, with performance in relation to the target based on the improvement compared to a minimum ratio.
  - Annual level of structural free cash flow, accounting for up to 25/100^{ths}, with performance in relation to the target based on the improvement compared to a minimum level.

For reasons of confidentiality and business secrecy, and in particular to avoid (i) disclosing information about the Company's strategy that could be used by competitors for their advantage and (ii) creating confusion in shareholders' minds with the information disclosed by the Company to investors, the Supervisory Board has elected not to disclose details of these performance targets.

- **Four qualitative criteria,** together accounting for up to 50/150ths and concerning:
  - Quality of research and development strategies and the digital transformation strategy.
  - Quality of management.
  - Quality of investor relations.
  - Quality of operational control.

In addition:

- If the cumulative achievement rate for the seven criteria is less than 50/150ths, Mr. Senard will not be entitled to any Multi-Criteria Annual Variable Compensation.
- He will be awarded the maximum 14% of the Consolidated Calculation Base for this component only if the cumulative achievement rate for the seven criteria is 150/150ths.

Observation and analysis of performance against the criteria

The Compensation and Appointments Committee carefully reviewed each of the quantitative and qualitative criteria.

Regarding the three quantitative criteria, the Committee noted the achievement rate in 2015 for each of the objectives set by the Supervisory Board, which together gave an overall achievement rate of 87.1 out of 100.

The Committee then evaluated the achievement rate for qualitative criteria.

After discussing the matter, the Committee decided that the overall good performance against qualitative criteria, and awarded an achievement rate of 33 out of 50.

Following this analysis, the Committee submitted the following propositions to the Supervisory Board:

- The cumulative achievement rate for the quantitative criteria was 87.1/150ths.
- The cumulative achievement rate for the qualitative criteria was 33/150ths.
- The cumulative achievement rate for the quantitative and qualitative criteria was 120.1/150ths.

The Compensation and Appointments Committee observed that, based on a Consolidated Calculation Base of €6,980,407, the application of this cumulative achievement rate to the assessment grid defined by the Supervisory Board would result in a Multi-Criteria Annual Variable Component of €768,543.

After discussing the matter during its meeting on February 11, 2016, the Supervisory Board approved the Compensation and Appointments Committee's recommendations.

The Chair of the Compensation and Appointments Committee then submitted its recommendations to the General Partners (SAGES and Mr. Senard), which approved them.

Long-term incentive bonus (long-term variable component)

The long-term incentive bonus is not due by Michelin but would be deducted from the General Partners' allocated Profit Shares.

The calculation structure for the long-term incentive bonus was unchanged in 2015 compared to that used in the previous year.

The long-term incentive bonus is calculated on a base amount of €1,800,000, as increased or reduced to reflect the percentage gain or loss in Michelin's share price over the three years 2015-2017.

The amount obtained by applying the adjustment clause will be modulated by the application of three criteria set by the Supervisory Board and applicable over the above three-year period.

The criteria are as follows:

- Michelin's stock market performance in relation to that of the CAC 40 index, accounting for up to 33.3%, with the target gradually met from the point at which Michelin's stock market performance exceeds that of stocks in the third quartile.
- Average annual growth in consolidated net revenue, accounting for up to 33.3%, with the target gradually met based on growth in relation to a fixed starting point.
- Average annual return on capital employed (ROCE), accounting for up to 33.3%, with the target gradually met once observed ROCE is significantly greater than the weighted average cost of capital employed.

The targets for the second and third criteria concern like-for-like growth in net revenue and ROCE (*i.e.* based on a comparable structure and at constant exchange rates, excluding any changes in accounting policies and any non-recurring items), and may be revised following the occurrence of any exceptional events.

The achievement rate under this long-term incentive plan will be equal to 100% only if the targets for all three criteria are met in full.

The final amount receivable under the long-term incentive plan will be:

- Capped at 150% of the average of the Annual Variable Components paid to Mr. Senard for 2015, 2016 and 2017.
- Paid out of the Profit Shares allocated to the General Partners in respect of 2017 and payable in 2018 after the 2017 financial statements have been approved:
  - Subject to the availability of Profit Shares payable in 2018 in respect of 2017 profit; and
  - Up to the amount of said available Profit Shares after deducting the Single-Criterion and Multi-Criteria Annual Variable Components due for 2017.

As this is a long-term incentive plan, the Supervisory Board noted that no amount was due in respect of 2015.

There is no way of reliably simulating the amount to be paid with respect to this incentive plan in 2018, as the plan:

- Is not paid by Michelin and, as such, is not recorded in the Company's financial statements.
- Is subject to the achievement of highly uncertain conditions and criteria, as indicated above, over a period of three years, of which only one has passed.

As was the case for his 2014 compensation, by virtue of the law and the Company's bylaws, if the Chief Executive Officer were to cease to be a General Partner before the end of the performance assessment period, he would forfeit his rights to the long-term incentive bonus.

Note that in return, Jean-Dominique Senard is required to invest 20% of the long-term incentive bonus in Michelin shares at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.

4.3.2 b) Fringe benefits, stock options, performance shares

The detailed information in this section for 2015 is unchanged compared to the previous year.

Mr. Senard has the use of a Company car (see table 4.3.1 b).

Mr. Senard did not receive any attendance fees in either 2015 or 2014 from any Group companies, or any benefits other than those listed above. No stock options or performance shares were granted to him during the year by the Company or any controlled entities.

4.3.2 c) Supplementary pension benefits

The pension plan structure and rules, as described below, are unchanged from 2014.

This description complies with the provisions of the Macron Act of August 6, 2015 and the enabling legislation dated February 23, 2016.

Mr. Senard is not a member of any pension plan set up specifically for executive officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard participates in the supplementary pension plan set up for MFPM senior executives (the Michelin Executive Supplementary Pension Plan).

This plan, which is governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code and is not restricted to Non-General Managing Partners (executive officers), has the following main features:

- Participants must have served for at least five years as a senior executive.
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement).
- The replacement rate including benefit entitlements under compulsory plans is capped at 35%.
- An evaluation is carried out in accordance with Group accounting policies.
- Benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code.
- 70% of the prior year's benefit obligation funded through a contribution to an insured plan.

Mr. Senard's reference compensation is made up solely of the fixed compensation paid by MFPM and amounts to €1,100,000 for 2015.

Based on the assumptions set out in the above-mentioned legislation of February 23, 2016, the estimated amount of annual income he will receive under this plan is €108,500. The benefits will be taxed at the rate of 32%.

As the reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2015 (fixed compensation and variable share of profit as stipulated in the bylaws), his actual gross replacement rate would be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

4.3.2 d) Compensation for loss of office

The detailed information in this section is unchanged from 2014.

In accordance with Article 13-2 of the bylaws, as approved by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner and subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of Mr. Senard's total compensation for the two years preceding the year of his removal from office.

It would be subject to the performance conditions decided by the Supervisory Board in 2014, according to which the final compensation would depend on the average performance in relation to the targets set for the Multi-Criteria Annual Variable Component of his allocated share of profit for the three years preceding his removal from office (Three-Year Average), as follows:

- Three-year Average of less than 40%: no compensation for loss of office.
- Three-year Average of between 40% and 60%: compensation for loss of office equal to 50% of the Reference Base.
- Three-year Average of between 60% and 100%: compensation for loss of office equal to 100% of the Reference Base.

Where the Reference Base is equal to the aggregate compensation paid for the two years preceding the year of his removal from office.

The compensation for loss of office would be reduced, if applicable, so that any other severance payments due to Mr. Senard would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP/MEDEF Code.

4.3.2 e) Non-compete clause

The detailed information in this section is unchanged from 2014.

In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, Mr. Senard is subject to a non-compete clause, which was signed on July 26, 2011 after prior approval by the Supervisory Board.

If the Company were to decide to apply this non-compete clause, over a period of up to two years it would have to pay to Mr. Senard the equivalent of up to 16 months' compensation based on the most recent aggregate compensation paid to him by Group companies.

The Company is, however, entitled to waive the application of this clause.

Any compensation for loss of office that would be due to Mr. Senard in the event of a change of control or strategy would be reduced or withheld entirely if necessary so that his aggregate severance package, including the non-compete indemnity referred to above, did not exceed the equivalent of the aggregate of his last two years' compensation, as recommended in the AFEP/MEDEF Code.

4.3.2 f) Long-term incentive bonus for 2014 (long-term variable component)

The long-term incentive bonus is not paid by Michelin and, as such, is not recorded in the Company's financial statements, but would be deducted from the General Partners' allocated profit shares prior to their allocation.

It is calculated on a base amount of €1,800,000, as increased or reduced to reflect Michelin's stock market performance over the three years 2014-2016.

The amount obtained by applying the adjustment clause will be modulated by the application of three criteria set by the Supervisory Board and applicable over the above three-year period.

These criteria are as follows:

- Michelin's stock market performance in relation to that of the CAC 40 index, accounting for up to 33.3%, with the target gradually met from the point at which Michelin's stock market performance exceeds that of stocks in the fourth quartile.
- Average annual growth in consolidated net revenue, accounting for up to 33.3%, with the target gradually met based on growth in relation to a fixed starting point set by the Board.
- Average annual return on capital employed (ROCE), accounting for up to 33.3%, with the target gradually met once observed ROCE is significantly greater than the weighted average cost of capital employed.

The targets for the second and third criteria concern like-for-like growth in net revenue and ROCE (*i.e.* based on a comparable structure and at constant exchange rates, excluding any changes in accounting policies and any non-recurring items), and may be revised following the occurrence of any exceptional events.

The achievement rate under this long-term incentive plan will be equal to 100% only if the targets for all three criteria are met in full.

The final amount receivable under the long-term incentive plan will be:

- Capped at 150% of the average of the Annual Variable Components paid to Mr. Senard for 2014, 2015 and 2016.
- Paid out of the Profit Shares allocated to the General Partners in respect of 2016 and payable in 2017 after the 2016 financial statements have been approved:
  - Subject to the availability of Profit Shares payable in 2017 in respect of 2016 profit; and
  - Up to the amount of said available Profit Shares after deducting the Single-Criterion and Multi-Criteria Annual Variable Components due for 2016.

By virtue of the law and the Company's bylaws, if the Chief Executive Officer were to cease to be a General Partner before the end of the performance assessment period, he would forfeit his rights to the long-term incentive bonus.

As this is a long-term incentive plan, the Supervisory Board noted that no amount was due in respect of 2015.

Based on a simulation performed as of March 1, 2016:

- Depending on the achievement rate for the performance conditions described above, which is highly uncertain.
- Taking into account the actual achievement rates for the first two years (2014 and 2015); and
- If the achievement rate in 2016 were similar to that observed in 2014 and 2015 with regard to the criteria and the conditions.

The long-term incentive bonus payable to Mr. Senard in 2017 could amount to roughly €344,000.

Mr. Senard has undertaken to invest in Michelin shares 20% of the actual long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.

4.3.2 g) Long-term incentive bonus (plans closed in 2012)

Grant year	2007	2008	2009	2010	2011
Number of units awarded (in 2007 and 2008)	18,646	20,719	-	-	-
Amount awarded (2009 to 2011) *(in €)*	-	-	0	368,034	0
Unit exercise price *(in €)*	87.85	59.85	-	-	-
Exercise period	May 14, 2011 to May 14, 2016	May 19, 2012 to May 18, 2017	-	April 30, 2015 to April 29, 2019	-
Units exercised or incentive bonuses paid in 2015	0	0	0	0	0
Units or incentive bonuses canceled/expired	0	0	0	0	0
Units or incentive bonuses outstanding *(in €)* at December 31, 2015	18,646 units	20,719 units	0	€368,034	0

/ Long-term incentive bonuses awarded in 2007 and 2008

The long-term incentive bonuses (ILTs) in respect of 2007 and 2008 were awarded in the form of units whose value is equal to the difference between (i) the value of Michelin shares on the date the units are cashed in and (ii) the benchmark share price, defined as the exercise price of the stock options granted to Group employees on May 14, 2007 and May 29, 2008. The other terms and conditions of the awards (notably the vesting period, eligibility criteria and the cap on gains) are identical to those of the stock option plans, except for certain minor adjustments made to reflect the legal status of a Non-General Managing Partner (which Mr. Senard was during this period). The number of units and the exercise price were adjusted under the same terms and conditions as the stock option plans following the October 25, 2010 share issue.

The maximum capped cost to the Company of the 2007 and 2008 ILTs as of December 31, 2015 can be analyzed as follows:

- €581,168 theoretically payable to Mr. Senard in respect of the 2008 ILT, corresponding to the number of units multiplied by the difference between the Michelin share price on December 31, 2015 (€87.90) and the exercise price of the 2008 ILT unit (€59.85).
- €191,785 in payroll taxes due by the Company upon payment of the 2008 ILT, estimated in accordance with current legislation.
- €932 theoretically payable to Mr. Senard in respect of the 2007 ILT, corresponding to the number of units multiplied by the difference between the Michelin share price on December 31, 2015 (€87.90) and the exercise price of the 2007 ILT unit (€87.85).
- €308 in payroll taxes due by the Company upon payment of the 2007 ILT, estimated in accordance with current legislation.

/ Long-term incentive bonuses awarded between 2009 and 2011

The long-term incentive (ILT) bonus awarded in 2009 was calculated on the basis of Mr. Senard's annual variable compensation. However, given the year's recessionary economic environment and the various measures implemented in the Group in response, Mr. Senard waived his right to this compensation.

Mr. Senard's 2010 ILT was equal to the average amount, in €, of the variable compensation paid to him for 2008, 2009 and 2010.

This ILT is indexed to the long-term change in the Michelin share price, as determined by comparing the average share price for the quarter preceding the award date to the average price for the quarter preceding the date when Mr. Senard elects to cash in the ILT.

The adjustment may be positive or negative, depending on whether the average share price rises or falls, and is capped at 100% of the variable compensation used as the basis for calculating the ILT.

Payment of the 2010 ILT is deferred because it may not be cashed in until between the fifth and ninth anniversaries of the reference year, unless Mr. Senard is removed from office due to mismanagement.

The maximum capped cost to the Company of the 2010 ILT as valued at December 31, 2015 may be analyzed as follows:

- €368,034 theoretically payable to Mr. Senard, corresponding to the average amount, in €, of the variable compensation paid to him in respect of 2008 (waived), 2009 (€494,807) and 2010 (€609,294);
- €368,034 in a provision covering the maximum impact of indexation on the ILT due, which would correspond to an assumed Michelin share price of at least €107;
- €242,902 in applicable payroll taxes due by the Company upon payment of the ILT, estimated in accordance with current legislation and based on the maximum indexed amount.

In 2012, Mr. Senard waived his rights to his 2011 long-term incentive bonus calculated on the same basis as the 2010 ILT (*i.e.* the average amount, in €, of the variable compensation paid to him in respect of 2009, 2010 and 2011).

4.3.3 ADVISORY VOTE ON THE COMPONENTS OF THE COMPENSATION DUE OR AWARDED TO JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER, IN RESPECT OF 2015 AND SUBMITTED TO SHAREHOLDERS AT THE MAY 13, 2016 ANNUAL MEETING (1)

As in 2015, Michelin has decided to apply the recommendations of the AFEP/MEDEF Code concerning an advisory "say-on-pay" shareholder vote on the individual compensation awarded to executive officers.

In line with the recommendation of the Compensation and Appointments Committee, the Supervisory Board has issued a favorable opinion on the total compensation due or awarded to Mr. Senard in respect of 2015 and recommends that the shareholders cast a favorable advisory vote thereon.

These components of Mr. Senard's compensation will be presented to shareholders at the Annual Meeting on May 13, 2016.

All of the amounts indicated are based on the standard tables provided in the AFEP/MEDEF Code, which are set out in sections 4.3.1 and 4.3.2 of the 2015 Registration Document.

Compensation due or awarded for 2015	Amounts (or accounting value) submitted for shareholder approval *(in €)*	Presentation
Fixed compensation	1,100,000	**Unchanged from the previous year.** This corresponds to the gross annual fixed compensation due by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, as consideration for the duties performed by Mr. Senard in his capacity as Non-General Managing Partner of that company. Its amount was set by MFPM's General Partner on April 29, 2014, then confirmed on April 9, 2015 following Mr. Senard's re-election, based on the recommendation of CGEM's Compensation and Appointments Committee.
Annual variable compensation	1,276,975	**Details of the method to be used to calculate the Annual Variable Components of Mr. Senard's compensation were announced by the Supervisory Board in a press release posted on the Company's website on July 7, 2015.** **Shared features** The Annual Variable Components of Mr. Senard's compensation are paid out of the share of profit (Profit Shares) allocated to the two General Partners of CGEM – Jean-Dominique Senard and SAGES – that is now split between them on a mutually agreed basis. In accordance with the compensation policy detailed in section 4.3.2 a) of the 2015 Registration Document, and in application of Article 30, paragraph 3, of CGEM's bylaws, the Profit Share is: ▶ Set at 12% of the Company's net income for the year, net of dividend income corresponding to distributions of profits or reserves by MFPM and Compagnie Financière du groupe Michelin (CFM). ▶ Capped at 0.6% of the Group's consolidated net income. Taking into account the legal provisions specifically applicable to partnerships limited by shares and the provisions of the bylaws, as described above, the Compensation and Appointments Committee made proposals to the Supervisory Board about the various components of the performance criteria. After discussing the matter, the Supervisory Board made recommendations to the Non-Managing General Partner (SAGES) about the different criteria to be applied to the Profit Share payable to the Chief Executive Officer. For 2015, the Profit Share payable to the General Partners amounts to €6,980,407, as recommended in the resolution concerning the appropriation of net income to be put to the Annual Shareholders Meeting of May 13, 2016. Since 2015, as decided by the General Partners on the recommendation of the Supervisory Board, the basis used to calculate the Annual Variable Components (the Consolidated Calculation Basis) has been set at 0.6% of the Group's consolidated net income, and not the net income of the holding company, CGEM, in the interest of aligning the said Basis with the objectives of the Group as a whole. Consequently, for 2015, based on consolidated net income of €1,163,401,238, the Compensation and Appointments Committee has noted that the Consolidated Calculation Base amounts to €6,980,407. Given the mutually agreed division of the Profit Share between the General Partners, and the performance achieved in 2015 with respect to the conditions governing the Annual Variable Component, as described below, the total amount payable to Mr. Senard represents €1,276,975.

(1) Based on the terminology used in paragraph 24.3 of the AFEP/MEDEF Corporate Governance Code (p. 31 and 32) and in the Application Guide of the MEDEF High Committee on Corporate Governance (p. 12 to 22), November 2015 versions, available on their respective websites www.afep.com and www.medef.com.

Compensation due or awarded for 2015	Amounts (or accounting value) submitted for shareholder approval *(in €)*	Presentation
Annual variable compensation (cont.)		**Single-Criterion Annual Variable Component** This component is equal to 8% of the Consolidated Calculation Base. The Compensation and Appointments Committee has noted that, based on a Consolidated Calculation Base of €6,980,407, the Single-Criterion Annual Variable Component amounts to €508,432 for 2015. This amount is net of the sum payable by CFM as compensation for Mr. Senard's role as General Managing Partner of this subsidiary, estimated at €50,000. **Multi-Criteria Annual Variable Component** This component corresponds to between 0% and 14% of the Consolidated Calculation Base, depending on achievement rates for seven criteria. **These performance conditions are as follows:** **Three quantitative criteria** – the same as those applied to determine the 2015 variable compensation of the Executive Committee members and Group managers – which together account for up to 100/150ths: ▶ Annual growth in unit sales, accounting for up to 50/100ths, with performance in relation to the target measured by reference to the observed increase; ▶ Annual savings from the Efficiency project to reduce overheads, measured on the basis of an appropriate SG&A/gross margin ratio; this criterion accounts for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum ratio; ▶ Annual level of structural free cash flow, accounting for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum level; For reasons of confidentiality and business secrecy, and in particular to avoid (i) disclosing information about the Company's strategy that could be used by competitors for their advantage and (ii) creating confusion in shareholders' minds with the information disclosed by the Company to investors, the Supervisory Board has elected not to disclose details of these performance targets. **Four qualitative criteria,** together accounting for up to 50/150ths and concerning: ▶ Quality of research and development strategies and the digital transformation strategy. ▶ Quality of management; ▶ Quality of investor relations. ▶ Quality of operational control. In addition: ▶ If the cumulative achievement rate for the seven criteria is less than 50/150ths, Mr. Senard will not be entitled to any Multi-Criteria Annual Variable Compensation; ▶ He will be awarded the maximum 14% of the Consolidated Calculation Base for this component only if the cumulative achievement rate for the seven criteria is 150/150ths. **Observation and analysis of performance against the criteria** The Compensation and Appointments Committee carefully reviewed each of the quantitative and qualitative criteria. Regarding the three quantitative criteria, the Committee noted the achievement rate in 2015 for each of the objectives set by the Supervisory Board, which together gave an overall achievement rate of 87.1 out of 100. The Committee then evaluated the achievement rate for qualitative criteria. After discussing the matter, the Committee decided that the overall performance against qualitative criteria was good, and awarded an achievement rate of 33 out of 50. Following this analysis, having noted that for the Multi-Criteria Annual Variable Component: ▶ the cumulative achievement rate for the quantitative criteria was 87.1/150ths; ▶ the cumulative achievement rate for the qualitative criteria was 33/150ths; ▶ the cumulative achievement rate for the quantitative and qualitative criteria was 120.1/150ths; The Compensation and Appointments Committee observed that, based on a Consolidated Calculation Base of €6,980,407, the application of this cumulative achievement rate to the assessment grid defined by the Supervisory Board would result in a Multi-Criteria Annual Variable Component of €768,543. After discussing the matter during its meeting on February 11, 2016, the Supervisory Board approved the Compensation and Appointments Committee's recommendations. The Chair of the Compensation and Appointments Committee then submitted its recommendation to the General Partners (SAGES and Mr. Senard), which approved them.

Compensation due or awarded for 2015	Amounts (or accounting value) submitted for shareholder approval *(in €)*	Presentation
Deferred variable compensation	No deferred variable compensation was due for 2015	This long-term incentive bonus was announced by the Supervisory Board in a press release posted on the Company's website on July 7, 2015. The long-term incentive bonus is not due by Michelin but would be deducted from the General Partners' allocated Profit Shares. The calculation structure for the long-term incentive bonus was unchanged in 2015 compared to that used in the previous year. The long-term incentive bonus is calculated on a base amount of €1,800,000, as increased or reduced to reflect the percentage gain or loss in Michelin's share price over the three years 2015-2017. The amount obtained by applying the adjustment clause will be modulated by the application of three criteria set by the Supervisory Board and applicable over the above three-year period. The criteria are as follows: ▶ Michelin's stock market performance in relation to that of the CAC 40 index, accounting for up to 33.3%, with the target gradually met from the point at which Michelin's stock market performance exceeds that of stocks in the third quartile; ▶ Average annual growth in consolidated net revenue, accounting for up to 33.3%, with the target gradually met based on growth in relation to a fixed starting point; ▶ Average annual return on capital employed (ROCE), accounting for up to 33.3%, with the target gradually met once observed ROCE is significantly greater than the weighted average cost of capital employed. The targets for the second and third criteria concern like-for-like growth in net revenue and ROCE (*i.e.* based on a comparable structure and at constant exchange rates, excluding any changes in accounting policies and any non-recurring items), and may be revised following the occurrence of any exceptional events. The achievement rate under this long-term incentive plan will be equal to 100% only if the targets for all three criteria are met in full. The final amount receivable under the long-term incentive plan will be: ▶ Capped at 150% of the average of the Annual Variable Components paid to Mr. Senard for 2015, 2016 and 2017. ▶ Paid out of the Profit Shares allocated to the General Partners in respect of 2017 and payable in 2018 after the 2017 financial statements have been approved: – Subject to the availability of Profit Shares payable in 2018 in respect of 2017 profit; and – Up to the amount of said available Profit Shares after deducting the Single-Criterion and Multi-Criteria Annual Variable Components due for 2017. As this is a long-term incentive plan, the Supervisory Board noted that no amount was due in respect of 2015. There is no way of reliably simulating the amount to be paid with respect to this incentive plan in 2018, as the plan: – Is not paid by Michelin and, as such, is not recorded in the Company's financial statements; – Is subject to the achievement of highly uncertain conditions and criteria, as indicated above, over a period of three years, of which only one has passed. As was the case for his 2014 compensation, by virtue of the law and the Company's bylaws, if the Chief Executive Officer were to cease to be a General Partner before the end of the performance assessment period, he would forfeit his rights to the long-term incentive bonus. Note that in return, Jean-Dominique Senard is required to invest 20% of the long-term incentive bonus in Michelin shares at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.
Exceptional compensation	N/A	No exceptional compensation
Stock options, performance shares and other long-term compensation	Stock options = N/A Performance shares = N/A Other long-term compensation = N/A	No stock options granted No performance shares awarded No other long-term compensation awarded
Attendance fees	N/A	Mr. Senard does not receive any attendance fees
Value of fringe benefits	6,894	Company car
Signing bonus	N/A	Mr. Senard was not paid any signing bonus

Components of compensation due or awarded for 2015 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments*	Amounts submitted to the vote *(in €)*	Presentation
Compensation for loss of office	No compensation for loss of office was due for 2015	**The detailed information in this section is unchanged from 2014.** In accordance with Article 13-2 of the bylaws, as approved by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner and subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of Mr. Senard's total compensation for the two years preceding the year of his removal from office. It would be subject to the performance conditions decided by the Supervisory Board in 2014, according to which the final compensation would depend on the average performance in relation to the targets set for the Multi-Criteria Annual Variable Component of his allocated share of profit for the three years preceding his removal from office (Three-Year Average), as follows: ▶ Three-year Average of less than 40%: no compensation for loss of office. ▶ Three-year Average of between 40% and 60%: compensation for loss of office equal to 50% of the Reference Base. ▶ Three-year Average of between 60% and 100%: compensation for loss of office equal to 100% of the Reference Base. Where the Reference Base is equal to the aggregate compensation paid for the two years preceding the year of his removal from office. The compensation for loss of office would be reduced, if applicable, so that any other severance payments due to Mr. Senard would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP/MEDEF Code.
Non-compete indemnity	No indemnity was due under a non-compete clause in 2015	**The detailed information in this section is unchanged from 2014.** In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, Mr. Senard is subject to a non-compete clause, which was signed on July 26, 2011 after prior approval by the Supervisory Board. This clause replaced the one contained in his employment contract that was terminated following his election as General Managing Partner. If the Company were to decide to apply this non-compete clause, over a period of up to two years it would have to pay to Mr. Senard the equivalent of up to 16 months' compensation based on the most recent aggregate compensation paid to him by Group companies. The Company is, however, entitled to waive the application of this clause. Any compensation for loss of office that would be due to Mr. Senard in the event of a change of control or strategy would be reduced or withheld entirely if necessary so that his aggregate severance package, including the non-compete indemnity referred to above, did not exceed the equivalent of the aggregate of his last two years' compensation, as recommended in the AFEP/MEDEF Code.

Components of compensation due or awarded for 2015 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments*	Amounts submitted to the vote *(in €)*	Presentation
Supplementary pension benefits	No supplementary pension benefits were due for 2015	**The pension plan structure and rules, as described below, are unchanged from 2014.** This description complies with the provisions of the Macron Act of August 6, 2015 and the enabling legislation dated February 23, 2016. Mr. Senard is not a member of any pension plan set up specifically for executive officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard participates in the supplementary pension plan set up for MFPM senior executives (the Michelin Executive Supplementary Pension Plan). This plan, which is governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code and is not restricted to Non-General Managing Partners (executive officers), has the following main features: ▶ Participants must have served for at least five years as a senior executive. ▶ 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). ▶ The replacement rate including benefit entitlements under compulsory plans is capped at 35%. ▶ An evaluation is carried out in accordance with Group accounting policies. ▶ Benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code. ▶ 70% of the prior year's benefit obligation funded through a contribution to an insured plan. Mr. Senard's reference compensation is made up solely of the fixed compensation paid by MFPM and amounts to €1,100,000 for 2015. Based on the assumptions set out in the above-mentioned legislation of February 23, 2016, the estimated amount of annual income he will receive under this plan is €108,500. The benefits will be taxed at the rate of 32%. As the reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2015 (fixed compensation and variable share of profit as stipulated in the bylaws), his actual gross replacement rate would be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

* *Unlike for joint stock companies (sociétés anonymes, or S.A.s) the provisions concerning "related-party commitments" set out in Article L. 225-42-1 of the French Commercial Code do not apply to commitments given by a partnership limited by shares (société en commandite par actions, or S.C.A.) to its Managing Partners (Article L. 226-10 of said Code states that Articles L. 225-38 to L. 225-43 thereof apply to partnerships limited by shares with respect to related-party agreements but does not mention related-party commitments).*
The fact that the specific system applicable to S.A.s concerning related-party commitments does not apply to S.C.A.s is corroborated by Article L. 226-10-1 of the Commercial Code, which states that the Chairman of the Supervisory Board is required to prepare a report reviewed by the Statutory Auditors whose content explicitly excludes information related to the "principles and rules concerning the compensation and benefits granted to executive officers", whereas this information is compulsory for S.A.s pursuant to Articles L. 225-37 and L. 225-68 of the Commercial Code. This difference in the applicable legal regimes does not have any effect on (i) the rules concerning public disclosures of the amounts and underlying principles relating to the compensation of the Company's executive officers and (ii) the application, adapted to the context, of the AFEP/MEDEF Code's recommendations.

4.3.4 SUPERVISORY BOARD

The aggregate maximum amount of attendance fees payable to Supervisory Board members was set at €420,000 [(1)]. The Board is free to decide how to allocate the total amount between its individual members and the payments are made during the first quarter of the following financial year.

In accordance with the Supervisory Board's internal rules, a substantial portion of the attendance fees allocated to its members are contingent on their actual attendance at Board and Committee meetings.

The increase in the fees paid in 2015 compared to 2014 was due to two developments:

- The election or retirement of 13 Supervisory Board members since 2013, which resulted in fees being paid to these members in 2013 or 2014 only for the period from the date of their election or up to the date of their retirement.
- The increase in total attendance fees decided in 2014.

ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED BY THE SUPERVISORY BOARD MEMBERS IN 2015 (BASED ON TABLE 3 IN THE AFEP/MEDEF CODE)

Supervisory Board members	Amount paid in 2014 (for 2013)	Amount paid in 2015 (for 2014)
Olivier Bazil *(elected on May 17, 2013)*		
Attendance fees	22,500 [(1)]	53,000
Other compensation	0	0
Éric Bourdais de Charbonnière *(term expired on May 17, 2013)*		
Attendance fees	25,000 [(1)]	0
Other compensation	0	0
Pat Cox		
Attendance fees	30,000	46,000
Other compensation	0	0
Barbara Dalibard		
Attendance fees	30,000	36,000
Other compensation	0	0
Anne-Sophie de La Bigne *(elected on May 17, 2013)*		
Attendance fees	20,000 [(1)]	46,000
Other compensation	0	0
Jean-Pierre Duprieu *(elected on May 17, 2013)*		
Attendance fees	20,000 [(1)]	43,240
Other compensation	0	0
Louis Gallois *(resigned on February 11, 2014)*		
Attendance fees	30,000	6,000 [(1)]
Other compensation	0	0
François Grappotte *(term expired on May 17, 2013)*		
Attendance fees	22,500 [(1)]	0
Other compensation	0	0
Aruna Jayanthi *(elected on May 22, 2015)*		
Attendance fees	0	0
Other compensation	0	0
Monique Leroux *(appointed on October 1, 2015)*		
Attendance fees	0	0
Other compensation	0	0
Pierre Michelin *(term expired on May 17, 2013)*		
Attendance fees	20,000 [(1)]	0
Other compensation	0	0
Laurence Parisot *(resigned on July 24, 2015)*		
Attendance fees	30,000	53,000
Other compensation	0	0
Benoît Potier *(term expired on May 17, 2013)*		
Attendance fees	20,000 [(1)]	0
Other compensation	0	0
Cyrille Poughon *(elected on May 16, 2014)*		
Attendance fees	0	14,400 [(1)]
Other compensation	0	0
Michel Rollier *(elected on May 17, 2013)*		
Attendance fees	25,000 [(1)]	68,000
Other compensation	0	0
TOTAL	**295,000**	**365,640**

(1) Corresponding to the fees earned during the period from the date of appointment or up to the date of retirement.

(1) Amount approved by shareholders at the May 16, 2014 Annual Meeting (10th resolution).

At the Annual Shareholders Meeting on May 13, 2016, the Supervisory Board intends to ask shareholders to approve an increase in total attendance fees to take into account:

- The greater expertise and engagement required of its members.
- The recent election or appointment of members with recognized experience, from countries outside the European Union.
- The 12% increase in the number of members, from eight to nine.
- The 33% increase in the number of Supervisory Board meetings between 2014 and 2015.

For these reasons, the Supervisory Board proposes that the total attendance fee budget should be increased from €420,000 to €555,000 for the 2016 fiscal year, payable in 2017.

In accordance with the Supervisory Board's internal rules, a substantial portion of the attendance fees allocated to its members are contingent on their actual attendance at Board and Committee meetings.

4.3.5 THE GROUP EXECUTIVE COMMITTEE

In 2015, the members of the Group Executive Committee received aggregate gross compensation of €10,329,303 (including €2,085,012 corresponding to the variable component for 2014 which was paid during the first half of 2015). In 2014 the gross aggregate compensation received by Group Executive Committee members totaled €7,189,157 (including €1,945,862 corresponding to the variable component for 2013 which was paid during the first half of 2014).

This increase is justified by:

- An increase in the number of members during the first half of 2015, to allow two members who were retiring to hand over their duties to their replacements.
- The increase in the number of members, from 11 to 12, as of December 31, 2015.

The Group Executive Committee members do not receive any attendance fees as members of the Boards of any Group companies.

4.4 TRADING IN MICHELIN SHARES BY MANAGING PARTNERS, GENERAL PARTNERS AND SUPERVISORY BOARD MEMBERS AND THEIR CLOSE RELATIVES IN 2015

/ Chief Executive Officer

Jean-Dominique Senard

6,216 stock options exercised on April 29, 2015 at a unit price of €55.99 a share.

/ Supervisory Board

Aruna Jayanthi

200 shares purchased on March 20, 2015 (before her election to the Board) at a unit price of €91.38 a share.

Cyrille Poughon

376 shares purchased on May 4, 2015 at a unit price of €99.77 a share.

Michel Rollier

1,111 shares purchased on May 20, 2015 at a unit price of €101.89 a share.

/ SAGES (Non-Managing General Partner)

975 shares purchased on April 24, 2015 at a unit price of €101.52 a share.

18,880 shares purchased on September 10, 2015 at a unit price of €84.30 a share.

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out by the Chief Executive Officer, SAGES, Supervisory Board members or their close relatives during the year.

4.5 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE MEMBERSHIP OF THE SUPERVISORY BOARD, THE APPLICATION OF THE PRINCIPLE OF GENDER EQUALITY, THE SUPERVISORY BOARD'S PRACTICES AND THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Ladies and Gentlemen,

In my capacity as Chairman of the Supervisory Board, I hereby report to you on (i) the membership structure of the Board and the application of the principle of gender equality, (ii) the Supervisory Board's practices during the year ended December 31, 2015 and (iii) the internal control and risk management procedures put in place by the Company.

4.5.1 MEMBERSHIP STRUCTURE OF THE SUPERVISORY BOARD, APPLICATION OF THE PRINCIPLE OF GENDER EQUALITY AND SUPERVISORY BOARD PRACTICES

4.5.1 a) Members – Board gender equality

In accordance with the applicable law and the Company's bylaws, the Supervisory Board may have no less than three and no more than ten members elected by the Annual Shareholders Meeting for a term of four years [(1)]. All Supervisory Board members must be shareholders.

According to the bylaws, no more than one-third of Supervisory Board members may be aged over 75.

The Supervisory Board currently has nine members, whose names are listed below along with details of their current position [(2)]. This information is disclosed in accordance with Article L. 226-4-1 of the French Commercial Code introduced by French Act No. 2011-103 of January 27, 2011 concerning the balanced representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace:

- **Olivier Bazil,** a Director of Legrand and Vallourec.
- **Pat Cox,** Member of the Board of Trustees of the Friends of Europe; former President of the European Parliament; former member of the Irish Parliament.
- **Barbara Dalibard,** Chief Executive Officer of SNCF Voyageurs.
- **Anne-Sophie de La Bigne,** Vice-President in charge of Civil Affairs in the Public Affairs Division, France, at Airbus Group.
- **Jean-Pierre Duprieu,** Executive Vice-President of the Air Liquide group.
- **Aruna Jayanthi,** Chief Executive Officer of Capgemini India.
- **Monique Leroux** [(3)]**,** Chair of the Board, President and Chief Executive Officer of Desjardins.
- **Cyrille Poughon,** member of the "Workplace Quality of Life" workgroup at Manufacture Française des Pneumatiques Michelin.
- **Michel Rollier,** Chairman of Michelin's Supervisory Board, Chairman of the Plateforme de la Filière Automobile and a former Managing Partner of Michelin.

Concerning the practice of appointing a Senior Independent Director adopted by certain listed companies, the Board considers that it is not necessary to follow this practice because of Michelin's governance structure and the following considerations:

- In a partnership limited by shares, the duties of management and oversight are performed by two separate governance structures, with no individual being a member of both structures as can be the case in a company administered by a Board of Directors.
- The Supervisory Board is relatively small (with nine members) and it is therefore easy for each member to freely express his or her views.
- The proportion of independent members of the Supervisory Board is very high.

In summary, the Supervisory Board's diversity in terms of experience and backgrounds is illustrated by the fact that, in 2015:

- 45% of the Board members are women.
- 78% of the Board members are independent.
- 34% of the Board members are foreign nationals.

(1) Five years for members elected prior to 2009. Certain members may be elected for a two- or three-year period in order to effectively stagger the terms of office of Supervisory Board members.
(2) Laurence Parisot tendered her resignation from the Board on February 18, 2015, effective July 24, 2015.
(3) Monique Leroux was appointed to the Board at its meeting on October 1, 2015, to fill the seat left vacant by Laurence Parisot.

4.5.1 b) Report on the Supervisory Board's activities during 2015

/ General activities

At its meetings on February 5 and July 23 respectively, the Board reviewed (i) the separate and consolidated financial statements for the year ended December 31, 2014 and (ii) the interim financial statements for the six months ended June 30, 2015. It also examined and expressed its opinion on the financial information communicated to the markets.

The issues examined by the Supervisory Board – based in some cases on presentations made by the Chief Executive Officer or by members of line management – were as follows:

- Quarterly financial information and interim and annual results – based in part on a review of the management scorecards used by the Executive Committee – and the corresponding press releases, including a discussion of investor relations.
- Internal control and risk management, and the Chairman's report on these topics and on Supervisory Board practices.
- The Audit Committee's report.
- The strategic plans of each of the major operating units.
- The planning process and budget assumptions.
- Competitor analyses.
- Proposed acquisitions.
- Compensation policies.
- Preparations for the Annual Shareholders Meeting;
- Two candidates for election to the Supervisory Board and the decision to appoint a new Board member;
- Annual assessment of Supervisory Board members' independence;
- Annual self-assessment of the Board's work;
- Capital allocation policy between the Company and shareholders;
- Report of the Compensation and Appointments Committee;
- Industrial restructuring projects;
- Project to streamline the Group's organization and business processes.

Part of each Supervisory Board meeting takes place behind closed doors, without the Chief Executive Officer or any representatives of senior management being present.

The Supervisory Board is committed to helping the member representing employees to act as a neutral observer of the Group's social dialog processes in order to make an informed contribution to the Board's discussions.

In line with this commitment, in 2015, Cyrille Poughon, the member representing employees, visited Group units in Spain and China, and presented his observations during Supervisory Board meetings.

In addition, in line with legal requirements, the Company decided that the Supervisory Board of its main French subsidiary, Manufacture Française des Pneumatiques Michelin, should also continue to include an employee representative, appointed by the Company's Central Works Council.

/ Members' availability

The Supervisory Board met eight times in 2015, on February 5, February 18, March 6, April 23, June 19, July 23, September 30/October 1 and December 1 with an average attendance rate (including meetings of Board Committees) of 100%.

The attendance rates of the individual Board members are presented in the table below:

	Participation at meetings held in 2015		
Supervisory Board members	**Supervisory Board (8 meetings)**	**Audit Committee (4 meetings)**	**Compensation and Appointments Committee (4 meetings)**
Olivier Bazil	8/8	4/4	N/A
Pat Cox	8/8	N/A	4/4
Barbara Dalibard (1)	8/8	N/A	1/1
Anne-Sophie de La Bigne	8/8	4/4	N/A
Jean-Pierre Duprieu	8/8	4/4	N/A
Aruna Jayanthi (2)	4/4	N/A	N/A
Monique Leroux (3)	1/1	N/A	N/A
Laurence Parisot (4)	6/6	N/A	3/3
Cyrille Poughon	8/8	N/A	N/A
Michel Rollier	8/8	N/A	4/4

N/A: Not applicable.
(1) Barbara Dalibard replaced Laurence Parisot as Chair of the Compensation and Appointments Committee and participated in the only meeting of the Committee held in 2015 after she took up her position.
(2) Aruna Jayanthi participated in all the meetings held in 2015 after she joined the Board.
(3) Monique Leroux participated in the only meeting held in 2015 after she joined the Board.
(4) Laurence Parisot participated in all the meetings held in 2015 up to her resignation.

/ Training for Supervisory Board members

As part of its training policy for Supervisory Board members, during the year the Company once again organized a special training program on the Group's operations. The program gave all of the members an opportunity to acquire or refresh their hands-on insight into how Michelin's various businesses are run.

In 2015, a two-day seminar was organized in Poland.

One day was devoted to a comprehensive strategic review of the Group's businesses and its new strategic pathways.

On the second day, the Board members were given a guided tour of one of the Group's major plants. They visited the production lines dedicated to passenger car and light truck, truck and specialty tires and semi-finished products, gaining valuable insight into manufacturing processes and the production shops' organization and procedures. They also saw at first hand the high standards of manufacturing performance achieved at this type of plant, the improvements in progress and the measures taken to enhance customer service.

These topic-specific presentations, along with those made during the year at Supervisory Board meetings by members of Executive Management and their teams, are an essential means of improving the Supervisory Board members' understanding of all the challenges facing the Michelin Group.

/ Changes in the composition of the Supervisory Board and other resolutions to be presented at the 2015 Annual Shareholders Meeting

A major part of the Board's work in late 2014 and early 2015 entailed preparing for the expiration of Supervisory Board members' terms of office.

The Compensation and Appointments Committee reviewed the proposed re-election of Barbara Dalibard and the election of a new member, Aruna Jayanthi.

It examined Ms. Dalibard's contribution to the work of the Board, noting:

- Her in-depth understanding of the Group's main challenges.
- Her contribution to determining the Group's main research and development strategies.
- Her expertise in issues related to the digital economy.
- Her availability and involvement in the Board's work.
- The fact that she is an independent member of the Board and has no conflicts of interest.

The Compensation and Appointments Committee decided that it would be in the best interests of the Company's shareholders to continue to benefit from Barbara Dalibard's skills and experience. Ms. Dalibard having expressed her willingness to continue serving on the Board, the Supervisory Board decided to accept the Compensation and Appointment Committee's recommendation and voted to put her forward for re-election for a further four-year term.

As requested by the Supervisory Board, the Compensation and Appointments Committee based its search for the new Supervisory Board member on best market practices as adapted to the Company's specific situation.

After reviewing in detail the candidates selected by a leading independent firm of recruitment consultants, the Committee decided to choose Aruna Jayanthi.

Ms. Jayanthi, an Indian national, is the Chief Executive Officer of Capgemini India and in this role she oversees all of the Capgemini group's operations in India, covering Consulting, Technology and Outsourcing Services.

The Compensation and Appointments Committee carried out an in-depth review of Ms. Jayanthi's candidature, which included a face-to-face interview. The Committee concluded that the main strengths she would bring to the Supervisory Board would be:

- Her multi-national and multi-cultural experience.
- Her expertise in consulting, IT services and eco-digital solutions.
- Her managerial experience within a major international group.
- Her knowledge of the Indian market and emerging markets.
- Her desire to actively participate in the work of the Supervisory Board.

The Committee also reviewed Ms. Jayanthi's independence in relation to Michelin.

At the end of this process, the Chairman of the Compensation and Appointments Committee reported back to the Supervisory Board on its selection process and recommended that Aruna Jayanthi be put forward for election as a new independent member of the Supervisory Board for a four-year term.

At its meeting of October 1, 2015, in line with the recommendations made by the Compensation and Appointments Committee, the Supervisory Board appointed Monique Leroux to replace Laurence Parisot, who had resigned from the Supervisory Board following its meeting of July 23, 2015, as previously announced.

The Group will benefit from Monique Leroux's experience in two respects.

Monique Leroux, a Canadian national, has been Chair of the Board, President and Chief Executive Officer of Desjardins, Canada's largest cooperative financial group one of the main American financial institutions, since 2008. She oversaw a phase of dynamic growth, while helping to make the group the fifth most robust financial institution in the world.

She is a director of the International Cooperative Alliance (ICA), the Canadian company ACT, Inc., Crédit Industriel et Commercial (CIC), the European Association of Cooperative Banks (EACB), and the International Confederation of Popular Banks (CIBP).

Her participation in many international bodies gives her solid insight into the global markets.

Ms. Leroux's appointment will be submitted for ratification at the Annual Shareholders Meeting on May 13, 2016.

/ Preparing recommendations for electing/re-electing Supervisory Board members and other resolutions to be presented at the 2016 Annual Shareholders Meeting

The Supervisory Board asked the Compensation and Appointments Committee to review the situation of members whose term was due to expire at the 2016 Annual Shareholders Meeting and the proposal to elect a new member and ratify an appointment.

The Committee's procedures and recommendations are presented in the Supervisory Board's report on the resolutions to be submitted to the 2016 Annual Shareholders Meeting (see section 10.2.1 of the 2015 Registration Document).

/ Review of Supervisory Board members' independence and any conflicts of interest

The Board has chosen to refer exclusively to the criteria listed in the AFEP/MEDEF Code for its assessment of its members' independence [(1)].

The changes in the Board's membership that have taken place since 2013 led the Board to examine its members' independence more closely in late 2015 and early 2016, as it had also done in 2013 (see the detailed conclusions in the 2013 Registration Document, pages 114 and 115).

In the first phase, the Compensation and Appointments Committee checks that each Supervisory Board member has formally declared, in relation to the provisions and abstention obligations of the Board's internal rules, that:

- They have no close family ties with the Managing Partner or their fellow Supervisory Board members.
- They have not been convicted of fraud during the past five years, or been associated with a bankruptcy, receivership or liquidation during the past five years, or been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.
- They do not have a service contract with the Company or any of its subsidiaries.
- They have not been selected to serve as a Supervisory Board member pursuant to any arrangement or agreement with a principal shareholder, customer, supplier or other stakeholder.
- To the best of their knowledge, there are no restrictions on the disposal within a certain period of time of their Michelin shares, except for those resulting from insider dealing rules.
- To the best of their knowledge, there are no conflicts of interest between their obligations towards the Company in their capacity as Supervisory Board member and their personal interests and/or other obligations.

Where applicable, the Committee also checks any notifications given to the Board by its members.

In the second phase, to complete the earlier statements and observations, the Committee:

- Checks that none of the Board members had been an auditor of the Company during the past five years.
- Reviews the period served on the Board by members since they were first elected, in particular for members who have served on the Board for 12 or more years.

In addition, the Committee examines whether any Board member:

- Is or has been in the past five years an employee or executive officer of the Company, or an employee or director of its parent or a company that the latter consolidates.
- Is an executive director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the Company (currently in office or having held such office for less than five years) is a director.
- Is a customer, supplier, investment banker or commercial banker:
  - That is material to the Company or the Group; or
  - That depends on the Company or the Group for a significant part of its business.

In the third phase, the Committee reviews the situation of Board members who may personally conduct significant amounts of business with the Company or be involved with undertakings that may maintain significant business relations with the Company.

In each case, the Committee starts by examining the nature of the Board member's duties in the undertaking concerned, particularly whether they hold a non-executive position such as member of the Board of Directors or Supervisory Board, whether they are qualified as independent by that undertaking and whether they share any cross-directorships with an executive officer of the Company.

Where a Board member holds an executive or management position, the Committee examines the nature and scope of the member's duties and, if the undertaking is a material competitor, customer or supplier of the Company, assesses whether the position may give rise to a conflict of interests between that undertaking and the Company.

When considered necessary, the Committee then analyses individual situations based on (i) the type of relationship that exists between the Company and the undertaking concerned and (ii) the amounts represented by financial transactions between the Company and the undertaking, applying different materiality thresholds depending on the type of relationship (revenues in relation to consolidated revenues, purchase volumes, etc.).

The Compensation and Appointments Committee conducted an independence review in 2015. Its conclusions were presented to the Supervisory Board which discussed and then adopted them. The review process can be summarized as follows:

The situation of **Barbara Dalibard** was examined in light of the business relations that may exist between Michelin and the SNCF group in which Ms. Dalibard holds an executive position as Chief Executive Officer of SNCF Voyageurs.

In 2015, the revenues earned by SNCF with Michelin were not material in relation to the SNCF group's consolidated revenues.

Consequently, the Committee proposed considering that Barbara Dalibard's indirect business relationship with Michelin by virtue of her position with SNCF is not material. Ms. Dalibard, who is a member of the Committee, did not take part in the discussion of her situation and was not involved in determining the Committee's conclusions.

The Committee also considered that Ms. Dalibard's position as an independent non-executive director of Société Générale and the volume of business between Société Générale and Michelin did not prevent her from being qualified as an independent member of the Supervisory Board.

The Committee also examined the situation of **Anne-Sophie de La Bigne** in light of her position with Airbus Group as Vice President in charge of Civil Affairs in the Public Affairs Division France. The Committee noted that (i) Ms. de La Bigne does not hold an executive position at Airbus with responsibility for purchasing or selling products or services and (ii) her area of responsibility is limited to France.

The Committee nevertheless decided to examine the volume of business conducted between Michelin and the Airbus Group, as some of the latter's subsidiaries purchase products and/or services from Michelin.

Due to the structure of the aerospace markets served by Michelin and the companies operating in these markets, the Committee examined the revenues earned by Michelin in 2015 from the sale of products and services not only to Airbus Group companies but also to these companies' customers that own or lease aircraft. The revenue figure was then compared to Michelin's consolidated revenue for 2015.

(1) When the Compensation and Appointments Committee assesses the independence of one of its members, that member does not take part in the Committee's discussion and analysis of his or her situation nor in the Supervisory Board's decision regarding his or her independence.

The comparison showed that the revenue in question represented significantly less than 1% of the Group's consolidated revenue for the year.

Consequently, the Committee proposed considering that Anne-Sophie de La Bigne's indirect business relationship with Michelin by virtue of her position with the Airbus Group was not material.

The Committee then reviewed the situation of **Jean-Pierre Duprieu,** Executive Vice-President of the Air Liquide group.

In 2015, transactions between Michelin and the Air Liquide group represented a very small proportion of Michelin's total purchases and the corresponding revenue was not material in relation to the Air Liquide group's consolidated revenue.

Consequently, the Committee proposed considering that Jean-Pierre Duprieu's indirect business relationship with Michelin by virtue of his position with the Air Liquide group was not material.

The Committee also examined the business relationship between Michelin and the Capgemini group, whose Indian subsidiary is headed by **Aruna Jayanthi.**

Worldwide transactions between the Capgemini group and Michelin represent only a small proportion of Michelin's purchases of IT services and consulting services, and do not account for a significant portion of Capgemini's global revenue.

Consequently, the Committee proposed considering that Aruna Jayanthi's indirect business relationship with Michelin by virtue of her position with the Capgemini group was not material.

Concerning **Monique Leroux,** Chair of the Board, President and Chief Executive Officer of Desjardins, transactions between Desjardins and Michelin in 2015 were not material for either group.

The Committee also considered that Ms. Leroux's position as an independent non-executive director of CIC and the volume of business between CIC and Michelin did not prevent her from being qualified as an independent member of the Supervisory Board.

Consequently, the Committee proposed considering that Monique Leroux's indirect business relationship with Michelin by virtue of her positions with Desjardins and CIC was not material.

Cyrille Poughon, who was elected to the Supervisory Board on May 16, 2014, is an employee of Manufacture Française des Pneumatiques Michelin, one of the Group's largest operating companies and its largest French subsidiary. Despite his independent mindset and conspicuous participation in Supervisory Board meetings, the Board considered that Mr. Poughon could not be qualified as independent because of the implicit requirement for him, as a Michelin employee, to demonstrate loyalty to the Group.

Lastly, when **Michel Rollier,** Chairman of Plateforme de la Filière Automobile and Chairman of the Board of Directors of Siparex Associés, was elected at the Annual Shareholders Meeting of May 17, 2013, the Supervisory Board decided that he did not qualify as an independent member because he had left the Michelin Group less than five years earlier.

The Compensation and Appointments Committee considered that he still did not qualify as an independent member of the Supervisory Board because less than five years had elapsed since he resigned from his position as an executive officer of Michelin. Michel Rollier, who is a member of the Committee, did not take part in the discussion of his situation and was not involved in determining the Committee's conclusions.

Having reviewed the Compensation and Appointments Committee's analyses, at its meeting on February 11, 2016, the Supervisory Board decided that all of its members with the exception of Michel Rollier and Cyrille Poughon are independent, based on the criteria in the AFEP/MEDEF Code.

Seven of the nine members are therefore independent, representing just under 78%, which is a significantly higher proportion than that recommended in the AFEP/MEDEF Code, which states that half of the Board members of widely-held corporations without controlling shareholders should be independent.

/ Assessment of the Supervisory Board's practices

At its meeting on February 11, 2016, the Supervisory Board devoted an agenda item to discussing its own practices.

The Chairman reported to the Board members on the annual self-assessment procedure that he had carried out jointly with the Chairman of the Compensation and Appointments Committee. This self-assessment consisted in interviewing each Board member individually based on a questionnaire that they had received beforehand.

The self-assessment concerned the following matters:

- The Board's role and organization.
- The choice of topics addressed and the time allocated to them.
- Governance.
- The Board's overall qualifications.
- The quality and quantity of information received.
- Performance management.
- The Committees' practices.

The self-assessment confirmed the Board members' high level of satisfaction, which was at a level similar to that of previous years.

In particular, Board members appreciated the quality of the presentations made, and the fruitful discussions had with Group management.

These discussions are characterized by a high level of openness and transparency.

They allow the Board members to come to a good understanding of the Group's strategy and how it is implemented.

The self-assessment also showed the Board's high level of satisfaction with the practices of the two committees.

Board members also highlighted the importance everyone attached to regularly reviewing management succession plans.

In conclusion, all of the Board's members considered that the Board operates in a manner that enables it to fully perform its duties.

As planned in early 2015, at the Supervisory Board's request, the Compensation and Appointments Committee will select an external consultant to assess the work of the Board and that of its individual members in 2016.

Due to the changes in the Board's membership in 2015, the Committee decided it would be more efficient to postpone the assessment until 2016.

The Supervisory Board will discuss the consultant's findings, take any necessary action and report to shareholders once the exercise has been completed.

4.5.1 c) Implementation of the "comply or explain" rule

The list of points covered in this section is unchanged from 2014.

In accordance with Article L. 225-68 of the French Commercial Code and paragraph 25.1 of the AFEP/MEDEF Code and the corresponding implementation guidance, the Supervisory Board considers that it complies with the recommendations of the AFEP/ MEDEF Code, as adapted to the Company's structure as a French partnership limited by shares (S.C.A.), which was adopted at the time of its formation in 1863, except as explained below:

Code recommendation	Explanation
Material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors (Recommendation 4)	This recommendation is not directly applicable because of the Company's legal form as a partnership limited by shares. With this type of partnership, the General Managing Partner (Chief Executive Officer) has unlimited personal liability and his powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no authority to become involved in managing the Company. However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its bylaws (1) as well as the Supervisory Board's internal rules. Pursuant to the internal rules, the Chief Executive Officer must submit to the Supervisory Board details of any planned capital projects, new commitments, asset disposals or business acquisitions representing material amounts before any final decision is made. This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate. This approach complies with the spirit and aims of the recommendation.
The financial statements should be reviewed by the Audit Committee no less than two days before their review by the Board (Recommendation 16.1)	In view of the distance they may have to travel to attend meetings and the other business commitments not only of the Supervisory Board and Audit Committee members but also of the members of Executive Management, the Audit Committee conducts its formal review of the financial statements half a day before they are examined by the Supervisory Board. However, to enable the Committee to perform its work as efficiently as possible: ▶ The documents concerning the financial statements are made available to the Committee members several days in advance. ▶ The Chairman of the Audit Committee meets with the Group's Chief Financial Officer in advance to review the financial statements and prepare the Committee's meeting. This process ensures that: ▶ The discussion of the financial statements by the Committee and the Board is both efficient and of a high quality; and ▶ Complies with the spirit and aims of the recommendation.
It is advised that an employee director be a member of the Compensation Committee (Recommendation 18.1)	The Company chose to recommend that employees should be represented on the Supervisory Board and an employee of a Group company was elected to the Supervisory Board at the 2014 Annual Shareholders Meeting. However, the Compensation and Appointments Committee does not include any member representing employees. In view of the limited number of Committee members and their current situation in relation to the AFEP/MEDEF Code's independence rules, the inclusion on the Committee of the Supervisory Board member representing employees would have the effect of reducing the proportion of independent members to just half of the members, versus the majority required by the AFEP/MEDEF Code.

(1) Article 17 of the bylaws states that "(...) The Supervisory Board is jointly and regularly informed about the Company's situation and the key issues listed in the Supervisory Board's internal rules. The Supervisory Board reports to the Shareholders Meeting on the fulfillment of its duties (...)".

4.5.1 d) Report on the Audit Committee's work in 2015

Due to extensive experience acquired during their careers, notably as part of the executive management and strategic advisory teams of large corporations, the Audit Committee's three members have a deep understanding of financial and accounting matters.

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information, in accordance with Articles L. 823-19 and L. 823-20-4° of the French Commercial Code.

The Committee met four times in 2015 – on February 4, April 23, July 22 and November 30 – with a 100% attendance rate.

During its meetings, the Audit Committee made inquiries of:

- The Chief Financial Officer.
- The Corporate Financing Director.
- The Accounting Director.
- The Internal Control and Quality Director.
- The Budget Controller.
- The Chief Procurement Officer.
- The Executive Vice President, Quality, Audit and Risk Management.
- The Tax Affairs Director.
- Both Statutory Auditors.

The main purpose of the meetings held in 2015 was to review:

- The audited separate and consolidated financial statements for the year ended December 31, 2014. In particular, the Audit Committee analyzed the accounting treatment of acquisitions, 2014 consolidated key figures and significant events of the year, material changes in consolidated income statement and balance sheet items, the main components of consolidated free cash flow, and the main items in the separate financial statements of the Company. It noted that the audit of the accounts had gone smoothly. The Statutory Auditors reported to the Committee on their audit behind closed doors, without any members of management being present. They issued unqualified opinions on both the separate and consolidated financial statements for 2014, and did not make any observations in their reports.

- The interim separate and consolidated financial statements for the six months ended June 30, 2015. The Committee mainly reviewed the absence of changes in accounting methods and in the scope of consolidation, restructuring cost estimates, free cash flow and working capital, and changes in raw materials prices. The Statutory Auditors reported to the Committee on their limited review. Their limited review report did not contain any qualifications or observations. The Auditors also presented their audit plan for 2015.
- The management of raw materials price risk. The Budget Controller presented the methods used to manage this risk.
- The Group purchasing process. The Chief Procurement Officer presented the challenges and risks associated with the procurement process.
- The expiry of the Statutory Auditors' appointment. During several of its meetings and based on Finance Department analyses and presentations, the Audit Committee examined the question of re-appointing the auditors or appointing new auditors at the 2016 Annual Shareholders Meeting. The Committee made a recommendation on the choice of auditors, which will be put to the Annual Shareholders Meeting on May 13, 2016. The auditor selection process is described in the Supervisory Board's report on the proposed resolutions (see section 10.2.1 of the 2015 Registration Document).
- Internal control. The Internal Control Director presented the action plans implemented in 2014 and the objectives set for 2015.
- Risk management, the internal audit program and the Quality function. The Executive Vice President, Quality, Audit and Risk Management presented the risk map, detailing the actions that had been taken with regard to several material risks, the Internal Audit Department's organization and ongoing initiatives, and changes to the Quality function.
- Financial risk management. The Corporate Financing Director described the various financial risk management processes and the main challenges associated with each of these risks.
- The capital expenditure process and profitability analysis. The Committee was given a presentation describing how these tasks were organized as well as ongoing improvement initiatives.

The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 4, April 23 and July 23, 2015 and February 11, 2016.

4.5.1 e) Report on the Compensation and Appointments Committee's work in 2015

The Committee met four times in 2015 – on January 26, February 11, April 17 and November 20 – with a 100% attendance rate.

The Committee's work mainly consisted in reviewing the following issues.

/ Review of the Chief Executive Officer's compensation

In early 2015, the Committee analyzed and submitted to the Board, its conclusions about the achievement rates for the performance conditions used to determine the variable compensation due or awarded by the Company to the Chief Executive Officer for 2014, so that the Board could submit its own conclusions to the Non-Managing General Partner (SAGES) for approval.

This compensation was presented at the Annual Shareholders Meeting of May 22, 2015 and was approved by a majority of 95.72% of the votes cast (6th resolution).

The Compensation and Appointments Committee also proposed the components of the Chief Executive Officer's 2015 variable compensation for approval by the Non-Managing General Partner (SAGES).

In early 2016, the Committee analyzed the various components of the Chief Executive Officer's compensation and noted the achievement rates for the applicable performance criteria.

With the agreement of the Non-Managing General Partner, the Board prepared and recommended the components to be submitted to the Annual Shareholders Meeting of May 13, 2016 ("say on pay" advisory vote on the compensation due or awarded to the Chief Executive Officer for 2015, 6th resolution) [1].

/ Review of Supervisory Board members' independence and any conflicts of interest

The Committee conducted a large-scale review of the Supervisory Board members' independence, by examining in particular whether there were any business relationships between the members and Michelin that could be qualified as material [2].

/ Recommendations concerning the election/re-election of Supervisory Board members at the Annual Shareholders Meetings of May 22, 2015 and May 13, 2016

At the Supervisory Board's request, the Committee reviewed the proposed elections, re-elections, appointments and re-appointments of Board members and Statutory Auditors.

A detailed description of the Committee's work and its recommendations to the Board is provided in the report of the Chairman of the Supervisory Board (section 4.5.1 b)) and the Supervisory Board's report on the resolutions to be presented at the 2016 Annual Shareholders Meeting (section 10.2.3 of the 2015 Registration Document).

/ Other business

The Committee also reviewed:

- Changes in the membership of the Group Executive Committee.
- Executive management appointments policy.
- Bonus and performance share policies.
- The Supervisory Board's self-assessment (described in detail in section 4.5.1.b) of the 2015 Registration Document).

(1) See section 4.3.3 for details.
(2) See the detailed description in section 4.5.1 b).

4.5.2 SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

The specific rules concerning shareholder participation at General Meetings are presented in section 5.1.2 f) of the 2015 Registration Document and in the 2015 Shareholders Guide, which may be downloaded from the website at www.michelin.com (in the section entitled "Finance/Individual shareholders/Documents").

4.5.3 MICHELIN GROUP INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

In compliance with article L. 225-68 of the French Commercial Code, the Chairman of the Supervisory Board has prepared a report describing the internal control and risk management procedures defined and implemented by the Company.

It reflects information compiled and contributed by several Corporate Departments, including Finance, Legal, Personnel, Quality and Audit and Risks. After being reviewed and validated by the Chief Executive Officer, the entire report was submitted to the Statutory Auditors for discussion.

It was also examined by the Audit Committee and then reviewed and approved by the Supervisory Board on February 11, 2016, in accordance with the French Law of July 3, 2008.

Risk management and internal control processes

/ Reference framework

The Group has defined its risk management and internal control guidelines and structured the related processes in line with the Reference Framework published by France's *Autorité des Marchés Financiers* (AMF) in January 2007 and reaffirmed on July 22, 2010. In compliance with AMF Recommendation of November 5, 2013, this report presents the required disclosures according to the template defined in the Reference Framework.

The risk management and internal control processes are carefully aligned and designed to meet closely related objectives, thereby enabling the Company to seamlessly control all of its business activities.

/ Risk management and internal control objectives

Objectives of the risk management process

The risk management process helps to:

- create and preserve the Group's value, assets and reputation;
- secure the Group's decision-making and business processes to meet its objectives;
- promote consistency between the Group's actions and its values;
- encourage employees to embrace a shared vision of the main risks.

The risk management process is designed to identify, analyze and manage the main risks confronting the Group and its subsidiaries.

The internal control process ensures that the risk management process has been deployed and is effectively managing these risks.

In this way, risk management encompasses a holistic set of resources, practices, procedures and actions aligned with the characteristics of each business, which together help to contain risks at a tolerable level.

This iterative, integrated and optimized process comprises four key phases:

1. **Identifying risks.** A prerequisite for successful risk management, this phase involves identifying any internal and external events that could have an adverse effect on Michelin's objectives, earnings or reputation. The information is summarized in the form of risk maps at the corporate level and at the level of each unit, including each Geographic Zone and Product Line. The risk maps are updated annually according to a formal process.

   The process is overseen by the Group Audit and Risk Management Department, which consolidates all of the risk maps. The consolidated risk maps are then used to diagnose the Group's risks and help to identify critical risks that require action plans which are implemented by the operating units under the supervision of the Risk Manager.
2. **Setting risk management priorities.** This phase consists of making informed decisions about the risks to be addressed on a priority basis taking into account the resources that will have to be deployed, in order to implement the risk management strategy.

   In this way, risk management is seamlessly integrated into the Group's strategic management process. The strategic plan involves a number of key milestones, including (i) a diagnostic review performed before the strategic plan is formally documented, (ii) the plan's operational rollout to the different units, and (iii) the preparation of action plans by the units to help them meet their set objectives. Risk management issues are addressed at each of these milestones, for example, by using the risk map during the preliminary diagnostic phase, determining the steps to be taken by the units to mitigate their operational risks and implementing the appropriate risk management plans.
3. **Managing risks.** This phase consists of deploying the necessary resources to manage the risks for which the decision has been made to implement an action plan. These include prevention programs, to keep the risk from occurring, and protective measures to mitigate any adverse effects if it does. Some risks may be transferred to insurance companies, while a crisis management process has been defined to respond effectively in the event that the risk leads to a sensitive or critical situation.
4. **Tracking and controlling risks.** The goal of this phase is to ensure that any residual exposure remaining after implementing the risk management process is consistent with the Group's risk tolerance. In particular, this entails monitoring the action plans deployed as part of the risk management phase, tracking indicators that measure changes in risks, and using control systems and, where necessary, alert systems.

Objectives of the internal control process

The internal control process is specifically designed to ensure:

- application of the instructions and guidelines issued by the Chief Executive Officer and the Executive Committee;
- compliance with laws and regulations;
- the proper functioning of internal processes, particularly those relating to the protection of corporate assets;
- the reliability of financial information.

It comprises a set of resources, procedures, practices and actions aligned with the characteristics of the Group's businesses, which:

- contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources;
- enables it to assess all of its material operational, financial and compliance risks appropriately.

In general, the risk management process has been designed to encourage informed, shared risk-taking in accordance with the Group's values of responsibility, integrity and ethical behavior.

/ Scope of risk management and internal control

The Group ensures that risk management and internal control procedures are implemented in every unit.

In 2015, the system covered substantially all of the Group's operations, including all of the Geographic Zones and business units (manufacturing, sales and dealership networks).

Risk management procedures apply to all strategic, operating, reputational and compliance risks. In addition to the close ties maintained between corporate strategy and risk analysis, risk management is factored into the strategic management process on both:

- a multi-year basis, in the five-year business plan.
- an annual basis, in the budget and annual plan.

Each unit is requested to integrate any critical risks into their five-year business plans and to determine the resources necessary to manage them.

During the annual plan exercise, they define risk management action plans and allocate the resources required for their implementation. Progress on the plans is then tracked throughout the course of the year.

In the case of newly acquired companies, procedures have been defined to gradually integrate them into the Group's risk management and internal control system. Currently, all of the significant manufacturing subsidiaries apply the general process described herein.

For further details concerning the scope of consolidation, please refer to the Notes to the Consolidated Financial Statements, which include a list of the major consolidated units.

/ Coordination of risk management with internal control

Coordinating risk management with internal control within a holistic risk management ecosystem is a constant concern for every process stakeholder. The synergies and complementarities are reviewed annually in a commitment to continuously enhancing the effectiveness of the measures undertaken by all of the participating units.

For example:

- The risk management process is designed to identify and analyze the main risks. These risks are then managed by deploying action plans, which can call for adjustments in the organization or in project management procedures, as well as for the introduction of control mechanisms. The controls form part of the internal control process, and may be revised to reflect the findings of the risk mapping exercises.
- The internal control process relies on the risk management process to identify the main risks to be addressed.
- The audit plan is prepared by using the risk map to determine the risks to be selected for the purpose of assessing the quality of the risk management process and gauging the effectiveness of the internal control procedures.

/ Limitations

However, a risk management and internal control process can only provide reasonable, but never absolute, assurance that all of the Group's risks are entirely under control and that its objectives will be met. The probability of meeting these objectives is subject to limitations inherent in any internal control system, which stem from the judgments underlying a given decision, the need to weigh the opportunities against the cost of risk management measures before controls are introduced, along with the various problems caused by human failure and error.

In alignment with the objectives presented above, the Group's risk management and internal control process is based on the following foundations:

- a sustainable, optimized organization;
- a comprehensive, holistic risk management process;
- internal control objectives pursued by the internal control process;
- ongoing management of the entire system through action plans designed to drive continuous improvement.

Organization of the risk management and internal control processes

Coordinating the two processes depends on the control ecosystem - comprising in particular the Group's unique risk and control culture and its ethical values - which serves as their shared foundation.

/ Organization

The Group is organized around Product Lines, each of which is dedicated to a specific business and has its own marketing, development, production and sales resources. It is also supported by two dealership networks, Euromaster in Europe and Tire Centers, Inc. (TCi) in North America.

The Product Lines are backed by Corporate Departments that are responsible for support functions such as Purchasing, Legal Affairs, Personnel, Logistics and Finance. To leverage synergies and guarantee consistency, the Group's operations are organized geographically around seven regions (Geographic Zones) – Europe, Eastern Europe, North America, South America, China, East Asia and Australia, Africa-India-Middle East.

/ Delegations of authority

The role, responsibilities and organization of each of these units have been defined by the Group, along with their contribution to strategic decisions, their performance metrics and their relationship with the other units.

In addition, formal criteria and procedures have been defined covering the appointment of corporate officers of Group subsidiaries and the renewal of their terms of office, as well as the conditions applicable for exercising and delegating their authority.

/ Corporate values

The Group places great importance on responsibility, integrity and ethical conduct. These values are presented in the Michelin Performance and Responsibility Charter, which is widely circulated both within and outside the Group. It describes how the Group endeavors to put into practice its key values of respect for customers, shareholders, people, the environment and facts.

The Michelin Performance and Responsibility Charter is supplemented by the Code of Ethics, which was issued in October 2010 and is regularly updated. The Code of Ethics defines the standards of behavior to be observed in the conduct of the Group's business and the guidelines to be followed by Group employees when making decisions on ethical issues.

A Corporate Ethics and Compliance Committee was set up in each Geographic Zone and Business Line in 2012.

In 2015, the Group and regional Ethics and Compliance Committees met regularly to ensure the sustained roll-out of the Code of Ethics, identify any possible ethics violations and take any appropriate corrective measures. Ethics hotlines have been opened in almost every host country, providing an additional channel for employees to report potential ethics violations. During the year, audits and inspections were also performed concerning various ethics issues.

/ Corporate risk management and internal control standards and procedures

An Internal Governance Manual was published in July 2010 to help employees respond proactively to support tighter management of operations.

In particular, the Manual describes:

- the units' roles and responsibilities;
- their planned operating procedures and governance structures;
- the behavior expected of managers, in line with Michelin's corporate values.

In addition to the Registration Document, an Annual and Sustainable Development Report describes the Group's operations and results for the year as well as the Performance and Responsibility approach.

/ Risk management and internal control stakeholders

To make it easier to understand what the various risk management and internal control stakeholders do, they are presented below according to three lines of responsibility.

Governance bodies

The three lines of responsibility are supervised by the Group's decision-making bodies, which play a major role in governing these systems.

Risk management is therefore governed at several levels of the organization:

1. **The Audit Committee** is made up of three Supervisory Board members who represent the shareholders. It meets several times a year to track the effectiveness of risk management systems in compliance with the governmental order of December 8, 2008 transposing into French law the 8th EU Company Law Directive. The Group ensures that all of the Committee's comments concerning this issue are taken into account. The Audit Committee's primary responsibilities are described on page 98.
2. **The Chief Executive Officer and the Group Executive Committee** meet regularly to oversee the risk management process as part of their management duties. In this role, they approve the Group risk map, define risk management policies and determine priorities in this regard, make decisions concerning resource allocation and verify that the action plans for priority risks are being implemented according to plan.
3. **Unit and regional Risk Committees** are being gradually set up. Once they are in place, they meet two to three times a year to track the major risks within their remit.

First line of responsibility: management, employees and operating unit executives

Every employee helps to enhance the internal control process through his or her skills and expertise. In addition, everyone is expected to deploy the process and track its proper application. Also involved are the Geographic Zone and Company managers, as well as all of the leading Business Process Owners.

The operating units (Product Lines, Tactical Operational Units, Geographic Zones) manage risks on a daily basis.

In particular, they are responsible for identifying and managing their unit's risks, in accordance with the guidelines and recommendations defined by the support units. They implement the necessary risk management procedures and resources, covering prevention, protection and business continuity. They rely on their internal control process to manage their operational risks. Their responsibility encompasses:

- risk-prevention measures;
- measures to protect people, equipment and other assets in order to mitigate losses or injury in the event of risk occurrence;
- plans to ensure continuity of operations in the event of a major incident.

Group managers can detect any weaknesses in their internal control processes through the systems used to monitor their operations. In addition, internal reviews are performed within the entities by specialists in the fields concerned.

Strict procedures are in place for receiving, analyzing and responding to customer complaints concerning product quality.

Second line of responsibility: the support units

The support units (Corporate Departments and Technology Centers) analyze Group-level risks. They recommend risk management guidelines, estimate the resources required to deploy prevention and protection measures, track changes in risks, and verify that their recommendations are effectively applied.

Each unit also has its own Risk Manager who, as part of the risk management network, leads, implements and oversees the risk management process in his or her unit. Unit Risk Managers are assisted by managers from the Group Quality, Audit and Risk Management Department, who support them at every stage in the process.

For example, Internal Control Departments have been set up in the Corporate Finance Department, the Geographic Zones and business units. At the corporate level, the Internal Control Department prepares the internal control manuals describing the main risks in each business process or cycle, the corresponding control objectives, and the control activities and related tests aimed at meeting the objective and therefore mitigating the identified risk. These manuals are updated every year to reflect, in particular, best process execution practices and changes in the applicable standards and regulations. They are implemented operationally at various levels of the organization. The Group's risk management processes form part of the Michelin Quality System, which sets out procedures and instructions, allocates roles and responsibilities and defines the relevant methods and controls.

As part of this system, audits are also performed to ensure compliance with Group quality standards, which are largely based on the applicable international standards. In addition, a number of certifications have been earned from independent organizations.

Lastly, the system also provides for regular management reviews to assess the effectiveness and efficiency of the entire process and to pinpoint areas for improvement.

Third line of responsibility: the Internal Audit Department

The Group Quality, Audit and Risk Management Department reports directly to the Chief Executive Officer and is totally independent from the operating units. It comprises a corporate-level team in charge of auditing Group operations worldwide and local teams in North and South America. It regularly assesses internal control procedures and ensures that the risks in the 13 risk families tracked by the Group are properly managed.

The Department's scope of reference covers all of the Group's processes and entities.

It leads the overall risk management process, defining the methodology, organizing its deployment and fostering a risk-aware culture within the Group. It ensures that the most significant risks are effectively controlled by the units concerned, and tracks progress on all of the action plans related to these priority risks. It also verifies the quality of risk management by performing audits.

Moreover, it submits risk management agenda items at Group Executive Committee meetings, during which the most significant risks identified in the risk map are reviewed and a certain number are tracked.

In addition, the Quality, Audit and Risk Management Department regularly assesses the procedures applied to manage risks.

This may involve analyzing a risk in depth, so as to prepare recommendations enabling the Group to attenuate its exposure.

Alternatively, it may involve verifying that the recommended actions are being properly implemented and measuring the ensuing attenuation. To perform these assignments, the Group Quality, Audit and Risk Management Department has developed and deployed a process to verify that the priority risk management action plans are capable of mitigating the related risk (coverage, appropriateness, feasibility, management procedures). It has also defined risk management indicators, which have been deployed across the Group.

Periodic summaries of internal audit findings and the implementation of the recommendations are presented to the various line managers, the Chief Executive Officer and the Audit Committee.

Other outside stakeholders

Michelin also leverages outside expertise that helps to drive continuous improvement in its risk management and internal control process.

Among these sources of expertise are the statutory and contractual auditors. Based on the observations made in the course of their audit work, these auditors submit internal control recommendations to accounting and finance managers, as well as to host country-based internal auditors, who are tasked with implementing them. Their recommendations are also reported to the corporate internal control teams and internal auditors for consolidation and communication to Group management.

In addition, the work performed by a variety of independent certification organizations is also helping to strengthen the current process.

/ Process implementation

Corporate objectives are defined by the Chief Executive Officer both for financial performance and for areas in which Michelin is committed to achieving a particular level of excellence, such as people management, quality, innovation, working conditions and the environment.

These general objectives, which are updated and communicated every year to the various units, represent a corporate strategic roadmap that is subsequently translated into a five-year strategic vision and annual action plans by all of the units described above. These plans cover both operational aspects and improvement targets aimed at enhancing performance and service quality.

Objectives are based on past performance and detailed diagnostics, as well as an understanding of the changing business environment.

Operational risk assessment forms an integral part of the planning process during which critical success factors are determined and a sensitivity analysis is performed on the main assumptions underlying the objectives. This process also specifically addresses the related strategic risks.

In addition to strategic risks, Michelin is committed to effectively managing its operational risks, which have been classified into 13 separate families:

- ethical risk;
- the health and safety of people;
- the environment;
- the safety and performance of products and services;
- accounting and finance;
- business interruption;
- continuity of supply;
- protection of property;
- knowledge retention;
- employee relations and personnel management;
- legal and tax;
- information systems and technology;
- project management.

Application of risk management and internal control objectives related to the preparation of accounting and financial information

Among the various objectives of the risk management and internal control system, this section focuses on the control activities related to the process of preparing accounting and financial information.

/ Preparation and processing of accounting and financial information

The Chief Executive Officer is responsible for disclosing reliable financial and accounting information. The accounting, consolidation, budget control and financial communication departments all contribute to the process of producing this information.

Within the organization, accounting teams generally report to the heads of the Geographic Zones, while budget controllers report to the heads of the Product Lines.

Consolidated financial statements are prepared monthly according to the same overall process as for the annual financial statements.

The internal control procedures required to produce reliable accounting information are defined at Group level and implemented locally. These include a physical inventory of both fixed assets and stocks, segregation of tasks and reconciliation with independent sources of information.

A dedicated team is in charge of aligning accounting policies throughout the Group, monitoring changes in applicable financial reporting standards, updating accounting manuals for all the subsidiaries and dealing with any issues they may raise.

Statutory and management accounting data are reported simultaneously by the subsidiaries and programmed controls verify that the main indicators – such as revenue and operating income – are consistent between the two sets of data. Statutory accounting data received from the subsidiaries are checked for consistency and then consolidated to produce the Group's financial statements.

Monthly changes in consolidated data are systematically analyzed. Differences between forecast and actual management accounting data are reviewed in detail every month by the Group Executive Committee and the Product Lines.

At every interim and annual closing, the Geographic Zone Directors certify in writing that, to the best of their knowledge, the separate accounts submitted by the companies within their region provide a true and fair view of the results of their operations. This statement specifically covers a number of issues that could significantly affect the financial statements in the event of non-compliance (*e.g.,* applicable laws and regulations and contractual provisions) or occurrence (*e.g.,* disputes or fraud).

The Investor Relations Department, which forms an integral part of the Corporate Finance Department, is responsible for preparing and disclosing all of the Group's financial information to the investing community. Financial information is disclosed in three main forms:

- the Registration Document and the Annual and Sustainable Development Report;
- financial press releases;
- presentations to analysts and investors.

The design and preparation of the Registration Document and the Annual and Sustainable Development Report are coordinated by the Investor Relations Department and approved by the Chief Executive Officer, with significant input from the Group Legal Affairs Department and the Michelin Performance and Responsibility teams. Both of these documents contain extensive, high-quality information drawn from contributions by a range of specialists in the Group's main fields of operations.

Financial press releases are written by the Chief Investor Relations Officer; those that announce earnings are also reviewed by the Supervisory Board.

Presentations to analysts and investors are prepared by the Investor Relations Department under the supervision of the Corporate Finance Department.

/ Management of accounting and finance internal control

Group managers can detect any weaknesses in their internal control processes through the systems used to manage their operations. In addition, internal reviews are performed in the units by their specialized experts.

Information generated by the management systems is analyzed by the Budget Control teams and reported to the managers concerned for inclusion in the scorecards used to manage their operations. A management scorecard is also prepared for the Group Executive Committee, enabling it to track the Group's business month by month. On a quarterly basis, similar reports are presented in an appropriate format to the Supervisory Board. The Corporate Finance Department is responsible for ensuring the relevance and consistency of this management data.

The Group IT Department is in charge of overseeing IT policies and the corresponding resources.

The internal control procedures contained in the Group's Quality System include rules relating to data access and protection, the development of applications, and structuring and segregating development, process engineering and production tasks.

/ Recurring assessments of the accounting and financial information preparation process

Self-assessments

To ensure that the work carried out to comply with France's Financial Security Act delivers lasting improvements, the Accounting and Financial Internal Control Department reports to the Corporate Finance Department. The Department is responsible for managing internal control processes and for overseeing work on financial internal control with a view to providing reasonable assurance that the Group's financial information is reliable and that its assets are safeguarded.

It defines internal control standards, coordinates and sets up internal control information systems and day-to-day management procedures.

It also assists the network of internal controllers in the host regions and the main business lines in implementing these systems and procedures.

Its role includes:

- standardizing internal control best practices and training regional correspondents in their use;
- regularly updating key risks by process;
- defining major control issues in conjunction with the owners of the processes concerned.
- drafting control guidelines and manuals and preparing internal control tests;
- overseeing the regional managers and managers of operational areas concerned;
- structuring the internal control network;
- interfacing with the other stakeholders in the relevant processes, such as process owners, risk managers and internal and external auditors;
- advising on the implementation of transformation projects and programs.

Since 2009, the Group has developed and deployed a worldwide application for monitoring the entire internal control process, which leverages the guidelines and principles defined in previous phases undertaken since 2004. The model will continue to be extended to cover either additional processes or new legal entities.

This self-assessment system encompasses the following 16 processes:

- purchasing, from ordering to supplier payment;
- sales, from customer order to payment;
- inventory management;
- inventory valuation;
- financing and financial risk management;
- management of intra-Group transactions (transfer pricing and elimination of intra-Group balances);
- identification of on and off-balance sheet commitments;
- information systems management and administration;
- accounts closing;
- project and fixed asset management;
- taxes;
- personnel management (compensation, benefits and travel expenses);
- consolidation;
- investor relations;
- mergers/acquisitions/divestments;
- management of customs affairs, including the Group's customs management processes, import/export management, supervising freight forwarders, organizing delegations of authority, customs documentation, etc.

At every company covered by the system, the key internal control activities for each process are self-assessed and improved by the line personnel concerned.

Internal Controller reviews

The key controls for every process are tested on every site at least once every four years and more often where necessary.

The results of tests conducted by internal controllers are shared with the external auditors of the Group's companies, so that they can capitalize on the findings and strengthen their own external audit procedures.

Action plans

In each company, action plans are prepared to address the identified areas for improvement and implemented by line personnel.

More generally, this approach is integrated into the continuous improvement process, which is also supported by the findings of the external and internal auditors. As well, this self-assessment and testing system is applied to the five core components of the internal control process.

Action plans are generally scheduled for completion within two years for 80% of compliance shortfalls, excluding information system issues, which take longer to resolve and require more resources.

Findings of the Financial Internal Control assessment

The Geographic Zone Directors and the Process Owners are responsible for their internal control compliance, with accountability supported by annual objectives.

The findings of the Financial Internal Control assessment and the implementation of the action plans are tracked by line management concerned and consolidated at Group level.

They are periodically presented to the Corporate Finance Department's Finance Committee, to the managers in charge of the relevant processes and operational areas, and to the Geographic Zones concerned.

The Audit Committee provides the Supervisory Board with status reports on the assessment process.

Actions undertaken to strengthen the risk management and internal control process

/ Main achievements in 2015

In 2015, the risk map was updated to take into account several changes. First, certain risk assessments were revised based on the results of audits and action plans carried out during the year and in response to certain changes in the risk environment. In addition, the results of the project launched in 2014 to identify new and emerging risks that could pose a threat to the Group in the long term were incorporated into the risk map. However, no new risk families were identified during the update.

The Chief Executive Officer and the Group Executive Committee met seven times in 2015 to oversee the risk management process as part of their management duties. During these meetings, they verified that the action plans addressing the priority risks identified during the risk mapping exercise were progressing as planned. They observed that implementation of the various risk prevention, protection and control measures had reduced the Group's exposure to these priority risks. They also ensured that their investment decisions were aligned with the Group's risk policy. Lastly, they reviewed and approved certain principles underlying the risk management process, such as the crisis management process and approval of its deployment throughout the Group.

Achievements in 2015 included the introduction of an advanced training course for Risk Managers, publication of a manual describing most of the tools and methods available to everyone involved in the risk management process, and initial deployment of the crisis management process in the Geographic Zones (including training and crisis simulation exercises).

Fraud awareness campaigns were conducted among all employee groups concerned in 2015, to support implementation of stricter measures to combat this risk.

At the end of 2014, the Group Quality, Audit and Risk Management Department was given responsibility for managing the entire internal control process. In 2015, this new department focused on aligning the various internal control systems and rolling out the best internal control practices identified for the management of accounting and financial risks to the other operational risk families. To this end, the Corporate departments prepared internal control manuals covering the Group's main risk exposures. At the end of 2015, the Group Executive Committee approved the principles governing deployment of internal control procedures across all of the Group's business processes, as well as the objectives set out in the long-term improvement plan for the deployment of an efficient system.

/ Outlook for 2016 as part of the continuous improvement process

In 2016, the new crisis management system will be deployed in all of the Geographic Zones, establishing a more efficient and consistent process for managing crises throughout the Group. Risk Manager training will be expanded with the introduction of additional modules designed to make the members of the risk management network more efficient and effective.

Initiatives to reduce fraud risk will be pursued. In 2016, they will include measures to tighten up information systems access management, particularly through more rigorous segregation of tasks, and deployment of applications to perform detailed analyses of data and transactions recorded in the ERP systems.

During the year, the internal control manuals written in 2015 and covering risk families other than accounting and financial risks will be deployed and implemented across the Group. To this end, a change management plan will be implemented under the leadership of the Group Quality, Audit and Risk Management Department, supported by an internal communication plan and appropriate tools to promote internal stakeholder buy-in. One of the aims is to have a single internal control manual by 2017, covering all key control activities for the Group's main business processes.

At the same time, the internal control information system will be replaced by a more efficient system that will ultimately cover all the entities concerned. The new system will help to more deeply embed the internal control management model (control libraries, organizations, directories, self-assessment exercises, testing exercises and action plans to address instances of non-compliance). All people involved in internal control will find it easier to access these resources and the data consolidation process will go faster.

4.6 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD

For the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin ("the Company"), and in accordance with article L. 226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your Company ("the Chairman") in accordance with article L. 226-10-1 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L. 226-10-1 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L. 226-10-1 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

/ Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman's report, prepared in accordance with article L. 226-10-1 of the French Commercial Code.

/ Other information

We attest that the Chairman's report sets out the other information required by article L. 226-10-1 of the French Commercial Code.

Neuilly-sur-Seine, February 15, 2016

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Pascale Chastaing-Doblin

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

5 INVESTOR RELATIONS

5.1 INFORMATION ABOUT THE COMPANY

5.1.1 GENERAL INFORMATION

Legal and commercial name of the Company

- Compagnie Générale des Établissements Michelin.

Place of registration and registration number

- The Company is registered in the Clermont-Ferrand Trade and Companies Register under number 855 200 887.

Date of incorporation and term

- The Company was incorporated on July 15, 1863. Its term will end on December 31, 2050, unless it is wound up before that date or its term is extended.

Registered office

- The Company's registered office is located at 12, cours Sablon, Clermont-Ferrand (Puy-de-Dôme), France.
- Phone: +33 (0)4 73 98 59 00.

Legal form and governing law

- The Company is a *société en commandite par actions* (partnership limited by shares) governed by articles L. 226-1 to L. 226-14 of the French Commercial Code.

Main business

- Managing subsidiaries and other interests held in any and all countries.

5.1.2 ARTICLES OF INCORPORATION AND BYLAWS

The Bylaws, in French and English, can be downloaded from the Company's website (www.michelin.com).

5.1.2 a) General Partners (Article 1 of the Bylaws)

- Jean-Dominique Senard (Managing Chairman).
- Société Auxiliaire de Gestion – SAGES (registered in the Clermont-Ferrand Trade and Companies Register under number 870 200 466), a simplified joint stock company chaired by Jacques de Chateauvieux (please refer to the presentation and role of this company, section 4.1.4).

5.1.2 b) Corporate purpose (Article 2 of the Bylaws)

- All operations and activities directly or indirectly linked to the production, manufacture and sale of rubber, at all stages of manufacture, in all forms and for all uses.
- All industrial, commercial and financial operations, related in particular to:
  - tires, tire components, tire accessories and manufactured rubber in general;
  - mechanical engineering in all its applications, and in particular motor vehicles and industrial vehicles, components, spare parts and accessories;
  - the production, sale and use of natural or synthetic chemicals and their derivatives, in particular the various sorts of elastomers, plastics, fibers and resins, and generally all activities and products of the chemicals industry, especially as related to the products and operations described above;
  - the filing, acquisition, use, transfer or sale of any intangible property rights, and in particular patents and related rights, trademarks and manufacturing processes relating to the corporate purpose.
- To be carried out directly, as well as through equity interests, the creation of new companies, joint ventures *(sociétés en participation)* and economic interest groups *(groupements d'intérêt économique)*, contributions, partnerships *(commandites)*, the subscription, purchase or exchange of securities, or interests, in all businesses whose activities relate to the aforementioned purposes, or by way of merger or otherwise.
- And generally, all commercial, industrial, real estate, securities and financial transactions related directly or indirectly in whole or in part to any of the purposes specified above or to any similar or related purposes.

5.1.2 c) Managing Partners (Article 10 of the Bylaws)

The Company is led by a Managing Chairman and managed by one or more Managing Partners, who are individuals and who may or may not be General Partners.

5.1.2 d) Fiscal year (Article 29 of the Bylaws)

The Company's fiscal year begins on January 1 and ends on December 31.

5.1.2 e) Statutory allocation of profits (Article 30 of the Bylaws)

An amount equivalent to 12% of net profit for the year is allocated to the General Partners, from which are deducted the dividends and reserves distributed by the subsidiaries Manufacture Française des Pneumatiques Michelin and Compagnie Financière Michelin. The allocated amount is capped at 0.6% of consolidated net profit for the year, with any excess being allocated to profit available for appropriation. Net profit comprises net revenue for the year less general and administrative costs and all other expenses of the

Company, including any depreciation, amortization and provisions deemed necessary. Net profit remaining after the 12% allocation to the General Partners, plus any retained earnings brought forward from the prior year, is attributable to shareholders.

The shareholders may decide to make deductions from this attributable net profit to be used, as recommended by the Managing Chairman, to create or increase one or more reserve or contingency funds, over which the General Partners shall not have any rights.

Any attributable net profit remaining after the above deduction shall be distributed to shareholders.

5.1.2 f) Shareholders Meetings

/ Notices of Meeting (Article 21 of the Bylaws)

Notices of meeting are issued in such form and with such advance notice as is prescribed by law.

/ Conditions of attendance (Articles 22 and 24 of the Bylaws)

Shareholders may attend Shareholders Meetings regardless of how many shares they own, provided such shares are fully paid up and are registered in the Company's share register at least three days before the date of the Meeting.

/ Exercising voting rights – attribution of double voting rights (Article 22 of the Bylaws)

Owners or proxies of owners of fully paid-up shares registered in the name of the same holder for at least four years shall have two votes per share, without limitation.

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights shall similarly carry double voting rights.

Transfer through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line shall not result in the loss of double voting rights or a break in the qualifying period described above.

Shares transferred for any other reason shall lose their double voting rights *ipso jure*.

/ Statutory disclosure thresholds

The Bylaws do not provide for any disclosure to the Company when certain shareholding thresholds are exceeded.

5.2 SHARE INFORMATION

5.2.1 THE MICHELIN SHARE

Traded on the NYSE Euronext Paris stock exchange

- Compartment A;
- NYSE Euronext symbol; ML
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2.00;
- Traded in units of: 1.

Market capitalization

- €15,989 million at December 31, 2015.

Average daily trading volume

- 719,709 shares since January 1, 2015.

Indices

The Michelin share is included in two leading stock market indices. As of December 31, 2015, it represented:

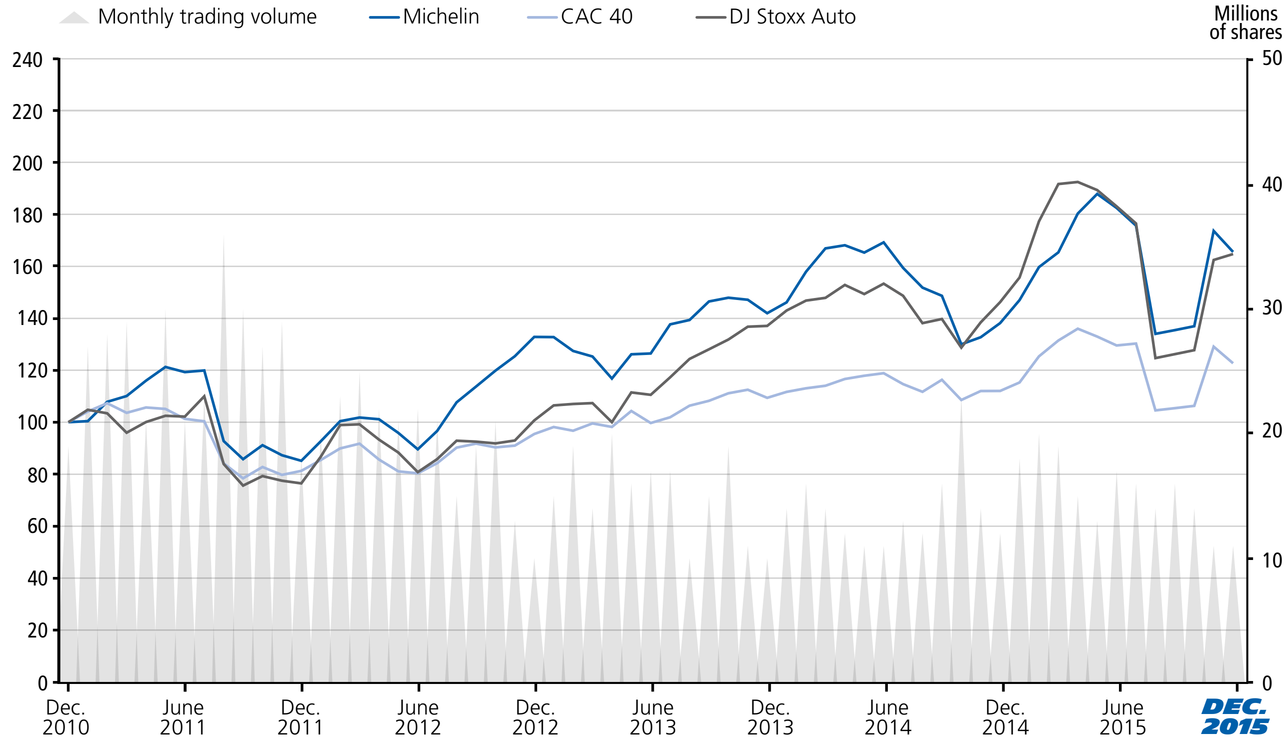
- 1.70% of the CAC 40 index;
- 0.71% of the Euronext 100 index.

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 December 31, 2015)



5.2.2 SHARE DATA

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

5.2.3 PER-SHARE DATA

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

(1) Earnings per share adjusted for the impact on net income and on average shares outstanding of the exercise of outstanding dilutive instruments.
(2) Dividend/share price at December 31.
** To be submitted to shareholder approval at the Annual Meeting on May 13, 2016.*

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

5.2.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2015, Michelin's share capital amounted to €363,804,364.

	At December 31, 2015			At December 31, 2014		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors		21.4%	24.1%		25.2%	26.8%
Non-resident institutional investors	3,183	63.0%	60.8%	3,176	57.9%	57.2%
Individual shareholders	119,307	13.8%	12.7%	155,319	15.1%	13.6%
Employee Shareholder Plan	69,068	1.8%	2.4%	73,467	1.8%	2.4%
TOTAL	**191,558**	**181,902,182 SHARES***	**242,005,720 VOTING RIGHTS**	**231,962**	**185,726,200 SHARES***	**244,308,764 VOTING RIGHTS**

** All fully paid up.*

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

5.3 INVESTOR RELATIONS

Every shareholder has access to clear, comprehensive, transparent information, tailored to his or her individual needs.

In particular, extensive information about our business operations, strategy and financial performance may be found in a wide variety of regulatory filings, such as press releases, the Annual Report and Sustainable Development Report, the Registration Document, the Interim Financial Report, the Shareholders Guide, Letters to Shareholders and the Company Bylaws. All of these publications are readily available in French and English at www.michelin.com in the Finance section and on request from the Investor Relations Department.

In addition, in 2015 six shareholder information meetings were organized in France, in La Rochelle, Lyon, Marseille, Montpellier, Nancy and Rennes, as well as a meeting with shareholders in Paris led by Jean-Dominique Senard in June. Site visits were also organized for private shareholders.

During the year, more than 1,400 institutional investors and financial analysts were contacted.

Created in 2003, the Shareholders Consultative Committee is composed of 14 members, including two employee shareholders. Through its input and recommendations, it helps to improve the quality of our financial and/or image communication with private shareholders. In 2015, the Committee met twice and actively participated in the Annual Shareholders Meeting.

Each year, all shareholders and proxy solicitors are notified of the date of the Annual Shareholders Meeting and of the voting procedures.

In accordance with the Company Bylaws, shares held in the same name for at least four years carry double voting rights.

5.4 DOCUMENTS ON DISPLAY

Historical financial information, Registration Documents, Letters to Shareholders, Notices and Minutes of Shareholders Meetings, the Company's Bylaws, and all of the regulatory filings within the meaning of Article 221-1 of the AMF General Regulations (particularly press releases, quarterly reports and the Interim and Annual Reports), also available on the French website of record, www.info-financiere.fr, can be viewed in French or English at www.michelin.com or at the Company's registered office.

5.5 SHARE INFORMATION

5.5.1 CHANGES IN SHARE CAPITAL

		Change in capital		
Year	**Transaction**	**Number of shares**	**Par value** *(in €)*	**Share premium** *(in €)*
2011	**At December 31, 2011**	**180,018,897**	**360,037,794**	
2012	Conversion of OCEANE bonds	0	0	0
	Dividend reinvestment	1,883,606	3,767,212	84,931,794
	Exercise of stock options	654,210	1,308,420	27,249,423
	At December 31, 2012	**182,556,713**	**365,113,426**	
2013	Conversion of OCEANE bonds	6	12	527
	Dividend reinvestment	4,467,601	8,935,202	239,776,146
	Exercise of stock options	573,295	1,146,590	26,718,664
	Vesting of performance shares	1,288	2,576	0
	Cancellation of shares	(1,809,260)	(3,618,520)	(132,887,705)
	At December 31, 2013	**185,789,643**	**371,579,286**	
2014	Conversion of OCEANE bonds	2	4	185
	Exercise of stock options	866,320	1,732,640	44,398,643
	Vesting of performance shares	80,571	161,142	0
	Cancellation of shares	(1,010,336)	(2,020,672)	(84,643,593)
	At December 31, 2014	**185,726,200**	**371,452,400**	
2015	Conversion of OCEANE bonds	28	56	2,718
	Exercise of stock options	909,999	1,819,998	64,070,030
	Vesting of performance shares	227,489	454,978	0
	Cancellation of shares	(4,961,534)	(9,923,068)	(441,024,693)
	AT DECEMBER 31, 2015	**181,902,182**	**363,804,364**	

5.5.2 FINANCIAL AUTHORIZATIONS

5.5.2 a) Granted by the Annual Shareholders' Meeting of May 16, 2014

/ Issuance of shares and share equivalents with pre-emptive subscription rights

Corporate action	Resolution	Duration (expiry date)	Maximum issue amount, based on a share price of €88 (1) *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	12th	26 months (July 2016)	▶ €5.72 billion (shares) ▶ €1.5 billion (4) (securities carrying rights to shares)	€130 million (2) (3) (less than 35% of issued capital)	None
Issuance of new shares by capitalizing reserves	16th	26 months (July 2016)	▶ €3.52 billion	€80 million	None

(1) CGEM share price at December 31, 2015, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €130 million, excluding any shares issued under the 16th and 18th resolutions (19th resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 12th, 13th and 14th resolutions (15th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 11th, 12th, 13th, 14th, 15th and 17th resolutions not to exceed €2 billion (19th resolution).

/ Issuance of shares and share equivalents without pre-emptive subscription rights

Corporate action	Resolution	Duration (expiry date)	Maximum issue amount, based on a share price of €88 (1) *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	13th	26 months (July 2016)	▶ €1.63 billion (shares) ▶ €1 billion (4) (securities carrying rights to shares)	€37.15 million (2) (3) (less than 10% of issued capital)	None
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)*	14th	26 months (July 2016)	▶ €1.63 billion (shares) ▶ €1 billion (4) (securities carrying rights to shares)	€37.15 million (2) (3) (5) (less than 10% of issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	17th	26 months (July 2016)	▶ €1.63 billion	€37.15 million (5)	None

(1) CGEM share price at December 31, 2015, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €130 million, excluding any shares issued under the 16th and 18th resolutions (19th resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 12th, 13th and 14th resolutions (15th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 11th, 12th, 13th, 14th, 15th and 17th resolutions not to exceed €2 billion (19th resolution).
(5) Amount to be included in the maximum total capital increase authorized under the 13th resolution.

/ Employee share issues

Corporate action	Resolution	Duration (expiry date)	Comments	Utilization during the year
Issuance of new shares	18th	26 months (July 2016)	Less than 2% of issued capital	None
Grant of performance shares	21st	38 months (July 2017)	▶ Excluding the Chief Executive Officer ▶ Performance conditions over 3 years ▶ Capped at 0.5% of issued capital	Issuance of 84,892 rights (1)

(1) Please refer to section 5.5.5.

/ Debt securities without rights to shares/Other debt securities

Corporate action	Resolution	Duration (expiry date)	Maximum nominal amount authorized *(in €)*	Utilization during the year
Issuance of bonds	11th	26 months (July 2016)	€1 billion	None

/ Share buyback program

Corporate action	Resolution	Duration (expiry date)	Ceilings	Utilization during the year
Share buybacks	5th	18 months (November 2015)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €140	Buyback of 485,127 shares (1)
Capital reduction by canceling shares	20th	18 months (November 2015)	10% of issued capital	None

(1) Please refer to section 5.5.7.

5.5.2 b) Granted by the Annual Shareholders' Meeting of May 22, 2015

/ Share buyback program

Corporate action	Resolution	Duration (expiry date)	Ceilings	Utilization during the year
Share buybacks	5th	18 months (November 2016)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €140	Buyback of 4,476,407 shares (1)
Capital reduction by canceling shares	9th	18 months (November 2016)	10% of issued capital	Cancellation of 4,961,534 shares (2)

(1) Please refer to section 5.5.7.
(2) Please refer to sections 5.5.1 and 5.5.7.

5.5.3 POTENTIAL SHARES

5.5.3 a) Outstanding securities convertible, exchangeable, redeemable or otherwise exercisable for shares

/ OCEANE bonds

In March 2007, the Company issued bonds convertible and/ or exchangeable for new or existing shares of common stock (OCEANEs). The issue, which was fully subscribed, was described in a prospectus filed with the French securities regulator (AMF) on March 12, 2007, under No. 07-082.

The main characteristics of this bond issue were as follows:

- Listing: Euronext Paris.
- ISIN: FR0010449264.
- Issue, cum-interest and settlement date: March 21, 2007.
- Term: 9 years and 286 days.
- Total nominal value issued: €699,999,913.16.
- Number of bonds issued: 6,742,438.
- Number of bonds outstanding at December 31, 2015. 5,403,075;
- Nominal value: €103.82.
- Issue price: at par.
- Nominal interest rate: none (zero-coupon bonds).
- Gross annual yield to maturity: 3.07% (for bonds not converted or exchanged and not redeemed early).
- Repayment: in full at maturity on January 1, 2017 at €139.57 per bond.
- Early redemption at the Company's option from March 21, 2011 if, over 20 consecutive trading days, the average share price and the average conversion or exchange ratio exceed 1.3 times the early redemption price.
- Conversion or exchange ratio (subject to change in line with the provisions for the issue contract).
  - Ratio set at the issue date: 1 share for 1 bond.
  - Ratio applicable as of the date of filing of this report: 1.036 share for 1 bond (as adjusted on October 26, 2010 – see NYSE Euronext Paris announcement of the same date).
- No bonds were bought back by the Company in 2015.

/ Options to purchase new shares of common stock

Please refer to the detailed information in section 5.5.4.

/ Performance shares

Please refer to the detailed information in section 5.5.5.

5.5.3 b) Estimated maximum number of potential new shares at December 31, 2015

(in number of shares with a par value of €2)	Maximum number of potential new shares	Issued capital *(in €)*
ISSUED CAPITAL AT DECEMBER 31, 2015		**363,804,364**
/ OCEANE bonds		
Estimated number if all of the 5,403,098 bonds outstanding as of December 31, 2015 [(1)] are redeemed for new shares on the basis of 1.036 shares for 1 bond with a nominal value of €103.82 (the bonds may also be redeemed for existing shares)		
Maturity: January 2017	5,597,610	11,195,220

(1) Of the 6,742,438 bonds issued in total, 21 were converted into shares in 2007 (21 new shares issued), 317 in 2010 (346 new shares issued), 12 in 2011 (14 new shares issued), none in 2012, when 511,404 were bought back, 4 in 2013 (6 new shares issued), when 367,006 were bought back, 1 in 2014 (2 new shares issued) when 460,575 were bought back and 23 in 2015 (28 new shares issued) when no shares were bought back.

/ Stock options outstanding as of December 31, 2015

Grant date	Adjusted exercise price *(in €)*	Vesting date	Expiry date	Number of options outstanding	
May 14, 2007	87.85	May 14, 2011	May 13, 2016	596,721	
May 19, 2008	59.85	May 19, 2012	May 18, 2017	167,878	
November 23, 2009	51.16	November 23, 2013	November 22, 2018	541,785	
May 12, 2010	52.13	May 12, 2014	May 11, 2019	150,951	
May 19, 2011	66.00	May 19, 2015	May 18, 2020	135,110	
June 25, 2012	51.16	June 25, 2016	June 24, 2021	141,026	
Total stock options outstanding				1,733,471	3,466,942

/ Performance shares outstanding at December 31, 2015

Grant date	Vesting period ends	Performance shares outstanding	
November 28, 2012	November 28, 2016 [(1)]	178,632	
November 29, 2013	November 29, 2017	78,544	
November 27, 2014 *(Excellence)*	November 27, 2018	283,670	
November 27, 2014 *(Excellence Management)*	November 27, 2018	106,668	
November 25, 2015 *(Excellence Management)*	November 25, 2019	84,892	
Total performance shares outstanding		732,406	1,464,812
MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2015 (+4.2%)			**379,931,338**

(1) Non-French subsidiaries.

5.5.4 STOCK OPTIONS

5.5.4 a) Stock option plans in effect at December 31, 2015 [(1)] (Table 8 of the AFEP/MEDEF corporate governance code)

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Date of the shareholder authorization	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/14/2004	05/14/2004	05/12/2006	05/12/2006	05/12/2006	05/15/2009	05/15/2009	05/15/2009	05/15/2009
Date granted by the Managing Partners	05/19/2002	05/19/2003	11/24/2003	05/17/2004	07/05/2004	05/23/2005	11/07/2005	05/15/2006	05/14/2007	05/19/2008	11/23/2009	05/12/2010	05/19/2011	06/25/2012
Total number of new or existing shares that may be purchased upon exercise of the options	722,635	245,047	230,386	184,088	132,772	226,057	942,215	141,463	1,230,323	321,095	1,447,372	260,138	252,900	143,276
Of which options granted to:														
Jean-Dominique Senard [(2)] Chief Executive Officer	0	0	0	0	0	10,359	0	6,216	0	0	0	0	0	0
Vesting date	05/19/2006	05/19/2007	11/24/2007	05/17/2008	07/05/2008	05/23/2009	11/07/2009	05/15/2010	05/14/2011	05/19/2012	11/23/2013	05/12/2014	05/19/2015	06/25/2016
Expiry date	05/18/2011	05/18/2012	11/23/2012	05/16/2013	07/04/2013	05/22/2014	11/06/2014	05/14/2015	05/13/2016	05/18/2017	11/22/2018	05/11/2019	05/18/2020	06/24/2021
Exercise price	€42.47	€31.13	€32.82	€38.61	€42.96	€46.34	€46.34	€55.99	€87.85	€59.85	€51.16	€52.13	€66.00	€51.16
Number of options exercised as of December 31, 2015	647,332	239,847	207,064	182,088	117,189	223,557	864,725	138,663	521,024	151,217	862,421	109,187	22,944	0
Number of options canceled or expired	75,303	5,200	23,322	2,000	15,583	2,500	77,490	2,800	112,578	2,000	43,166	0	94,846	2,250
NUMBER OF OPTIONS OUTSTANDING AS OF DECEMBER 31, 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**596,721**	**167,878**	**541,785**	**150,951**	**135,110**	**141,026**

(1) *In compliance with stock-option plan rules and prevailing legislation (notably Articles L. 225-181 and R. 225-140 of the French Commercial Code), the number of shares to be issued on exercise of these options and the option exercise price, for all plans in effect as of October 25, 2010, have been adjusted to maintain grantee rights following the share issue with pre-emptive subscription rights placed on record on October 25, 2010.*

(2) *Prior to his appointment as Managing Partner.*

5.5.4 b) Stock options granted and exercised during the year

Stock options granted by CGEM [(1)] to the ten grantees other than Managing Partners who received the greatest number of options and options exercised by the ten grantees other than Managing Partners who exercised the greatest number of options	Number of options granted/exercised	Exercise price	End of exercise period	Grant date
Options granted	0	-	-	-
Options exercised (new shares issued)	52,257	55.99 59.85 51.16 52.13	05.14.2015 05.18.2017 11.22.2018 05.11.2019	05.15.2006 05.19.2008 11.23.2009 05.12.2010

(1) No options have been granted by any qualifying company apart from CGEM.

5.5.4 c) Special report of the Chief Executive Officer

No stock options were granted during the year and no Managing Partner exercised any stock options in 2015.

The ten employees other than Managing Partners who exercised the greatest number of options exercised 52,257 options at a unit price of €55.99 for options granted on May 15, 2006, €59.85 for options granted on May 19, 2005, €51.16 for options granted on November 23, 2009 and €52.13 for options granted on May 12, 2010.

At December 31, 2015, no Managing Partners held exercisable or non-exercisable stock options.

Clermont-Ferrand, February 11, 2016

Jean-Dominique Senard

Chief Executive Officer

5.5.5 PERFORMANCE SHARES

5.5.5 a) Performance share plans in effect at December 31, 2015 (Table 9 of the AFEP/MEDEF Corporate Governance Code)

A plan was launched on November 25, 2015. The plan provides for a vesting period of four years ending on November 25, 2019 for all grantees, with no lock-up period. The plan is not available to the Company's Managing Partner (Chief Executive Officer).

	Plan 1	Plan 2	Plan 3	Plan 4 (Excellence)	Plan 5 (Excellence Management)	Plan 6 (Excellence Management)
Date of the shareholder authorization	May 13, 2011	May 13, 2011	May 13, 2011	May 16, 2014	May 16, 2014	May 16, 2014
Date granted by the Managing Partners	November 28, 2011	November 28, 2012	November 29, 2013	November 27, 2014	November 27, 2014	November 25, 2015
Number of rights granted	287,944	371,936	81,400	288,426	108,292	84,892
O/w to:						
Jean-Dominique Senard (Chief Executive Officer – sole Managing Partner)	0	0	0	0	0	0
Vesting date *(in years)*	November 28, 2014 (France) (3 years) November 28, 2015 (other countries) (4 years)	November 28, 2015 (France) (3 years) November 28, 2016 (other countries) (4 years)	November 29, 2017 (4 years)	November 27, 2018 (4 years)	November 27, 2018 (4 years)	November 25, 2019 (4 years)
End of lock-up period *(in years)*	November 28, 2016 (France) (2 years)	November 28, 2017 (France) (2 years)	n/a	n/a	n/a	n/a
Performance conditions (1) (period over which criteria are applied: 3 years)	▶ Average annual sales volume growth of at least 3% in 2011, 2012 and 2013 ▶ Average annual consolidated operating income of at least €1.4 billion in 2011, 2012 and 2013	▶ Average annual growth in sales value of at least 3% in 2012, 2013 and 2014 ▶ Average annual consolidated operating income of at least €2 billion in 2012, 2013 and 2014	▶ Average annual growth in sales value of at least 3% in 2013, 2014 and 2015 ▶ Average annual consolidated operating income of at least €2.4 billion in 2013, 2014 and 2015	▶ Average annual growth in sales value of at least 2% in 2014, 2015 and 2016 ▶ Average annual growth in consolidated operating income of €150 million in 2014, 2015 and 2016 ▶ Average employee engagement rate of at least 72% in 2014, 2015 and 2016	▶ Average annual growth in sales value of at least 2% in 2014, 2015 and 2016 ▶ Average annual growth in consolidated operating income of €150 million in 2014, 2015 and 2016 ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% in 2014, 2015 and 2016 ▶ Average employee engagement rate of at least 72% in 2014, 2015 and 2016	▶ At least 2% growth in sales value, on average per year, in 2015, 2016 and 2017 ▶ Average annual growth in consolidated operating income of €150 million in 2015, 2016 and 2017 ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% in 2014, 2015 and 2016 ▶ Average employee engagement rate of at least 73% in 2015, 2016 and 2017
Number of vested shares at December 31, 2015	195,068	114,280	0	0	0	0
Number of canceled or voided shares	92,876	79,024	2,856	4,756	1,624	0
NUMBER OF PERFORMANCE SHARES OUTSTANDING AS OF DECEMBER 31, 2015	**0**	**178,632**	**78,544**	**283,670**	**106,668**	**84,892**

(1) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.

5.5.5 b) Performance shares granted during the year

Rights to 84,892 performance shares were granted during the year.

	Number of shares granted	Grant date
Performance shares granted by CGEM to the ten grantees other than Managing Partners who received the greatest number of shares	36,192	November 25, 2015

5.5.5 c) Special Report of the Chief Executive Officer

/ November 25, 2015 Plan

The Annual Shareholders Meeting of May 16, 2014 authorized the grant of shares without consideration to employees of the Company (except the Managing Partner) and of related companies within the meaning of Article L. 225-180 of the French Commercial Code, with the number of shares that may be granted limited to 0.5% of issued capital.

This authorization was used in 2015 to grant 84,892 rights to one new share of common stock to 74 grantees.

The performance condition is based on the fulfillment of performance criteria set out under the Michelin Performance and Responsibility Ambitions for 2020.

While the fulfillment of two performance criteria was previously required for performance share plans, this number has now risen to three or four for executives in the highest positions of responsibility, as set out in the report detailing the related resolution of the May 16, 2014 [(1)] Shareholders Meeting.

The criteria are as follows:

- Average annual growth in Group net sales, on a like-for-like consolidated basis and excluding changes in exchange rates, of at least 2% in 2015, 2016 and 2017.
- Average annual growth in consolidated operating income, before non-recurring income and expenses (on a like-for-like basis and excluding changes in exchange rates), of at least €150 million a year in 2015, 2016 and 2017.
- Arithmetic average annual return on capital employed (ROCE), on a like-for-like consolidated basis of at least 12% a year in 2015, 2016 and 2017.
- Average employee engagement rate of at least 73% on a like-for-like consolidated basis, in 2015, 2016 and 2017, as measured by the annual survey conducted by an independent organization, covering factors such as desire to promote the Company and degree of workplace satisfaction.

If the first three criteria are met, the performance condition is deemed to be fulfilled and the corresponding number of shares will vest.

Fulfillment of the engagement rate performance condition is calculated as followed:

- If the minimum performance condition is not met, no shares will vest.
- If the minimum performance condition is met or exceeded, shares will vest on a gradual and proportional basis up to a certain ceiling.

Provided that the grantees are still on the Group's payroll, except where the performance shares have vested early in the circumstances defined by law or by decision of the Managing Partners, and taking into account that this plan involves executives in the highest positions of responsibility, all of the granted performance shares will vest if the four aforementioned performance criteria are fulfilled, each of which count for 25% of the shares.

/ Fulfillment of performance conditions under performance share plans in effect in 2015

Fulfillment of performance conditions under the November 28, 2011 performance share plan

The first condition was to achieve like-for-like growth in Group sales volumes of at least an average 3% a year over the 2011-2013 period. The growth rates observed for these periods were as follows: a 6.51% increase in 2011, a 6.54% decline in 2012 and a 0.06% increase in 2013. The average for all three years was therefore a 0.1% decline, which fell short of the target.

The second condition was to achieve like-for-like consolidated operating income, before non-recurring income and expenses, of at least an average €1.4 billion a year over the 2011-2013 period. The amounts observed for these periods were as follows: €1.945 billion in 2011, €2.423 billion in 2012 and €2.234 billion in 2013. The annual average therefore came to €2.201 billion, which exceeded the target.

Given that one of the two performance conditions was not met, 195,068 of the 287,944 performance shares granted (68%) will vest.

Fulfillment of performance conditions under the November 28, 2012 performance share plan

The first condition was to achieve like-for-like, consolidated growth in Group sales value of at least an average 3% a year over the 2012-2014 period. The growth rates observed for these periods were as follows: a 3.64% increase in 2012, a 5.71% decline in 2013 and a 3.42% decline in 2014. The average for all three years was therefore a 1.83% decline, which fell short of the target.

The second condition was to achieve like-for-like consolidated operating income, before non-recurring income and expenses, of at least an average €2 billion a year over the 2012-2014 period. The amounts observed for these periods were as follows: €2.423 billion in 2012, €2.234 billion in 2013 and €2.545 billion in 2014 at 2012 foreign exchange rates. The annual average therefore came to €2.401 billion, which exceeded the target.

Given that one of the performance conditions was not met, not all of the performance shares will vest.

Note that the vesting period:

- Ended in November 2015 for grantees employed by French companies, during which 113,864 shares were allocated, with a lock-up period ending in November 2016.
- Will end in November 2016 for grantees employed by non-French companies (with no lock-up period).

(1) Please refer to pages 303 and 304 of the 2013 Registration Document.

Fulfillment of performance conditions under the November 29, 2013 performance share plan

The first condition was to achieve like-for-like, consolidated growth in Group sales value of at least an average 3% a year over the 2013-2015 period. The growth rates observed for these periods were as follows: a 5.71% decrease in 2013, a 3.42% decline in 2014 and an 8.4% increase in 2015. The average for all three years was therefore a 0.24% decline, which fell short of the target.

The second condition was to achieve like-for-like consolidated operating income, before non-recurring income and expenses, of at least an average €2.4 billion a year over the 2013-2015 period. The amounts observed for these periods were as follows: €2.234 billion in 2013, €2.545 billion in 2014 and €2.515 billion in 2015 at 2012 foreign exchange rates. The annual average therefore came to €2.431 billion, which exceeded the target.

Given that one of the performance conditions was not met, not all of the performance shares will vest.

Note that the vesting period will end in November 2017 for all grantees (will no lock-up period).

Interim fulfillment of performance conditions under the November 27, 2014 performance share plan

The first condition was to achieve like-for-like, consolidated growth in Group sales value of at least an average 2% a year over the 2014-2016 period. The growth rates observed to date were as follows: a 3.42% decline in 2014 and an 8.4% increase in 2015.

The second condition is to achieve an average annual increase in like-for-like consolidated operating income, before non-recurring income and expenses, of €150 million a year over the 2014-2016 period. The growth observed for these periods to date was as follows: a €81 million increase for 2014 and a €30 million decline for 2015 at 2012 foreign exchange rates.

The third condition was to achieve an average employee engagement rate of at least 72% a year on a like-for-like consolidated basis over the 2014-2016 period. The employee engagement levels observed to date were as follows: 74% in 2014 and 77% in 2015.

For the Excellence Management share plan, an additional criteria applied to managers is to achieve an arithmetic average annual return on capital employed (ROCE) of at least 12% on a like-for-like consolidated basis for the 2014-2016 period. The ROCE observed to date were as follows: 11.1% in 2014 and 12.2% in 2015.

Interim fulfillment of performance conditions under the November 25, 2015 performance share plan

The first condition was to achieve like-for-like, consolidated growth in Group sales value of at least an average 2% a year over the 2015-2017 period. The growth rate observed for 2015 was an 8.4% increase.

The second condition was to achieve average like-for-like growth in consolidated operating income, before non-recurring income and expenses, of at least €150 million a year over the 2015-2017 period. In 2015, operating income growth was a €30 million decline, at 2012 exchange rates.

The third condition was to achieve an arithmetic average annual return on capital employed (ROCE) of at least 12% on a like-for-like consolidated basis for the 2015-2017 period. The ROCE observed for 2015 was 12.2%.

The fourth condition was to achieve an average employee engagement rate of at least 73% a year on a like-for-like consolidated basis over the 2015-2017 period. The employee engagement rate observed for 2015 was 77%.

/ Performance shares vested and delivered

Note that during 2015:

- No Managing Partner of the Company received any performance shares.
- The ten employees other than Managing Partners who were granted the greatest number of share rights:
  - Received 36,192 rights to one performance share (one grantee received 5,520, five received 3,680, and four received 3,068).
  - Received 12,672 vested performance shares (two grantees received 1,552, two received 1,328 and six received 1,152).

Clermont-Ferrand, February 11, 2016

Jean-Dominique Senard,

Chief Executive Officer

5.5.6 EMPLOYEE SHARE OWNERSHIP

Following completion of the four employee savings plans set up in 2002, 2003, 2008 and 2013, 69,068 Group employees and retired employees in 47 countries around the world were shareholders.

At December 31, 2015, employees owned 1.771% of issued capital.

5.5.7 INFORMATION CONCERNING A SHARE BUYBACK PROGRAM CURRENTLY IN EFFECT

The following information includes the disclosures reported in the Chief Executive Officer's Report in compliance with Article L. 225-211 of the French Commercial Code.

5.5.7 a) Authorizations granted to the Chief Executive Officer

The Annual Shareholders Meeting of May 16, 2014, granted the Chief Executive Officer an 18-month authorization to buy or sell shares of Company stock, as part of a new share buyback program. The Company was authorized to buy back up to 10% of the total shares outstanding, at a maximum purchase price of €140 per share, with the requirement that it not hold more than 10% of its own share capital at any time.

The authorization was used in 2014 (please refer to section 5.5.7 a) of the 2014 Registration Document) and in 2015 (please refer to chapter 5.5.7 b) below).

At the May 22, 2015 Annual Shareholders Meeting, shareholders granted the Chief Executive Officer a new authorization, valid for 18 months or until replaced, to buy or sell shares of Company stock, under the same terms and conditions as the previous authorization, at a maximum purchase price of €140. From its entry into force, this authorization has replaced the previous authorization.

The Company signed share buyback agreements in 2015 with:

- Natixis, effective between January 2015 and August 2015;
- CITIBANK, effective between September 2015 and December 2015.

At the Annual Meeting on May 13, 2016, shareholders will be asked to authorize the Chief Executive Officer to buy or sell shares of Company stock as part of a new buyback program, the terms and conditions of which are described below in section 5.5.8 "Description of the share buyback program submitted for shareholder approval at the Annual Shareholders Meeting of May 13, 2016".

5.5.7 b) Transactions in the Company's shares in 2015

The following transactions were carried out under the share buyback programs authorized by shareholders at the May 16, 2014 and May 22, 2015 Annual Shareholders Meetings, for 485,127 and 4,476,407 shares respectively.

The Company no longer held any shares in treasury at December 31, 2015, as was the case at January 1, 2015. A total of 4,961,534 shares were bought back by the Company during the year for cancellation.

5.5.7 c) Purpose of shares held in treasury at December 31, 2015

The Company held no shares in treasury at December 31, 2015.

5.5.7 d) Market value of treasury shares at December 31, 2015

No shares were held at December 31, 2015.

	Treasury shares bought back and sold during the year	
	Buybacks	**Sales/transfers**
Number of shares	4,961,534	0
Average transaction price per share *(in €)*	90.70 (1)	-
Average exercise price	n/a	n/a
Total cost of transactions *(in €)*	449,999,761 (1)	0

(1) Before transaction costs.

Derivative instruments were not used to buy back shares. The Company did not have any open buy or open sell positions in its own stock at December 31, 2015.

5.5.8 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2016

The following description has been prepared in accordance with Articles 241-1 *et seq.* of the General Regulations of the *Autorité des marchés financiers* (AMF) and European Commission regulation No. 2273/2003/EC of December 22, 2003.

/ Date of the Annual Shareholders Meeting at which the share buyback program is submitted for approval

May 13, 2016.

/ Purposes of the new share buyback program

- To purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) in connection with employee rights issues.
- To maintain a liquid market for the Company's shares through a liquidity contract complying with a Code of Ethics approved by the AMF.
- To purchase shares for allocation upon exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company.
- To purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions.
- To implement any other market practices that may be authorized in the future by the applicable laws and the AMF.
- To acquire shares for cancellation under a shareholder-approved capital reduction.

/ Maximum percentage of issued capital, maximum number and characteristics of the shares the Company proposes to buy back and maximum purchase price

The Company would be authorized to buy back up to 10% of the total shares outstanding, *i.e.* 18,190,000 shares at the date of this report. Based on the maximum purchase price of €140 per share, this would correspond to a maximum theoretical amount of €2,546,600,000.

In accordance with the law, when shares are bought back for the second purpose listed above, the number of shares used to calculate the 10% limit is the number bought back less the number sold during the course of the program.

Pursuant to Article L. 225-210 of the French Commercial Code, the total value of shares held in treasury may not exceed the amount of available reserves (other than the legal reserve) recorded in the Company's balance sheet at December 31, 2015.

/ Duration of the share buyback program

Subject to shareholder approval, the shares may be bought back at any time during the 18 months from the May 13, 2016 Shareholders Meeting, *i.e.* until the close of trading on November 12, 2017.

Effective as from the Annual Meeting of May 13, 2016, this authorization would replace the similar authorization granted by shareholders at the Annual Meeting of May 22, 2015.

6 2015 EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION

(PUBLISHED IN COMPLIANCE WITH ARTICLE 225 OF THE GRENELLE II ACT)

Known as the Michelin Performance and Responsibility (PRM) approach, the Group's social responsibility commitment informs everything it does to fulfill its corporate purpose of offering everyone a better way forward. PRM ensures that all of the improvement milestones are met, systematically and holistically, at every stage in the process.

Since late 2014, the approach has been managed by the Corporate Development Department, attesting to Michelin's commitment to seamlessly integrating its social responsibility commitments into its strategic vision.

In 2013, six ambitious objectives were set for 2020, with targets and performance indicators defined for each one. Measured annually, these objectives are driving the improvements that will make Michelin the world leader in sustainable mobility, while setting the standard in financial, environmental and social responsibility performance.

The employee, societal and environmental information presented respectively in sections 6.1, 6.2 and 6.3 below complies with Article L. 225-102-1 of the French Commercial Code – as completed by Article 225 of the Grenelle II Act of July 2010, amended by the Warsmann IV Act of March 2012 and completed by the French Decree 2012-557 of April 24, 2012 – which requires all listed companies in France to "take into account the social and environmental impact of their activities and to fulfill their social responsibility commitments."

6.1 EMPLOYEE INFORMATION

Michelin's employee relations are governed by the highest standards in accordance with the universal principles of human rights and international labor conventions.

A FIRM COMMITMENT TO EMPLOYEE WELL-BEING AND DEVELOPMENT

Michelin has pledged to uphold the ten fundamental principles of the United Nations Global Compact and complies with the OECD Guidelines for Multinational Enterprises. The Group recognizes the Universal Declaration of Human Rights and the conventions of the International Labour Organisation, particularly in relation to freedom of association and protection of the right to organize convention (see section 6.1.5), the elimination of discrimination in employment and occupation (see section 6.1.6 b), and the abolition of forced labor and effective abolition of child labor (see section 6.2.4 et seq.)

These principles and guidelines have inspired a number of internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Code of Ethics, the Anti-Corruption Code of Practice, the "Moving Forward Together, the Trademark of Mutual Commitment" document, the Manager's Guide and the Michelin Purchasing Principles. Widely promoted among employees worldwide, all of these documents have been translated into the Group's main working languages and are available for consultation on the country intranet sites.

This section describes six major issues addressed by Michelin's personnel policies:

1. **Acting as a responsible employer worldwide;**
2. **Fostering workplace well-being;**
3. **Deploying a proactive health and safety policy;**
4. **Managing, developing and empowering people in every job;**
5. **Nurturing dialogue, communication and listening;**
6. **A tangible culture of diversity.**

Note on the methodology used for employee indicators

In compliance with Grenelle II legislation, the employee data reporting process was upgraded by optimizing reporting applications, simplifying job categories and extending the scope of reporting.

/ Data collection applications and scope of reporting

PeopleSoft/Oracle human resources management software is used in 13 languages to manage personnel data in the consolidated companies. Most of the employee data for 2015 were extracted from the application's Chorus database, with the exception of companies acquired in 2014 and 2015, Tigar and the main dealership networks in Europe (Euromaster) and North America (TCI).

The information provided in compliance with the Grenelle II Act – employee numbers, working hours, payroll and occupational accident data – relates to all of the units consolidated as of December 31, 2015. For the sake of completeness, Euromaster and TCI employees have been included in some of the data and analyses presented below. In addition to the consolidated data, separate information has been reported for Manufacture Française des Pneumatiques Michelin (MFPM), which coordinates most of the manufacturing, sales and research operations based in France.

Corporate social responsibility reporting is based on outside standards such as the G4 guidelines published by the Global Reporting Initiative, which aims to provide a reporting framework that is standardized, reliable and credible. A cross reference to these guidelines may be found on page 313 below.

/ Indicator consolidation method

Data were reported by the countries and companies in accordance with corporate guidelines describing the process for compiling the employee and societal indicators for Michelin host countries and companies as defined in the Grenelle II Act. These guidelines also specify the implementation and outside audit procedures that ensure that the process is managed efficiently and consistently across the organization. Lastly, they define the indicators or cite the reference documents in which they are defined. Each country organization is responsible for the fairness and accuracy of the reported data. As part of a continuous improvement process, Group Personnel audits the data monthly to ensure their accuracy and consistency.

/ Fair, verifiable data

For the tenth consecutive year, Michelin's corporate social responsibility data were reviewed by PricewaterhouseCoopers, the Statutory Auditors designated as an independent third party. Following their review, which in 2015 was conducted in accordance with Article 225 of the Grenelle II Act for the third year in a row, a report was issued attesting to the presence and fairness of the required information.

6.1.1 ACTING AS A RESPONSIBLE EMPLOYER WORLDWIDE

The number of employees rose slightly in Europe during the year, while edging downwards in several other regions. The percentage of women in the workplace has risen steadily over the years, to close to 17% worldwide in 2015. Unlike Michelin's other regions, Asia saw a number of resignations, while North America and Europe were particularly affected by retirements.

6.1.1 a) Employee data by geography and gender

In 2015, the workforce totaled **111,681** people [1], of whom 16.8% were women [2].

/ Employees on payroll at December 31, 2015

(Employees on payroll, consolidated companies, under any form of work contract)

	Europe	North America	South America	Asia (excluding India)	Africa/India/ Middle East	Group Total
Number of employees	65,885	22,598	6,544	14,977	1,677	**111,681**

MFPM	***19,658***

The number of employees declined over the year to 111,681 people from 112,306 at December 31, 2014, primarily due to the age pyramid in the United States and Europe, as well as the **deployment during the year of four progress initiatives, including the simplification initiative** (see the interview with Jean-Dominique Senard, p. 2-4 above).

/ Full-time equivalent employees at December 31, 2015

(Full-time equivalent employees, consolidated companies, under any form of work contract)

	Europe	North America	South America	Asia (excluding India)	Africa/India/ Middle East	Group Total
Number of employees	61,420	21,734	6,009	14,962	1,673	**105,798**

MFPM	***18,365***

The breakdown by region remained stable over the year. The European workforce rose slightly, **led by new acquisitions and capacity extensions in the East.**

As in 2014, France accounted for nearly 21.5% of all full-time equivalent employees, with more than 24,000 people nationwide (including Euromaster, Michelin Travel Partner and other units).

(1) Including the dealership networks, Tigar and recently acquired companies.
(2) Excluding the dealership networks, Tigar and recently acquired companies.

/ Women as a percentage of employees at December 31, 2015

(Employees on payroll, under any form of work contract, excluding temp agency workers)

Percentage of women by employee category and region	Production operators	Administrative employees and technicians	Managers and supervisors (1)	Total
Europe	9.6%	36.5%	24.4%	**16.7%**
MFPM	*5.1%*	*33.3%*	*24.9%*	***16.5%***
North America	14%	65.0%	22.7%	**17.9%**
South America	7.5%	27.9%	26.9%	**14.6%**
Asia, excluding India	9.6%	39.5%	27.0%	**16.7%**
Africa/India/Middle East	8.6%	23.7%	14.1%	**12.9%**
GROUP TOTAL	**10.5%**	**38.2%**	**24.2%**	**16.8%**

(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.

The priority focus on feminization can be seen in the steady year-after-year increase in the percentage of women in the workforce (see section 6.1.6).

/ Contract employees and temp agency workers

In 2015, contract employees represented 4.4% of full-time equivalent employees Group-wide.

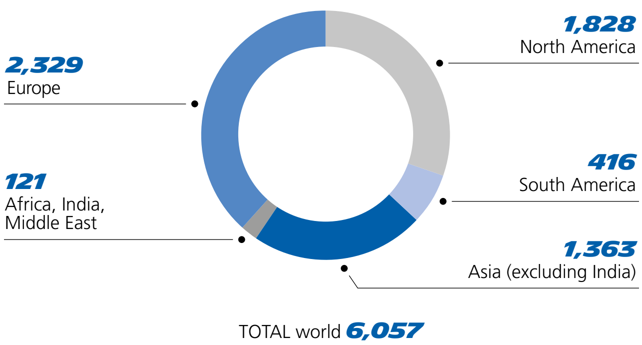
The number of temp agency workers is tracked by the Group Purchasing Department based on detailed worldwide data for the four main agencies that have signed global or regional master contracts, plus the estimated number of temporary workers assigned from agencies used less frequently. In all, the use of temp agency personnel corresponded to 3,730 jobs on an annualized basis.

The total number of contract employees and temp agency workers remains very low, at less than 8.5% of the total, in line with Michelin's commitment to acting as a responsible employer.

6.1.1 b) Employee movements

In 2015, Europe acquired the largest number of new hires while Michelin continued to enhance its appeal among young people around the world.

NEW HIRES UNDER PERMANENT WORK CONTRACTS IN 2015



Excluding the dealership networks, Tigar and recently acquired companies.

A total of **6,057** people were hired in 2015, fewer than in 2014. By region, the pace of hiring slowed in Africa, India, the Middle East and South America, as well as in Asia where hirings somewhat exceeded separations. Hirings rose in Europe over the year, but remained short of separations by almost a third.

In France, 750 people were hired by **MFPM** during the year, up from 606 in 2014, reflecting the need to replace retirees and to staff the increase in capacity utilization at several French plants (75% of the new hires were production operators).

/ Separations by reason (employees under permanent work contracts)

Separations in 2015	Resignation	Dismissal/termination by mutual agreement	Retirement	Death	Total
Group	2,390	2,843	2,115	116	**7,464**
MFPM	*100*	*250*	*710*	*27*	***1,087***

Excluding the dealership networks, Tigar and recently acquired companies.

Separations tend to occur for three main reasons: (i) retirement, which almost exclusively concerns the mature regions; (ii) resignation, particularly in Asia; and (iii) dismissals and terminations by mutual agreement, which stood at around 3% of employees.

/ Attrition rate excluding retirements

	2015	2014	2013	2012
Group	5.9%	5.5%	5.6%	4.8%
MFPM	*2.0%*	*2.1%*	*1.6%*	*1.7%*

Excluding the dealership networks, Tigar and recently acquired companies.

/ Redundancy plans, job retention initiatives and retraining, placement and support programs during the year

In France, restructuring programs were deployed in three segments.

1. Continued reorganization of the Truck tire operations at the Joué-lès-Tours plant announced in June 2013

Of the 706 jobs eliminated, 380 people have taken or will take phased retirement or another form of late-career arrangement, 159 have accepted a transfer and 167 have been outplaced.

By year-end, only 39 people were still enrolled in the career transition workshops set up to assist the 167 outplaced employees in building a new career path. Of the others, 53% have found a solution, of which 71% have been hired under a permanent work contract, 19% have set up their own company and 10% have found employment under a six-month or longer temporary contract.

2. Reorganization of the supply chain

Six French logistics hubs have been or will be closed between end-2015 and end-2016, resulting in the loss of 95 jobs. A unanimous agreement concerning the related support measures was signed with employee representatives in June 2015.

According to the phase-out schedule, the hubs will cease operations between 12 and 24 months after their closure was announced. A career transition support process was deployed in July 2015, so that everyone will have enough time to consider and respond to their options, while keeping the facilities operating normally until closure.

Among the 95 people concerned, 48 have been furloughed until retirement, while most of the others will be transferred to another Michelin facility, and the final few will opt for outplacement.

3. Reorganization of the Pneu Laurent business

Reorganization of the Pneu Laurent plant in Avallon has involved the elimination of 38 jobs in two stages, in December 2015 and April 2016. At the same time, 35 jobs will be created Group-wide, including 17 at Pneu Laurent.

Michelin Development France will continue to deploy initiatives in these regions (see section 6.2.1).

In Europe, where markets are being reshaped by slowing growth in demand and rising competition from Asian tiremakers, an industrial reorganization project was announced in early November 2015 in Italy, the United Kingdom and Germany (Pneu Laurent). Backed by €265 million in new capital expenditure, the project will make Michelin more competitive in Europe and secure its long-term presence in Italy and the United Kingdom.

In Italy, the Alessandria plant will be refocused on new Truck tire production following termination of its retreading operations by mid-2016. The project will also expand the plant's new tire production capacity, with the result that employees will simply be redeployed.

In addition, at a time of declining metal cable prices and structural overcapacity in the cable and bead wire industry, operations at the Fossano plant will be terminated by the end of 2016. Lastly, developments in the Italian tire retailing industry have prompted Michelin to transform the Turin logistics hub and Rome general warehouse into European distribution centers, expand the Cuneo and Alessandria plant warehouses and close the Tribano general warehouse by the end of 2017.

An agreement was unanimously signed with the unions in early December 2015. While it is still too early to provide placement figures for the 578 people concerned, an innovative career transition support process has been deployed, based on Michelin's long-standing commitment to keeping people in work regardless of local practices in these circumstances. The announcement that the process is in place was highly appreciated by both employee representatives and public authorities.

In the United Kingdom, the aggressive competitive environment and Truck tire overcapacity have made it necessary to shut down new Truck tire operations at the Ballymena, Northern Ireland plant by mid-2018, so as to consolidate them in the Group's larger facilities. The plant's rubber mixing operations will also be terminated.

The project will result in the gradual loss of 860 jobs in Ballymena and the creation of 110 new ones in Dundee, Scotland and Stoke-on-Trent, England. All of the people concerned will be supported in finding a new career path, according to arrangements that will be defined in cooperation with the unions. To ensure a smooth transition, operations at the Ballymena plant will be phased out gradually through mid-2018. This is the longest timeframe that Michelin has ever allocated to a closure, attesting to its commitment to giving all of the people concerned every opportunity to remain in work.

In France, Italy and the United Kingdom, Michelin Development will support the revitalization of the regions concerned by the projects (see section 6.2.1).

In Germany, the profound reshaping of the Truck tire retreading market has led the Group's Pneu Laurent subsidiary to close its Oranienburg unit and consolidate its operations at the Avallon plant in France by December 2016. The 180 Oranienburg employees concerned by the project will be supported in their career transition, according to procedures that Pneu Laurent GmbH will define with employee representatives. It is only afterwards that the percentage of people choosing each possibility (transfer, outplacement, phased retirement, etc.) can be determined.

6.1.1 c) Offering fair compensation and benefits

In line with local market practices and conditions in every host country, Michelin offers each employee fair compensation that recognizes his or her contribution to Group performance. All employees receive supplementary compensation in forms that vary by country. They are also protected from the financial consequences of an accident or illness and offered opportunities to save for their retirement.

	Total employee benefits expense in 2015 *(in € millions)*	Production operators (1)	Administrative employees and technicians (2)	Managers (3)	Contract employees	Provisions and provision reversals for pension obligations	Taxes, provisions and advances
Group	5,785	2,292	2,132	963	2	13	383
MFPM	*1,388*	*391*	*454*	*419*	*0*	*5*	*119*

(1) Production operators: hourly employees.
(2) Administrative employees and technicians: salaried employees.
(3) Managers: salaried employees with bonuses.

"Taxes, provisions and advances" include taxes, provisions for pension obligations, variable compensation advances, stock-option advances and other long-term advances.

/ Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €5,785 million or 27.3% of net sales in 2015, of which €1,106 million in employer payroll taxes.

The total may be analyzed as follows:

(in € millions)	
Wages and salaries – Group	4,471
MFPM	*924*
Employer payroll taxes	1,106
MFPM	*377*
Benefit contributions, pensions, severance and retraining costs	199
MFPM	*87*
Share-based payments	9
MFPM	*0*
TOTAL	**5,785**
MFPM	***1,388***

/ Ensuring that compensation reflects each employee's performance and level of responsibility

Michelin is committed to offering every employee compensation that is personalized, fair and market-competitive, and that reflects his or her individual performance and level of responsibility. Compensation policies are implemented with a long-term view, taking into account each person's career development, so as to enable people to advance according to their abilities and the needs of the organization. They are also carefully aligned with evolving market conditions and local practices.

In every host country, compensation is set and adjusted as competitively as possible, with a constant eye on achieving **the right balance between employee satisfaction and financial performance.**

An array of profit-sharing and bonus systems are in place, which vary by country and employee category. Already offered to employees above a certain level of responsibility, individual performance bonuses are now being gradually extended to all managers, administrative employees, technicians and supervisors with the goal of incentivizing them to deliver their results and help to meet Group targets. At MFPM, for example, all categories of employees will be eligible for individual bonuses in 2016.

Discretionary and non-discretionary profit-sharing systems are also deployed, in accordance with each country's practices and regulations. To ensure cross-border consistency, these systems are all governed by similar rules and procedures. However, they are aligned with local job markets and conditions, and the pay-out levels are set to remain competitive in the local market.

In 2015, of the 17 objectives in the Group priorities scorecard, seven related to social responsibility issues. Of these, three concerned employees and four were environmental objectives that Michelin has pledged to meet by 2020.

Because pay scales are pegged to criteria specific to each country, in order to reflect local conditions, the average Group-wide pay raise for the year would not be a meaningful indicator.

In France, the year-on-year pay increases at MFPM were as follows in 2015:

Production operators	2.2%
Administrative employees, technicians and supervisors	2.2%
Managers	3%

Data for France.

Employee benefit policies, which primarily concern health care, insurance coverage and post-retirement benefits, have been shaped by Michelin's social responsibility vision. National benefit systems are supplemented to ensure that employees enjoy a similar level of benefits in most of the Group's host countries.

Insurance and benefit policies are continually updated in response to changes in the economic and legal environment and to take into account the findings of the Moving Forward Together survey (see section 6.1.5 c).

Protecting employees from the consequences of an accident or illness

Michelin has introduced systems to safeguard employees, as well as their spouses and children, against the potentially significant financial consequences of an illness or an accident. Health care plans cover medical expenses and insurance coverage guarantees an income in the case of short or long-term disability or death.

At MFPM, the 2011 death and disability insurance agreement significantly improved coverage for operators, administrative employees, technicians and supervisors, who receive supplemental compensation in the event of long-term illness or severe disability. In the event of death while still an employee, a death benefit is paid.

A wide range of proactive workplace health and safety initiatives are being assertively deployed (see section 6.1.3) and public health campaigns on such topics as nutrition and vaccinations are regularly conducted on-site.

Supplementing national pension systems

With life expectancy on the rise, a growing number of countries have national pension systems that may not be sufficient to meet employees' expectations. In response, Michelin has implemented systems that provide employees with additional post-retirement income, in accordance with their length of service.

These systems are generally funded pension plans that allow employees to contribute a percentage of their pay, in addition to the funds paid in by the employer. In certain countries, the Group also recognizes provisions for post-retirement benefit obligations relating to previous pension plans. At December 31, 2015, these obligations amounted to €2,617 million, of which €534 million for MFPM.

Total payments under defined benefit plans amounted to €394.4 million in 2015, of which €153.6 million in benefits paid directly to employees and €240.8 million in contributions to the funds.

Wherever legislation allows, Michelin offers retirement savings plans with matching employer contributions. The invested funds are managed by a fund manager or insurance company that has been carefully selected for its solidity and performance. As part of the project to upgrade the supplementary pension system, the PERCO retirement savings plan agreement, which covers all of the French companies, was revised and the matching employer contribution increased to 100% of the employee investment, up to an amount equal to 2.5% of the employee's prior-year gross salary. Another agreement has introduced a new supplementary pension plan in France, co-financed by the Company (in an amount equal to 1% of gross salary) and the employee (0.2%). This plan has been deployed at Manufacture Française des Pneumatiques Michelin and Compagnie Générale des Établissements Michelin, with the possibility of other French companies joining in the future.

/ Offering a variety of supplementary compensation

In addition to salary, performance-based bonuses for meeting individual and/or corporate targets, overtime pay and compensation directly related to the nature of work performed, employees are also offered supplementary compensation in forms that vary widely depending on local legislation. These include discretionary profit sharing, non-discretionary profit sharing, contributions to supplementary health insurance, retirement savings plans and employee savings plans.

At Manufacture Française des Pneumatiques Michelin, the 2014-2017 discretionary profit-sharing agreement signed with the trade unions uses various indicators to calculate profit shares – the number and success rate of Progress Ideas, the reduction in the environmental footprint and the fulfillment of production targets. The amount of the discretionary profit-share, which is paid in the first quarter of the following year, can represent up to 5% of salary.

In 2015, for example, nearly €49 million was paid out of 2014 net income to MFPM employees in the form of discretionary profit-shares, non-discretionary profit-shares and profit-sharing bonuses.

6.1.2 FOSTERING WORKPLACE WELL-BEING

Michelin wishes to create working conditions that foster a sense of balance and personal well-being. Initiatives are being deployed to improve the workplace environment and organization. In addition, the country organizations and plants have been empowered to make headway on local priorities, in accordance with the needs expressed by their employees.

6.1.2 a) Improving work-life balance

The "Moving Forward Together" survey (see section 6.1.5 c) shows that most employees would like to enjoy a better balance between their personal lives and work.

/ Adjusting office work schedules

Local initiatives to encourage telecommuting are delivering benefits in such countries as Germany, Brazil, Canada, Spain, the United States, France, Romania and the Nordic countries.

In 2015, steps were taken in France to make telecommuting arrangements more flexible, so that between two and ten home-working days can now be organized by month. As part of its commitment to diversity, special attention is paid to requests from disabled employees, pre- and post-maternity leave employees, seniors and people working part-time after sick leave (see section 6.1.6).

/ Initiatives for production operator work schedules

While more challenging to implement for operators working in a variety of shifts (3x8 hours, 4x8 hours, 5x8 hours, 2x12 hours) to keep production plants running around the clock, a number of shopfloor work/life balance initiatives have been deployed, in particular as part of the empowerment process. Any adjustments to production schedules are announced as far in advance as possible.

6.1.2 b) Offering more flexible part-time options

Choosing to work part-time can help to improve quality of life and facilitate a more satisfying work/life balance. Part-time options also open up job opportunities for people from diverse backgrounds.

Procedures for implementing these arrangements vary by country, depending on local legislation, expectations and practices. To the extent possible, they also reflect input from employee representatives.

PART-TIME EMPLOYEES BY GENDER AND JOB CATEGORY AS A PERCENTAGE OF TOTAL EMPLOYEES AT DECEMBER 31, 2015

Group *MFPM*	Women	Men	Total
Production operators	5.8%	2.4%	**2.8%**
MFPM	*8.1%*	*2.6%*	***2.9%***
Administrative employees, technicians and supervisors	9.2%	1.9%	**4.0%**
MFPM	*18.7%*	*5.2%*	***9.2%***
Managers	8.8%	0.8%	**2.4%**
MFPM	*16.6%*	*0.7%*	***3.9%***
GROUP TOTAL	**7.8%**	**2.2%**	**3.1%**
MFPM TOTAL	***16.9%***	***3.2%***	***5.5%***

Consolidated Group excluding dealership networks, Tigar and recently acquired companies.

The percentage of employees choosing to work part-time continued to increase in 2015, both Group-wide and in France, primarily among women.

6.1.2 c) Encouraging broad employee involvement in quality-of-worklife initiatives

In every plant and office facility worldwide, initiatives to improve the quality of worklife are underway with the active participation of employees and, whenever possible, their representatives.

Examples of such initiatives deployed and expanded in 2015 include the following:

- Based on an employee proposal approved by local management, the **two plants in Zalău, Romania** have deployed a joint Quality of Worklife Committee. A fitness room was opened and is now directly managed by employees.
- **In France,** the in-depth review of psychosocial issues is using input from the Health and Safety Committees to prioritize the segments or departments most at risk. A similar process, known as PsicoMap, in underway in **Spain.**
- **In the United Kingdom,** employees in three workshops at the **Stoke-On-Trent** plant are managing their own break rooms.

6.1.2 d) Identifying and sharing 50 responsible employer initiatives

Initiatives to improve employee well-being are being deployed in the large majority of countries. In 2015, the best ones in such areas as equal opportunity, health and quality of worklife were identified and described by the "50 Responsible Employer Initiatives" project.

By year-end, **more than 50 initiatives had been identified,** whose best practices can now be shared by other on-site Personnel Departments. These include:

- Training aligned with self-expressed employee needs:
  - A "Preparing for Retirement" module in **France** and the **United Kingdom.**
  - In a recessionary economy, a training course and support group in **Brazil** on managing family budgets, along with employee health-related programs and investments.
  - Fitness and/or warm-up exercises before starting work in production plants in **Germany, the United States and France.**
  - Company meals for employees at the metal reinforcement plants in Shanghai, **China.**
  - A break room for the Personnel Department teams in **France.**
  - Nutritional programs to encourage the eating of fruits and vegetables in **Germany, the United Kingdom, the Nordic countries and Russia.**
  - A cancer prevention program in **Poland.**
  - An addiction awareness module in **Thailand, Spain and Romania.**
  - Ergonomic furniture for office-based sales teams and improvements in the workplace environment in **Sweden.**
- Employee services
  - Screening for disabled children in **India.**
  - An employee social services program in **North America.**
  - At the **Chennai plant in India,** financial assistance for employees impacted by the floods in November 2015.

6.1.2 e) Using the Well-Being Index to raise Michelin's collective consciousness

Comprising 26 questions concerning work/life balance, the workplace environment, workstation health and safety issues and the quality of management, the Well-Being Index is used by on-site Personnel Departments to verify the relevance and effectiveness of employee well-being initiatives.

Since it was introduced in the wake of the 2013 engagement survey, the Index has improved by five points, including three in 2015 alone, and currently stands at **a 70% satisfaction rating.**

During the year, **75% of the country organizations reported an improvement,** with noteworthy gains in Canada (up 9 points to 72%), Thailand (up 9 points to 82%) and China (up 7 points to 74%).

6.1.2 f) Aligning psychosocial risk prevention with local cultures

In a commitment to safeguarding employees from the effects of stress and harassment, a variety of programs aligned with local needs and legislation have been deployed to provide:

- **Primary prevention,** through reviews, awareness-building training and initiatives to improve the quality of management. Deployed in most of the Group's host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia), these measures are helping employees to protect themselves, while improving the ability of managers to detect and respond to at-risk situations.
- **Secondary prevention,** through training and organizational improvement initiatives, particularly in at-risk segments/jobs. Programs to **prevent stress** with new workplace organization practices have been introduced in Germany, North America, South America, China, Spain, France, Hungary, Poland, Romania and the United Kingdom.
- **Tertiary prevention,** through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician.

Almost all of the plants and offices are leading quality of worklife programs that help to **attenuate stress** or facilitate access to medical or psychological assistance for people seeking support or deemed at-risk.

TRACKING PRODUCTION OPERATOR ABSENTEEISM

Unforeseeable leave Production operators *(% of scheduled hours worked)*	Sick leave and other short-term absences	Lost time of fewer than 61 days due to occupational injury or illness	Long-term leave	Total 2015
United States and Canada	1.2	0.1	1.8	**3.1**
Europe (excluding Russia)	3.6	0.2	1.6	**5.4**
MFPM	*4*	*0.6*	*2.8*	***7.4***

Compared with 2014, absenteeism among operators was stable in North America and up by a slight 0.1% in Europe, reflecting the increase in short and long-term absenteeism rates over the year in the countries with the most employees (France, Spain, Germany, Italy and Poland).

Note, however, that **short-term leave** rates were similar in France, Spain, Italy and Germany, at between 4% and 5%.

6.1.3 DEPLOYING A PROACTIVE HEALTH AND SAFETY POLICY

Michelin pays especially close attention to the health and safety of both its employees and suppliers, in particular by pursuing proactive health and safety policies in full alignment with its fundamental value of respect for people.

These policies are described in:

- The **2011 Health and Safety Declaration;**
- The **2014 Health Policy.**

  These commitments are based on the recommendations issued by key international organizations, such as the UN, the ILO and the OECD, and prevailing standards and legislation, including ISO 26000 and Grenelle II. In 2015, they were further clarified in the **Environment and Prevention General Policy Statement,** which defines the fundamentals and vision, specifies the objectives in alignment with the Michelin Performance and Responsibility Ambitions for 2020 and sets the guidelines that every unit must follow.

  The policies are being implemented through the Environment and Prevention Management System, based on the international ISO 14001 and OHSAS 18001 standards, which is being applied in every facility to **guarantee consistency in existing practices.** The system is auditable and audited.

Each facility is staffed with risk prevention professionals, such as OSH experts, ergonomists and hygienists, and health care providers, like doctors and nurses.

These professionals **network at the Group, regional and country level** to share best practices and leverage acquired experience, as part of a continuous improvement process.

The Environment and Prevention Management System is an integral part of the 64 fundamentals of the Michelin Manufacturing Way (MMW) management system that drives the performance of the continuous improvement process. In 2015, the production plants conducted a self-assessment of how well these fundamentals were being applied by auditing:

- management's engagement over time.
- the management of skills and organizations.
- the application of job basics and compliance with standards.
- the management of performance and the continuous improvement process.

The findings revealed that, thanks to the dedication of all of the process stakeholders, the eight health and safety fundamentals were very well applied in the plants, with a score of 8.2 out of 10.

6.1.3 a) Safeguarding employee health

Deployment of the Group Health Policy is improving the performance of individual and general prevention programs, in particular by instilling a common vision and aligning medical practices.

/ Systematically monitoring employee health

In 2015, a majority of employees were under the care of an occupational physician, in accordance with local legislation. **Medical check-ups** are offered to employees in the few countries, in Africa and the Middle East, that do not require companies to monitor employee health and lack the appropriate medical resources.

In the geographic zones and the leading European countries, health coordination committees are helping to align care systems and the deployment of health policy recommendations.

/ Preventing and monitoring occupational illnesses

Initiatives to prevent and detect occupational illnesses primarily concern the risks related to lifting, repetitive stress, physical exertion, noise exposure and chemicals.

Occupational illnesses are reported every year to help guide remedial action plans (see section 6.1.3 b).

A full 90% of the recognized occupational illnesses occurring Group-wide are associated with job-related physical activity. Their occurrence is being reduced by the program to improve workstation ergonomics. To supplement these general protection measures, employees systematically wear personal protective equipment at workstations deemed at risk.

/ Safeguarding health and ability to work

To further protect employees from impairments in health or the inability to work, the programs to attenuate occupational risks are supplemented with **local health education initiatives and public health campaigns** designed to instill healthy behavior in all the Group's employees, both on and off the job.

Examples include:

- Medical check-ups offered to employees in countries where access to health care is difficult or expensive (*e.g.,* **China, India, Thailand, Russia and Poland**).
- Installing fitness and sports equipment to encourage employees to engage in physical activities and sports.
- Awareness-building and prevention training concerning addictive behavior, nutrition, cardiovascular disease and other issues that may be defined in connection with local priorities. Indian employees subject to iron-deficiency anemia, for example, were offered courses in healthy eating. In some countries, these programs are organized as part of quality-of-life initiatives, such as "Balance" in Germany, *"De Bem Com a Vida"* in Brazil, *"Oxygène"* in France and "Choose Well Live Well" in the United States.

/ Obtaining independent guidance from the Medical Advisory Committee

Since 2010, **the Medical Advisory Committee,** comprising nine outside experts, has helped to foresee and prevent health risks, based on the latest advances in science. Its independent opinions assist Group management in addressing the health risks specific to tire manufacturing. In 2015, it completed its study of the risks of bladder cancer and reported its health monitoring recommendations to the on-site health services. It also continued its research on conventional and hypersensitivity pneumonitis.

/ Protecting employees during a crisis

Michelin is ready with a full array of responses to protect employees in emergencies.

- During the **Paris terrorist attacks,** all of the Group's employees expressed their solidarity with the victims and their loved ones, and special employee security procedures were introduced.
- Michelin organizes and pays for any **supplementary health care costs** for victims of occupational accidents when these costs are not covered locally. In Romania, care was arranged in a Bucharest microsurgery clinic for four people injured in a shuttle-bus accident, while three employees accidentally injured in Serbia were transferred to a specialized hospital in Germany.
- Sustained deployment in 2015 of the action plan to combat the **Ebola hemorrhagic fever epidemic** prevented any contamination by people working or in-transit in the impacted region.
- Other measures were taken to protect employees from the effects of **air pollution** in large Asian cities.

6.1.3 b) Assessing and preventing risks

The Health and Safety Declaration states that "above all else, Michelin's wish is to ensure safe and healthy conditions for everyone working in the Company." To embed a culture of safety and prevention in every aspect of the Group's business, three essential principles are being instilled across the organization:

- correct behavior begins with compliance with safety guidelines.
- through their active commitment, employees are responsible for everyone's health and safety, both their own and that of others.
- personal engagement drives continuous improvement.

This process emphasizes **risk prevention, compliance, employee empowerment and management involvement,** so that the Declaration is effectively demonstrated in daily work practices.

In recent years, a comprehensive, prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation. These data are also being used to set priorities in the annual or multi-year action plans. In the case of France, they are consolidated into the comprehensive risk assessment review *(Document Unique),* which addresses all of the possible risk factors.

/ Managing workplace safety

A culture of safety at work embraced by employees across the organization, as seen in:

- The safety reviews conducted during each team's daily "5 Minutes" meetings and the management-led plant walk-throughs.
- The 31,163 employee-submitted Progress Ideas addressing safety issues (46%) and working conditions (54%).
- The fact that 89% of the 82,354 employees who responded to the 2015 "Moving Forward Together" survey felt that "safety is a top priority on their site."

/ Improving production workstation ergonomics

Most occupational illnesses are the result of musculoskeletal (MSK) disorders, which are also the cause of some of the accidents recorded in certain types of production activities. Since 2002, improving ergonomics has been a major focus of Michelin's health and safety policies.

The prevention of MSK disorders is designed into every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term.

All of the production facilities and certain logistics hubs have mapped their workstations to identify action priorities and deploy standard solutions.

Ergonomic issues across the business base are addressed by a dedicated capital budget, totaling €20 million in 2015. Projects to improve ergonomics are implemented by ergonomist-led multidisciplinary teams comprising managers, operators and prevention specialists. Each plant is deploying a five-year improvement plan.

Reducing ergonomic hardship is designed not only to help protect employee health, but also to make the workstations more accessible and appealing to a wider range of people. In turn, this will support diversity, make workstations a more attractive job option, and enhance people's well-being and motivation.

/ Managing industrial hygiene risks to protect employee health

Chemical risks are an important focus of policies to protect employee health and safety, both on the shopfloor and in research and development facilities These risks stem not only from chemicals, but also from harmful process fumes and the asbestos previously used as insulation or friction material.

Every workstation features instructions for the safe use of its products, presented in the local language and approved by industrial hygiene experts. Based on safety data sheets, these instructions are managed by the global ATRION & BASEDOC information system, which enables real-time document sharing among experts and ensures compliance with REACH standards in Europe and the Global Harmonized System (GHS) standards in the other geographic zones.

Michelin tires have never contained asbestos, which is now banned from use at the Group's facilities worldwide. The program to remove legacy bonded asbestos materials continued apace in 2015.

Around €7 million was invested in the production plants during the year to abate excessively high hygiene risks by continuing to remove legacy bonded asbestos materials and installing additional equipment to protect against certain chemicals.

6.1.3 c) Measuring and tracking occupational accidents and illnesses

Since 2013, Michelin's worldwide health and safety performance has been measured using the **Total Case Incident Rate** (TCIR), based on the US Occupational Safety & Health Administration (OSHA) indicator. On the basis of every 200,000 hours worked, TCIR records the number of lost-time accidents, accidents without lost time but requiring treatment, incidents requiring workstation adjustments (*e.g.* in the case of impairments caused by ergonomic issues, such as musculoskeletal disorders), or occurrences of an illness recognized as work-related. It provides a highly detailed picture not only of accidents but also of every type of health and safety-related incident.

The Group also continues to track the lost-time incident frequency rate (LTIFR), which corresponds to the number of incidents resulting in at least one day's lost time per million hours worked, and the lost-time incident severity rate (LTISR), which corresponds to the number of working days lost to accidents per thousand hours worked.

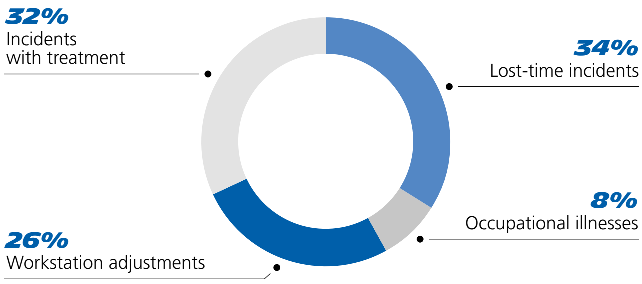
The information system rolled out in 2014 is capable of reporting every incident as it occurs, including commuting accidents, minor accidents and even near-accidents, where the sharing of feedback is useful.

The system also reports accidents involving temporary workers and subcontractor employees, which are reviewed with the companies to help them prepare improvement action plans.

Thanks to a review of the consolidated, Group-wide data for the year, management, the ergonomist and the occupational medicine team were able to prepare effective health and safety improvement plans. To improve the reliability and consistency of TCIR data, information, awareness-building and training programs continued to be conducted for the designated health and safety experts in every geographic zone.

The Michelin community was saddened during the year by the fatal accidents involving three employees at the Pirot plant in Serbia, an employee at the Shenyang plant in China and an employee in Thailand during a highway collision. There was also a fatality involving a logistics contractor in the parking lot of the Anderson, SC plant in the United States. The authorities and Michelin actively investigated the causes and circumstances of each accident, and protective measures were taken to improve everyone's safety. In a video message broadcast in every plant, Jean-Dominique Senard reiterated that **"more than ever, continuously improving Michelin's health and safety performance is one of the Group's top priorities."**

ANALYSIS OF TCIR



Consolidated TCIR declined to 2.67 in 2015 from 2.87 the year before, attesting to the improvement in health and safety performance across the global organization.

Presented to **operations without a single lost-time incident for at least two years,** the Michelin Safety Award honors safety performance over time (one to three million hours worked, depending on the size).

In 2015, it was presented to seven plants, in Brazil, Canada, the United States, Hungary and the United Kingdom, and a research center in Spain.

In all, **27 manufacturing facilities had no lost-time workplace accidents** during the year, compared with just eight in 2005.

Occupational illnesses		2015	2014	2013
Group (excluding dealership networks)	OIFR	**1.08**	3.95	3.77

The occupational illness frequency rate (OIFR) is the number of recognized occupational illnesses recorded per million hours worked. It is calculated on the basis of illnesses recognized as work-related in each host country's legislation. Given their widely varying nomenclature, they have been consolidated based on their International Labour Organisation classification.

Note that in 2015, a change in the calculation method in the United States reduced the number of cases recognized by North American authorities.

6.1.4 MANAGING, DEVELOPING AND EMPOWERING PEOPLE IN EVERY JOB

Michelin places considerable importance on employee skills development. Benchmark jobs have been defined for each profession. Hired for a career with the Group, employees are inducted and supported from day one by their line and career managers. Employees are also encouraged to play an active role in innovation, and the number of employee-submitted Progress Ideas increases with every year.

6.1.4 a) Dedicated training policies

Michelin takes a dynamic approach to talent development that gives everyone the opportunity to realize their full potential, while also meeting the Company's skills requirements. This is reflected in the **percentage of training hours per total hours worked,** which stood at **3.5% in 2015,** down from 4.1% in 2014 due to the initiatives undertaken to ramp up employee skills more quickly (see 6.1.4 b).

During the year, Michelin continued to invest heavily in employee growth and development, offering **5.6 million hours of training** (excluding the dealership networks, Tigar and recently acquired companies), or an average **59 hours per person on payroll.** Note as well that in 2015, tutoring was also included in training time, adding 250,000 hours to the total.

In all, training hours represented the equivalent of 3,300 employees in full-time training over the entire year.

At MFPM, training hours amounted to almost one million or 2.7% of total hours worked.

Around the world, nearly 1,100 people dedicated to Learning & Development are training people to meet the challenges of international growth.

TRAINING HOURS BY EMPLOYEE CATEGORY

Group (excluding Euromaster and TCI)	Production operators	Administrative employees, technicians and supervisors	Managers	Total
Number of training hours	3,955,995	1,411,301	268,361	**5,635,657**
Percentage	70%	25%	5%	**100%**

Job-specific courses accounted for 90% of the total training program, in line with the commitment to developing people's skills and employability. Management courses accounted for another 5% of the program, reflecting ongoing initiatives to enhance the quality of Michelin's management practices.

Other highlights of 2015 included:

- The introduction of the "Function and Development" program, a **hands-on learning experience** combining classroom lectures and the one-on-one Innov Management Lab that will support the Group's innovation dynamic by enabling managers to enhance their role in managing innovation. During the year, more than 500 managers and project leaders from every profession participated in the program, whose deployment will be stepped up in 2016.
- The launch of the global MyLearning@Michelin learning management system (LMS) which offers **easy access to training opportunities** so that every employee can take charge of their development and ramp up their skills more quickly. Debuted early in the year in North America, the LMS was then extended to training administration in China, Spain, France and India ahead of roll-out to every user in 2016 as part of the priority focus on digitalization.

6.1.4 b) New training opportunities aligned with emerging needs

In a commitment to responding more effectively to both employee aspirations and the requirements of the production operations, the Time to Competence process, introduced in 2011 and described in previous Registration Documents, **restricts initial training** to just the skills needed at a given time for a given job. In 2015, it delivered the expected outcomes by:

- Reducing in-training hours by 25-30% and accelerating the ramp-up in skills acquisition by newly hired operators.
- Improving job efficiency in the most critical skills, as assessed by managers on the basis of objective criteria.
- Improving employee satisfaction with training opportunities by three points compared with 2014, according to the annual engagement survey (see section 6.1.5 c).

Revitalizing the learning experience is helping to significantly reduce the number of training hours. In the first half of 2015, for example, a dedicated operator training project *("Boost formation opérateurs")* saved 120,000 hours of training in France, or the equivalent of 15,000 working days on the line.

6.1.4 c) Supporting the successful induction of every new employee

Attended by 6,057 people in 2015, the Michelin Induction Program **guides all new hires, regardless of category, through their first days with the Company.** The program continued to be deployed worldwide during the year, with a sustained focus on North America, Asia and Europe, where the most people are hired. In every region and/or country, the induction process is supported and led by local correspondents.

From day one, new hires are supported by a local manager and a Personnel Department representative, who orient them towards an initial job track. New hires also experience Michelin's culture first-hand during an on-site introductory internship in a plant or office.

Lastly, they attend an induction seminar, where they learn about Michelin's history and values and gain insight into its challenges, strategy, organization and operating procedures, so that they quickly understand where they are in the corporate community and what is expected of them.

During the first year, every new hire also has an opportunity to meet with the chief executive of his or her unit. Introduced in late 2014, an induction survey conducted among new hires in every country has yielded valuable findings that are being systematically analyzed to further improve the induction process.

6.1.4 d) Structuring the skills management process

A **structured process** is used to manage skills across the organization. In each profession (such as marketing, finance or logistics), a Competency Director is responsible for updating job standards, keeping the job map and job definitions current, preparing model training plans for the main jobs and, as needed, conducting skills assessments. In the case of administrative employees, technicians, supervisors and managers, the use of the same matrix based on the **Hay method** helps to position each job vis-à-vis the different levels of responsibility. The Competency Director oversees the work of a Profession Committee comprising employee experts in the profession and representatives from the Personnel Department. Each Committee is led by a training manager with expertise in the profession, who is a member of the Learning & Development community.

Every employee's position is linked to a benchmark job description, providing clear information about what is expected of him or her. In the same way, every employee participates in an annual process comprising a performance review, the definition of objectives and an annual development plan. 2015 saw the continued roll-out of the centralized human resources planning process, which is designed to ensure that the right skills are available at the right time and in the right place to meet the Group's future needs.

6.1.4 e) Supporting career development opportunities across the organization

Michelin has always emphasized **promoting from within.** As of year-end 2015, 75% of managers had come up through the ranks, *i.e.,* they had been promoted one or more times after their induction period.

At every level of the business, an employee's career development dynamic is maintained through transfers and promotions. New employees are hired with the idea of giving them **a real career,** not just for a specific job, and ongoing skills development enables everyone to realize their full potential and move up their chosen career path.

Employees are supported at every stage in their careers by a global network of nearly 350 career managers, whose role is to help build personalized paths over time, in accordance with each person's aspirations and the needs of the Company.

Alongside career managers and the employees themselves, managers also play a role in the career management process, by helping people to improve their performance and supporting their growth. In particular, managers conduct periodic development reviews to identify employees' strengths, areas for improvement and medium-term opportunities for advancement. Nearly 67% of employees have had a development review with their manager over the past three years. Around the world and at every level, managers are also tasked with identifying employees with the potential to progress quickly and/or far up the corporate ladder and offering them, in association with their career manager, fast-track career paths.

6.1.4 f) Encouraging employees to share their ideas

A pioneer in participatory innovation, Michelin introduced an employee suggestion system as far back as 1927. Today known as InnovaGo, it offers all employees the opportunity, spontaneously and at any time, to get more involved in their Company's operations and growth **by suggesting Progress Ideas,** for resolving problems or improving working methods, or **Innovation Ideas,** for offering a new product or service to customers. Managers are expected to encourage their team members to make these suggestions.

The number of employees participating in the process has steadily increased each year, with more than 24,000 employees submitting at least one idea in 2015, or 36.5% of the workforce that had access to the process.

In all, more than **58,000 ideas** were submitted in 2015, setting a new record.

Worldwide, more than 25,000 ideas were implemented during the year, helping to drive progress in a wide variety of areas, including safety, quality and working conditions. **They delivered estimated annual net savings of €15 million for the Company and earned the submitting employees nearly €2 million in bonuses.**

For the seventh annual Progress Ideas Awards, 110 ideas implemented between 2012 and 2015 were selected and 30 were presented with awards during a special event on October 22, 2015 in Clermont-Ferrand. Presented to 204 people individually or to teams from ten countries and 23 sites, the awards celebrated innovations in areas as varied as working conditions, diversity, the economy, the environment, quality, safety, customer service and non-manufacturing operations.

The three best Progress Ideas will be honored at the Michelin Awards in April 2016.

6.1.5 NURTURING DIALOGUE, COMMUNICATION AND LISTENING

Michelin has reaffirmed its commitment to giving new impetus to the social dialogue process, in order to make it a key driver of sustainable performance. To foster discussion and facilitate access to information, a wide variety of internal communication media and resources have been deployed. In particular, a global survey offers an opportunity for dialogue across the organization, while measuring employees' perceptions and level of engagement.

6.1.5 a) Social dialogue: broadening and deepening the process revitalized in prior years

2015 was an important year for employee relations, with major gains in the quality of both interpersonal relations in the production teams and social dialogue in the official employee representative organizations.

During the year, **Michelin's employee relations policy** was presented to 7,500 Group managers, from Executive Committee members to shopfloor supervisors (see previous Registration Documents). The presentations were also attended by employee representatives.

At the same time, special attention was paid to improving the social dialogue process where it fell short of expectations.

In France, employee representatives are invited to participate at an increasingly early stage in discussions regarding not only issues of common concern, such as health, safety, quality of worklife and psychosocial risks, but also issues impacting the Company's competitiveness. In addition, new methods have been introduced in the social dialogue process.

The new FCI *(France Compétitivité Industrie)* industrial competitiveness program is designed to preserve the Group's production capacity in France by keeping it competitive. It gets employee representatives involved in an in-depth review of a plant's current situation and the subsequent search for solutions to make it more competitive. Labor and management then sign an agreement describing the performance drivers approved by plant employees and the capital expenditure that the Company will commit to support the transformation. This process has already led to the signing of an agreement to secure the future of the Roanne plant and the drafting of a similar agreement at the La Roche-sur-Yon facility. It is now underway at the Vannes plant as well.

A greater amount of information was shared with employee representatives during the year, thanks to the deployment of the BDES economic and social database and the two additional Central Works Council meetings, during which the Company's strategic vision was discussed. Seven business units attended the meetings to present their operations, challenges and results. In addition, prior to any decisions, representatives are invited to participate in working groups on such issues as the reorganization of the logistics warehouses, changes in the engineering operations, and the shared review of production operator bonuses.

An effort is being made to improve and showcase employee representative capabilities and a working group has been set up to study the possibility of recognizing the skills acquired during their term in office. Training modules are being developed to enable employee representatives to participate more effectively in deeper, more technical discussions.

In Brazil, where signing agreements had become increasingly difficult over the past two or more years, the presentation of the new employee relations policy to union officials and the appeal to building a constructive dialogue on these new foundations enabled all of the stakeholders to come to a mutually satisfying agreement. This shared commitment has resulted in regular meetings between employee representatives and the South American management team. The same process is occurring in the production plants, where managers at every level are personally involved in driving forward progress.

In Thailand, the mandatory wage rounds have been a source of tension between the unions and management since 2009. As part of the new employee relations policy, a major effort was made to bring the two parties together. Seminars were organized in three plants to improve mutual awareness and understanding of everyone's situation, concerns and expectations. They led to a draft social dialogue agreement, which is still being discussed. The outcome of the next wage round in summer 2016 will determine whether the talks were successful.

In countries where it is still difficult for workers to organize, specialized quality-of-worklife, health and safety committees have been set up as possible precursors to future works councils. This is particularly the case in **Russia** and **India,** as well as in the non-unionized plants in Thailand. A study has been launched in **China** to improve social dialogue practices while making the union more representative.

Negotiations for an international framework agreement with the IndustriALL Global Union have been in progress since February 2015 and are expected to be successfully completed in 2016.

Employee relations policies emphasize the role of the empowerment process in strengthening the social dialogue process and improving workplace sentiment. Today, all of the plants have reached the first level of empowerment. A second phase, designed to empower the teams with considerably more self-management responsibility, was launched in 2014 in six plants and in certain service units and line management teams.

According to the 2015 Moving Forward Together survey, which offers a reliable gauge of prevailing workplace sentiment, the engagement rate has risen significantly among operators (see section 6.1.5 c).

In addition, people felt good about their workplace environment in every country, even the ones mentioned above that required special attention. For example, sentiment improved by 10% in **Brazil,** across the entire employee base, by 9% in **Thailand** and by 7% in **China.**

The simultaneous improvement both in the social dialogue process and in workplace sentiment has enabled the Company to smoothly overcome the difficulties caused by an especially challenging economic environment (see section 6.1.1).

6.1.5 b) Providing ample opportunity for information and dialogue

In 2015, the employee communications process was upgraded in response to two major expectations: **more local news and more opportunities to share information.**

Information channels and content have been refocused on local news more resonant with employee concerns, with on-site media now dealing with issues more closely related to their workplace, job, personal growth or benefits.

To nurture a sense of co-destiny among employees, giant screens were deployed to enable people in plants and offices across Europe to watch the live press event to launch the CrossClimate tire, the year's leading passenger car tire innovation. Chat rooms were also organized to enable employees to discuss strategic issues with Product Line executives in real time. Lastly, on a more solemn note, during François Michelin's funeral service, employees were invited to share their memories of meetings, visits or trips with him.

6.1.5 c) Listening to employees *via* the annual engagement survey

Employee engagement is an important driver of operational excellence and the ability to meet performance objectives. Michelin has set the particularly ambitious objective of becoming a world-class leader in this area by reaching and maintaining an 85% employee engagement rate by 2020. The annual "Moving Forward Together: Your Voice for Action" survey measures the engagement rate and employee feelings about their work, in light of the seven aspects of the Group's employee value proposition. For the third time in 2015, the survey was conducted across the Group except for Euromaster, where a similar survey was carried out at the same time by the same polling organization, IBM. Employee participation was particularly high, with a Group-wide response rate of 86%, underscoring their confidence in the process and demonstrating the credibility of the findings.

In 2015, the overall employee engagement rate was 77%, up three points from 2014 and eight points above the global average for the companies in the IBM database. The rate held firm at 79% for managers, technicians, administrative employees and supervisors (five points more than the global IBM average for salaried employees) and rose to 76% for operators (eight points more than the global IBM average for hourly paid employees).

The survey is stimulating the exchange of views and ideas across the Group, with managers sharing the findings to initiate dialogue and teams working together to identify priorities, determine the measures to be taken in the short term and recommend action plans for the longer term. In all, 76% of the 2015 respondents said that they had been able to share and discuss their team's 2014 findings, and 57% already felt that the survey was leading to positive changes.

In line with the Group's commitments, this simple, agile process is driving a cycle of annual improvement and empowering employees at every level of the organization.

6.1.6 A TANGIBLE CULTURE OF DIVERSITY

Michelin has made diversity a driver of performance, and maintaining a high sensitivity to the risk of discrimination is a priority. This assertive commitment to diversity continued to make headway in 2015 with the signing of the International Labour Organisation's new Global Business and Disability Network Charter. The Group is actively facilitating access to all types of jobs at every level, while encouraging the emergence of local management in the growth regions.

6.1.6 a) Managing diversity seamlessly around the world

Structured around **four priority issues** – gender, nationalities and cultures, age and disabilities – the Group's approach to diversity is based on recognizing the unique worth of every individual.

In a business environment and markets that are becoming more complex by the day, **a diversity of personalities enables Michelin to respond faster and more effectively to change.** It also helps to accelerate innovation in every aspect of the business, from products and services to management, employee relations and organization.

Diversity management is structured by a global organization at several levels. The process is led by the Group Diversity Director with the help of a Steering Committee comprising the Geographic Zone Directors and the Group's Director of Personnel, who is also a member of the Group Executive Committee. This Committee validates diversity objectives for the entire Group and the Geographic Zone Directors set specific annual targets for their region, backed by action plans. Progress on these plans is continuously tracked by management using appropriate indicators.

Host country diversity managers are organized into the international diversity network, led by the Group Diversity Director. They support the managers and Personnel Department employees, including career managers and recruiters, who are responsible for promoting and enhancing diversity. Employees are encouraged to submit Progress Ideas that would stimulate diversity.

6.1.6 b) Raising awareness of the risk of discrimination

Sensitivity campaigns and special training programs are used to instill **an effective culture of diversity** throughout the organization and at every level of management. Country organizations are also encouraged to develop their own sensitivity initiatives for managers and employees.

Before taking up their position, all line and career managers participate in a training program concerning discriminatory behavior and diversity issues, which helps them to avoid stereotyping, understand diversity legislation and anticipate high-risk situations. By improving practices and attitudes, they also encourage participants to take action to promote diversity within their units. In 2015, Michelin partnered with the University of Auvergne Foundation to build a Europe-wide application to enable managers to self-assess their representations of gender.

Audits are also regularly performed to ensure that human resources processes are non-discriminatory and that actions plans have been effectively implemented to address the risks identified.

In France, discrimination fact sheets have been posted on the country intranet, while conferences and traveling exhibitions are helping to change the way employees see disabilities and cultural differences. In 2015, well-known disabled people shared their success stories with employees.

For several years now, operations in the United States have encouraged the **emergence of networks,** sponsored by senior executives, to support a variety of communities and help enhance cohesion. Eight were active in 2015.

New women's networks were also formed in 2015, in Brazil, India and Europe, with the Women Forward network.

As part of the third annual worldwide "Moving Forward Together: Your Voice for Action" survey (see section 6.1.5 c), employees were able to express their opinions about two diversity issues: the creation of an environment where people from diverse backgrounds can succeed and the treatment of people with respect, regardless of who they are or which position they hold. Both of these indicators improved during the year, thanks to the shared commitment of all the managers and their teams to understanding employee feelings and to deploying practical solutions.

6.1.6 c) Making all positions accessible to women and ensuring gender wage parity

As in the automotive industry as a whole, at Michelin, women have traditionally accounted for a relatively small percentage of production operators (10.5% in 2015, excluding the dealership networks). The ratio is more balanced among administrative and technical staff (38.2%) and, to a lesser extent, among managers and supervisors (24.2%, up steadily from 22.5% in 2013). In the more male-dominated European and North American dealership networks, women accounted for 10.3% of employees on payroll at Euromaster, versus 11.6% in 2014.

Overall, the percentage of women in the Michelin workforce is increasing with every year. **For the fifth year in a row, women accounted for one-third of all administrative employees, technicians, supervisors and managers hired worldwide in 2015.** In France, 38% of people hired in these categories were women. **Michelin is committed to having women account for 30% of all managers by 2020.**

/ Enhancing manufacturing's appeal to women

Michelin is striving to **increase manufacturing's appeal to women** by deploying programs in conjunction with academia to improve gender balance in its jobs.

The production plants are encouraged to increase the percentage of women hires at all levels, starting with production operator positions. This often requires adjusting workstation ergonomics.

In France, for example, following on from the elimination of 130 high-exertion workstations in 2014, further investments in new shopfloor solutions at plants in 2015 resulted in the replacement of another 200 workstations or positions deemed unsuitable for women. Also during the year, as part of France's *Fondation Égalité Mixité* under the auspices of *Fondation Agir Contre l'Exclusion* (FACE), Michelin allocated €100,000 to finance innovative projects to improve gender balance in its jobs.

/ The representation of women in management

Diversity*	2015	2014	2013
Percentage of women managers and supervisors [(1)] *(%)*	**24.2%**	23.5%	22.5%
MFPM	***24.9%***	*24.3%*	*23.3%*
Percentage of women among top managers [(2)] *(%)*	**16.4%**	15.7%	14.9%
MFPM	***15.7%***	*14.7%*	*13.8%*
Percentage of women among executives [(3)] *(%)*	**9.9%**	9.1%	8.6%
MFPM	***10.2%***	*9.2%*	*8.2%*

* *Unless otherwise specified, employee-related figures (except headcount) concern the entire Michelin Group, excluding Euromaster, TCI, Tigar and companies acquired during the year.*
(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
(2) Employees with a level of individual responsibility of A to I, according to the Hay method used by the Group.
(3) Employees with a level of individual responsibility of A to G, according to the Hay method used by the Group.

To fulfill Michelin's commitment to hiring and promoting more women managers, dedicated teams have been set up in every region. With the Group's proprietary method for **detecting high-potentials,** particular attention is being paid to the defining criteria.

In Europe, women managers identified as having top 500 potential are supported by a dedicated program comprising six months of coaching, both individually and as a group, followed by a year of mentoring. Since 2010, the program has helped women to move more quickly and easily into high-level positions. It was introduced in China in 2013 and has been part of an inter-company project in the United States since 2014.

/ Facilitating work/life balance

In every host country, Michelin is committed to facilitating **work/life balance** with a variety of supportive benefits, including flextime arrangements, telecommuting (see section 6.1.2), services such as daycare facilities and nursing rooms, financial aid for childcare, service centers and "Family Day" events.

Operations in France are leading the way in these initiatives with benefits like company-subsidized, tax-advantaged service vouchers, reserved slots in local daycare facilities, and concierge services at corporate headquarters.

In Germany, slots have also been reserved in municipal daycare centers. The Company finances a family services center to help parents with their administrative formalities, offering personalized advice, a 24/7 hotline, childcare services and caregiver services for close dependents.

/ Ensuring wage equality worldwide

Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. The same audited method for calculating wage data has been used worldwide since 2012, enabling comparisons between the pay levels of men and women in positions of equivalent responsibility. In 2015, the exercise covered 30% of total employees (excluding the dealership networks, Tigar and companies acquired in 2014 and 2015) in Germany, Brazil, Canada, China, Spain, the United States, France, the United Kingdom, Hungary, India, Italy, Japan, Mexico, Poland, Romania, Russia, Thailand and Turkey. The job categories analyzed were managers, administrative employees, technicians and supervisors, for which a sufficient volume of data was available. The exercise is designed to identify the reasons behind any pay gaps among people with equivalent responsibilities, and then to close them with individual adjustments to compensation.

Closing these gender pay gaps is one of the objectives assigned every year to the Personnel Department managers in the countries concerned. **Since 2011, the gender wage gap has steadily narrowed year after year, but remained unchanged at 2.8% in 2015.**

6.1.6 d) Promoting and supporting employment for people with disabilities

Defined in 2006, policies governing the employment of disabled people are designed to offer jobs to the disabled or to retain employees who become disabled at some point in their career. In addition, Michelin systematically strives to meet or exceed legally mandated quotas wherever they exist.

In 2015, this commitment was taken to the next level with the signing of the International Labour Organisation's new Global Business and Disability Network Charter.

In addition to combating discrimination, Personnel Department teams are sensitive to the need to support the disabled in keeping their jobs. In France, a network of advisors has been set up in the production plants to work with occupational physicians and career managers. In response to a given case, they meet as a commission to devise a solution for adjusting the workstation or proposing an alternative career path. The Human Resources community regularly meets with national stakeholders working on disability issues to improve its understanding of the different forms of disability, particularly of a psychological nature.

Hiring the disabled is governed by legal standards that vary widely by country. Some, like Canada, Russia, Serbia, the United Kingdom and the United States (where it is against the law to disclose information about a disability), do not require companies to hire a certain percentage of disabled people, while others, such as the Netherlands, have only incentive-based policies, and still others have imposed quotas.

These legal and cultural differences mean that almost every situation is unique, making it difficult to consolidate worldwide data on disabled employment. At MFPM, the legally mandated 6% quota was exceeded in 2015, with disabled people accounting for nearly 6.5% of the workforce.

6.1.6 e) Focusing on local management sensitive to host community cultures

Michelin is committed to nurturing the emergence of a highly skilled corps of local managers, while respecting local cultures. The guiding principle is to hire and employ people on the basis of their capabilities and potential, rather than to practice any form of discrimination.

Since 2013, Michelin has been aiming for a target of 85% local management in the growth regions. **In 2015, the percentage was 68%,** up from 65% in 2014. Particular attention is paid to fostering the emergence of local managers in the growth regions of South America, Southeast Asia, China, India, the Middle East and Russia.

Diversity issues related to ethnic origins are amply addressed by programs underway in North America and in Europe, particularly as part of the hiring and induction process. In the United States, to ensure equal treatment, performance review results are reported for women, African Americans, Asian Americans and Latinos. Any wage or job differentials are systematically analyzed and appropriate corrective measures are taken when necessary.

6.1.7 SUMMARY TABLE OF 2015 EMPLOYEE DATA

	2015	2014	2013	2012
Workforce at December 31 (full-time equivalent employees, consolidated companies, under any form of work contract, excluding temp agency workers)	**105,798**	**106,696**	**105,724**	**107,302**
Employees on payroll at December 31 (consolidated companies, under any form of work contract, excluding temp agency workers)	**111,681**	**112,306**	**111,190**	**113,443**
Europe	65,885	65,569	66,147	67,785
MFPM	*19,658*	*19,712*	*19,979*	*20,805*
North America	22,598	22,741	22,274	22,209
South America	6,544	6,752	5,518	6,037
Asia (excluding India)	14,977	15,431	15,458	15,307
Africa, India, Middle East	1,677	1,813	1,793	2,105
Employees by gender*				
Men	83.2%	83.7%	84.0%	84.4%
MFPM	*83.5%*	*83.9%*	*84.4%*	*85.0%*
Women	16.8%	16.3%	16.0%	15.6%
MFPM	*16.5%*	*16.1%*	*15.6%*	*15.0%*
Employees by category* *(%)*				
Production operators	62.1%	62.4%	61.4%	63.1%
MFPM	*46.9%*	*47.4%*	*48.4%*	*51.0%*
Administrative employees, technicians and supervisors	30.0%	30.0%	30.9%	30.1%
MFPM	*38.6%*	*38.7%*	*38.1%*	*23.4%*
Managers**	7.9%	7.6%	7.7%	6.8%
MFPM	*14.4%*	*13.9%*	*13.5%*	*25.8%*
Employees by age* *(%)*				
24 and under	5.3%	5.5%	5.5%	6.1%
MFPM	*5.8%*	*5.3%*	*5.2%*	*5.6%*
25-34	27.2%	27.3%	27.2%	27.3%
MFPM	*22.8%*	*22.4%*	*21.8%*	*21.0%*
35-44	28.6%	27.9%	27.4%	26.8%
MFPM	*25.1%*	*24.5%*	*23.3%*	*21.6%*
45-54	22.3%	22.5%	23.1%	23.4%
MFPM	*20.2%*	*21.7%*	*24.4%*	*26.6%*
55-64	16.2%	16.5%	16.4%	16.2%
MFPM	*26.2%*	*26.0%*	*25.3%*	*25.1%*
Over 65	0.4%	0.4%	0.4%	0.2%
MFPM	*0.1%*	*0.1%*	*0.1%*	*0.0%*
Employees by length of service* *(%)*				
Less than 2 years	18.7%	18.3%	19.7%	21.9%
MFPM	*14.4%*	*13.1%*	*15.4%*	*17.4%*
2-5 years	15.4%	14.1%	11.8%	10.3%
MFPM	*13.6%*	*12.3%*	*8.5%*	*6.5%*
5-10 years	14.8%	16.6%	16.5%	15.8%
MFPM	*12.1%*	*13.1%*	*13.1%*	*13.0%*
10-15 years	13.5%	13.1%	14.8%	14.9%
MFPM	*13.1%*	*13.1%*	*13.3%*	*11.9%*
15-20 years	11.6%	10.7%	7.8%	6.8%
MFPM	*9.5%*	*8.1%*	*5.6%*	*5.0%*
More than 20 years	25.9%	27.1%	29.3%	30.3%
MFPM	*37.4%*	*40.3%*	*44.0%*	*46.3%*

	2015	2014	2013	2012
Employee movements* (permanent work contracts)				
New hires	6,057	6,948	5,869	6,224
MFPM	*750*	*606*	*588*	*934*
Resignations	2,390	2,514	2,452	2,218
MFPM	*100*	*119*	*112*	*114*
Dismissals and terminations by mutual agreement	2,843	2,400	2,658	2,197
MFPM	*250*	*255*	*185*	*197*
Retirement	2,115	1,976	2,332	1,853
MFPM	*710*	*827*	*1,070*	*757*
Death	116	128	116	125
MFPM	*27*	*30*	*33*	*32*
Contract employees (excluding temp agency workers)* *(%)*	4.4%	4.0%	3.9%	3.6%
MFPM	*5.9%*	*4.6%*	*3.3%*	*3.3%*
Part-time employees*	3.1%	2.8%	3.3%	2.8%
Training*				
Percentage of training hours per total hours worked	3.5%	4.1%	4.4%	4.4%
MFPM	*2.7%*	*3.0%*	*2.9%*	*3%*
Percentage of employees who received training	93%	96%	94%	96%
Number of training hours per employee per year	59	70	76	75
Training hours (excluding dealership networks)	5,635,657	6,628,184	7,167,926	7,278,854
MFPM	*923,174*	*951,707*	*987,773*	*1,096,736*
Type of training (excluding dealership networks)				
Job-specific training	90%	89%	88%	90%
Management training	5%	5%	6%	6%
General training	4%	6%	6%	4%
				100%
Production operator absenteeism* (excluding dealership networks and Russia) **Europe**	5.4%	5.3%	5.4%	5.0%
Occupational accidents (including the dealership networks and Tigar; excluding recently acquired companies)				
Number of lost-time incidents, Group-wide	740	671	659	529
Lost-time incident frequency rate	3.91	3.57	3.46	2.80
Lost-time incident severity rate	0.24	0.21	0.23	0.19
Number of plants with zero recordable incidents	27	25	20	24
TCIR*	1.67	1.74	N/A	N/A
Number of Progress Ideas*	58,980	56,372	50,462	
Diversity*				
Percentage of women in extended management (1) *(%)*	24.2%	23.5%	22.5%	21.9%
MFPM	*24.9%*	*24.3%*	*23.3%*	*22.4%*
Percentage of women among top managers (2) *(%)*	16.4%	15.7%	14.9%	13.7%
MFPM	*15.7%*	*14.7%*	*13.8%*	*12.7%*
Percentage of women among executives* (3) *(%)*	9.9%	9.1%	8.6%	8.0%
MFPM	*10.2%*	*9.2%*	*8.2%*	*7.5%*
Percentage of local top managers in growth-region countries*	68%	65%	62%	N/A
Percentage of management positions held by employees promoted or transferred from within*	75%	73%	72%	N/A
Employee engagement rate*	77%	74%	72%	N/A

* *Unless otherwise specified, employee-related figures (except headcount) concern the entire Group, excluding Euromaster, TCI, Tigar and companies acquired during the past two years.*
** *Management defined as employees with a level of individual responsibility of A to K, according to the Hay method used by the Group.*
(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
(2) Employees with a level of individual responsibility of A to I, according to the Hay method used by the Group.
(3) Employees with a level of individual responsibility of A to G, according to the Hay method used by the Group.

6.2 SOCIETAL INFORMATION

SOCIAL ENGAGEMENT FOUNDED ON RESPECTING ETHICAL PRINCIPLES AND IMPROVING COMMUNITY WELL-BEING

Michelin places great importance on its relationship with all its stakeholders, especially the communities near its facilities. The Group is also committed to respecting ethical standards and fighting corruption. It also plays a key role in promoting road safety through a wide variety of initiatives worldwide. Today, Michelin is broadening the scope of its community engagement by encouraging suppliers to share its social responsibility commitments.

6.2.1 CREATING LOCAL JOBS AND BUSINESSES

Supporting local companies with expertise and funding

Michelin is actively involved in creating jobs in its plants' host communities through the **Michelin Development** unit. The only organization of its kind, Michelin Development takes a highly flexible approach to providing local companies with expertise and technical support in a wide variety of areas, including industrial organization, workplace safety, energy efficiency, quality management, sales and marketing, finance, hiring, international expansion, information technology, supply chain and export sales.

This support can be backed by funding in the form of subsidies and five-year, low-interest, collateral-free loans, designed to create leverage with individual or institutional investors, thereby kick-starting a dynamic process of local job creation.

The start-ups supported in 2015 covered a very diverse array of businesses. Indeed, projects in any industry are eligible for support as long as they are sound and their champion is competent and motivated.

In 25 years, Michelin Development has helped to create nearly 32,000 jobs in France, Spain, Italy, the United Kingdom, Canada and the United States.

A sustained, active presence in local labor markets in France

Since it was formed in 1990, Michelin Development has helped to create more than **22,000 jobs in France.** Formerly known as SIDE, it operated as a subsidiary before being merged into MFPM in 2015.

During the year, **Michelin Development France** signed 94 new agreements that committed Michelin to supporting 896 jobs in local companies, backed by more than €3.6 million in financial aid.

Particularly active during industrial reorganization projects, Michelin Development has amply exceeded compliance with French legislation requiring companies to help revitalize local labor markets. In recent years, agreements have been signed with the French government and local authorities concerning the plants in Bourges, Montceau, Seclin, Toul and Tours. The agreements covering Montceau and Toul came to an end in 2014. Recently, following the reorganization of the European supply chain, Michelin Development offered to sign voluntary business development agreements with municipal authorities in Aix en Provence, Beauvais, Lyon, Metz and Rennes (see section 6.1.1.b).

Projects involving small and mid-sized French companies supported in 2015 included the reopening of a textile factory in the Vosges, business development support for a paint plant near Bordeaux and the development of an advanced geotechnical instrument manufacturer in the Auvergne region.

Applying a similar approach in many countries

Since 2002, similar business development organizations have been set up in other European countries, such as **Spain, the United Kingdom and Italy,** where Michelin Development has helped to create a total of 568 jobs. In 2015, the projects in Spain focused on hiring socially excluded people, while in the UK the Group's financial and technical support enabled a well-known ceramics company to insource back its production.

Since 2006, **Michelin Development North America** has invested nearly $10 million in a wide variety of small local businesses. In 2015, financial aid and technical expertise were provided in South Carolina and Nova Scotia to support fuel companies, several agrifood service centers, a horse farm, a travel agency, service providers and a nursery school.

6.2.2 NURTURING RELATIONS WITH STAKEHOLDERS AND NEIGHBORING COMMUNITIES

6.2.2 a) Structured stakeholder dialogue

The stakeholder dialogue process initiated in 2014 gained momentum in 2015, when the guidelines were updated, posted online and sent to the Geographic Zone Directors and regional networks. In addition, a network of sustainable development correspondents was formed to implement the new practices.

In October, the first stakeholder meeting in **Canada** was held in Michelin's host province of Nova Scotia. The day-long event brought together 25 customers, suppliers, NGOs, institutional investors, academics and transportation stakeholders to meet with Michelin North America executives and local managers to talk about three issues: (i) "What does sustainability leadership mean for a tire company?"; (ii) "What does the future of sustainable mobility look like in Canada and North America?"; and (iii) "How can a company like Michelin help to attract other companies to Nova Scotia?" During the roundtables, a large number of suggestions were recorded in a "next steps" log.

Issues discussed with stakeholders are based on the findings of the materiality analysis carried out in 2014.

Thanks to these dialogue-friendly policies, Michelin obtained the highest score in its category in regard to stakeholder engagement in the Dow Jones Sustainability Index (DJSI) questionnaire, with 94 out of a possible 100 points. This was 27 points more than in 2014 (67/100) and 62 points more than in 2013 (32/100).

/ Human Rights

In 2015, a structured, Group-wide human rights process was launched *via* a cross-functional working group comprising representatives from purchasing, legal affairs, human resources, public affairs, sustainable development and the geographic zones.

When the group had completed its work, management of the process was transferred to the sustainable development department. Michelin's management of the main human rights risks was then assessed using the Danish Institute for Human Rights methodology, with action plans prepared based on the findings.

Following on from the human rights impact assessments conducted in India and Indonesia, a third assessment was performed in Latin America in 2015. All of these impact assessments were carried out by an independent firm and their recommendations were subsequently implemented.

6.2.2 b) Participating harmoniously in local community life

Michelin has a long tradition of social engagement, with a wide range of philanthropic and community outreach initiatives conducted locally and regionally by the plants, the country organizations, the geographic zones and, since January 2014, the Michelin Foundation. The local community involvement program deployed in late 2013 encourages employees to play a key role in their communities. In 2015, its guidelines were applied by plants and offices in 25 of the Group's host countries (see the 2014 Registration Document).

During the year, employees were able to devote 27,733 working days to community outreach activities. One of the Michelin Performance and Responsibility Ambitions for 2020 is to increase this figure to 30,000 days.

Giving back to Michelin's host communities enhances the Group's appeal as an employer. In addition, volunteer work enables employees to stretch their capabilities in areas different from their daily jobs.

In 2015, some of the outreach initiatives in the communities around the Group's plants and offices were transferred to the Michelin Foundation (see section 6.2.2 d), with the result that the annual budget declined to €10 million during the year.

In 2015, renewal of the partnership with the London Benchmarking Group (LBG) enabled Michelin to use its method to measure the value of the Group's investments in local communities. Based on the LBG method, the RobecoSam (DJSI) ESG rating agency gave Michelin a score of 90/100 in 2015 (versus 76 in 2012). Because they are aligned with local needs, community engagement initiatives vary widely, as seen in the following examples.

In China, India, Japan, Mexico, Russia and Thailand, employees participated in environmental conservation programs, helping to clean up contaminated or flooded land, maintain wilderness areas and plant new trees.

In Brazil, the United States and Europe, initiatives to support education and attract young people to technical and scientific jobs have been prioritized.

Road safety programs also remained a popular form of outreach in 2015 (see section 6.2.3 c).

6.2.2 c) A new chapter in corporate philanthropy

Created in January 2014 with the goal of helping people move forward, the Michelin Foundation is committed to taking action in every host country in five major areas: sustainable mobility, sports and health, community engagement and education, environmental stewardship, and culture and heritage.

It supports outstanding, innovative projects that are aligned with **the Michelin humanist culture and values of respect,** consistent with its business and meaningful to Michelin employees.

The Foundation is governed by a Board of Directors and a Selection Committee. The Board of Directors defines the overall objectives and rules on projects valued at more than €100,000. Chaired by Jean-Dominique Senard, it includes four Executive Committee members, an employee representative and three outside experts. The Selection Committee validates projects valued at between €5,000 and €100,000. It is comprised of ten members who are representatives of the Group's operations or major corporate functions. Projects valued at less than €5,000 may be directly approved by the General Delegate, who manages the Group's philanthropic programs with the support of the Assistant General Delegate and a small team.

The combined value of the 59 projects financed by the Foundation in 2015 came to more than €11 million.

Among the year's more high-profile beneficiaries were:

- **Children of the Mekong** with the "Safer Roads to School" project initiated in 2014 and expanded in 2015 to enable hundreds of Southeast Asian children to get to and from school safely.
- **The World Wildlife Fund,** which joined with the Foundation to deploy a pioneering project in Sumatra, **Indonesia,** to raise awareness among indigenous communities about the need to protect the forest and its animal life.
- **Yellowstone National Park.** During the summer, Michelin North America and Park employees renovated the walkway around the Old Faithful geyser with an innovative material that is more durable and kinder to the environment friendly.
- The Foundation also supported international humanitarian aid during the year, working with **Doctors of the World** to help the victims of the two earthquakes that devastated Nepal and India, and with the Tamil Nadu government following the flooding in Chennai in December.
- **Universcience La Villette.** The Foundation joined the *Universcience Partenaires* endowment fund to help inspire young people and the general public to engage with the world of science and technology.

6.2.2 d) Deepening Michelin's relationship with environmental protection associations

Whenever appropriate, the Group's production plants, the Technology Center and its office facilities forge ties with associations or organizations working to safeguard the environment. Partnerships are also created with local, national and international associations, in particular to support biodiversity (see section 6.3.5).

In April 2015, a cooperation agreement was signed with the World Wildlife Fund (WWF) to promote sustainable natural rubber around the world. Local partnerships were formed, notably in Indonesia for a reforestation project on Sumatra. During the year, Michelin also worked with The Forest Trust on agroforestry projects and with BSR on an assessment of the environmental and social impact of its natural rubber supply chain.

6.2.3 FAIR, HONEST BUSINESS PRACTICES

6.2.3 a) Establishing a global ethical framework

Michelin's business practices are governed by a Code of Ethics, applicable across the entire Group, and by practical guidelines aligned with local situations, in particular as concerns bribery and purchasing. Compliance information and training sessions have been organized for all employees worldwide.

Reflecting a deep commitment to the values of respect and responsibility, the Michelin **Code of Ethics** defines standards of behavior to help employees make the right decisions when confronted with an ethical issue. Published in 2010 and updated in 2014, it builds upon the Performance and Responsibility Charter and the Group's compliance guidelines and policies. **To help employees identify ethically suspect situations, it covers 17 issues:** support for the international principles in the UN Global Compact and respect for human rights; compliance with laws and regulations; conflicts of interest; gifts and invitations; government relations and anti-corruption; donations and political contributions; confidentiality; competition and fair dealing; insider trading; protection of the Group's assets; fraud; relations with suppliers; trade and export issues; fairness in financial reporting; health and safety; discrimination and harassment, and protection of employees' privacy.

Translated into 13 languages, the Code of Ethics is readily available to employees, who can download it from the intranet. Team managers have also received a print copy.

The Code of Ethics was deployed first by geographic zone, then by country and lastly by facility, with managers involved at every level. Information and training sessions are regularly conducted on-site and/or online, depending on local needs, so that every employee is capable of understanding and complying with the Code and its guidelines.

The deployment and diligent application of the Code and its guidelines are managed and controlled by a **governance** system comprising Ethics and Compliance Committees at the Group, geographic zone and sometimes country levels. Their members include representatives from the Audit, Finance, Legal Affairs, Personnel, Security and Sustainable Development Departments, as well as the Geographic Zone Directors.

Compliance is ensured through a system of **regular controls,** based on an ethical risk map, integrated reporting systems, an internal control manual and internal audits.

Anonymous, protected **whistle-blowing procedures** enable employees to report possible infractions of the Code of Ethics as well as suspected failures to apply the Michelin Performance and Responsibility Charter. In every geographic zone, ethical violations may be reported *via* an ethics hotline or to occupational physicians, employee representatives, local legal affairs teams, career managers or direct managers.

When **ethics violations** are observed, they are analyzed according to a Group-wide process defined by the Security Department, which decides, based on the reports, the best way to lead the in-house investigations. The findings may then give rise to action plans, corrective measures and/or disciplinary sanctions depending on the circumstances and the seriousness of the violation.

Of the violations reported in 2015, around 26% concerned the protection of Group assets, 22% fraud, 2% confidentiality and 8% compliance with laws and regulations. The remaining 42% concerned issues involving people or other categories in the Code of Ethics. Following the investigations conducted in 2015 and prior years, disciplinary measures (warnings, unpaid leave and dismissals) were applied and legal action was taken to enforce the law, bring charges for fraud and, in certain cases, bring civil proceedings to recover corporate assets.

6.2.3 b) Taking an active approach to corruption prevention

The process for combating corruption is based on prevention programs, training, internal control and disciplinary measures.

In 2010, the Michelin Code of Ethics specified the fundamental rules and guidelines that must govern every employee's decisions with regard to preventing corruption.

To reinforce this process, **an Anti-Corruption Code of Practice was published in 2015.** Available to every employee, its easy-to-understand, practical guidelines demonstrate that Michelin intends to build its sustained growth on fair and ethical business practices.

The new Code is designed to raise manager and employee awareness of the actions that may indicate an attempt at corruption, by providing examples and offering advice on how to counter such attempts. More specifically, it deals with bribes, kickbacks and payoffs, the use of agents and intermediaries, payments for favors, inducements, charitable or political contributions, gifts and invitations.

Since September 2015, the Code has been gradually deployed in every operating region, in compliance with local legislation and employee representative consultation procedures.

/ Paying particular attention to purchasing practices

The Purchasing Department is regularly **audited as part of the internal control process** (see section 6.2.4 b) and specific measures have been put into place.

- Ethics and anti-corruption guidelines are **posted on the Purchasing Department website** and sent to all of the Department's employees and contacts across the Group.
- If suppliers fail to resolve a dispute with Michelin through their usual contacts, they may use a form on the Purchasing Department's website (http://purchasing.michelin.com/fournisseurs) to request **mediation.** They may also use the website's email form to request information on the Michelin Purchasing Code's principles or procedures.
- A system has been deployed to **report** and **centralize violations of anti-corruption guidelines,** so as to identify suppliers whose business relationship with Michelin should be terminated.
- A process is also in place to assess **supplier performance,** based on social responsibility reviews performed by EcoVadis, an independent company. Following a review, certain suppliers may be asked to deploy a Michelin-approved improvement plan.
- A dedicated **database** enables Michelin to collect, store and track all of this supplier information.

6.2.3 c) Stepping up initiatives to protect consumer health and safety

/ The Michelin Quality Process

The Michelin Quality Process is instilled into every aspect of the Group's business through a customer-centric organization and a quality management system designed to drive continuous improvement in the Group's products, customer service and the way it does things. This process defines the practices that play a fundamental role in satisfying Michelin's customers, nurturing their trust, and improving the Company's performance, image and development. These practices are integrated into employee training so that they are understood and applied by everyone in their respective area of responsibility.

Products and services are defined in specifications that cover customer demands and expectations, the intended conditions of use in a given country and all of the applicable standards and regulations.

Every manager is expected to implement the Michelin Quality Process in his or her unit, so as to guarantee that its products and services are safe, aligned with customer expectations, suitable for the intended use and compliant with applicable regulations.

/ An active role in safeguarding consumers and the environment

Minimum performance standards. In 2009, European legislators decided to introduce minimum tire-performance standards in follow up to the United Nations' ECE Regulation R117. Michelin was highly favorable to this type of regulation and offered data and other input to help define the minimum performance levels. By setting strict standards for rolling resistance, noise and wet braking, the new regulations were designed to limit a tire's environmental impact and improve its safety. In effect since 2012 for all new products, they are now gradually being extended in precisely defined phases to products already on the market. Compliance of new Passenger Car/Light Truck and Truck tires is verified by government technical services when the product is certified. All of the tires currently sold by the Michelin Group comply with the new regulations. In Europe, a second, stricter version of Regulation R117 is now being drafted. Today, this initiative is being extended *via* UNECE Regulation R117 to countries that have signed the UN's 1958 agreement concerning uniform technical prescriptions for wheeled vehicles. Brazil introduced similar legislation in 2015 and Japan is planning to do the same between 2018 and 2024. The UN regulation will come into effect in Russia in 2017.

The United States has implemented the same type of measures to protect the environment and improve consumer safety. Other countries, like China, are also discussing such measures. In each of these countries, Michelin has been favorable to the application of these standards and when requested, is helping to define the minimum requirements.

The impact of tires on vehicular carbon emissions

The rolling resistance of car or truck tires can account for 15% to 30% of the vehicle's fuel consumption, depending on its size, use and how it is driven. In response, Michelin is calling for the introduction of carbon reduction targets for tires that are both feasible and precise enough to accurately determine the contribution of the various non-powertrain technologies (see section on climate change in part 6.3).

This approach would encourage greater transparency by suppliers and more competition on technical issues.

Truck tires

In the United States, the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) have issued greenhouse gas emissions and fuel efficiency standards for medium and heavy-duty vehicles, applicable from 2014 to 2018. Before certification, a new vehicle must be tested for compliance using the Greenhouse Gas Emissions Model (GEM) simulation tool, one of whose variables is the tires' rolling resistance.

The even more comprehensive Vehicle Energy Consumption Calculation Tool (VECTO) is currently being evaluated by the European Commission and by other countries outside Europe and North America.

By participating in a technical capacity in these different working groups, Michelin is facilitating the introduction of calculation models that accurately reflect vehicle fuel efficiency in actual use by taking into account the impact of tires and a range of other variables.

Passenger car tires

The level of CO_2 and pollutant emissions from light vehicles will be measured by the forthcoming Worldwide harmonized Light vehicles Test Procedures (WLTP) currently being defined by the United Nations, with active input from India, Japan, Russia, the European Union and many other countries. **Michelin is encouraging the working group to factor in the impact of tire rolling resistance** in actual driving conditions.

/ A strong advocate for road safety

As early as 1911, Michelin was helping to improve road safety by providing French towns with some of the country's first traffic signs. Building on this **constant, long-standing commitment,** the Group's current initiatives have been structured around three components: an internal improvement plan, public prevention programs and collaborative projects with institutions under the auspices of the United Nations.

With **employees** constantly exposed to driving hazards while calling on customers, delivering products or commuting to and from work, **keeping them safe behind the wheel** is a major concern around the world. **Public awareness-building programs** continued to be deployed in 2015, including school bus driver training in Turkey and a Michelin Safe on the Road Day for families and their children in Bangkok, Thailand. Leveraging its expertise in reaching young people, the Group has developed a six-step method that improves the effectiveness of the awareness-building programs and their positive impact on road risks.

Lastly, Michelin continued to work with institutions by participating in the second Global High-Level Conference on Road Safety, which brought together road safety stakeholders in Brasilia in November 2015, halfway through the Decade of Action. As a member of the United Nations Road Safety Collaboration (UNRSC) and an active partner in the Global Road Safety Partnership and YOURS, Michelin has focused its commitment on sharing experience and identifying the levers companies can activate to improve road safety. One example is the Group's participation in the follow-up work on the ISO 39001 standard concerning road traffic safety management systems.

6.2.4 SUBCONTRACTOR AND SUPPLIER RELATIONSHIPS

6.2.4 a) Managing purchasing sustainably

With purchasing representing 57% of consolidated net sales, Michelin has been working with suppliers for the past several years to proactively deploy a responsible buying process.

The Purchasing Department is applying the Group's social responsibility principles to its operations. **First published in 2012 and updated in 2015, the Michelin Purchasing Principles** are grounded in Michelin's values and international commitments through the fundamental conventions of the International Labour Organization, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. They provide a foundation for establishing the crucial relationships of trust that must exist between Michelin, its purchasing teams and its suppliers around the world.

The document stipulates the rules of professional conduct for the Group's purchasing teams and describes the supplier approval process, the Group's quality standards and the environmental, social and ethical performance expected of Group suppliers. It is an integral component of the contract binding the Company and its suppliers. The training program for the purchasing teams comprises a separate Sustainable Purchasing module intended for buyers, technical specifiers and key internal customers. A total of 327 employees have completed the module since 2011. The responsible purchasing process is led by the Purchasing Quality Director with the support of the management team and a global network.

6.2.4 b) Addressing social and environmental issues in the purchasing policy

/ Helping suppliers to meet Michelin standards

As part of the PRM Ambitions for 2020 project, the Purchasing Department is assessing the social responsibility performance of Michelin's 400 leading suppliers, with the goal of enabling 70% of them to be confirmed as compliant with Group standards. Based on risk analyses, **desk reviews of the social and environmental performance of 409 suppliers have been performed** by EcoVadis since 2012. Suppliers who fall short of standards implement an action plan whose progress is tracked by the purchasing teams. In 2015, the reviews resulted in 31 action plans, which will be followed by a new review to ensure that they were effectively implemented. Very poor results or failure to meet a commitment with regard to sustainable development issues may lead the Purchasing Department to remove a supplier from its portfolio. This decision is always made by consensus, after discussing all of the potential impacts on jobs, the supply chain and other factors. As of year-end 2015, **66% of reviewed suppliers already complied with Michelin standards** and 263 had been reviewed within the past two years. As part of the risk management process, 49% of raw-material supplier facilities have been certified to **ISO 14001 standards.**

/ Paying special attention to natural rubber suppliers

The Group's sustainable purchasing policies have been expanded with the publication of the **Michelin natural rubber procurement policy and the natural rubber industry initiatives undertaken in association with the WWF,** which involve increasing control over the supply chain, defining responsible purchasing principles and managing a pilot plantation in Indonesia that is a model of social and environmental performance. The natural rubber production industry features a large number of suppliers, most of whom are small or mid-sized. Since 2013, the industry has been covered by the EcoVadis social and environmental performance reviews. During the World Rubber Summit in Singapore in March 2015, the Purchasing Department unveiled its natural rubber procurement policy, in which Michelin pledged to uphold and promote five major principles: respecting people, protecting the environment, improving agricultural practices, carefully using natural resources and practicing good governance. These principles cover resolving property disputes, respecting the free, prior and informed consent of local communities, applying the principle of zero deforestation, managing the potential impact of rubber growing activities on the environment, promoting best agricultural practices, increasing agricultural yields and improving the material efficiency of natural rubber, all while acting transparently and in collaboration with local and international stakeholders.

In support of these principles, Michelin shares its technical expertise with rubber-tree farmers in three areas:

- **Economy.** The implementation of appropriate agronomic practices and the use of the best varieties of rubber trees can double per-hectare natural rubber output, thereby increasing farmer income.
- **Social.** Higher yields reduce competition between subsistence and large-scale commercial farming.
- **Environment.** The Group's technical advice can help farmers to increase yields without any additional fertilizer or pest control products. More output on the same amount of land also means less pressure on tropical forests, which are sources of biodiversity.

/ Awards for Michelin

In June 2014, Michelin earned **certification under France's Responsible Supplier Relationships Charter,** which it had pledged to support in October 2012.

Following an independent review, the label was renewed in 2015 by the French government's supply dispute mediators, *Médiation Inter-Entreprises* and *Médiation des Marchés Publics,* and the French purchasing executives and buyers association, *Compagnie des Dirigeants et Acheteurs de France.*

The label recognizes French companies that have demonstrated the ability to foster **balanced, sustainable relations with their suppliers** by successfully applying the Charter's 10 responsible purchasing commitments.

6.2.4 c) Sharing outcomes and listening to suppliers

In accordance with the Michelin Purchasing Principles, the results of the supplier CSR reviews are posted on the Purchasing website each year. Since 2012, suppliers can also use the website to contact the customer-supplier relations mediator in regard to any alleged or observed violation of the Michelin Purchasing Principles. The mediator intervenes only when suppliers have failed to resolve an issue with their usual contacts. In 2015, the two requests for mediation were resolved immediately.

Michelin is also responsibly committed to paying supplier invoices in diligent application of local laws and regulations. In 2015, 81.8% of all invoices were paid on time.

6.3 ENVIRONMENTAL INFORMATION

To reduce the environmental impact of its tires, Michelin is steadily improving their rolling resistance by constantly pushing the technological envelope. To shrink the environmental footprint of manufacturing operations, the production plants are implementing ambitious policies backed by an ISO 14001-certified environmental management system. This entire commitment was recognized in 2015 by the RobecoSAM ESG rating agency.

6.3.1 A GLOBAL ENVIRONMENTAL STEWARDSHIP PROCESS

Respect for the environment is one of Michelin's five core values, as expressed in 2002 in the Michelin Performance and Responsibility Charter and reiterated in 2012 in "Michelin Performance and Responsibility Charter: A Better Way Forward".

Michelin's environmental strategy is shaped by the findings of life-cycle assessments conducted by independent organizations. These reviews show that most of a tire's environmental impact occurs during use, due to the fuel that has to be consumed to overcome rolling resistance. On the other hand, a tire's materials, production, logistics and end-of-life recovery have much less of an impact, or even a positive impact in the case of resource recovery.

To drive progress in all these aspects, global objectives have been defined in two areas: products and manufacturing operations. Reducing tire rolling resistance is one of the key goals of the research and development program. At the same time, the manufacturing facilities are deploying an environmental strategy based on an environmental management system (EMS) and a global indicator. To further heighten the visibility of these commitments, two of the six 2020 Ambitions concern the Group's environmental footprint (cf. 2.1.8), one for products and the other for the manufacturing and logistics operations. In 2015, the latter ambition was further clarified for manufacturing in the Environment and Prevention General Policy Statement.

This section presents the outcomes of the environmental strategy deployed across the Group in compliance with French Decree 2012-557 of April 24, 2012 stipulating the disclosure obligations concerning a company's social and environmental information. The scope of reporting also includes Manufacture Française des Pneumatiques Michelin (MFPM). The Group's distribution networks, which do not have any manufacturing operations and which have an estimated impact of less than 2% with regard to the leading environmental indicators (water use, energy use, CO_2 and volatile organic carbon emissions and waste), are not covered in the section below.

Product-related initiatives

Life cycle assessments conducted in Europe have shown that more than 90% of a car tire's environmental impact occurs during use. This proportion rises to more than 95% for a truck tire in Europe. In normal conditions of use, tires account for a significant proportion of a vehicle's fuel consumption, which is currently estimated at one-fifth for passenger cars and more than one-third for trucks.

Michelin's primary objective is to increase the energy efficiency of tires while simultaneously improving their other performance factors, especially safety, rolling noise and durability. Reducing a tire's rolling resistance also improves a vehicle's fuel efficiency, which in turn reduces both, ambient air pollutants, such as NOx and SO_2, and carbon emissions during use. In addition, extending tread-life enables more efficient use of the raw materials used and amortizes the energy used during the manufacturing process over a larger number of kilometers traveled.

Invented in 1992 and now on their fifth generation, Michelin's highly energy-efficient Energy™ Saver+ car tires can reduce the amount of fuel consumed by an average, equivalent-size European car by 0.2 liters/100 km compared with the first generation, corresponding to an average 4 g/km reduction in CO_2 emissions. This performance has been widely recognized by the market, as attested by the hundreds of certifications of MICHELIN Energy™ tires as new car original equipment.

In truck tires, the technological innovations collectively known as "Michelin Durable Technologies" offer a wide range of benefits, including a significant improvement in fuel efficiency and therefore also in CO_2 emissions. These technologies also increase a truck's load capacity and the tire's total life-span, which has almost doubled since 1980.

Lastly, Michelin is very actively involved in deploying and operating effective end-of-life tire recovery and reuse solutions. These are primarily based on recovering resources for reuse in such areas as synthetic surfaces, draining sub-layers, molded objects and backfill, and on using scrap tires as fuel in cement plants or steel mills.

Production plant initiatives

Deployment of environmental policies in Michelin's manufacturing operations is underpinned by the EMS and environmental performance improvement milestones.

Providing a solid foundation with the EMS and a network of experts

Based on ISO 14001, the EMS is designed to enable each plant to manage its impact on the environment, on both a day-to-day and long-term basis. It comprises a process to track compliance with legislation and Michelin standards, as well as an obligation to define and meet, every year, improvement targets aligned with local issues and Group commitments. It also specifies procedures to attenuate the risks of accidental pollution. Group guidelines dictate that every new production facility must earn ISO 14001 certification within five years of start-up. As of end-2015, 95% of the production units had been ISO 14000 certified, including the Technology Center sites and the natural rubber processing plants, and 99.2% of Michelin tires were made in ISO 14001 certified plants. New facilities are scheduled for certification in 2016.

To ensure the effectiveness of both the system's operating procedures and the implemented solutions, a network of around 100 specialists has been based in Michelin's host countries, the Product Lines and every plant. Its manager reports to the members of the Group Executive Committee.

In 2015, the Environment and Prevention General Policy Note re-specified the standard methods and tools to be used to assess risks at existing facilities and new projects, along with the related guidelines. In particular, the environmental guidelines cover the procedures for assessing environmental risks, preventing soil contamination, managing waste treatment and performing renewable energy opportunity studies. They also deal with the quality of environmental data and indicators.

Reducing the environmental footprint of the production plants by managing a performance indicator tracking the six most relevant environmental variables

Life-cycle analyses have shown that production, from raw materials to finished product, accounts for only 6% to 10% of a tire's environmental impact, compared to around 90% for the in-use phase.

To make mobility more sustainable and widely accessible, innovations in new products and services are designed to shrink this in-use footprint. In the same way, the manufacturing side is reducing its footprint by tracking, since 2005, its six key impacts: energy use, water withdrawals, CO_2 emissions, volatile oragnic carbon emissions, amount of waste produced and amount of waste landfilled (*i.e.*, not recovered and reused).

As a manufacturer, Michelin is focusing on environmental efficiency, as measured by the Michelin Environmental Footprint (MEF) indicator.

COMPONENTS AND WEIGHTING OF THE MICHELIN ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR

	Component		Weighting
MEF site	Resource consumption	Energy	15
		Water	15
	Air emissions	VOCs*	25
		CO_2	15
	Waste	Total weight generated	15
		Total weight landfilled	15

* *Volatile organic compounds.*

FORMULA FOR CALCULATING THE MEF

$$\text{MEF} = \frac{\text{Reporting year energy use (GJ/t)} \times 15}{\text{Group energy use 2005 (GJ/t)}} + \frac{\text{Reporting year water use (m}^3\text{/t)} \times 15}{\text{Group water use 2005 (m}^3\text{/t)}} + \frac{\text{Reporting year VOC emissions (kg/t)} \times 25}{\text{Group VOC emissions 2005 (kg/t)}} + \frac{\text{Reporting year CO}_2\text{ emissions (t/t)} \times 15}{\text{Group CO}_2\text{ emissions 2005 (t/t)}} + \frac{\text{Reporting year waste generated (kg/t)} \times 15}{\text{Group waste generated 2005 (kg/t)}} + \frac{\text{Reporting year waste landfilled (kg/t)} \times 15}{\text{Group waste landfilled 2005 (kg/t)}}$$

Methodological note

Each of the six components is expressed in units per tonne of tires produced.

Data are reported in the same format by every site around the world *via* a networked application. The reported indicators are defined and standardized in a reference guide that is used during internal audits and independent reviews.

In 2015, the scope of MEF reporting covered 80 production plants, Technology Center sites and natural rubber processing plants. Data are reported for the 12 months from January 1 to December 31 of each year.

If a new facility is opened, it reports MEF data from the first month of operation. In the case of closure, the facility is removed from the scope at the end of the calendar year in which it closed. The environmental data for these facilities are included in the scope until the last month of reported production.

Challenges and objectives

Michelin's 2020 Ambition is to maintain growth momentum without increasing the overall environmental impact in absolute value compared with 2010. This is consistent with the Michelin Performance and Responsibility commitment to delivering (i) performance while improving environmental efficiency and (ii) responsibility while maintaining or reducing the overall environmental footprint.

To fulfill the Ambition of demonstrating leadership in responsible operations, the target for 2020 is to reduce the MEF by 50% compared with 2005 while using 38% less energy.

Between 2005 and 2015, environmental efficiency, as measured by the MEF, improved by 37.2%.

To successfully meet the Ambitions for 2020, in 2014, each production facility prepared an environmental action plan aligned with its local circumstances. In early 2016, the consolidated summary of these plans will be used to adjust the target and the related resources, while maintaining the ultimate goal of increasing production without increasing the footprint.

The 2015 performance is analyzed in the following tables.

PERFORMANCE OF THE MICHELIN ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR, 2010 TO 2015

Ambitions for 2020	2020 Ambition compared with 2005	2010	2014	2015	% change vs. 2010	% change vs. 2014
MEF*	-50%	70.0	65.1	62.8	-10.3%	-3.6%
Energy consumption GJ/t of tires produced (TP)	-38%	14.4	13.3	13.1	-9.0%	-1.5%

* *Base value of 100 in 2005*

Performance by MEF component – Group	Unit	2010	2014	2015	2016 target
Energy consumption	GJ/t TP	14.4	13.3	13.1	12.8
Water consumption	m^3/t TP	11.8	11.2	10.5	10.3
VOC emissions	kg/t TP	2.89	2.53	2.49	2.5
CO_2 emissions	t/t TP	1.28	1.16	1.09	1.10
Waste produced	kg/t TP	109.5	118.0	115.2	112.90
Waste landfilled	kg/t TP	10.2	7.86	7.36	4.1
MEF		**70**	**65.1**	**62.8**	**61**

Ratios and absolute values – Group	2015 ratio	% change vs. 2010	Unit	2015 absolute value	Change vs. 2010	Unit
Energy consumption	13.1	-9.0%	GJ/t TP	42,697	-2,885	$x10^3$ GJ '000s
Water consumption	10.5	-11.0%	m^3/t TP	34,314	-3,007	$x10^3$ m^3
VOC emissions	2.49	-13.7%	kg/t TP	8,145	-1,010	t
CO_2 emissions	1.09	-14.7%	t/t TP	3,564	-503	$x10^3$ t
Waste generated	115.2	+5.2%	kg/t TP	376,192	27,731	t
Waste landfilled	7.36	-27.8%	kg/t TP	24,033	-8,528	t
MEF	**62.8**	**-10.3%**				

PERFORMANCE OF THE MEF INDICATOR FOR MANUFACTURE FRANÇAISE DES PNEUMATIQUES MICHELIN

MFPM	2010	2014	2015	% change vs. 2010	% change vs. 2014
MEF	65.1	59.2	59.6	-8.4%	+0.7%

Performance by MEF component – MFPM	Unit	2015	% change vs. 2010
Energy consumption	GJ/t TP	17.69	-9.7%
Water consumption	m^3/t TP	10.04	+10.3%
VOC emissions	kg/t TP	2.21	-10.9%
CO_2 emissions	t/t TP	0.63	-24.1%
Waste produced	kg/t TP	140.83	-2.2%
Waste landfilled	kg/t TP	0.17	-91.3%
MEF MFPM		**59.6**	**-8.4%**

SUMMARY TABLE OF ENVIRONMENTAL DATA FOR THE GROUP

Group	2015	2014	% change vs. 2014	2010
Water consumption *(m^3/t)*	10.5	11.2	-6.2%	11.8
Energy consumption *(GJ/t)*	13.1	13.3	-1.5%	14.4
Michelin point sources	7.0	7.3	-3.8%	8.0
Steam purchased	1.0	0.9	+6.9%	1.2
Electricity purchased	5.1	5.2	-1.9%	5.2
CO_2 emissions	1.09	1.16	-5.6%	1.28
of which:				
Direct emissions from Michelin point sources (Scope 1*)	0.50	0.52	-3.8%	0.58
Indirect emissions, steam generation (Scope 2*)	0.04	0.08	-43.8%	0.12
Indirect emissions, electricity generation (Scope 2)	0.55	0.56	-1.8%	0.58
Total Michelin direct and indirect emissions avoided *(tonnes of CO_2)*	42,050	45,550	-7.7%	24,000
Sulfur dioxide emissions *(kg/t)*	0.54	0.76	-28.9%	0.96
Nitrogen dioxide emissions *(kg/t)*	0.62	0.72	- 13.9%	0.83
VOC emissions *(kg/t)*	2.49	2.53	- 1.6%	2.89
Waste produced *(kg/t)*	115.2	118	- 2.4%	109.5
Waste landfilled *(kg/t)*	7.36	7.86	- 6.4%	10
Hazardous waste produced *(kg/t)*	7.35	5.78	+27.2%	
Number and total surface area of facilities located less than one kilometer from any protected areas	27 sites totaling 6,400 ha	27 sites totaling 6,400 ha		

* *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, World Business Council for Sustainable Development and World Resources Institute, March 2004.*

The MEF was 62.8 in 2015, representing a 3.6% reduction over 2014 that exceeded the target for the year.

All six of the components improved year-on-year, with the strongest gains in landfilled waste, water use and CO_2 emissions.

- **Landfilled waste** showed the steepest decline over the year, although it fell short of the objective at 6.4% per tonne of tires produced. Today, 93.6% of all waste is recovered and reused, with 54 facilities recovering more than 95% and 35 reporting zero waste landfilled during the year. The total weight of **waste produced** per tonne of tires produced declined by 2.4%.
- Thanks to stepped-up initiatives to reduce withdrawals, **water** consumption declined per tonne of tires produced by more than 6% over the year.
- The ratio of **CO_2** emissions saw a 5.6% reduction, more than half of which was attributable to a revision in the purchased steam emissions factors (see section 6.3.2). Nearly a third of the carbon reduction was due to the 1.5% decline in **energy** used per tonne of tires produced. The remaining gains came from the improvement in the primary energy mix.

Compared with 2010, when output was slightly less than in 2015, the MEF has been reduced by 10.3%, with improvements in every component except waste generation, which rose by 5.2% over the period. Energy use was down by 9.0%, carbon emissions by 14.7%, water use by 11.0%, VOC emissions by 13.7%, and landfilled waste by 27.8%.

On a full-year basis, these significant improvements from 2010 levels have avoided:

- The use of 2,880,000 GJ of **energy,** or the amount of energy used by nearly 29,500 French inhabitants (based on the 98 GJ used per person in 2014, according to INSEE SOeS statistics published in *Key Figures on the Environment, 2015 edition*).
- The use of 3,007,000 m^3 of water, or the amount of drinking water used by nearly 57,000 French inhabitants (based on 53 m^3 used per person per year, according to the 2012 SOeS-SSP water survey published in *Key Figures on the Environment, 2015 edition*).
- The emission of 1,010 tonnes of **VOCs,** or the equivalent of 1,160,000 cars in France (based on the Euro VI standard for gasoline vehicles, which is a maximum of 68 mg of non-methane hydrocarbons per kilometer, and on 12,753 kilometers driven per vehicle per year, according to INSEE's 2014 statistics).
- The emission of 504,000 tonnes of **CO_2**, or the equivalent of 280,000 cars in France (based on a maximum of 140 g of CO_2/km from a car rated class C under the European Union energy labeling system and driven 12,753 kilometers per year, according to INSEE's 2014 statistics).
- The **landfilling** of 8,530 tonnes of **waste,** or the amount of household waste produced by 18,500 French inhabitants (based on 458 kg of household waste per person per year in 2012, according to Eurostat – RSD statistics published in *ADEME Déchets – 2015 edition – Key figures*).
- Total **waste produced** rose by 27,730 tonnes, or the amount of household waste produced by 60,500 French inhabitants (based on 373 kg of household and similar waste produced per person per year in 2009, as published in *ADEME Déchets – 2012 edition – Key figures*).

SUMMARY TABLE OF ENVIRONMENTAL DATA FOR MFPM

MFPM	2015	2014	% change vs. 2014	2010
Water consumption *(m^3/t)*	10.04	10.4	-3.5%	9.1
Energy consumption *(GJ/t)*	17.69	17.1	+3.5%	19.6
Michelin point sources	8.56	8.0	+7.0%	11.3
Steam purchased	0.93	0.9	+3.3%	0.1
Electricity purchased	8.2	8.2	0%	8.2
CO_2 emissions	0.63	0.60	+5.0%	0.83
of which:				
Direct emissions from Michelin point sources (Scope 1)	0.48	0.45	+6.7%	0.63
Indirect emissions, steam generation (Scope 2)	-0.003	-0.007	-57.1%	0.02
Indirect emissions, electricity generation (Scope 2)	0.15	0.16	-6.3%	0.18
Sulfur dioxide emissions *(kg/t)*	0.02	0.02	0%	0.04
Nitrogen dioxide emissions *(kg/t)*	0.61	0.60	+1.7%	0.57
VOC emissions *(kg/t)*	2.21	2.13	+3.8%	2.48
Waste produced *(kg/t)*	140.83	145.6	-3.3%	144
Waste landfilled *(kg/t)*	0.17	0.17	0%	2
Hazardous waste produced *(kg/t)*	10.98	12.02	-8.7%	
Number and total surface area of facilities located less than one kilometer from any protected areas	7 sites totaling 624 ha	7 sites totaling 624 ha		

Training and informing employees about environmental stewardship

Dedicated training courses to support EMS deployment have raised environmental awareness among all the 86,000 employees working on certified sites, who currently number nearly 86,000, along with a varying number of subcontractors and temporary workers. The courses, which are tailored to each workstation, focus on the main impacts from the facility's operations. In accordance with system requirements, employees are kept informed of environmental issues and encouraged to attend regular refresher courses.

Allocating resources to prevent environmental risks and pollution

In 2015, €59.8 million, or 44% more than in 2014, was committed to projects to enhance the environmental performance of the production facilities. In the case of Manufacture Française des Pneumatiques Michelin, these outlays totaled €9.2 million for the year, or 6% more than in 2014.

Budget allocation is analyzed in the two tables below.

Outlays in 2015 primarily funded projects to improve air pollution prevention systems, increase energy efficiency, improve water quality and reduce water use.

The budget amounts are based on the definition recommended by the French Accounting Board (CNC recommendation 2003-R02 of October 21, 2003), which covers only outlays that are "supplementary" (*i.e.,* excluding routine maintenance, operating, waste management and similar expenses) and "exclusively environmental" (i.e., excluding the environmental aspects of capital expenditure projects).

Group *(in € thousands)*	Total expenditure 2015	2014	2013
Air pollution prevention	24,897	6,400	5,321
Surface water pollution prevention	3,323	2,914	5,262
Soil and subsurface water pollution prevention	3,060	3,540	8,692
Waste reduction and recycling	2,498	2,445	1,820
Sustainable use of water resources	3,032	1,298	1,937
Sustainable use of energy resources	19,097	14,942	7,631
Reduction of greenhouse gas emissions	644	7,716	209
Other	3,265	2,411	1,479
TOTAL	**59,817**	**41,666**	**32,352**

MFPM (in € thousands)	Total expenditure 2015	2014	2013
Air pollution prevention	3,473	2,553	722
Surface water pollution prevention	362	980	431
Soil and subsurface water pollution prevention	128	414	687
Waste reduction and recycling	69	28	0
Sustainable use of water resources	260	53	408
Sustainable use of energy resources	3,053	2,956	2,177
Reduction of greenhouse gas emissions	0	541	182
Other	1,832	1,117	956
TOTAL	**9,177**	**8,641**	**5,563**

Provisions and guarantees for environmental risks

As of December 31, 2015, total consolidated provisions for environmental risk amounted to more than €21 million, of which 90% covered risks related to site assessment and remediation. In the case of MFPM, no provisions for environmental risks were recorded as of December 31, 2015.

6.3.2 REDUCING DISCHARGES, MANAGING WASTE AND ABATING ENVIRONMENTAL NUISANCES

In the same way that Michelin is committed to carefully managing its releases into the air, water and soil, while reducing the amount of its landfilled waste, it is also seeking to abate the odors and noise generated by its facilities.

Deploying measures to prevent, abate or remediate air, water and soil pollution

/ Greenhouse gas emissions

For the Group, a decline in emissions

Total CO_2 emissions amounted to 1.09 tonnes per tonne of tires produced in 2015, a decrease of 14.7% compared with 2010 and of 5.6% compared with 2014. More than half of the improvement was attributable to a revision in the purchased steam emissions factors (see below) and nearly a third was due to the 1.5% decline in **energy** used per tonne of tires produced. The remaining gains came from the improvement in the primary energy mix, following the partial replacement of fuel oil by natural gas in Canada and the total replacement of coal-fired boilers by gas-fired units at the Shanghai plant in the fourth quarter.

Direct carbon emissions from Group boilers stood at 0.50 tonnes per tonne of tires produced, down 3.8% from 2014.

Indirect emissions through the purchase of electricity are estimated at 0.55 tonnes per tonne of tires produced, a decline of 1.8% from 2014 and indirect emissions through the purchase of steam or hot water are estimated at 0.04 tonnes per tonne of tires produced, down 43.8% since 2014.

Until 2014, the same emissions factor was used for all of the sites purchasing steam, regardless of the primary energy or technology used by the vendor. Traditionally, this factor had been set at 0.404 tonnes of CO_2 per megawatt hour purchased, based on the observation that most of the sites concerned were supplied from gas-fired CHP plants with an average efficiency of 50%. In 2015, **a new analysis** revealed the following factors:

- Today's gas-fired CHP plants offer total efficiencies of around 80%, which is close to the 85% offered by conventional gas-fired plants. The difference is attributable to the generation of power rather than steam (power station thermal efficiencies are generally around 35% for a simple-cycle steam plant and around 55% for a combined-cycle gas turbine unit).
- Only some of the sites purchase steam from gas-fired CHP plants.
- Due to the lack of any locally available alternatives, the new Shenyang plant has purchased steam generated from a coal-fired plant since 2013.

To more accurately depict the current situation and foreseeable developments, it was therefore decided to replace the single emissions factor of 0.404 tonnes of CO_2 emitted per purchased MWh by **three emissions factors,** one for each primary energy used and reflecting reasonable energy efficiency and loss assumptions.

Using the former factor, emissions related to purchased steam would have come to 0.09 tonnes of CO_2 per tonne of tires produced instead of 0.04, which would have increased the 2015 MEF by around 0.4 points.

Carbon quota systems

In European Union countries, direct carbon emissions from sites that operate boilers with over 20 MW capacity (23 facilities) are subject to allowances issued under the EU's Emissions Trading Scheme (ETS). These allowances continued to decline in 2015 under the impact of the cross-sectoral correction factor, but the emissions were still covered by the credits accumulated between 2008 and 2012.

In China, carbon emissions trading schemes were introduced in 2013 in seven cities and provinces. The one in Shanghai, covering an initial three-year period until 2015, involved both direct and indirect emissions. Over this period, emissions from the two plants concerned were covered by the allowances. The system will be renewed in 2016, but the conversion of the local systems into a national version has been postponed until 2017.

In 2005, the multidisciplinary Carbon Quota Management Committee was created to track legislation governing carbon markets and taxes in all of the Michelin plants' host countries. Comprising specialists in energy buying, greenhouse gases, energy efficiency, finance and accounting, its role is to define carbon quota management principles and guidelines, ensure their proper application and conduct the necessary forecasting studies.

Carbon pricing

In a commitment to significantly, yet cost-effectively reducing its CO_2 emissions, Michelin supports the introduction of an international carbon pricing system. With this in mind, it joined the World Bank's Carbon Pricing Leadership Coalition in 2015 and set an internal carbon price to be used as of 2016 in the capital project approval process.

For MFPM, production plant emissions predominate

The second review of greenhouse gas emissions conducted in late 2015, in compliance with French legislation, demonstrated that the production plants accounted for the bulk of MFPM's carbon emissions.

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY MFPM UNIT

Tire production plants	Storage facilities, Technology Center and headquarters	MFPM vehicles and other mobile sources
88.2%	8.6%	3.2%

The review also showed that direct emissions from fuel use represented 75% of total MFPM greenhouse gas emissions, with indirect emissions from the purchase of electricity accounting for the remaining 25%.

/ Other air emissions

A very slight decline in VOC emissions

Volatile organic compound (VOC) emissions declined by a slight 1.6% in 2015 to 2.49 kg per tonne of tires produced. The action plans undertaken in every plant to reduce solvent use and VOC emissions continued to be deployed, along with research into innovative technical solutions. In all, VOC emissions per tonne of tires produced have been reduced by 13.7% since 2010 and by 42% since 2005.

A decline in nitrogen oxide (NOx) and sulfur oxide (SOx) emissions

SOx emissions from Group boilers stood at 0.54 kg per tonne of tires produced in 2015, compared with 0.76 kg in 2014 and 0.96 kg in 2010.

NOx emissions amounted to 0.62 kg per tonne of tires produced, versus 0.72 kg per tonne in 2014 and 0.83 kg per tonne in 2010.

In general, these data can vary widely from year to year, because (i) they are calculated based on the periodic (often quarterly) measurement of their concentration in emissions and (ii) they depend on the mix between generated steam and purchased steam, since the latter is not included in the calculation.

In 2015, three changes helped to reduce NOx and SOx emissions:

- In Canada, the boilers at the Pictou, Bridgewater and Waterville facilities were upgraded in late 2014 to enable them to run on natural gas as well as the traditional fuel oil. At a time of low natural gas prices, these dual-fuel boilers only need to be fuel-oil fired part of the year, with the result that aggregate SOx emissions from the three plants were reduced by a factor of six and NOx emissions by a factor of 2.5.
- In China, the former Shenyang plant is being phased out and its operations transferred to the nearby new facility. It uses steam generated from an on-site coal-fired boiler, whose SOx and NOx emissions will be reported until production is terminated. The new plant purchases its steam from a supplier, so its SOx and NOx emissions are not counted in the consolidated total.
- Also in China, in the fourth quarter, the Shanghai plant replaced its steam generated on-site in a coal-fired boiler with steam purchased from a gas-fired CHP power station. SOx and NOx emissions have fallen off considerably and have no longer been reported since the fourth quarter.

Note that both of the Chinese plants' carbon emissions continued to be reported in the MEF, which by definition includes Scope 1 and Scope 2 CO_2 emissions.

Since January 2016, combustion plants in Europe with capacity over 50 MW must comply with the more restrictive SOx and NOx emission standards under the 2010/75/EU Industrial Emissions Directive. In response, two of the five Michelin plants equipped with boilers of that size had to undertake remedial compliance measures, with the Bassens, France plant investing in a DeSOx/DeNOx treatment system and the Victoria, Romania plant installing a new, lower-power boiler more aligned with its needs. The Bassens system gradually came on stream in the final quarter of 2015 and the new Victoria boiler will be up and running in mid-2016.

/ Discharges to water

Depending on its operations, each plant is equipped with appropriate facilities for the treatment of effluent containing metals, such as copper or zinc, and residual hydrocarbons. After proper treatment, the water is discharged either to the environment or to local wastewater treatment plants. Two examples of improvements are as follows.

France: optimizing and sharing with water treatment specialists

In 2015, a coordination unit was set up to liaise among all the French plants and the water treatment services provider to improve the sharing of information, recommendations and best practices.

Chennai: zero effluent discharge

By reducing the quantity of wastewater and treating process water with an evaporator, effluent discharge has been eliminated and the condensates are disposed of as solid hazardous waste.

/ Ground water discharge

To prevent the risk of chronic or accidental spills, the EMS includes a dedicated process comprising both physical systems, for soil protection and leak prevention, and standard operating procedures for activities at risk and in the event of an accident.

Group guidelines for the construction and fitting out of new industrial or commercial property projects stipulate that they must sustainably comply with the highest levels of soil protection. They were inspired by the strictest legislation prevailing in this area, in particular EU directives, and regularly exceed local standards.

Since 2006, Michelin has been implementing a process for managing potential brownfields. Whenever a change in activity occurs at a site, excavation work is performed or historic pollution is observed, soil tests are conducted with the help of the Group's network of environmental experts. The risks of pollution are assessed in accordance with recognized standards and in compliance with the local laws and regulations. The methods used and the service providers commissioned are managed at Group level to ensure the quality of the review and related works.

In Europe, 25 soil tests were conducted in 2015 as part of the project to reorganize supply chain operations in this Geographic Zone. Management of the process in Europe was strengthened with the appointment of a coordinator for all of the soil tests and works.

Reducing the amount of waste generated per tonne of tires produced

Programs to reduce the volumes of generated and landfilled waste and improve the recovery and reuse of waste material continued apace in 2015. During the year, the gross amount of waste generated per tonne of tires produced declined by 2.4% to 115.2 kg, while the weight of landfilled waste decreased 6.4% to 7.36 kg per tonne of tires produced from 7.86 kg in 2014. In total, 93.6% of waste was recovered and reused as materials or fuel, with nearly 70% of reusable materials being recovered. 54 facilities recovered and reused more than 95% of their waste and 35 reported zero waste landfilled during the year. Around 6.5% of total waste produced in 2015 was classified as hazardous under local legislation.

Since 2005, the weight of waste generated per tonne of tires produced has been reduced by around 18%, to 115 kg from 140 kg, and the weight of landfilled waste has fallen by more than 75% to 7.4 kg from 33 kg. The main programs deployed in 2014 to increase the proportion of recovered and reused materials involved developing and deploying innovative processes to recycle steel plies or similar products by separating them mechanically or cryogenically from the rubber.

With a waste management policy based on the reuse and development of innovative outsourced recycling solutions, Michelin is continuing to deploy initiatives to reduce the amount of waste produced and landfilled as an integral part of a circular economy approach.

Abating odors and noise pollution

Although entirely innocuous, odors are nonetheless an issue for Michelin plants, some of which are located in built-up areas. These odors may be generated by the process used to produce certain types of natural rubber components used in tire manufacturing.

The standard solution, based on the thermal oxidation of effluents, has now been retrofitted at several European facilities and at the new plant in Shenyang, China. New technologies are also being explored.

In the case of noise pollution, manufacturing operations, whose noise levels are not particularly significant, consistently comply with local legislation in every host community. When designing new facilities or extensions, guidelines are followed to ensure that noise-generating equipment, such as fans and other auxiliary systems, are installed far from the property boundaries.

More generally, the on-site teams work with Group experts to abate the odors, noise and other potential environmental nuisances that manufacturing operations may cause local residents.

6.3.3 USING RESOURCES SUSTAINABLY

Michelin constantly strives to optimize the performance of its tires, while using less raw material in their production, extending their useful lives and supporting a circular economy with end-of-life tire recycling solutions. It also deploys teams of experts to help the production plants to design and implement initiatives to reduce their water and energy consumption.

The Michelin 4R strategy for a circular economy

The tire industry uses 32 million tonnes of materials every year, three-quarters of which are fossil-based. At the same time, road mobility will at least double and maybe quadruple between 2010 and 2050. This poses a variety of challenges in securing supply, reducing the impact of mobility on health and biodiversity and limiting its effects on climate change.

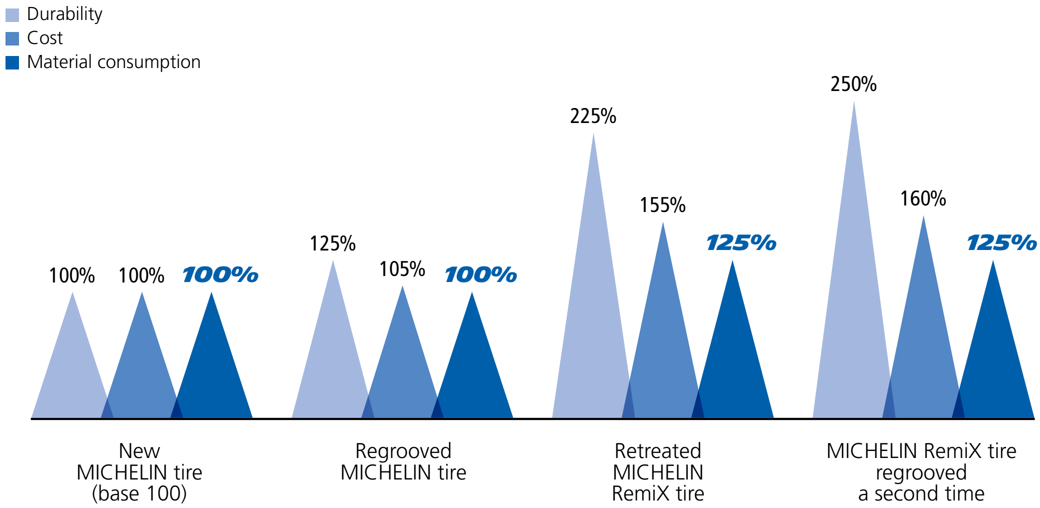
The impact on energy, raw materials, water and other natural resources has to be improved throughout a tire's lifecycle by taking a circular economy approach. More than 90% of a tire's environmental impact occurs during use.

Michelin is simultaneously activating four levers to ensure that resources are used more wisely, in what is known as the 4R strategy: Reduce, Reuse, Recycle and Renew.

Reduce. This aspect involves using fewer raw materials and less energy to make tires that are lighter, longer-lasting and more energy efficient, all the while delivering the same safe driving experience and ever-improved performance. Michelin's innovation process is focused both on products and on fleet services. (see section 6.3.4).

Reuse. Raw materials can also be saved during the in-use phase by repairing, regrooving and retreading tires. Michelin truck tires can be regrooved when the tread is worn, mold-cure retreaded using the Remix process, and regrooved a second time before the components are reused in end-of-life tire recovery solutions. Assuming a theoretical lifespan of 100 units for a heavy truck tire, regrooving can add 25 units without any additionnal material; retreading then adds a further 100 units with 25 units in new material (or four times less than the amount of material needed to make a new tire); and lastly, the final regrooving increases total tread life by another 25 units. In all, with one retreading and two regroovings, a Michelin heavy truck tire can last 2.5 times longer than a new Michelin tire with just an additional 25 units of material.

These benefits are illustrated in the following chart:



Recycle. In 2014, Michelin launched the Tire RECycling (TREC) project to pursue an innovative means for recovering end-of-life tires. TREC Regeneration is designed to produce high-quality regenerated rubber from scrap tires that can be reinjected into the new-tire production process, while continuing to improve tire performance. Now that the unique features of regenerated rubber are well understood, the process engineering phase can begin.

At the same time, Michelin is involved in the BioButterfly project, which is developing a process to produce butadiene (currently sourced from petroleum) directly from alcohol. The feedstock would be ethanol produced either from scrap tires using the TREC Alcohol process or directly from biomass sources. The TREC Alcohol project continued to be the subject of technical and economic feasibility studies in 2015.

Renew. With renewable materials like natural rubber and some plant-based oils and resins now accounting for 25% of its inputs, Michelin is moving to the next level with two major new projects: BioButterfly (mentioned above) and a project to produce isoprene from biomass, working with Amyris in California and Braskem in Brazil. In 2015, BioButterfly was scaled up from the laboratory to the pilot phase with the construction of the first demonstrator.

End-of-life tires. In 2015, 80% of tires sold by Michelin were collected at end-of-life and processed in each country in authorized recycling facilities in compliance with local legislation. During the year, Michelin continued to participate in end-of-life tire recycling through the programs conducted with Chinese authorities as part of the Tire Industry Project, a working group of the World Business Council for Sustainable Development. These included developing a database in China and sharing best practices among the European Tyre and Rubber Manufacturers' Association, the Rubber Manufacturers Association and the Japan Automobile Tyre Manufacturers Association. These collaborative programs are deepening Michelin's commitment to the concept of extended producer responsibility.

In France, at Michelin's initiative, 15 organizations representing the tiremaking, automaking, retailing, collection, recycling and retreading industries agreed in 2014 to form the Tire Recycling Committee (CORP) with two objectives in mind: (i) to improve the end-of-life tire recycling process by strengthening coordination among stakeholders and (ii) to share best practices. On May 13, 2015, after CORP successfully demonstrated the traceability of retreaded tires, the French Ministry of the Environment issued a welcome clarification of a tire casing's legal status, stipulating that traceable casings intended for retreading do not fall within the regulatory definition of "waste."

Reducing water withdrawals

Michelin plants use water mainly to cool installations and to produce steam and hot water. In 2015, a total of 10.5 m^3 was withdrawn per tonne of tires produced, down a sharp 6.2% compared with 2014. At every plant, process and other water is consistently withdrawn in compliance with local legislation.

In 2015, after two years of pilot testing at 11 plants in all of the Group's geographic zones, the new method of assessing water issues based on the ISO 14046 standard was finalized and released in a guide. A team of environmental, maintenance and engineering specialists are continuing to perform water use assessment, implement action plans and pursue opportunities in the design of new industrial projects, all the while sharing best practices across the organization. The team assesses business continuity, community reputation and other risks, the impacts related to the quantity and quality of withdrawn and discharged water, and the costs of implementing risk abatement initiatives.

The following examples illustrate some of the outcomes of this process in 2015.

Chennai, India

Collecting rainwater from impervious surfaces and installing ultrafiltration, reverse osmosis and multiple-effect evaporator technologies to treat runoff and sewage water made it possible to reduce water withdrawals by 130,000 m^3 in 2015.

Avallon, France

Renovating the water pipe network and closing open cooling circuits helped to reduce the plant's water withdrawals by 8%. The related works were carried out in collaboration with France's Water Agency, which subsidized 40% of the total cost.

Ardmore, United States

Following on from the 2012 installation of a reverse osmosis system that cut annual water withdrawals by 8,500 m^3, in 2015, the facility connected the system to the extinction system, which reduced withdrawals by another 12,300 m^3 a year.

Olsztyn, Poland

Based on a review of its water issues in 2014, the plant installed a closed circuit to reuse water in the machinery cooling systems. This reduced water withdrawals by 35% based on equivalent use, thereby saving 350 cu.m an hour or some 1,000,000 m^3 a year.

Reducing energy consumption

Over the past three years, every plant has undertaken action plans to align energy use with changes in output. Improvements are being led by the installation of variable speed equipment, the systematic application of power-off procedures for unused equipment, wider use of daily performance management in the energy-intensive facilities and the investment of €27 million in energy efficiency systems in 2015.

As a result, consolidated energy consumption declined to 13.1 GJ per tonne of tires produced in 2015, down 1.5% year-on-year and 9% since 2010. The improvement was especially dramatic in Asia, where the plants reported an aggregate 15% reduction over the year.

One of the most efficient was the new facility in Shenyang, China, whose consumption of 11 GJ per tonne of tires produced was well below the Group average just two years after start-up.

Renewable energies are discussed in section 6.3.4.

Optimizing land use

Production facilities. Michelin's production operations occupy much the same surface area as facilities in any other manufacturing industry. Because the plants are located in pre-existing industrial parks, environmental impact studies must be performed in compliance with local legislation prior to applying for an operating license and construction permit. This process also includes public hearings.

In India, the construction in 2011 of a new plant in an industrial park created by the Tamil Nadu government in 2007 caused a controversy over the issue of land use. In accordance with the recommendations of the OECD Guidelines for Multinational Enterprises, the Group conducted a human rights impact assessment and initiated a supplemental environmental impact study. Following completion of the human rights impact study in 2015, Michelin is now preparing a ten-year 2015-2025 sustainable social development plan for increasing the number of direct and indirect jobs in the Tamil Nadu community, based in particular on the land development projects undertaken by the local government. Begun in 2015, the supplemental environmental impact study will be conducted over a period of 12 consecutive months.

Testing facilities. The only operations that use large areas of land are the test tracks like the ones in Ladoux, France and Almeria, Spain. They do not conflict with any other land uses and help to preserve the environment with programs to support biodiversity (see section 6.3.5).

Michelin agricultural tires. For more than ten years, Michelin has been improving farming practices with its MICHELIN UltraFlex technology, a breakthrough innovation that protects cropland by enabling farm machinery to run on low-pressure tires that limit compaction and maximize yields. A 2013 study conducted by Harper Adams University in the United Kingdom demonstrated that the technology can increase wheat crop yields by 4%. This means that if all the farm machinery in the world's leading wheat producing regions (European Union, United States, South America and China [(1)]) were equipped with MICHELIN UltraFlex technology, the global wheat harvest would increase by 23 million tonnes, or enough wheat to feed all of the nearly 319 million people in the United States for a year [(2)]. At the 2015 Agritechnica trade fair, Michelin and its partner, farm machinery manufacturer ROPA, received an award for their R-Soil Protect innovation, which combines a three-axle chassis and low-pressure tires to improve soil protection. The Group's commitment to improving farming practices is aligned with the UN's sustainable development goal of promoting sustainable agriculture while doubling farm productivity by 2030.

6.3.4 HELPING TO MITIGATE CLIMATE CHANGE

Michelin is helping to fight against climate change with policies to limit its CO_2 emissions, based on improving energy efficiency and reducing the carbon content of its energy mix. These policies are being deployed not only in the production facilities, but also in logistics operations and in the business fleet services. They are supported by a risk management process that addresses the potential consequences of climate change, both at Group level and for each of the plants, and by investments in carbon credits.

Optimizing energy efficiency

Carbon emissions from all of the manufacturing operations, per tonne of tires produced, were **29% lower in 2015** than in 2005.

Energy efficiency initiatives are being pursued across the organization *via* action plans based on site energy audits (see section 6.3.2).

Increasing the use of renewable energies

In a commitment to sustainably reducing its carbon footprint, Group policies have been in place since 2008 to increase the use of renewable energies. These biomass, solar power and wind power projects often have long maturity cycles.

Rated output of the photovoltaic roof panels installed on several facilities in Germany (in Bad Fallingbostel, Bad Kreuznach, Bamberg, Homburg, Karlsruhe, Landau and Ulm) has risen from 9 MWp in 2006 to 21.5 MWp since year-end 2013. In Valladolid, Spain, 31,000 square meters of solar panels with peak capacity of 3.3 MWp were commissioned in 2010 and 2011.

Wind turbines have been generating roughly 20% of the electricity used by the Dundee plant in Scotland since 2007. The two wind turbines installed near the Ballymena plant in Northern Ireland in late 2012 provided 13% of the plant's electricity in 2015.

Commissioned in 2010, two biomass-fired boilers installed to replace natural gas-fired systems at the Bourges and Cholet plants in France avoided the emission of 12,250 tonnes of CO_2 in 2015.

Also in France, the rooftop solar power panels on the Le Puy-en-Velay plant began generating their first electricity in September 2011. Covering three hectares, or three-quarters of the roof's surface, the panels generated close to 3,500 MWh of power in 2015.

In Canada, a solar wall has replaced heavy fuel as a source of building heat for the Waterville plant since late 2010.

In all, on-site renewable energy installations avoided the emission of more than 42,000 tonnes-equivalent of CO_2 in 2015, of which 31,000 tonnes directly reduced the Group's total carbon emissions.

(1) OECD-FAO Agricultural Outlook 2013-2022, June 5, 2015.
(2) U.S. Department of Agriculture.

Facility	Technology	Tonnes of CO_2 emissions avoided in 2015 (1)
Bassens, France	Purchase of heat generated by a waste incinerator	9,500 t (direct CO_2)
Cholet, France	Biomass-fired boiler	5,500 t (direct CO_2)
Bourges, France	Biomass-fired boiler	6,750 t (direct CO_2)
Vannes, France	Purchase of household waste methanation heat	250 t (direct CO_2)
La Combaude, France	Purchase of heat from biomass-fired facilities	2,000 t (direct CO_2)
Waterville, Canada	Solar wall	100 t (direct CO_2)
Dundee, United Kingdom	Wind turbines	3,000 t (direct CO_2)
Ballymena, United Kingdom	Wind turbines	4,000 t (direct CO_2)
Germany, seven facilities	Photovoltaic panels	9,500 t (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,200 t (power sold back to the grid)
Le Puy, France	Photovoltaic panels	250 t (power sold back to the grid)

(1) Based on national emissions factors published by the International Energy Agency in CO_2 Emissions from Fuel Combustion, 2014 edition.

Today, 17 facilities use renewable energy solutions. Other projects currently in the feasibility phase in France include the purchase of biomass-sourced steam in Golbey, the use of geothermal heat in Clermont-Ferrand, and the use of steam from sunflower husk-fired boilers in Bassens. In 2015, a new study was undertaken for the installation of solar panels at the Dundee plant in Scotland.

Replacing fuel oil with natural gas

One way to reduce carbon emissions is to replace heavy fuel oil with natural gas, which when burned emits more than 25% less carbon dioxide (202 kg/CO_2 per MWh LHV versus 278 kg).

In Canada, the boilers at the Pictou, Bridgewater and Waterville facilities were upgraded in late 2014 to enable them to run on natural gas as well as the traditional fuel oil. At a time of low natural gas prices, these dual-fuel boilers only need to be fuel oil-fired part of the year. In 2015, natural gas replaced nearly 240,000 MWh of fuel oil-fired power generation at the three plants, helping to avoid the release of 18,000 tonnes of CO_2.

In China, in the final quarter of 2015, the Shanghai plant replaced its steam generated on-site in a coal-fired boiler with steam purchased from a gas-fired CHP power station. Based on the fuels' carbon content and the installation's total efficiency, the switchover will reduce the facility's CO_2 emissions by around 20%.

Enhancing the sustainability of logistics operations

Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin. This process involves developing new synergies among shippers and carriers, in a commitment to improving the efficiency of tonnages carried and mutually reducing emissions.

Action levers are gradually being activated both inside and outside the organization:

- **Optimizing transportation distances.** Michelin encourages direct deliveries from the plant to the customer, an initiative whose benefits extend beyond logistics to the entire customer relationship process. To deliver tires in the Caribbean, a project to centralize operations in Miami, FL instead of Breda, the Netherlands was completed in 2015, which has eliminated the need to ship seventy 40-foot high-cube containers.
- **Increasing load factors.** Optimizing load capacities, in accordance with local legislation, helps to reduce empty miles and backhaul costs. In North America, the number of empty containers was halved in 2015, primarily in the transportation of semi-finished products. In Thailand, the Variable Control Maximizer tire compactor can increase a container load by 15%, thereby replacing the equivalent of one in six trucks on the road. In 2015, outbound shipments from Thailand rose to 20 containers a week from just two in 2014.
- **Favoring multimodal solutions (rail, sea, waterway) over air transportation.** Michelin is working with carriers to explore the technical and financial feasibility of multimodal overland/rail, overland/waterway or overland/sea solutions for regularly scheduled deliveries. This would help to reduce not only greenhouse gas emissions but also noise and air pollution, while also preserving public infrastructure, reducing the number of accidents and easing traffic congestion. In 2015, multimodal arrangements accounted for 14% of miles traveled in North America. In China, tonnages shipped by train and barge rose by 14.7% during the year. In Brazil, results from a 2014 program to test deliveries to the Manaus region in the north by short sea shipping and then overland transport were validated in 2015.

- **Developing partnerships with trucking companies concerned about their energy efficiency.** Michelin offers a wide range of tools and systems to optimize truck performance by ensuring that the vehicle is recent and regularly maintained; the engine is suited to the distance and the average load carried; the vehicle has a speed-limiting device, accessories that reduce aerodynamic resistance, and tires with low rolling resistance; and the tires are retreaded and regrooved to extend tire life and increase fuel efficiency.
- **Encouraging eco-driving.** When correctly implemented and followed-up, driver training and management can improve fuel efficiency by up to 10%. For trucking companies, this represents a potential increase in operating margin of 2% to 5%, depending on the country. Eco-driving also reduces the number of road accidents by instilling defensive driving habits.

In 2015, energy efficiency was reaffirmed as the **decisive environmental criterion** for logistics purchases around the world. In Europe, for example, 111 trucking companies responded to a scoring questionnaire (versus 25 in 2014) that enabled Michelin to rate them for use during tenders. Initiatives during the year focused on fuels, with the development of diesel alternatives, like natural gas, biogas, electricity and hybrids. In 2015, the use of liquefied natural gas, which is increasingly popular in France as a truck fuel, became a criterion for selecting a carrier for shipments between that country and Spain.

Improving the energy performance of business fleets

Michelin has been a pioneer in offering innovative services for truck fleets. Michelin Fleet Solutions, a customized tire leasing system created in the early 2000s, and Michelin Tire Care, a new preventive tire monitoring solution introduced in 2015, deliver benefits for truckers and help them to improve the energy efficiency of their tires.

The Group's Michelin solutions business unit also markets the EFFIFUEL™, EFFITIRES™ and the recently introduced EFFITRAILER™ solutions to assist customers in optimizing the management of their truck, light commercial vehicle, van and earthmover fleets and in improving their efficiency, productivity and carbon footprint.

Addressing the impact of climate change

Michelin's production plants are located in 17 countries. In line with the recommendations issued by the Group's risk managers, risks associated with climate change have been reviewed and business continuity plans in the event of extreme weather events have been assessed. These events concern only a few facilities, which have all devised the appropriate business continuity plans. In 2015, for example, a severe drought in Brazil drained the reservoirs for the hydroelectric power stations that provide much of the country's electricity, causing a fear of blackouts. In response, Michelin took action to ensure that its two Brazilian plants could continue operating in the event of power rationing.

In addition to assessing the risks of rarely occurring extreme climate events, the Company's vulnerability to energy supply has also been reviewed. It was found that climate change would only have a moderate impact, because operations are well distributed, both geographically and by business.

These reviews are also conducted when selecting new business locations.

The natural rubber needed to make tires is produced only in the planet's intertropical convergence zone, which is exposed to the impact of climate change and the growing scarcity of arable land. To address this challenge, Michelins' agronomists and scientific partners are selecting productive, disease-resistant varieties and encouraging innovative farming practices that improve yield. The Group is also diversifying sources of supply in every production basin and pursuing research programs to optimize the quantity of natural rubber used per thousands of kilometers traveled.

Certain raw materials suppliers deemed to be exposed to climate risks have been asked to take steps to protect their operations from the impact of extreme weather events.

Involvement in the 21st Conference of Parties (COP21)

To support the signing of a universal agreement on climate change, Michelin was an official partner of the COP21 conference and co-organized the "Focus on Transport" and "Transport Day" sustainable mobility events with the Partnership on Sustainable Low Carbon Transport.

The Group also announced two ambitious new CO_2 reduction targets, of 20% for tire-related emissions between 2010 and 2030 and of 50% for manufacturing-related emissions between 2010 and 2050. Meeting the latter ambition will require not only the use of more energy efficient production equipment, but also energy market conditions that would allow renewable energies to account for two-thirds of the Group's energy mix. With this in mind, Michelin supports policies that encourage investment in energy efficiency and the development of renewable energies.

Investing in socially responsible carbon credits

Since 2014, Michelin has been one of ten investors in the Livelihoods carbon fund, which supports reforestation, agroforestry and low-carbon cookstove projects on three continents. Conducted in collaboration with local NGOs, its projects help to reduce greenhouse gas emissions, while offering investors a return in the form of carbon credits with high environmental and social value.

So far, Michelin has committed €2.9 million of the pledged €5 million investment. In 2015, three projects generated 39,000 carbon credits for the Group, corresponding to 39,000 tonnes of avoided CO_2. Two of them, in India and Indonesia, are restoring mangrove plantations, which create ecosystems capable of absorbing vast quantities of CO_2. The third has installed 35,000 energy efficient cookstoves in several Kenyan villages.

6.3.5 PROTECTING BIODIVERSITY NEAR MICHELIN FACILITIES

Michelin is particularly committed to attenuating the impact of its business on biodiversity by leading initiatives to protect fragile environments, such as in Almeria (Spain), Bahia (Brazil), Ladoux (France), and Louisville (United States), and otherwise with programs that support the everyday biodiversity present in and around facilities, like in Karlsruhe (Germany). At the same time, two methods of identifying ecosystem impacts and dependencies have been tested, all of the protected areas near Michelin plants have been inventoried and, more recently, a method for inventorying their on-site biodiversity has been devised.

Protecting neighboring ecosystems

To conduct its business sustainably, Michelin, like other companies, relies on the benefits provided by natural ecosystems and biodiversity, such as plant-based raw materials, water provisioning and climate regulation.

Between 2008 and 2010, two methods of identifying a production plant's impact and dependence on ecosystems were tested. The first was the Corporate Ecosystem Services Review (ESR) developed by the World Business Council for Sustainable Development (WBCSD) and the World Research Institute (WRI). The second, designed by an independent organization, also measured a plant's ecological vulnerability, determined by its proximity to areas of environmental concern.

Based on the test findings, the Group decided that instead of identifying impacts and dependencies, it should continue to assess the proximity of its production facilities to protected areas.

Inventorying nearby protected areas

In 2012, Michelin began preparing **an inventory of the areas classified as protected** under supranational, national or local regulations and located within a 15 kilometer radius of its plants or research centers. In places with surface or subsurface waterways, the inventory was extended where necessary to include protected areas downstream.

By end-2015, a total of 386 protected areas had been inventoried near 69 of the 73 facilities concerned in 18 countries. In terms of the GR4-EN11 indicator [1], 27 facilities in seven countries, representing a total surface area of around 6,400 hectares, are located less than a kilometer from one or more protected areas.

In the years ahead, the inventory used to compile the G4-EN11-compliant indicator for all of the plants and research facilities will be updated every five years.

Enabling the plants to address biodiversity issues

In 2014, two initiatives were undertaken in response to the protected area inventory. First, the ISO 14001-based application used to analyze a facility's environmental aspects and impacts was upgraded so that the presence of neighboring ecosystems and biodiversity can be identified more consistently in the prioritization of environmental issues. Second, protected areas are being more systematically taken into account during impact studies on projects to build new facilities or extensions.

Over the past two years, a new method of inventorying a plant's local biodiversity has been designed for implementation by non-specialists, in a commitment to raising employee awareness of the biodiversity around them. Pilot tests at two French plants have observed around one hundred species in the surrounding environment.

Achieving a balance between operations and environmental stewardship in Almeria, Spain

Initiatives under way at the Almeria Test Center (CEMA) in Spain were presented by the WBCSD at the International Union for Conservation of Nature (IUCN) Congress devoted to preserving biodiversity and ecosystems, held in Jeju, South Korea, in September 2012.

From the design phase, Michelin's objectives for the CEMA were not only to build the test center and efficiently use its capabilities but also to preserve the site's ecosystems. Environmental conservation targets were therefore included in the center's day-to-day operating indicators. When the Andalusia government decided to protect the area's seacoast and landscape by creating the Cabo de Gata-Níjar Natural Park in 1987, Michelin also began working with park authorities to share best practices and enhance the conservation measures in place.

Group efforts on the Almeria site are regularly commended by the government and by academics. Working hand in hand with local authorities – even well before the official agreement was signed in 1995 – Michelin successfully achieved a balance between its operations and commitment to environmental stewardship.

Created in 1973 and certified ISO 14001 since 2005, the Almeria Test Center covers 4,500 hectares, of which 1,500 lie in the heart of the Cabo de Gata-Níjar Natural Park in Andalusia, in southern Spain. The park is located in an arid region with the lowest rainfall in Europe and is home to a number of plant and animal species, including many found only in the park. The Group's initiatives have helped to preserve, for example, a specimen of the Canary Islands Dragon Tree *(Dracaena Draco)* that is more than 500 years old.

(1) G4-EN11: operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. "G4 Sustainability Reporting Guidelines", GRI, 2013.

Supporting a Center for the Study of Biodiversity in Bahia, Brazil

As part of the *Ouro Verde* (Green Gold) project conducted on the experimental farm in Bahia, Brazil, Michelin has been working since 2003 to preserve a rare and threatened portion of the primary Atlantic Forest that is exceptionally rich in biodiversity.

Located on the plantation is a Center for the Study of Biodiversity that offers scientists from around the world an open-air laboratory on the Atlantic Forest. The Center can accommodate up to 16 researchers at a time, with the equipment necessary for their work. Michelin is helping to finance some of the Center's research programs, including 36 biodiversity studies. Educational walking trails have been prepared for visitors and particular attention has been paid to raising awareness of environmental issues in the neighboring community. The Understanding the Atlantic Forest program, for example, offers guided tours of the protected area for small groups or field trips for school children.

Earning Wildlife at Work certification at the Louisville, plant in the United States

The Louisville, Kentucky facility joined forces with two other local companies to transform two nearby landfills into a 30-hectare wildlife refuge with forests, prairies, wetlands and wildflowers. Volunteers participated in a replanting campaign and the site now attracts birds, foxes, deer and other wild animals. The three-year project was completed in late 2011 and has earned Wildlife at Work certification from the Wildlife Habitat Council.

Protecting a special habitat at the Ladoux Technology Center in France

In July 2011, an agreement was signed with the Auvergne Regional Nature Conservancy to ensure protection of a 3.5 hectare area containing continental salt meadows on the grounds of the Ladoux Technology Center. Extremely rare in Europe, this type of habitat is home to protected maritime species in the Auvergne region (such as the sea plantain and *Juncus Gerardii* black grass) and has been designated as a priority for conservation.

Working with Wildlife and Industry Together in the United States

Since 1998, the Laurens Proving Grounds in South Carolina has partnered with the South Carolina Wildlife Federation to manage a protected nature area certified by Wildlife and Industry Together (WAIT). The facility has implemented various programs to protect the region's natural habitats, in particular by getting local schools involved to encourage environmental awareness among children. Michelin employees have also volunteered on several occasions to participate in such projects as maintaining walking trails around the site.

A number of other Michelin facilities in South Carolina have also obtained WAIT certification, including Sandy Springs, Starr, Lexington and the Research Center in Greenville.

Protecting biodiversity at the Karlsruhe plant in Germany

Since 2014, the Karlsruhe plant has participated in a national program initiated by the German Ministry of the Environment to promote biodiversity at industrial facilities. As part of the project, experts from the Global Nature Fund NGO inventoried the site's biodiversity potential and issued recommendations for action, which are now being evaluated. These include:

- Installing insect hotels and bird nests.
- Reducing the frequency of groundskeeping work, to enable the development of biodiversity and lower upkeep costs.
- Installing peregrine falcon nesting boxes. As natural pigeon predators, the peregrines would help control the neighboring pigeon population.

6.4 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

For the year ended 31 December 2015

This is a free translation into English of the Statutory Auditors' 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 our capacity as Statutory Auditor of Compagnie Générale des Établissements Michelin, appointed as an independent third party and certified by COFRAC under number 3-1060 (1), we hereby report to you on the consolidated employee, societal and environmental information for the year ended 31 December 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

/ Company's responsibility

The Managing Chairman is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

/ Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

/ Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between October 2015 and February 2016 during a 24 week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with French professional standards and with the decree dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 (2) concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

(1) The scope of this accreditation is available online at http://www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important [(3)]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities sites selected by us [(4)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 21% of headcount and between 18% and 24% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, February 15, 2016

PricewaterhouseCoopers Audit

Éric Bulle	Sylvain Lambert
Partner	Partner of the Sustainable Development department

(3) Quantitative information: total workforce and distribution by gender, age and geographical area; workplace accidents, and more specifically frequency and severity rates; TCIR (Total Case Incident Rate); the total amount of training hours; preventive, reduction or remedial measures against discharges to air (and more specifically VOC, NOx and SOx emissions), water (and more specifically TSS, COD, THC and Zinc discharges) and land use affecting severely the environment; measures implemented for waste prevention, recycling and disposal; water consumption, and water supply with respect to local hydric stress; energy consumption; greenhouse gas emissions.

Qualitative information: health and safety conditions at work; implemented training policies; measures taken to improve energy efficiency and the use of renewable energies; the territorial, economic and social impact of the company's activities regarding employment and local development; the integration of social and environmental stakes in the purchasing policy; the importance of subcontracting and the consideration of suppliers' and subcontractors' responsibility; anti-bribery actions; measures taken to support consumers' health and safety.

(4) Anderson (USA), Aranda (Spain), Bamberg (Germany), Bridgewater (Canada), Cholet (France), Euromaster France – Grenoble (France), Olzstyn (Poland), Rayong (Thailand), Shenyang 2 (China), Vitoria (Spain)

7 CONSOLIDATED FINANCIAL STATEMENTS

7.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

DETAILED SUMMARY OF THE NOTES OF THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net sales	5	21,199	19,553
Cost of sales		(14,238)	(13,299)
Gross income		**6,961**	**6,254**
Sales and marketing expenses		(1,929)	(1,842)
Research and development expenses		(689)	(656)
General and administrative expenses		(1,707)	(1,596)
Other operating income and expenses	8	(59)	10
Operating income before non-recurring income and expenses	**5**	**2,577**	**2,170**
Non-recurring income and expenses	9	(370)	(179)
Operating income/(loss)		**2,207**	**1,991**
Cost of net debt	10	(184)	(130)
Other financial income and expenses	10	(30)	(43)
Net interest on employee benefit obligations	27.1	(141)	(154)
Share of profit/(loss) from associates		17	(13)
Income/(loss) before taxes		**1,869**	**1,651**
Income tax	11	(706)	(620)
NET INCOME/(LOSS)		**1,163**	**1,031**
▶ Attributable to the shareholders of the Company		1,168	1,031
▶ Attributable to the non-controlling interests		(5)	-
Earnings per share *(in €)*			
▶ Basic	12	6.28	5.52
▶ Diluted		6.19	5.45

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net income/(loss)		**1,163**	**1,031**
Post-employment benefits	27.1	(317)	(484)
Tax effect – Post-employment benefits	18	82	85
Other items of comprehensive income that will not be reclassified to income statement		**(235)**	**(399)**
Available-for-sale financial assets – change in fair values	15.1	(25)	(26)
Tax effect – available-for-sale financial assets – change in fair values	18	-	4
Available-for-sale financial assets – (gain)/loss recognized in income statement		-	-
Currency translation differences		(70)	169
Other		7	-
Other items of comprehensive income that may be reclassified to income statement		**(88)**	**147**
Other comprehensive income		**(323)**	**(252)**
COMPREHENSIVE INCOME		**840**	**779**
▶ Attributable to the shareholders of the Company		843	779
▶ Attributable to the non-controlling interests		(3)	-

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	December 31, 2015	December 31, 2014 [1]
Goodwill	13	803	835
Intangible assets	13	621	602
Property, plant and equipment (PP&E)	14	10,532	10,081
Non-current financial assets and other assets	15	410	283
Investments in associates	17	309	189
Deferred tax assets	18	1,259	1,156
Non-current assets		**13,934**	**13,146**
Inventories	19	4,289	4,203
Trade receivables	20	2,743	2,569
Current financial assets	21	363	462
Other current assets	22	1,012	883
Cash and cash equivalents	23	1,552	1,167
Current assets		**9,959**	**9,284**
TOTAL ASSETS		**23,893**	**22,430**
Share capital	24	364	371
Share premiums	24	3,222	3,601
Reserves	25	5,903	5,534
Non-controlling interests		53	12
Equity		**9,542**	**9,518**
Non-current financial liabilities	26	2,444	1,621
Employee benefit obligations	27.1	4,888	4,612
Provisions and other non-current liabilities	29	1,681	1,476
Deferred tax liabilities	18	118	95
Non-current liabilities		**9,131**	**7,804**
Current financial liabilities	26	548	726
Trade payables		2,260	2,154
Trade payables under factoring contracts	2.2	94	8
Other current liabilities	30	2,318	2,220
Current liabilities		**5,220**	**5,108**
TOTAL EQUITY AND LIABILITIES		**23,893**	**22,430**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	Share capital (note 24)	Share premiums (note 24)	Reserves (note 25)	Non-controlling interests	Total
At January 1, 2014 [1]	**372**	**3,641**	**5,232**	**6**	**9,251**
Net income/(loss)	-	-	1,031	-	1,031
Other comprehensive income	-	-	(252)	-	(252)
Comprehensive income	**-**	**-**	**779**	**-**	**779**
Issuance of shares	2	44	-	-	46
Purchase of shares	-	-	(87)	-	(87)
Cancellation of shares	(2)	(85)	87	-	-
Disposal of shares	-	-	2	-	2
Dividends and other allocations	-	-	(486)	-	(486)
Share-based payments – cost of services rendered	-	-	7	-	7
Other	(1)	1	-	6	6
At December 31, 2014 [1]	**371**	**3,601**	**5,534**	**12**	**9,518**
Net income/(loss)	-	-	1,168	(5)	1,163
Other comprehensive income	-	-	(325)	2	(323)
Comprehensive income	**-**	**-**	**843**	**(3)**	**840**
Issuance of shares	2	62	-	-	64
Purchase of shares	-	-	(451)	-	(451)
Cancellation of shares	(10)	(441)	451	-	-
Dividends and other allocations	-	-	(483)	-	(483)
Share-based payments – cost of services rendered	-	-	9	-	9
Other	1	-	-	44	45
AT DECEMBER 31, 2015	**364**	**3,222**	**5,903**	**53**	**9,542**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net income		1,163	1,031
Adjustments			
▶ Cost of net debt	10	184	130
▶ Other financial income and expenses	10	30	43
▶ Net interest on benefits	27.1	141	154
▶ Income tax	11	706	620
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,357	1,116
▶ Non-recurring income and expenses	9	370	179
▶ Share of loss/(profit) from associates		(17)	13
EBITDA before non-recurring income and expenses	**3.7.2**	**3,934**	**3,286**
Other non-cash income and expenses	31	(9)	5
Change in provisions, including employee benefit obligations	31	(357)	(191)
Cost of net debt and other financial income and expenses paid	31	(143)	(144)
Income tax paid	18.2	(754)	(616)
Change in working capital, net of impairments	31	24	182
Cash flows from operating activities		**2,695**	**2,522**
Purchases of intangible assets and PP&E	31	(1,774)	(1,839)
Proceeds from sale of intangible assets and PP&E		43	46
Equity investments in consolidated companies, net of cash acquired		(181)	(404)
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(118)	(13)
Proceeds from sale of available-for-sale financial assets		2	2
Cash flows from other financial assets	31	86	121
Cash flows from investing activities		**(1,942)**	**(2,087)**
Proceeds from issuances of shares	24	64	46
Purchase of shares	24	(451)	(87)
Dividends paid to the shareholders of the Company	24	(463)	(464)
Cash flows from financial liabilities	31	462	(280)
Other cash flows from financing activities		36	(40)
Cash flows from financing activities		**(352)**	**(825)**
Effect of changes in exchange rates		**(16)**	**(6)**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**385**	**(396)**
Cash and cash equivalents at January 1		**1,167**	**1,563**
Cash and cash equivalents at December 31	**23**	**1,552**	**1,167**

The notes 1 to 36 are an integral part of the consolidated financial statements.

NOTES TO THE 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 consolidated financial statements were authorized for issue by the Managing Chairman on February 11, 2016.

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

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements:

- are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at closing date with a mandatory application (available on the internet website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm);
- are also in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss or other items of comprehensive income.

2.2 Accounting policies

The accounting policies applied in the preparation of the Group consolidated financial statements are set out in note 3 "Summary of significant accounting policies". These policies have been consistently applied to all the years presented.

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union

Interpretation to existing standards, which is applicable for the accounting periods beginning on or after January 1, 2015 and having an impact for the Group, is described below.

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy that is not Income tax clarifying that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The Interpretation was adopted by the European Union on June 14, 2014 and shall be applied no later than the accounting period beginning on or after June 17, 2014. The Group applies this interpretation from the accounting period beginning on January 1, 2015. The impact of this change in accounting policy on the financial statement of the financial position is presented below:

	January 1, 2014			December 31, 2014		
(in € million)	As reported	Restatements	As restated	As reported	Restatements	As restated
Non-current assets	11,352	7	**11,359**	13,139	7	**13,146**
including deferred tax assets	*1,054*	*7*	***1,061***	*1,149*	*7*	***1,156***
Current assets	9,330	-	**9,330**	9,284	-	**9,284**
TOTAL ASSETS	**20,682**	**7**	**20,689**	**22,423**	**7**	**22,430**
Equity	9,256	(5)	**9,251**	9,523	(5)	**9,518**
Non-current liabilities	6,569	-	**6,569**	7,804	-	**7,804**
Current liabilities	4,857	12	**4,869**	5,096	12	**5,108**
including other current liabilities	*2,031*	*12*	***2,043***	*2,208*	*12*	***2,220***
TOTAL EQUITY AND LIABILITIES	**20,682**	**7**	**20,689**	**22,423**	**7**	**22,430**

The change has no effect on the consolidated income statement or on the consolidated cash flow statement for the year 2014.

There are no new standards or major amendments which are applicable for the accounting periods beginning on January 1, 2015 and which could have an impact on the consolidated financial statements of the Group.

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

IFRS 9, "Financial instruments", published in July 2014, replaces IAS 39. The standard contains requirements for the classification and measurement of financial assets, including the introduction of a new expected loss impairment model for financial assets. For financial liabilities, the standard retains most of the requirements of IAS 39. IFRS 9 also sets new principles for the use of hedge accounting. The impact of this standard is currently in progress with the intent of adopting it no later than the accounting period beginning on January 1, 2018, providing its adoption by the European Union.

IFRS 15, "Revenue from Contracts with Customers", published in May 2014, establishes the fundamental principle that the recognition of revenue arising from contracts with customers must reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing IFRS 15's full impact and intends to adopt it no later than the accounting period beginning on January 1, 2018, providing its adoption by the European Union.

IFRS 16 "Leases", published in January 2016, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The standard applies a control model to 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, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and/or leases of low value assets). The Group will start assessing IFRS 16's impact and intends to adopt it no later than the accounting period beginning on January 1, 2019, providing its adoption by the European Union.

There are no other new standards, amendments and interpretations to existing standards, which have been published but are not yet effective that are expected to have a material impact on the Group.

2.5 Critical accounting estimates and judgments

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

The main critical accounting estimates requiring key assumptions and judgments are the impairment of non-financial assets, the employee benefit obligations and the income taxes.

/ 2.5.1 Impairment of non-financial assets

The cash generating units' (CGU) future cash flows used in the calculation of value in use (note 3.16 "Impairment of non-financial assets") are derived from the Group rolling five-year strategic plan.

The construction of the strategic orientations is an exercise involving the various actors within the CGUs and the projections are validated by the Managing Chairman. It requires critical estimates and judgments, especially in the determination of market trends, raw material costs and pricing policies. Therefore, the actual cash flows may differ from the estimates used in the calculation of value in use.

Quantitative information is provided in note 13.1 "Goodwill".

/ 2.5.2 Employee benefit obligations

The Group plans are defined contribution plans which generally require, on top of the part financed by the Group, a contribution from each salaried employee defined in percentage of the compensation.

Some subsidiaries also book in their accounts liabilities for various pension plans, jubilees and other post-employment benefits linked to rights acquired by the employees in these plans reflecting their history or some legal obligations.

The valuation of these benefits is carried out annually by independent actuaries. The actuarial method used is the Projected Unit Credit Method.

According to this method, statistical information and various assumptions are used in calculating the expense, the liability and the asset related to the benefit plans. Assumptions include mainly the discount rate, the long term salary increase rate and the expected rate of growth in future medical costs. Statistical information is mainly related to demographic assumptions such as mortality, employee turnover, disability and retirement age.

Assumptions and statistical information are determined according to internal guidelines in consultation with the actuaries.

The discount rates are determined using tools from the actuaries having the same maturity as the liabilities.

The rate of salary increases is determined by each country based on a long term salary policy and includes all elements related to market practices as well as career development, promotion and seniority.

The inflation rates having standard maturities are determined using several methods:

- by using the tools from the actuaries based on target rates published by Central Banks, forecasts from the Consensus Economics organization and inflation swap curves;
- by taking the spread between inflation-linked bonds and conventional securities. The rates are then adjusted with a spread which represents the liquidity and risk premium embedded in the inflation-linked bonds;
- based on historical averages.

The other assumptions (retirement age, employee turnover, health care cost trend, mortality, invalidity) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force.

The actual data (such as inflation, mortality and real return on assets) may differ from the long term actuarial assumptions used. The resulting difference is recognized as a gain or loss in other comprehensive income.

Quantitative information is provided in note 27 "Employee benefit obligations".

/ 2.5.3 Income taxes

Significant judgment and estimates are required in determining the income tax expense.

The expected reversal of tax losses is based on the forecast of future results validated by the local management and reviewed by the Group Tax and Accounting Departments. The analyses are also performed in order to ensure the coherence of these forecasted future results with the strategic plans of the Group, validated by the Managing Chairman. Analyses to support the deferred tax positions are performed periodically, at a date as close as possible to closing.

The period of reversal of tax losses carried forward is based on a reasonable horizon taking into account the specific circumstances of each Group company, such as:

- the origin of the historical tax losses (generally exceptional and non-recurrent: restructuration, significant increases in production capacity...);
- the forecasted future results;
- the tax planning opportunities;
- the possibility of internal reorganizations; and
- the time limit for the recovery of historical losses.

Quantitative information is provided in note 18 "Taxes".

NOTE 3 ACCOUNTING POLICIES

3.1 Consolidation

The Group consolidated financial statements include all subsidiaries, joint arrangements and associates of Compagnie Générale des Établissements Michelin.

The Group treats transactions with non-controlling interests, as long as they do not result in a change of control from the Group over the entities (no loss or gain of control), as equity transactions having no impact on the comprehensive income. Expenses occurring from these operations are directly accounted for in equity. At the date the Group gains control of an entity, the carrying amount of previously held non-controlling interests, if any, is adjusted to fair value and the difference is recognized in the income statement. All other related items that were recognized in the comprehensive income are reclassified in the income statement. When the Group loses control over an entity but keeps some non-controlling interests in the entity, such a transaction is analysed as an exchange, i.e. the disposal of a controlling interest and the acquisition of a non-controlling interest.

Shareholdings in companies which are not subsidiaries, joint arrangements or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.17 "Non derivative financial assets").

/ 3.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) that the Group controls. The Group controls an entity when it has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

/ 3.1.2 Joint ventures and associates

Joint ventures are joint arrangements (arrangements of which the Group has control jointly with one or more other parties) in which the Group has rights to the net assets. Joint control is defined as the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Generally, associates are entities in which the Group has a shareholding between 20% and 50% of the voting rights.

Investments in joint ventures and associates are accounted for using the equity method and are initially recognized at cost. The Group investment in joint ventures and associates includes goodwill identified at acquisition date and are presented net of any accumulated impairment losses.

The Group share of its joint ventures' or associates' post-acquisition profits and losses is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income until the date that significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group share of losses in an associate or a joint venture equals or exceeds its interest in the investee, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group interest in the investee. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management.

The Managing Chairman regularly examines segment operating income to assess their performance. He has therefore been identified as the chief operating decision maker of the Group.

3.3 Foreign currency

/ 3.3.1 Presentation and functional currency

The financial statements of the Group entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate and corresponds for most of them to their local currency.

The consolidated financial statements are presented in €, which is the Company's functional currency.

/ 3.3.2 Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange differences on equity investments classified as available-for-sale financial assets are included in other items of comprehensive income until the investment is sold.

/ 3.3.3 Translation

The financial statements of Group entities whose functional currency is different from the Group's presentation currency are translated into Euros as follows: assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position, income and expenses are translated at the average rate of the period (as it is considered a reasonable approximation to actual rates at transaction date), and all resulting exchange differences are recognized in other items of comprehensive income.

Cash flows are also translated at the average rate of the period. When an entity is disposed of, the translation differences accumulated in other items of comprehensive income are recycled in the income statement as part of the gain or loss on disposal.

On the acquisition of an entity, goodwill and fair value adjustments recognized are treated as assets and liabilities of the acquired entity and translated at the spot rate on the transaction date.

/ 3.3.4 Exchange rates of major currencies

	Closing rates		Average rates	
Against €:	2015	2014	2015	2014
US dollar (USD)	1.093	1.213	1.111	1.330
Canadian dollar (CAD)	1.513	1.413	1.416	1.467
Mexican peso (MXN)	18.866	17.942	17.575	17.674
Brazilian real (BRL)	4.226	3.279	3.631	3.118
British pound (GBP)	0.737	0.782	0.726	0.807
Chinese yuan (CNY)	7.097	7.544	6.980	8.192
Indian rupee (INR)	72.577	77.327	71.218	81.113
Thai baht (THB)	39.420	39.995	37.979	43.194

3.4 Derivative financial instruments

Derivative financial instruments are used to manage financial exposures.

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see hedging policy below).

All changes in fair value of derivatives not designated as hedging instruments are recorded as financial income or expense in the period in which they arise.

Fair values are based on market values for listed instruments or on mathematical models, such as option pricing models and discounted cash flow calculations for unlisted instruments. These models take into account market data.

Embedded derivatives are recognized separately if not closely related to the host contract.

3.5 Hedging

Some derivative financial instruments are eligible for hedge accounting and are therefore designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or
- hedges of highly probable forecast transactions (cash flow hedges).

Some other derivatives, while providing effective economic hedges under the Group financial policies, cannot qualify or have not been designated for hedge accounting (see derivatives policy above). Fluctuations of these derivatives' fair values are therefore accounted for in the income statement. For example, foreign currency derivatives that are used to hedge the currency exposure of financial assets and liabilities are not designated as hedging instruments.

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategies. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives are accounted for differently depending on the type of hedge:

3.5.1 Fair value hedges

Changes in fair value of derivatives are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

3.5.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in other items of comprehensive income. The ineffective portion of the gain or loss is recognized immediately in the income statement. Amounts accumulated in other items of comprehensive income are recycled in the income statement in the period when the hedged item affects the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other items of comprehensive income at the time is immediately recognized in the income statement.

3.6 Fair value of financial instruments

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

- Level 1: Quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments (essentially cash and cash equivalents as well as quoted available-for-sale financial assets) are included in level 1.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value these instruments are observable, these instruments (essentially cash management financial assets and derivative instruments) are included in level 2.
- Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument (essentially non-quoted available-for-sale financial assets) is included in level 3.

Specific valuation techniques used to value, generally internally, financial instruments include:

- Quoted market prices or dealer quotes for similar instruments (level 1).
- The fair value of interest rate swaps calculated internally as the present value of the estimated future cash flows based on observable yield curves (level 2).
- The fair value of forward foreign exchange contracts determined internally using forward exchange rates at the date of the consolidated statement of financial position, with the resulting value discounted back to present value (level 2).

Other techniques, such as discounted cash flow analysis, are used internally to determine fair value for the remaining financial instruments (level 3).

When observable yield curves include negative interest rates, those are used without change to determine the fair value of derivatives.

The Group assesses the counterparty risk included in the fair value of its OTC (over-the-counter) derivatives for which there is no exchange of collaterals. The Group includes the effect of its exposure to the credit risk of the counterparty or the counterparty's exposure to the credit risk of the Group. The valuation for long term derivatives with no exchange of collaterals is based on discounted cash flows using a rate including the counterparty credit risk.

3.7 Definition of certain indicators presented in the consolidated financial statements

3.7.1 Net debt

Net debt is made up of current and non-current financial liabilities as they appear on the balance sheet less:

- cash and cash equivalents as they appear on the consolidated statement of financial position;
- derivative instruments included in "Current financial assets and Non-current financial assets" on the consolidated statement of financial position;
- cash management financial assets included in "Current financial assets" on the consolidated statement of financial position (these assets are highly liquid, little affected by the interest rate risk and by the foreign currency risk); and
- borrowing collaterals included in "Current financial assets and Non-current financial assets" on the consolidated statement of financial position.

3.7.2 EBITDA before non-recurring income and expenses

The Group defines EBITDA before non-recurring income and expenses as operating income before (i) nonrecurring income and expenses and (ii) depreciation of property, plant and equipment and amortization of intangible assets, and any related impairment charge.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, taking into account the amount of any trade discounts allowed by the Group entities or any commercial incentives linked to sales. Deferred rebates are accrued based on past experience and expected payments.

Sales are recognized as follows:

- Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and will receive the economic benefits associated with the transaction. Due to the nature of the products, the general sales conditions, the logistics incoterms and the insurance contracts, revenue is usually recognized when the goods leave the Group premises.

- Revenue from sales of services is recognized by reference to the stage of completion of the transaction at the date of the consolidated statement of financial position, to the extent that this stage can be measured reliably and the economic benefits associated with the transaction will flow to the Group.

Financial income is recognized as follows:

- Interest income is recognized on an accrual basis using the effective interest method.
- Dividend income is recognized when the right to receive payment is established.

3.9 Cost of sales

Cost of sales comprises the costs of manufacturing products and the cost of goods purchased for resale.

It includes the purchase cost of raw materials, production costs directly related to the manufactured products and all production overheads, based on the normal capacity of production facilities.

Production overheads include depreciation of property, plant and equipment, amortization of intangible assets relating to production and write-downs of inventories.

Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present location and condition.

3.10 Research and development

Research costs cannot be capitalized. Development cost are capitalized as intangible assets when the conditions relating to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled.

Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

3.11 Non-recurring income and expenses

Unusual, abnormal or non-frequent significant items of income and expenses are separately disclosed in the income statement. They are described in the note 9 "Non-recurring income and expenses".

3.12 Income tax

Current and deferred taxes, plus any withholding tax on royalties and on distributions of retained earnings within the Group, are included in the income statement except if they relate to items recognized either in other comprehensive income or directly in equity, in which case they are also recognized, respectively, in other comprehensive income or directly in equity.

Current tax is based on the results of Group companies and is calculated according to local rules, including any adjustments to tax payable in respect of previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

A deferred tax asset or liability is recognized on initial recognition of transactions arising from business combinations and impacting the accounting or taxable result.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses carried forward and the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures, and associates, except where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.13 Business combination and goodwill

When the Group obtains control of an entity, the business combination is valuated and accounted for by applying the acquisition method. Goodwill is computed at acquisition date as the difference between:

- the fair value of the consideration transferred including, if any, the fair value of contingent consideration;
- the fair value at the acquisition date of the identifiable acquired assets, the liabilities and contingent liabilities assumed.

Goodwill is carried at cost less any accumulated impairment losses.

Costs directly attributable to the business combination are expensed as incurred and booked as other operating income and expense in the consolidated income statement.

The valuation period for a business combination does not exceed twelve months after acquisition date.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the synergies of the combination and that reflect the level at which the Group manages goodwill. Goodwill is tested for impairment annually.

3.14 Intangible assets

Intangible assets are recognized at cost. The cost of an intangible asset acquired as part of a business combination is its fair value at the acquisition date.

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment. Those with finite useful lives are amortized on a straight-line basis over their estimated useful life which generally does not exceed seven years, with the exception of trademarks acquired in a business combination and land-use rights which are amortized over the period the right is granted for.

3.15 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and, when necessary, impairment.

The gross carrying amount includes the cost of acquisition or production cost and other costs directly attributable to the acquisition or the construction of the asset (including borrowing costs). Investment grants are initially accounted for as deferred income and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance costs are expensed as incurred. Other subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land which is not depreciated. Depreciation on property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed. Depreciation is allocated to cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

The following depreciation periods, based on the expected useful lives of the respective assets, are applied throughout the Group:

- Buildings and general installations of land and buildings: 25 years
- Industrial and commercial equipment: 5-12 years
- Computer and telecommunication equipment: 5 years
- Vehicles: 5 years
- Other: 2-12 years

The useful lives of the assets and their respective residual values are reviewed annually.

When assets are sold or otherwise disposed of, the difference between the net proceeds and the net carrying amounts of the assets is recognized in other operating income and expenses.

Property, plant and equipment which are financed by leases giving the Group substantially all of the risks and rewards of ownership are capitalized at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease. The leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets if the transfer of ownership of the leased assets is uncertain.

The obligations arising from future finance lease payments are discounted and recognized as a financial liability in the consolidated statement of financial position. The payments related to operating leases are expensed on a straight-line basis over the lives of the contracts.

3.16 Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (intangible assets or property, plant and equipment) may be less than its carrying amount, the recoverable amount of the asset is measured and an expense is potentially accounted for.

Whether there is an indication of impairment or not, an annual impairment test for goodwill, intangible assets with indefinite useful life and intangible assets not ready for use is performed by comparing their carrying amount with their recoverable amount.

At individual asset level, indications of impairment generally come from a fall in market value, technical obsolescence or an anticipated change of use. The recoverable amount is usually based on the market value.

At Group level, non-financial assets are combined for impairment testing purposes at the lowest level for which there are separately identifiable cash flows (Cash Generating Units – CGUs).

The CGUs are defined according to the way the Group operations are managed: it could be the crossings of Product Lines and Geographic Zones (for example: CGU North America Passenger car and light truck), the Distribution Networks (for example: CGU Euromaster) or the Business Subsidiaries (for example: CGU Michelin Travel Partner). This approach allows having CGUs with cash flows that are separately identifiable from cash flows of other CGUs.

CGUs to which goodwill have been allocated are tested annually or more frequently if events or changes in circumstances indicate a potential impairment. Those without goodwill are tested if there is a specific indication of impairment.

The recoverable amount is the higher of the value in use and the fair value less cost of disposal.

For most CGUs, recoverable amount is based on value in use, which is equal to future discounted cash flows using the Weighted Average Cost of Capital (WACC) as a discount rate. Future cash flows are based on the CGU's five-year cash flow forecasts plus a terminal value, measured by dividing projected cash flows by the WACC. The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt capital and a risk premium reflecting the risks of the countries where the assets are located. Those rates are adjusted in order to determine a pre-tax discount rate, consistent with the pre-tax cash flow forecasts. The gearing is based on target information. The beta is calculated according to the variance and the covariance between the Company stock price and the CAC 40 index using a moving average on 24 months.

The recoverable amount of the distribution CGUs on the other hand is measured at fair value less costs of disposal. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

Any impairment loss is recognized first against goodwill and any remaining amount is allocated among the other assets, based on their net carrying amounts at the closing date.

When the circumstances which previously caused non-financial assets to be impaired no longer apply, the impairment losses are reversed accordingly. However, goodwill impairment can never be reversed.

Changes in impairment losses are recognized in other operating income and expenses unless classified as non-recurring items.

3.17 Non derivative financial assets

/ 3.17.1 Asset categories

The Group classifies its non-derivative financial assets in one of the following categories: loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss. The classification depends on the purpose for which the assets have been acquired as well as its nature. The Group determines the classification of its non-derivative financial assets at initial recognition and reviews this designation at every reporting date.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the date of the consolidated statement of financial position.
- Available-for-sale financial assets are usually non-monetary securities. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the consolidated statement of financial position.
- Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it is acquired principally for the purpose of being sold in the short term or if it is so designated by the Group. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the date of the consolidated statement of financial position.

/ 3.17.2 Transactions

Purchases and sales of non-derivative financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Non-derivative financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value gains or losses are included in the income statement.

/ 3.17.3 Measurement

Available-for-sale financial assets are measured at fair value determined essentially by reference to a published price quotation in an active market. Loans and receivables are measured at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other items of comprehensive income unless these assets are part of fair value hedges and therefore included in the income statement for the hedged risk in the period in which they arise.

/ 3.17.4 Impairment

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other items of comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments cannot be reversed.

3.18 Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of raw material, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor cost, other direct costs and production overheads based upon normal capacity of production facilities. Borrowing costs are expensed as incurred. The measurement of inventories and of cost of sales with the standard cost method put in place by the Group is close to what would be obtained using the actual cost method, after taking under consideration variances.

Net realizable value is the estimated selling price less the estimated costs of completion and sale.

An impairment loss is recognized when net realizable value is lower than cost and is reversed when it becomes apparent that the circumstances which previously caused inventories to be written down below cost no longer exist.

3.19 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

When payment terms are shorter than one year, the initial fair value and the subsequent amortized cost are considered as being equal to the nominal amount.

An impairment loss is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bankruptcy, legal creditor protection processes, manifest insolvency of the debtor, disappearance of the debtor, more than six months overdue, economic or political risk in the debtor country, adverse change in the debtor's credit situation are considered indicators that the trade receivable is impaired. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Prior to recognizing an impairment loss, the quality of any guarantees, as well as the ability to realize them, have to be assessed. In the case of receivables that are more than six months overdue, the Credit Department determines if the risk is limited to the overdue amount, or if it includes all other receivables from the debtor. The impairment loss is also determined by the Credit Department for economic and/or political risk, and for an adverse change in the debtor's credit situation. For all other cases the total amount of the receivable is considered as impaired. The impairment charge is recognized under sales and marketing expenses.

When a trade receivable is uncollectible, it is written off against the corresponding allowance account. Subsequent recoveries of amounts previously written off are credited against sales and marketing expenses in the income statement.

3.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

3.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are presented separately in reserves. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

3.22 Non-derivative financial liabilities

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs, and subsequently at amortized cost. Any difference between the issue proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at amortized cost. The remainder of the proceeds is allocated to the conversion option. This is recognized in equity, net of income tax effects.

To the extent that borrowings are hedged by qualifying fair value hedges, the carrying value of the hedged item is adjusted for the change in fair value attributable to the risk being hedged.

3.23 Employee benefits

Wages, salaries, social security contributions, payments to defined contribution plan, annual leave and sick leave payments, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by Group employees.

Where employee benefits, such as pension, other post-employment benefits and other long-term benefits, are provided by the Group, a liability or an asset and the related costs are recognized.

/ 3.23.1 Pension and other post-employment benefits

Post-employment benefits are benefits payable after the completion of employment. The Group provides retirement benefits for most of its employees, either directly or by contributing to independently administered funds. The benefits provided by the Group vary according to the legal, tax and economic situation in each country and are usually based on one or more factors such as employees' remuneration, age and years of service. The obligations relate both to current retirees and to entitlements of future retirees.

The Group provides post-employment benefits under defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group pays fixed contributions to fund managers or insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay the benefits expected by the beneficiaries.

The regular contributions are recognized as an expense for the year in which they are due and, as such, are included in cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

Group guidelines regarding post-employment benefits have led to the transformation of defined benefit plans to defined contribution benefit plans since early 2000's. Nevertheless most of the current post-employment benefit plans are defined benefit plans. They are either externally funded plans (mainly pension plans), for which the plan assets are held separately in independently administered funds, or unfunded plans such as healthcare benefit plans and retirement bonus plans.

The post-employment benefit liabilities, and the related current service cost, are measured using the Projected Unit Credit Method.

A defined benefit plan is a plan that defines an amount of benefits that the Group is committed to pay to current and former employees.

All defined benefit plans are subject to actuarial calculations carried out annually for the largest plans and on a regular basis for other plans. These actuarial valuations are provided by independent actuaries. Actuarial assumptions primarily discount rates, projected rates of remuneration growth, inflation and expected growth of healthcare costs are incorporated in the actuarial valuations and reviewed annually.

The liability or the asset recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. They take into account any unrecognized assets not available in form of refunds or reduction in future contributions.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the currency of the obligation that have maturities approximating the duration of the related benefit liability.

A net asset is recognized only to the extent that it represents a future economic benefit which is actually available to the Group in the form of refunds from the plan or reductions in future contributions to the plan.

When a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group determines whether paying these contributions may give rise to a surplus in that defined benefit plan. To the extent that the surplus in the plan exceeds the economic benefits available, the Group recognizes immediately a decrease in the defined benefit asset or an increase in the defined benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Past service costs may arise when new defined benefit plans are set up, when changes to benefits payable under an existing defined benefit plan are introduced or when curtailments occur. They are recognized immediately in the income statement.

The Group net benefit plan cost recognized in operating income consists of current service cost, curtailment and settlements gains and losses, past service cost as well as actuarial gains and losses arising under other long term benefit plans. Net interest on the net defined benefit liability (asset) is recognized below operating income.

/ 3.23.2 Share based payments

Employee share option plans

Benefits related to share options which can be granted to some Group employees are measured at grant date using a binomial model.

The grant date is the date when the Managing Chairman decides on the plan list of beneficiaries and the number of options granted to them.

The binomial model is based on the spot price for Company shares, the exercise price, the historical volatility (over a period equal to the expected lifetime of the option), a risk-free interest rate (zero coupon government bonds with a maturity equal to the expected lifetime of the option), and a dividend stream based on market expectations.

Benefits are spread over the period during which the services are rendered. They are recognized in Other operating income and expenses.

Performance share plans

The Group may adopt plans to grant free shares of the Company to certain of its employees.

The grant date is the date when the Managing Chairman decides on the plan list of beneficiaries and the number of performance shares granted to them.

The fair value of the performance shares is based on the spot price of the Company's share at grant date, less the present value of expected dividends that will not be received by grantees during the vesting period.

The number of shares that will finally be issued at the end of the vesting period depends on the realization of Group performance and service conditions.

The total compensation cost is based on the fair value of the performance shares and the estimated number of shares that will finally be issued. This cost is recognized over the vesting period and is booked in Other operating income and expenses.

3.24 Provisions

Provisions are recognized when a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

Restructuring provisions are recognized when the Group has a detailed formal plan that has been announced.

Provisions are recorded at the net present value of the estimated cash outflows.

3.25 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The Group has put in place paying agent contracts with some financial institutions. Under these agreements, the financial institution acts as a paying agent with respect to invoices due to our suppliers that have entered into a bilateral agreement with the financial institution in order to be in position to assign their trade receivables from the Group.

Given the nature of these contracts, the total balance of trade payables to such suppliers is presented on a separate line of the consolidated statement of financial position "Trade payables under factoring contracts".

In the consolidated cash flow statement, these operations are included in operating activities.

NOTE 4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk management policy

/ 4.1.1 Organization of financial risk management

Financial risk control, measurement and supervision are carried out under the responsibility of the Corporate Financing Department, at the subsidiary, geographic zone level as well as at the Group level. It reports directly to the Group Financial Department.

One of the Corporate Financing Department's ongoing missions is the formulation of financial risk management policies, monitored on the basis of a full array of internal standards, procedures and authoritative literature. Geographic zone finance managers oversee the implementation of the Group's financial risk management policies by the finance managers of the companies in their zone. In addition, compliance with financial risk policies is assessed through internal audit reviews to evaluate risk control efficiency and identify means of improvement.

All strategic decisions regarding Group financial risk hedging policy are taken by the Group Financial Department. As a general rule, the Group strictly limits the use of derivatives to the sole purpose of hedging clearly identified exposures.

A Financial Risks Committee has for mission the establishment and the validation of policies governing the management of financial risks, the identification and evaluation of these risks and the validation and control of financial hedging instruments. The Financial Risks Committee meets on a monthly basis and includes members of the Group Financial Department and of the Corporate Financing Department.

/ 4.1.2 Liquidity risk

4.1.2.1 Risk factors

Liquidity is defined as the ability to repay borrowings when they fall due and to find new stable sources of financing so that there is always sufficient money to cover expenses. In the course of its business, the Group is exposed to the risk of having insufficient liquid resources to finance its operations and make the investments needed to drive its growth. It must therefore manage its cash reserves and committed lines of credit on a continuous basis.

4.1.2.2 Risk management processes

The Corporate Financing Department is responsible for the Group's financing and liquidity at the lowest cost. The Group raises financing on the capital markets through long-term financial instruments (bond issues), as well as through bank resources (loans and credit lines), commercial paper programs and securitization of accounts receivable. The Group has also negotiated committed back-up credit lines and maintains cash reserves that are calibrated in order to ensure the refinancing of the short term debt. Long term financing and committed back-up credit lines are essentially concentrated at the level of the financial holding companies, in particular the Compagnie Financière du Groupe Michelin, "Senard et Cie" (CFM), which acts as the financing hub for the Group.

Except in the case of particular obligations related to the specific features of local financial markets, the Group companies are financed in accordance with a model that is being progressively deployed across the Group:

- cash pooling with the Group for the management of day to day liquidity requirements;
- intercompany credit lines and loans to meet medium and long term requirements.

Short term financing for subsidiaries that do not participate in the cash pooling is under the responsibility of the local treasurer.

The management of liquidity risk is supported by a forecasting system of short and long term financing requirements based on business forecasts and the strategic plans of the operating entities.

As a matter of prudent financial policy, the Group guards against the inclusion in its financial contracts of covenants providing for ratios or "material adverse change" clauses that could affect its ability to mobilize credit lines or affect their term. At closing date no such clause featured in Group loan agreements. With regard to clauses in financial contracts relating to default or acceleration, the probability of such circumstances arising is low and their possible impact on the financial situation of the Group is not significant.

/ 4.1.3 Currency risk

4.1.3.1 Risk factors

Currency risk is defined as the impact on financial indicators of fluctuations in the exchange rates of foreign currencies used in the normal course of business. The Group is exposed to currency risks on its foreign currency transactions (transaction risk) and also on the translation of its net investment in foreign subsidiaries (translation risk).

Foreign currency transaction risk arises from the monetary assets and liabilities of the Group and its subsidiaries (mainly cash and cash equivalents, receivables, payables and borrowings) that are denominated in foreign currencies. It corresponds to the risk of a change in the exchange rate between the date when these monetary assets and liabilities are recorded in the accounts and the date when they are recovered or settled.

Foreign currency translation risk arises from the Group's net investment in foreign subsidiaries. It corresponds to the risk of a change in the exchange rate used to translate the net investment in the foreign subsidiary into Euros during the consolidation process.

4.1.3.2 Risk management processes

Currency transaction risk

Foreign currency transaction risk is monitored by the Corporate Financing Department.

Each Group companies continually calculate its accounting foreign exchange exposure in relation to its functional currency and hedges it systematically. A number of temporary exemptions can, however, be granted by the Group Financial Department when it is not possible to hedge a currency or when it is justified under exceptional market conditions.

Foreign currency payables and receivables of the same type and with equivalent maturities are netted off and only the net exposure is hedged. This is normally carried out through the financial holding company, or, alternatively, through a bank. The financial holding company in turn assesses its own resulting exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts. The structural part of the exposure is hedged with long term instruments (seven years maturity at the longest) and the operating part is hedged with short term instruments (generally maturity is shorter than or equal to three months). Currency risk monitoring and hedging is based on Group internal standards and procedures. A transactional currency risk alert system is implemented throughout the Group under the responsibility of the Corporate Financing Department. These exposures are tracked on a monthly basis on a detailed management report.

Currency translation risk

The Group does not use hedging instruments to actively manage this risk.

Investments in foreign subsidiaries are booked in the functional currency of the parent company and are not included in the latter's foreign exchange position.

/ 4.1.4 Interest rate risk

4.1.4.1 Risk factors

The Group's income statement may be affected by interest rate risk. An unfavorable change in interest rates may adversely affect future finance costs and cash flows. The Group is in a net debt position and is exposed to the risk of an increase in interest rates on the portion of debt at variable rate. It may also be exposed to an opportunity risk in the case of a fall in interest rates, if too great a proportion of debt is at fixed rates, as well as on financial investments, depending on their interest terms.

4.1.4.2 Risk management processes

The objective of interest rate management is to minimize financing costs whilst protecting future cash flows against unfavorable movements in interest rates. For this purpose, the Group uses various derivative instruments available in the market, but restricts itself to the use of "plain vanilla" instruments (interest rate swaps, caps, collars, etc.).

Interest rate exposure is analyzed and monitored by the financial risks committee using monthly performance indicators and management reports.

The interest rate position is centralized by currency by the Corporate Financing Department that is the only department permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risk Committee determines the limits for hedging by currency, by taking into consideration the Group debt ratio (hedging needs evolving in line with the level of the debt).

/ 4.1.5 Equity risk

4.1.5.1 Risk factors

The Group owns shares in listed companies whose share price fluctuates, among other things, in line with changes in the global stock markets, the multiples applied by the markets to the industries in which these companies operate and their specific economic and financial metrics.

Equity investments are made for strategic rather than trading purposes. Equities are held under a medium or long term strategy, and not for short term trading portfolio management.

4.1.5.2 Risk management processes

The Group Investment Committee, which includes representatives of the Financial, Legal and Corporate Finance Departments, is responsible for the application of monitoring rules on investments. It therefore makes an annual review of the investments to assess the risk level and the evolution of the results compared to defined targets.

/ 4.1.6 Counterparty risk

4.1.6.1 Risk factors

Counterparty risk is the risk of a debtor refusing or being unable to fulfil all of part of its obligations. The Group is exposed to counterparty risk on its contracts and financial instruments. Counterparty risk may lead to an impairment loss or a loss of liquidity. The Group is exposed to the risk of impairment losses arising from the investment of available cash in money market instruments and other marketable securities, as well as on finance receivables, derivative instruments and third party guarantees. It is exposed to the risk of a loss of liquidity on its undrawn committed lines of credit.

4.1.6.2 Risk management processes

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the industrial and commercial risks that are associated with its operations, the Group gives priority to the security and the liquidity of all its cash investments. Cash investments consist of (i) financial instruments that are subject to no risk or an insignificant risk of changes in value purchased from a sufficiently diversified group of leading banks, and (ii) unrestricted units in diversified money market funds or short-term bond funds.

As well as cash investments, counterparty risk is borne on the value of the assets of derivative instruments used for hedging purposes. These amounts and their distribution by bank are tracked weekly by the Group Treasury and monitored monthly by the Financial Risks Committee.

In order to mitigate the counterparty risk on its derivatives instruments, the Group realizes exchange of collaterals with its main banks.

/ 4.1.7 Credit risk

4.1.7.1 Risk factors

Credit risks may arise when the Group grants credit to its customers. If a customer becomes insolvent or files for bankruptcy, it may default on the receivables held by the Group and this may have a negative impact on the Group's income statement.

4.1.7.2 Risk management processes

The Credit Department, which is part of the Group Financial Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is also responsible for credit and collection. The main policies and procedures are defined at Group level and are monitored and controlled at both the geographical zone and Group level. A monthly credit reporting system operates within the Group.

4.2 Financial risk data

/ 4.2.1 Liquidity risk

At December 31, 2015, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2016	2017	2018	2019	2020	2021	2022 and beyond
Bonds	239	745	25	431	14	14	1,000
Loans from financial institutions and other	308	50	25	2	10	3	208
Obligation under finance lease	24	5	5	5	5	5	67
Derivative instruments	3	(50)	27	16	-	(1)	-
Repayment schedule of financial debts	**574**	**750**	**82**	**454**	**29**	**21**	**1,275**
Long-term undrawn confirmed credit lines	**-**	**-**	**-**	**-**	**1,500**	**-**	**-**

This table shows debt principals plus interests according to their payment date, as projected with available market data at closing date (interests are computed in each currency on the basis of the market rates, and converted in Euros at closing rates). Thus displayed amounts are not discounted.

The refinancing risk of the Group short term debt is covered by the amount of the undrawn confirmed credit lines (€1,500 million), cash available (€1,552 million) as well the cash management financial assets (€205 million).

In December 2014, the Group renewed its syndicated credit line for five years with an option to extend it twice for a one year period.

In November 2015, the Group exercised the one year extension option of this syndicated credit line. The final maturity date of the line is now 2020.

/ 4.2.2 Currency risk

Transactional Currency Risk

The following table set forth the Group transactional foreign currency accounting exposures (when a monetary asset or liability is denominated in a currency other than the functional currency), before and after hedging:

	December 31, 2015						December 31, 2014					
(in € million)	USD	AUD	RON	GBP	EUR	Other	USD	AUD	RON	GBP	EUR	Other
Monetary assets	3,635	180	60	56	789	2,427	3,867	164	51	183	971	2,553
Monetary liabilities	(2,691)	(102)	(39)	(111)	(1,878)	(1,204)	(2,471)	(94)	(72)	(346)	(1,752)	(1,240)
Net position before hedging	**944**	**78**	**21**	**(55)**	**(1,089)**	**1,223**	**1,396**	**70**	**(21)**	**(163)**	**(781)**	**1,313**
Hedges	(897)	(70)	(14)	46	1,047	(1,247)	(1,381)	(77)	(5)	162	771	(1,336)
NET POSITION AFTER HEDGING	**47**	**8**	**7**	**(9)**	**(42)**	**(24)**	**15**	**(7)**	**(26)**	**(1)**	**(10)**	**(23)**

At 31 December, 2015, a subsidiary had net exposure in USD for € 53 million and in EUR for € 66 million, due to the change of its functional currency as of 1 January, 2016. This exposure is being hedged from the beginning of January 2016.

An unfavorable change in each of the foreign currencies mentioned in the table above against the functional currencies of the companies which have the currency transaction exposure would have a negative aggregate impact, after hedging, of less than €1 million (2014: €1 million) in the consolidated income statement for every cent change. A favorable change would have a totally symmetrical impact. This relatively low sensibility to the transaction currency risk is due to the objective described in paragraph 4.1.3 "Currency risk".

Because of the low volume of cash flow hedge derivatives (note 16 "Derivative financial instruments"), the equity sensitivity to currency risk is not significant.

Currency Translation Risk

A breakdown of equity by currency is provided in the following table:

(in € million)	December 31, 2015	December 31, 2014 (1)
EUR	5,383	5,452
BRL	744	870
USD	1,317	782
THB	753	710
CNY	403	431
CAD	278	398
INR	255	251
Other	409	624
TOTAL	**9,542**	**9,518**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

/ 4.2.3 Interest rate risk

Net debt at December 31, 2015 by type of hedges and currencies can be detailed as follows:

	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
(in € million)	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
EUR	1,806	(915)	**891**	(2,409)	1,806	(3,324)	**(1,518)**	(400)	400	1,406	(2,924)	**(1,518)**
CNY	-	61	**61**	980	-	1,041	**1,041**	429	(429)	429	612	**1,041**
USD	1	25	**26**	480	1	505	**506**	412	(412)	413	93	**506**
BRL	116	(2)	**114**	339	116	337	**453**	233	(233)	349	104	**453**
INR	-	8	**8**	127	-	135	**135**	69	(69)	69	66	**135**
AUD	-	35	**35**	68	-	103	**103**	40	(40)	40	63	**103**
Other currencies	19	(140)	**(121)**	415	19	275	**294**	82	(82)	101	193	**294**
Total before derivatives	**1,942**	**(928)**	**1,014**	**-**	**1,942**	**(928)**	**1,014**	**865**	**(865)**	**2,807**	**(1,793)**	**1,014**
Fair value of derivatives included in net debt			**(6)**				**(6)**					**(6)**
NET DEBT (NOTE 26)			**1,008**				**1,008**					**1,008**

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2015:

		Fair value impact			
(in € million)	Annualized cash impact booked in income statement	Booked in income statement [1]	Booked in other comprehensive income [2]	Not booked [3]	Total
1-point downward shift	(18)	(10)	(5)	93	**78**
1-point upward shift	18	10	4	(93)	**(79)**

(1) The Group interest rate policy aims at hedging perfectly identified future cash flows. However, some derivative instruments do not qualify for a hedge accounting under IFRS rules and are measured at fair value through profit or loss.
(2) For derivatives qualifying for hedge accounting (cash flow hedges).
(3) Some fair value impacts are not accounted for since the underlying net debt component is not booked at fair value but at amortized cost.

/ 4.2.4 Equity risk

Equity risk is the risk of a 10% unfavorable change in the price of the Group investment portfolio.

(in € million)	December 31, 2015	December 31, 2014
Carrying amount (note 15.1)	243	151
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	**(8)**	**(10)**

/ 4.2.5 Counterparty risk

At December 31, 2015, 57% of cash and cash equivalents (including cash management financial assets) is invested in money market or short term bond funds to allow for a maximum diversification of the counterparty risk. The balance is invested directly in international bank institutions which meet the counterparty risk management criteria defined by the Group.

Furthermore, most of the derivatives are contracted with the same banking groups.

/ 4.2.6 Credit risk

At December 31, 2015, net receivable balances from the ten largest customers amounted to €453 million (2014: €439 million). Seven of these customers are located in Europe and three in North America. At the same date, 58 customers (2014: 49) have been granted credit limits in excess of €10 million. Out of these, 24 are located in Europe, 22 in North America, three in Asia, six in Africa, India, or Middle-East and three in South America. There was no significant collateral received to limit credit risk. In 2015, credit losses represented 0.13% of sales (2014: 0.10%).

/ 4.2.7 Commodities derivatives

In 2015, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

4.3 Capital risk management

The Group's objectives when managing its capital is to safeguard its ability to continue as a going concern and to ensure its development, so that it can provide returns for shareholders and benefits for other stakeholders.

The Group monitors its capital on the basis of the gearing ratio, corresponding to the ratio of net debt to total equity.

(in € million)	December 31, 2015	December 31, 2014 [1]
Net debt (note 26)	1,008	707
Total equity	9,542	9,518
Gearing ratio	**0.11**	**0.07**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

4.4 Fair value measurement hierarchy

The following tables present the Group assets and liabilities that are measured at fair value at December 31, 2015 and 2014 by level of the fair value measurement hierarchy:

(in € million)	Level 1	Level 2	Level 3	Total 2015
Cash and cash equivalents	1,220	332	-	**1,552**
Cash management financial assets	-	205	-	**205**
Deposits borrowing collaterals	80	-	-	**80**
Derivatives (note 16.1)	-	147	-	**147**
Available-for-sales financial assets (note 15.1)	24	-	219	**243**
TOTAL ASSETS	**1,324**	**684**	**219**	**2,227**
Derivatives (note 16.2)	-	141	-	**141**
TOTAL LIABILITIES	**-**	**141**	**-**	**141**

(in € million)	Level 1	Level 2	Level 3	Total 2014
Cash and cash equivalents	816	351	-	1,167
Cash management financial assets	10	303	-	313
Deposits borrowing collaterals	72	-	-	72
Derivatives (note 16.1)	-	88	-	88
Available-for-sales financial assets (note 15.1)	48	-	103	151
TOTAL ASSETS	**946**	**742**	**103**	**1,791**
Derivatives (note 16.2)	-	120	-	120
TOTAL LIABILITIES	**-**	**120**	**-**	**120**

There has been no significant transfer during these two years between level 1 and level 2.

The following table presents the changes in level 3 instruments for the year ended December 31, 2015:

(in € million)	
At January 1, 2015	**103**
Additions	116
Disposals	(6)
Transfers from other level to level 3	-
Transfers from level 3 to other levels	-
Gains or losses for the year included in net income	-
Gains or losses for the year included in other comprehensive income	-
Others	6
AT DECEMBER 31, 2015	**219**

NOTE 5 SEGMENT REPORTING

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

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

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

The operating segment performance is evaluated based on operating income before non-recurring income and expenses, consistently with that of the consolidated income statement.

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

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

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

The segment information is as follows:

	2015				2014			
(in € million)	**Passenger car and Light truck tires and related distribution**	**Truck tires and related distribution**	**Specialty businesses**	**Total**	**Passenger car and Light truck tires and related distribution**	**Truck tires and related distribution**	**Specialty businesses**	**Total**
Profit and loss information								
Net sales	12,028	6,229	2,942	**21,199**	10,498	6,082	2,973	**19,553**
Operating income before non-recurring income and expenses	1,384	645	548	**2,577**	1,101	495	574	**2,170**
In percentage of net sales	*11.5%*	*10.4%*	*18.6%*	***12.2%***	*10.5%*	*8.1%*	*19.3%*	***11.1%***
Depreciation and amortization	(720)	(375)	(230)	**(1,325)**	(590)	(322)	(200)	**(1,112)**
Impairment	(15)	(17)	-	**(32)**	(4)	1	(1)	**(4)**
Segment assets								
Intangible assets and PP&E	6,457	3,410	2,089	**11,956**	5,794	3,640	2,084	**11,518**
Finished products inventories	1,425	885	429	**2,739**	1,313	882	457	**2,652**
Trade receivables	1,492	972	279	**2,743**	1,304	967	298	**2,569**
Total of segment assets	**9,374**	**5,267**	**2,797**	**17,438**	**8,411**	**5,489**	**2,839**	**16,739**
Other information								
Capital expenditure	1,077	487	239	**1,803**	1,034	511	338	**1,883**

Sales between segments are carried at arm's length.

Segment reporting assets are reconciled to total Group assets as follows:

(in € million)	December 31, 2015	December 31, 2014 [(1)]
Segment assets	**17,438**	**16,739**
Non-current financial assets and other assets	410	283
Investments in associates and joint ventures	309	189
Deferred tax assets	1,259	1,156
Other net inventories (raw materials and supplies, work in progress)	1,550	1,551
Current financial assets	363	462
Other current assets	1,012	883
Cash and cash equivalents	1,552	1,167
TOTAL GROUP ASSETS	**23,893**	**22,430**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The geographic information is broken down by zone hereunder:

	2015				2014			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	8,203	8,084	4,912	**21,199**	7,990	6,883	4,680	**19,553**
Intangible assets and PP&E	5,404	2,898	3,654	**11,956**	5,141	2,593	3,784	**11,518**
Capital expenditure	901	434	468	**1,803**	870	533	480	**1,883**

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 amounted to €1,974 million (2014: €1,924 million). The intangible assets and PP&E located in France amounted to €2,059 million (2014: €2,043 million).

Approximately 80% of the North American net sales are done in the United States of America during these two years.

No single external customer amounted to 10% or more of the Group net sales in 2015 and 2014.

NOTE 6 EXPENSES BY NATURE

The following recurring items are allocated to the appropriate headings of expenses by function in the income statement:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Raw materials and consumables used and changes in finished products inventories	(7,552)	(7,344)
Employee benefit costs (note 7)	(5,785)	(5,292)
Transportation of goods	(1,129)	(1,020)
Depreciation, amortization and impairment charges	(1,357)	(1,116)
Other expenses	(2,799)	(2,611)
EXPENSES BY NATURE	**(18,622)**	**(17,383)**

NOTE 7 EMPLOYEE BENEFITS COSTS

The charges for employee benefits are allocated to the appropriate headings of expenses by function in the income statement:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	(4,484)	(3,929)
Payroll taxes	(971)	(1,110)
Defined benefit plan costs (note 27.1)	(134)	(107)
Defined contribution plan costs (note 27.2)	(187)	(139)
Share-based payments – cost of services rendered (note 25)	(9)	(7)
EMPLOYEE BENEFIT COSTS	**(5,785)**	**(5,292)**

The average number of employees in 2015 is 112,484 (2014: 111,671).

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are recognized within in the income statement:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Net restructuring costs	3	(12)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	(21)	(5)
Retiree benefit costs	(12)	(5)
Share-based payments – cost of services rendered (note 25)	(9)	(7)
Other operating income/(expenses)	(20)	39
OTHER OPERATING INCOME AND EXPENSES	**(59)**	**10**

NOTE 9 NON-RECURRING INCOME AND EXPENSES

9.1 Year 2015

The non-recurring income and expenses are detailed in the table below:

	Provision	Impairment	2015 Total
Earthmover tire facility project in India (note 9.1.1)	-	(78)	**(78)**
Reorganization of Truck tire activities in Europe (note 9.1.2)	(188)	(87)	**(275)**
Reorganization of the logistic and the distribution network (note 9.1.3)	(14)	(3)	**(17)**
NON-RECURRING INCOME AND EXPENSES	**(202)**	**(168)**	**(370)**

/ 9.1.1 Earthmover tire facility project in India

After demand for Earthmover tires fell in the original equipment (OE) and Infrastructure segments, the Group suspended in mid-2013 the construction of a facility to produce 49 inch and smaller Earthmover tires at the Chennai, India plant. However, it continued to work on a new Truck tire facility, which came on stream in 2013 and uses a certain number of common facilities and installations that were undertaken for both Earthmover and Truck tire projects.

During the second semester of 2015, when preparing its strategic plan and given the worldwide situation of the OE Earthmover and Infrastructure markets, where demand remains severely down, the Group decided not to implement the Earthmover tire project at the Chennai plant.

As a result, a €78 million provision has been recognized in non-recurring expenses corresponding to the impairment of buildings on the Chennai site, of equipment already manufactured dedicated to this facility and capitalized process engineering costs for the planned equipment related to the OE and Infrastructure segments.

/ 9.1.2 Reorganization of the Truck tire activities in Europe

The competitive environment and the economic crisis of the past few years having a lasting impact on the European tire market, especially the market for new and retread truck tires, the Group has decided a reorganization plan of its activities and announced it will close some sites and facilities in different European countries.

In Italy, the retread activity at the Alessandria plant will cease by mid-2016 and the Fossano site, which produces semi-finished products, will close by the end of 2016. The logistics network will be reorganized and the Tribano warehouse will be closed by the end of 2017.

In the United Kingdom, the Group announced the closure of the Truck tire plant at Ballymena which will be effective mid 2018.

In Germany, the Pneu Laurent subsidiary's facility located at Oranienburg and producing truck retread tires will cease its activity by the end of 2016.

A provision amounting to €275 million has been recognized which will mainly cover the costs of the social elements of these projects, the impairment of non-reusable equipment and the costs necessary to deploy the revitalization plan implemented to help the impacted areas.

/ 9.1.3 Logistics and distribution

The Group continues the reorganization of its logistics and distribution activities by implementing, mainly in Europe, several restructuring plans for a total amount of €17 million which include provisions covering the social costs of the restructuring as well as the impairment of non-reusable equipment.

9.2 Year 2014

/ 9.2.1 Canada

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

The global charge corresponding to this operation has been recorded in non-recurring expenses, in the amount of €46 million, which includes costs of the social elements of the reorganization as well as adjustments to the value of employee defined benefits and to the fixed assets of the Company.

/ 9.2.2 Hungary

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

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

/ 9.2.3 Logistics and distribution

In the context of the optimization of its European operations, the Group reorganizes its logistic and distribution activities. A provision amounting to €39 million has been recognized in non-recurring items covering the social costs of the restructuring as well as the warehouse and the distribution center closures.

/ 9.2.4 URSSAF audit

A French subsidiary of the Group received formal claims, by the administration in charge of the social security contribution collection, to pay €97 million (excluding interests and penalties) relating to several grievances. Certain of these claims, not accepted, and for which the Group has submitted for out-of-court and/or legal settlements, have been provided for an amount of €52 million.

NOTE 10 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)	Year ended December 31, 2015	Year ended December 31, 2014
Interest expenses	(212)	(149)
Interest income	9	13
Interest rate derivatives	15	(9)
Fees on credit lines	(7)	(8)
Capitalized borrowing costs	11	23
COST OF NET DEBT	**(184)**	**(130)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	8	27
Currency remeasurement (including currency derivatives)	(22)	(14)
Other	(16)	(56)
OTHER FINANCIAL INCOME AND EXPENSES	**(30)**	**(43)**

10.1 Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group financing activities are mostly centralized (note 4.1.2 "Liquidity risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 4.1.4 "Interest rate risk"). As a consequence:

- borrowings are essentially raised in Euros (note 26 "Financial liabilities");
- part of these borrowings is subsequently swapped into foreign currencies to finance the foreign subsidiaries; and
- derivatives are contracted to manage the foreign currency interest rates (note 16 "Derivative financial instruments").

This process is described in the summary table in note 4.2.3 "Interest rate risk".

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS (and therefore they cannot be recognized as cash flow hedges as described in note 3.5 "Hedging"). Fluctuations in the derivatives' fair values are therefore accounted for in the income statement. The increase in fair value during the year amounted to €15 million (2014: decrease of €9 million) and is included in "Interest rate derivatives (Cost of net debt)".

10.2 Ineffective hedges

No ineffective portion of fair value hedges was recognized in the income statement (2014: nil) in "Interest rate derivatives (Cost of net debt)". No cash flow hedge ineffectiveness was recognized in the income statement (2014: nil).

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Current tax expense (note 18.2)	(664)	(563)
Deferred tax income/(expense) (note 18.1)	(42)	(57)
INCOME TAX	**(706)**	**(620)**

Current tax includes €48 million of withholding tax on royalties and distribution of retained earnings between Group companies (2014: €52 million).

Reconciliation of the Group effective income tax:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Income before tax	**1,869**	**1,651**
Tax calculated using domestic tax rates applicable to income in the respective countries	**(496)**	**(464)**
Tax effect from:		
▶ untaxed transactions	10	(9)
▶ deferred tax assets not recognized during the year	(103)	(73)
▶ net change in unrecognized deferred tax assets	-	(21)
▶ changes in tax rates	(9)	(4)
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(105)	(51)
▶ other items	(3)	2
INCOME TAX	**(706)**	**(620)**

The Group has operations in various countries that have differing tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary from year to year depending on the relative size of taxable incomes.

In 2015, the difference between the Group's effective and theoretical tax rates can be explained mainly by deferred tax assets not recognized during the year and by withholding taxes or tax credits whose base is not the income before tax.

In 2014, the difference between the Group's effective and theoretical tax rates can be explained in particular by deferred tax assets not recognized during the year.

NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year, excluding shares purchased by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has three types of dilutive potential shares: convertible bonds (note 26.1 "Bonds and commercial paper"), stock options (note 28.1 "Stock option plans") and performance shares (note 28.2 "Performance share plans"). When at closing date the convertible bonds are dilutives, they are assumed to have been converted into ordinary shares, and net income is adjusted to eliminate the interest expense less the tax effect. For the stock options and when they are dilutives at closing date, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the stock options. Since performance shares are granted free of charge and are dilutives by definition, the number of shares that are expected to be issued is determined at closing date based on estimate.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net income/(loss) *(in € million)*, excluding the non-controlling interests	1,168	1,031
▶ Less, estimated grants to the General Partners	(8)	(6)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	**1,160**	**1,025**
▶ Plus, interest expenses on convertible bonds	27	27
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	**1,187**	**1,052**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**184,734**	**185,669**
▶ Plus, adjustment for share option plans	561	685
▶ Plus, adjustment for convertible bonds	5,598	5,900
▶ Plus, adjustment for performance shares	974	754
Weighted average number of shares used in the calculation of diluted earnings per share	**191,867**	**193,008**
Earnings per share *(in €)*		
▶ Basic	6.28	5.52
▶ Diluted	6.19	5.45

Since the convertible bonds, as described in the note 26.1 "Bonds and commercial paper", are dilutive in 2015, they have been considered in the calculation of diluted earnings per share. Taking into account the evolution of the average share price in 2015, all the stock option plans as described in the note 28.1 "Stock option plans" are dilutive.

No transaction on shares having an impact on the weighted average number of shares entering in the calculation of basic earnings per share and diluted earnings per share has occurred after the 2015 reporting period.

NOTE 13 GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets are as follows:

(in € million)	Goodwill	Intangibles	Total
Gross carrying amounts at January 1, 2014	**409**	**1,382**	**1,791**
Translation adjustments	(15)	25	**10**
Additions (including new emission rights: €9 million)	-	140	**140**
Disposals	-	(10)	**(10)**
Changes in scope of consolidation	462	103	**565**
Transfers and other	-	7	**7**
Gross carrying amounts at December 31, 2014	**856**	**1,647**	**2,503**
Translation adjustments	(76)	1	**(75)**
Additions (including new emission rights: €5 million)	-	140	**140**
Disposals	-	(33)	**(33)**
Changes in scope of consolidation	53	36	**89**
Transfers and other	(1)	4	**3**
Gross carrying amounts at December 31, 2015	**832**	**1,795**	**2,627**
Amortization and impairment at January 1, 2014	**(21)**	**(931)**	**(952)**
Translation adjustments	-	(22)	**(22)**
Amortization	-	(99)	**(99)**
Net impairment	-	-	**-**
Disposals	-	4	**4**
Changes in scope of consolidation	-	3	**3**
Transfers and other	-	-	**-**
Amortization and impairment at December 31, 2014	**(21)**	**(1,045)**	**(1,066)**
Translation adjustments	-	(12)	**(12)**
Amortization	-	(126)	**(126)**
Net impairment	(9)	(9)	**(18)**
Disposals	-	25	**25**
Changes in scope of consolidation	-	(7)	**(7)**
Transfers and other	1	-	**1**
Amortization and impairment at December 31, 2015	**(29)**	**(1,174)**	**(1,203)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2015	**803**	**621**	**1,424**
Net carrying amounts at December 31, 2014	**835**	**602**	**1,437**

13.1 Goodwill

The amounts allocated to the CGUs are as follows:

(in € million)	December 31, 2015	December 31, 2014
CGU Passenger car and light truck tires Southeast Asia / Australia	120	118
CGU Passenger car and light truck tires North America	123	113
CGU Passenger car and light truck tires Europe	119	77
Group of CGUs Truck tires South America [(2)]	189	-
Group of CGUs Truck tires North America [(2)]	71	-
Group of CGUs Truck tires Europe [(2)]	106	68
Other CGUs [(3)]	75	52
Unallocated goodwill [(1) (2)]	-	407
GOODWILL	**803**	**835**

(1) As at 31 December 2014, this amount corresponds to the goodwill recognized in relation to the acquisition of Sascar in August 2014 whose allocation was in progress. In 2015, the Group completed the determination of Sascar's goodwill, which was still in progress on 31 December 2014 (see note 33 to the 2014 consolidated financial statements), and reduced the amount of the goodwill by €22 million after reassessing tax positions.

(2) Furthermore, in 2015, synergies identified at Sascar's acquisition, reflecting the opportunity for Sascar to have access to the Group's customers in Brazil and to expand its service offering in other geographical zones led the Group to allocate the goodwill to three groups of CGUs (comprising Truck tire-, fleet services and digital activities) in South America, in North America and in Europe.

(3) Including €22 million that are a part of the goodwill recognized in relation to the acquisition of Blackcircles (note 33 "Acquisitions and divestments of businesses").

The impairment tests have been done taking into account the two main following assumptions:

- The terminal value measured with a 1.5% annual growth rate for the CGUs located in mature countries, a 3.0% annual growth rate for the CGUs located in emerging countries and a 4.5% annual growth rate for Sascar.
- The discount rate used to discount the future cash flows of the CGUs is based on the WACC (Weighted Average Cost of Capital) before tax, which is calculated based on the Capital Asset Pricing Model (CAPM). The rates range between 10.5% and 13.4% and include a specific premium risk for each country. The main market data used to calculate the WACC are: a beta of 1.0, a market premium of 7.6% and a risk free interest rate of 2.4%.

Since the amount of goodwill is low compared to the amount of both total assets and net equity in the consolidated statement of financial position, the Group does not disclose any sensitivity analysis to the main key assumptions.

13.2 Intangible assets

In 2015, additions to intangible assets, amounting to €140 million (2014: €140 million) break down into the following categories:

- Software €126 million
- Emission rights – allowances granted €5 million
- Other €9 million

The most significant variation in the scope of consolidation is the acquisition of Blackcircles (note 33 – "Acquisitions and divestments of businesses").

/ 13.2.1 Software

The net carrying amount of software at December 31, 2015 was €424 million (2014: €392 million). Software is initially recognized at cost. Cost includes cost of acquisition or production cost and other cost directly attributable to the acquisition or production.

/ 13.2.2 Trademarks

At December 31, 2015 the net carrying amount of trademarks was €48 million (2014: €45 million). These amounts correspond mainly to the fair value of Sascar and Blackcircles trademarks, acquired in 2014 and 2015 respectively.

/ 13.2.3 Emission rights

The allowances granted are recognized as an intangible asset at their price on the grant date. A government grant for the same amount is recognized in liabilities. The expense and the related liability for actual emissions and the income corresponding to the use of the government grant are accounted for using the price in force at the grant date. The balance of the rights granted at December 31, 2015 amounted to 1.8 million metric tons (2014: 1.9 million metric tons) representing a value of €13 million (2014: €14 million). The liability related to actual emissions in 2015 amounts to 0.7 million metric tons (2014: 0.9 million metric tons) representing a value of €6 million (2014: €6 million). It will be offset by the delivery of the allowances granted.

/ 13.2.4 Development costs

In 2015 and 2014, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfil six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM's approval and when the level of profitability generated from the business plan proposed by the manufacturers is in line with Group objectives. In practice, the corresponding development costs are incurred at a stage of the project which is prior to OEM's approval.

13.3 Impairment of goodwill and intangible assets

Accumulated impairment losses on goodwill and intangible assets at December 31, 2015 amounted to €50 million (2014: €34 million).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

(in € million)	Lands and Buildings	Plant and Industrial Equipment	Other Equipment	Total
Gross carrying amounts at January 1, 2014	**5,124**	**15,086**	**1,423**	**21,633**
Translation adjustments	191	698	40	**929**
Additions (including finance leases: €24 million)	374	1,283	119	**1,776**
Disposals	(17)	(349)	(50)	**(416)**
Changes in scope of consolidation	(3)	30	23	**50**
Transfers and other	103	84	(189)	**(2)**
Gross carrying amounts at December 31, 2014	**5,772**	**16,832**	**1,366**	**23,970**
Translation adjustments	85	267	12	**364**
Additions (including finance leases: €55 million)	464	1,141	118	**1,723**
Disposals	(39)	(454)	(49)	**(542)**
Changes in scope of consolidation	-	2	13	**15**
Transfers and other	5	(43)	2	**(36)**
Gross carrying amounts at December 31, 2015	**6,287**	**17,745**	**1,462**	**25,494**
Depreciation and impairment at January 1, 2014	**(2,326)**	**(9,325)**	**(1,027)**	**(12,678)**
Translation adjustments	(85)	(415)	(31)	**(531)**
Depreciation	(152)	(801)	(59)	**(1,012)**
Net impairment	(14)	(7)	(2)	**(23)**
Disposals	10	309	36	**355**
Changes in scope of consolidation	1	3	4	**8**
Transfers and other	(1)	(139)	132	**(8)**
Depreciation and impairment at December 31, 2014	**(2,567)**	**(10,375)**	**(947)**	**(13,889)**
Translation adjustments	(38)	(173)	(13)	**(224)**
Depreciation	(169)	(957)	(72)	**(1,198)**
Net impairment	(50)	(104)	-	**(154)**
Disposals	21	419	45	**485**
Changes in scope of consolidation	-	(2)	(10)	**(12)**
Transfers and other	14	16	-	**30**
Depreciation and impairment at December 31, 2015	**(2,789)**	**(11,176)**	**(997)**	**(14,962)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2015	**3,498**	**6,569**	**465**	**10,532**
Net carrying amounts at December 31, 2014	**3,205**	**6,457**	**419**	**10,081**

PP&E under construction amounted to €1,931 million (2014: €2,208 million).

Accumulated impairment losses amounted to €362 million (2014: €220 million).

The borrowing costs capitalized in 2015 in PP&E amounted to €11 million (2014: €23 million).

PP&E held under finance leases amounted to €123 million (2014: €84 million). The gross carrying amounts of these assets totalled €168 million (2014: €130 million).

The future minimum payments under finance leases by maturity are shown in the following table:

	December 31, 2015		December 31, 2014	
(in € million)	Present value	Undiscounted value	Present value	Undiscounted value
Within one year	16	18	9	9
Between one and five years	53	59	41	47
More than five years	48	57	22	29
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	**117**	**134**	**72**	**85**

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

The carrying amount of the non-current financial assets and other assets is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Available-for-sale financial assets (note 15.1)	243	151
Loans and deposits (note 15.2)	71	61
Derivative instruments (note 16.1)	89	63
Other	7	8
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	**410**	**283**

15.1 Available-for-sale financial assets

Available-for-sale financial assets consist essentially of a portfolio of shares of non-listed companies (note 4.4).

Movements in the portfolio during the year are broken down in the table below:

(in € million)	2015	2014
At January 1	**151**	**174**
Translation adjustments	4	5
Additions	118	13
Disposals	(6)	(20)
Impairment reversal	1	5
Fair value changes	(25)	(26)
AT DECEMBER 31	**243**	**151**

Available-for-sale financial assets at December 31, 2015 include €114 million related to the acquisition on December 29, 2015 of Livebookings Holdings Limited (note 33 – Acquisitions and divestments of businesses).

15.2 Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Gross loans and deposits	111	101
Impairments	(40)	(40)
TOTAL	**71**	**61**

The balance includes loans to employees and customers.

NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS

As mentioned in note 3.5 "Hedging", some derivatives, while complying with the Group financial risk management policies, do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

16.1 Derivatives recognized in assets

	December 31, 2015		December 31, 2014	
(in € million)	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	22	400	23	400
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	1	40	1	30
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	66	532	39	585
▶ Interest-rate derivatives	-	91	-	82
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 15)	**89**	**1,063**	**63**	**1,097**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	4	33	-	12
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	9
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	54	1,650	25	1,173
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 21)	**58**	**1,683**	**25**	**1,194**
TOTAL ASSETS	**147**	**2,746**	**88**	**2,291**

The Group grants cash collaterals to mitigate its credit risk associated with its derivative assets. The amount of collaterals paid is €80 million as of December 31, 2015 (December 31, 2014: €72 million).

16.2 Derivatives recognized in liabilities

(in € million)	December 31, 2015 Fair values	December 31, 2015 Contractual amounts	December 31, 2014 Fair values	December 31, 2014 Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	10	129	4	79
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	88	517	61	601
▶ Interest-rate derivatives	5	935	8	1,261
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	**103**	**1,581**	**73**	**1,941**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	-	9	5	69
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	1	6	2	8
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	36	1,360	38	1,916
▶ Interest-rate derivatives	1	321	2	174
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 26)	**38**	**1,696**	**47**	**2,167**
TOTAL LIABILITIES	**141**	**3,277**	**120**	**4,108**

The Group holds cash collaterals to guarantee its own credit risk associated with its derivatives liabilities. The amount of collaterals received is €7 million as of December 31, 2015 (December 31, 2014: €10 million).

16.3 Derivative contractual amounts

The Group concluded long term currency derivative contracts with maturities between one and seven years for a total amount of €1,218 million (2014: €1,191 million). The nominal amounts by major currencies bought against the Euro are denominated in USD for €221 million (2014: €295 million), in BRL for €206 million (2014: €236 million), in CNH and CNY for €394 million (2014: €284 million) and in THB for €220 million (2014: €220 million). The maturity of the other currency derivative contracts does not generally exceed one year.

The contractual amounts of the currency derivatives are presented by currency in the table below:

	December 31, 2015						December 31, 2014					
	Currencies purchased forward						Currencies purchased forward					
(in € million)	EUR	USD	THB	BRL	Other	Total	EUR	USD	THB	BRL	Other	Total
Currencies sold forward												
EUR	-	466	292	411	1,098	**2,267**	-	405	288	344	1,057	**2,094**
CNY	493	56	-	-	22	**571**	326	96	-	-	30	**452**
USD	13	-	216	40	101	**370**	244	-	192	43	221	**700**
JPY	262	7	1	-	-	**270**	368	3	2	-	-	**373**
BRL	41	4	-	-	-	**45**	164	6	-	-	-	**170**
ZAR	34	20	-	-	-	**54**	62	19	-	-	-	**81**
THB	56	15	-	-	-	**71**	24	41	-	-	2	**67**
Other	542	75	1	2	2	**622**	455	72	1	1	(1)	**528**
TOTAL	**1,441**	**643**	**510**	**453**	**1,223**	**4,270**	**1,643**	**642**	**483**	**388**	**1,309**	**4,465**

Currency hedges in CNY include off-shore derivatives denominated in CNH.

The contractual amounts of other derivative financial instruments are presented by currency and by maturity in the table below:

	December 31, 2015				December 31, 2014			
(in € million)	Less than 1 year	Between 1 and 3 years	More than 3 years	Total	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
▶ EUR	-	200	899	**1,099**	-	100	1,000	**1,100**
▶ INR	22	47	-	**69**	-	43	22	**65**
▶ THB	25	51	-	**76**	50	100	25	**175**
▶ USD	274	229	-	**503**	124	412	41	**577**
Interest-rate derivatives	**321**	**527**	**899**	**1,747**	**174**	**655**	**1,088**	**1,917**
▶ EUR	5	-	-	**5**	12	1	-	**13**
▶ USD	1	-	-	**1**	4	-	-	**4**
▶ Other currencies	-	-	-	**-**	-	-	-	**-**
Other derivatives	**6**	**-**	**-**	**6**	**16**	**1**	**-**	**17**
TOTAL	**327**	**527**	**899**	**1,753**	**190**	**656**	**1,088**	**1,934**

At December 31, 2015, the Group has outstanding short term futures contracts with an asset market value of €1 million (2014: asset of €1 million) which has been fully cashed in through the daily margin calls.

NOTE 17 EQUITY METHOD INVESTMENTS

The Group announced in May 2015 the creation of a joint-venture in Indonesia with Barito Pacific Group to develop and eco-friendly operate three natural rubber plantations. The Group acquired 49% of the shares of the company Royal Lestari Utama, for an amount of €49 million.

In July 2015 the Group took a 40% equity stake in Allopneus SAS, a French internet tire sales company, for an amount of €60 million.

Investments in joint ventures and associates amounted to €309 million (2014: €189 million). In addition to the two companies mentioned above, these include essentially Double Coin Group (Anhui) Warrior Tire Co., Ltd in China, E.A. Juffali & Brothers for Tyres in Saudi Arabia, MC Projects B.V. in the Netherlands and SIPH Group in France.

The financial statements of equity method investments include the following amounts:

(in € million)	2015	2014
Assets	1,173	1,007
Liabilities	542	468
Net sales	1,544	1,206
Net income	50	(49)

NOTE 18 TAXES

18.1 Deferred taxes

Deferred taxes in the consolidated statement of financial position are as follows:

(in € million)	December 31, 2015	December 31, 2014 (1)
Deferred tax assets	1,259	1,156
Deferred tax liabilities	(118)	(95)
NET DEFERRED TAX ASSET	**1,141**	**1,061**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € million)	December 31, 2015	December 31, 2014 (1)
Employee benefits	1,180	1,098
Inventories	166	134
Financial instruments	110	125
Provisions	56	96
Unused tax losses	55	31
Unused tax credits	11	15
Goodwill & Intangible assets	(38)	(52)
Property, plant and equipment	(564)	(549)
Other	165	163
NET DEFERRED TAX ASSET	**1,141**	**1,061**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The change in the net deferred tax asset over the year is as follows:

(in € million)	2015	2014 (1)
At January 1	**1,061**	**1,018**
Translation adjustments	46	70
Deferred tax income/(expense) (note 11)	(42)	(57)
Tax recognized in other comprehensive income	82	89
Changes in scope of consolidation	(5)	(62)
Other	(1)	3
AT DECEMBER 31	**1,141**	**1,061**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

In 2015, excluding the effect of tax recognized in comprehensive income and translation adjustments, the reduction in the net deferred tax asset comes essentially from provisions for withholding taxes on subsidiaries' retained earnings.

In 2014, excluding the effect of tax recognized in comprehensive income, the reduction in the net deferred tax asset comes essentially from the acquisition of Sascar and from the net reversal of deductible temporary differences in the USA.

The deferred income tax recognized in other items of comprehensive income is as follows:

(in € million)	December 31, 2015	December 31, 2014
Post-employment benefits	576	494
Available-for-sale financial assets	(13)	(13)
Compound financial instruments (convertible bond)	(13)	(13)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**550**	**468**

The detail of unrecognized deferred tax assets is as follows:

(in € million)	December 31, 2015	December 31, 2014
Deductible temporary difference	**119**	**127**
Tax losses		
▶ of which expiring in less than one year	-	5
▶ of which expiring between one to five years	80	65
▶ of which expiring in more than five years	125	54
▶ of which no expiration	240	257
Total tax losses	**445**	**381**
Tax credits	**5**	**1**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**569**	**509**

18.2 Current taxes

Current taxes in the consolidated statement of financial position are as follows:

(in € million)	2015	2014
Taxes receivables (note 22)	278	162
Taxes payables (note 30)	(144)	(87)
Net total at January 1	**134**	**75**
Current tax expense (note 11)	(664)	(563)
Income tax paid	754	616
Translation adjustments and other	10	6
Total changes	**100**	**59**
Taxes receivables (note 22)	360	278
Taxes payables (note 30)	(126)	(144)
NET TOTAL AT DECEMBER 31	**234**	**134**

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	December 31, 2015	December 31, 2014
Raw materials and supplies	1,148	1,158
Work in progress	447	437
Finished goods	2,787	2,702
Total gross inventory	**4,382**	**4,297**
Write-downs on raw materials and supplies	(44)	(44)
Write-downs on work in progress	(1)	-
Write-downs on finished goods	(48)	(50)
Total write-downs	**(93)**	**(94)**
NET INVENTORY	**4,289**	**4,203**

Movements in inventory write-downs were as follows:

(in € million)	2015	2014
At January 1	**(94)**	**(93)**
Translation adjustments and other	(1)	(1)
Write-downs of inventories recognized as an expense in the period	(32)	(49)
Reversals of write-downs	34	49
AT DECEMBER 31	**(93)**	**(94)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Gross trade receivables	2,855	2,690
Impairment	(112)	(121)
TRADE RECEIVABLES	**2,743**	**2,569**

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2015:

(in € million)	Gross	Impairment	Net
Current trade receivables	**2,551**	**(33)**	**2,518**
Overdue			
▸ from less than three months	187	(4)	183
▸ between three and six months	22	(5)	17
▸ from more than six months	95	(70)	25
Overdue trade receivables	**304**	**(79)**	**225**
TRADE RECEIVABLES	**2,855**	**(112)**	**2,743**

Movements in impairment are broken down in the table below:

(in € million)	2015	2014
At January 1	**(121)**	**(94)**
Translation adjustments	1	(2)
Impairment charges	(29)	(45)
Impairment reversals	39	34
Changes in scope of consolidation	(2)	(14)
AT DECEMBER 31	**(112)**	**(121)**

Impairment reversals in 2015 include write-offs of €29 million (2014: €20 million).

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of the current financial assets is broken down in the table below:

(in € million)	December 31, 2015	December 31, 2014
Loans and deposits	100	124
Cash management financial assets (note 26)	205	313
Derivative instruments (note 16.1)	58	25
CURRENT FINANCIAL ASSETS	**363**	**462**

The characteristics of the cash management financial assets, although being highly liquid, little affected by the interest rate risk and by the foreign currency risk (mainly invested in Euros or hedged), do not strictly meet those of cash and cash equivalent (note 3.20 "Cash and cash equivalents"). They are therefore accounted for at fair value through profit or loss (note 3.17 "Non derivative financial assets").

Loans and deposits include collaterals with financial institutions of €80 million (2014: €72 million) that are not freely available.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is broken down in the table below:

(in € million)	December 31, 2015	December 31, 2014
Suppliers – advances	135	110
Current tax – advance payments	360	278
Other taxes receivable	286	288
Other	237	216
Less impairment	(6)	(9)
OTHER CURRENT ASSETS	**1,012**	**883**

Other tax receivables mainly relate to VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is broken down in the table below:

(in € million)	December 31, 2015	December 31, 2014
Cash at bank and in hand	172	177
Short-term bank deposits of less than three months and other cash equivalents (money market funds essentially)	1,380	990
CASH AND CASH EQUIVALENTS	**1,552**	**1,167**

The average effective interest rate on short-term bank deposits was 0.59% in 2015 (2014: 0.88%).

Cash and cash equivalents are essentially held in Euros (2015: 88% after hedge, 2014: 88%)

The less easily available amounts to meet the needs of the Group are mainly related to prudential rules in Ireland specific to captive insurance companies (2015: €150 million, 2014: €113 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2014	**372**	**3,641**	**4,013**
Issuance of shares from the exercise of share options and performance shares	2	44	46
Cancellation of shares	(2)	(85)	(87)
Other	(1)	1	-
At December 31, 2014	**371**	**3,601**	**3,972**
Issuance of shares from the exercise of share options and performance shares	2	62	64
Cancellation of shares	(10)	(441)	(451)
Other	1	-	1
AT DECEMBER 31, 2015	**364**	**3,222**	**3,586**

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2014	**185,789,643**	**(30,000)**	**185,759,643**
Issuance of shares from the exercise of share options and performance shares	946,891	-	946,891
Purchase of shares	-	(1,000,000)	(1,000,000)
Disposal of shares	-	19,664	19,664
Reduction in capital	(1,010,336)	1,010,336	-
Other	2	-	2
At December 31, 2014	**185,726,200**	**-**	**185,726,200**
Issuance of shares from the exercise of share options and performance shares	1,137,488	-	1,137,488
Purchase of shares	-	(4,961,534)	(4,961,534)
Disposal of shares	-	-	-
Reduction in capital	(4,961,534)	4,961,534	-
Other	28	-	28
AT DECEMBER 31, 2015	**181,902,182**	**-**	**181,902,182**

The par value per share amounts to €2 (unchanged from 2014). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

In 2015, the dividend payable for the year 2014 to the shareholders was €2.50 per share (2014: €2.50 per share). It has been fully settled in cash for a net amount of €463 million.

The Managing Chairman will recommend to the Shareholders the payment of a dividend of €2.85 per share in 2016 for the year 2015.

NOTE 25 RESERVES

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2014 [1]	**(403)**	**(2)**	**163**	**5,474**	**5,232**
Dividends and other allocations	-	-	-	(486)	(486)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	-	7	7
Purchase of shares	-	(87)	-	-	(87)
Cancellation of shares	-	87	-	-	87
Disposal of shares	-	2	-	-	2
Other	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**2**	**-**	**(479)**	**(477)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,031	1,031
Post-employment benefits	-	-	-	*(484)*	*(484)*
Tax effect – Post-employment benefits	-	-	-	*85*	*85*
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	(399)	(399)
Available-for-sale financial assets – change in fair values	-	-	*(26)*	-	*(26)*
Tax effect – available-for-sale financial assets – change in fair values	-	-	*4*	-	*4*
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-	-
Currency translation differences	*169*	-	-	-	*169*
Other	*(2)*	-	*(3)*	*5*	-
Other items of comprehensive income that may be reclassified to income statement	167	-	(25)	5	147
Comprehensive income	**167**	**-**	**(25)**	**637**	**779**
At December 31, 2014 [1]	**(236)**	**-**	**138**	**5,632**	**5,534**
Dividends and other allocations	-	-	-	(483)	(483)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	-	9	9
Purchase of shares	-	(451)	-	-	(451)
Cancellation of shares	-	451	-	-	451
Other	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(474)**	**(474)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,168	1,168
Post-employment benefits	-	-	-	*(317)*	*(317)*
Tax effect – Post-employment benefits	-	-	-	*82*	*82*
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	(235)	(235)
Available-for-sale financial assets – change in fair values	-	-	*(25)*	-	*(25)*
Tax effect – available-for-sale financial assets – change in fair values	-	-	-	-	-
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-	-
Currency translation differences	*(72)*	-	-	-	*(72)*
Other	-	-	*7*	-	*7*
Other items of comprehensive income that may be reclassified to income statement	(72)	-	(18)	-	(90)
Comprehensive income	**(72)**	**-**	**(18)**	**933**	**843**
AT DECEMBER 31, 2015	**(308)**	**-**	**120**	**6,091**	**5,903**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The equity part of the OCEANE zero coupon convertible bond (note 26 "Financial debts") amounts to €65 million (2014: €65 million) after tax. It is included in "Other reserves".

In April 2015, the Group announced a share buyback program of €750 million over a period of 18 to 24 months. During 2015, the Group concluded with an investment services provider three payback conventions that committed the Group to repurchase a variable number of shares within the limit of a total amount of €450 million before December 15, 2015.

The average purchase price of the 4,961,534 shares acquired during 2015 was €90.70. All the shares were cancelled during the year.

During 2014, the Group repurchased 1,000,000 shares for €86 million and disposed of 19,664 shares for €2 million. 1,010,336 shares for €87 million were also cancelled during 2014.

NOTE 26 FINANCIAL LIABILITIES

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

(in € million)	December 31, 2015	December 31, 2014
Bonds	1,940	1,108
Loans from financial institutions and other	300	377
Finance lease liabilities	101	63
Derivative instruments	103	73
Non-current financial liabilities	**2,444**	**1,621**
Bonds and commercial paper	212	419
Loans from financial institutions and other	282	251
Finance lease liabilities	16	9
Derivative instruments	38	47
Current financial liabilities	**548**	**726**
FINANCIAL LIABILITIES	**2,992**	**2,347**

The Group net debt is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Financial liabilities	2,992	2,347
Derivatives recognized as assets (note 16.1)	(147)	(88)
Borrowing collaterals (note 32.3.2)	(80)	(72)
Cash management financial assets (note 21)	(205)	(313)
Cash and cash equivalents (note 23)	(1,552)	(1,167)
NET DEBT	**1,008**	**707**

The fair value of non-current financial liabilities, calculated in accordance with note 3.6 "Fair value of financial instruments", is presented in the table below:

(in € million)	December 31, 2015	December 31, 2014
Bonds	1,894	1,091
Loans from financial institutions and other	320	377
Finance lease liabilities	101	63
Derivative instruments	103	73
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**2,418**	**1,604**

26.1 Bonds and commercial paper

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

(in € million)	December 31, 2015 Current	December 31, 2015 Non-current	December 31, 2014 Current	December 31, 2014 Non-current
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €209 million ▶ issued in September 2015 and due in September 2045 ▶ nominal interest rate of 3.25% ▶ effective interest rate of 3.33%	-	206	-	-
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €300 million ▶ issued in May 2015 and due in May 2027 ▶ nominal interest rate of 1.75% (1.68% after hedging) ▶ effective interest rate of 1.86% (1.80% after hedging)	-	296	-	-
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €300 million ▶ issued in May 2015 and due in May 2022 ▶ nominal interest rate of 1.125% ▶ nominal interest rate of 1.17%	-	299	-	-
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €400 million (2014: €400 million) ▶ issued in June 2012 and due in June 2019 ▶ nominal interest rate of 2.75% (1.26% after hedging) ▶ hedged through a €400 million interest rate swaps (2014: €400 million) expiring in June 2019 (fair value hedge) (note 16)	-	419	-	421
Liability component of zero-coupon convertible bonds (OCEANEs) issued by Compagnie Générale des Établissements Michelin ▶ net proceeds received of €694 million ▶ annual gross yield of 3.07% ▶ effective interest rate of 4.76% ▶ conversion and/or exchange ratio of 1 bond for 1.036 ordinary share ▶ issued in March 2007 and due in January 2017 ▶ amount redeemable at maturity date: €754 million	-	720	-	687
Commercial paper issued by Compagnie Générale des Établissements Michelin ▶ nominal value of €212 million (2014: €385 million) ▶ effective interest rate of 0.002% at December 31, 2015	212	-	385	-
Commercial paper issued by Compagnie Générale des Établissements Michelin and Michelin Luxembourg SCS ▶ nominal value of $0 million (2014: $41 million) ▶ effective interest rate not applicable at December 31, 2015	-	-	34	-
TOTAL	**212**	**1,940**	**419**	**1,108**

At December 31, 2015, the weighted average nominal interest rate for bonds and commercial paper is 2.61% (2.29% after hedging).

26.2 Loans from financial institutions and other

Loans from financial institutions and other include mainly amounts drawn on credit lines, borrowings secured by trade receivables as mentioned in note 32.3.3 "Trade receivables" and liabilities arising from put options granted to minority shareholders of subsidiaries.

Loans from financial institutions and other at December 31, 2015 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	BRL	CNY	Other	Total
Fixed rates	-	120	-	-	120
Floating rates	286	15	63	98	462
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**286**	**135**	**63**	**98**	**582**
Average effective interest rate paid in 2015	**0.98%**	**8.97%**	**4.46%**	**5.55%**	**3.97%**

The contractual repricing of the interest rates of these loans is generally less than six months.

26.3 Rating

At December 31, 2015, the corporate credit ratings sought by the Group are as follows:

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

On January 29, 2016 Standard & Poor's has upgraded the Group's long-term credit rating from BBB+ to A- stable outlook.

NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

According to the laws and regulations applicable in each country, as well as in application of its social responsibility policy, the Group takes part in pension, insurance, healthcare and end of service benefits, for which the amount of benefits paid varies based on a number of factors including the employee's years of service, salary, accumulated funds with an independent manager or contributions paid to insurers.

Such plans can be either defined benefit plans or defined contribution plans. In the case of defined benefit plans, Group commitments are measured using the Projected Credit Unit method. These commitments are calculated by independent actuaries. In the case of defined contribution plans, liabilities correspond to the contributions due.

Since 2003 the Group has been closing its defined benefit plans to new entrants and also, in some cases, to future accruals in order to reduce the risk on the Group's consolidated statement of financial position and has put in place new or improved defined contribution plans.

Since 2005 the Group has a governance body, the Global Employee Benefit Board, that monitors benefits. This board defines Group policies in term of benefits and ensures that local benefit programs comply with them (validation of the changes, introduction of new benefits, etc.), monitors asset returns and benchmarks, as well as the de-risking policies put in place by local boards or Trustees, and proposes an audit plan. The board is assisted by two teams, the Global Benefit Policy Team composed of members from the accounting, finance and human resources departments and the Global Benefit Investment Team composed of the chairmen of the investment committees of the main funded pension plans. In countries with substantial benefit obligations similar organization exists.

27.1 Defined Benefit Plans

These plans are retirement plans and retiree healthcare plans, the vast majority of which are now closed to new entrants, even to future accruals, as well as some minor plans such as long service awards or end-of-service benefits.

In Europe, the discount rates are determined using the actuary's yield curve models. These rates are based on the yield of high quality corporate bonds and have the same durations as the liabilities. The discount rate in the USA is based on the actuary's AA Only Bond yield curve rates. The discount rate in Canada is based on the Canadian Institute of Actuaries Canadian Corporate Aa Bond yield curve rates. For countries having several plans (but only one material plan) the assumption of the main plan is used for all plans. For countries having several plans of comparable size but quite different durations, two different rates are used.

The inflation assumptions are set using different methods. For the Euro zone, the actuary tool is used with reference to different sources of information as the target inflation set by the Central Banks, the forecasts from the Consensus Economics organization and inflation swap curves. In the UK, the market implied inflation rate is also considered (differential between gilts and indexed linked gilts less a spread). In the USA, the cost of living increases for some pensions is set using historical averages.

The salary increase assumptions can be either spreads above inflation (either RPI or CPI) or absolute values. These assumptions take into account expected long-term yearly average salary increases as well as the effects of promotions. In some cases, assumptions by category of personnel can be used.

The post-employment mortality assumptions used for the pension plans which are funded through insured contracts are the insurers' tables. For the other main post-employment plans the following tables have been used: (i) USA: RP-2014 Aggregate table using Scale MP-2014; (ii) Canada: 95% of CPM 2014 Private – Scale B; (iii) UK: Generational SAPS S2PA CMI 2013 adjusted with 1.25% underpin and (iv) Germany: Heubeck RT 2005 G.

	December 31, 2015				December 31, 2014			
	USA	Canada	UK	Germany	USA	Canada	UK	Germany
Life expectancy for males at 65 at the end of the reporting period	19.8	22.0	22.0	18.8	18.6	21.8	21.9	18.8
Life expectancy for males at 65 (15 years after the end of the reporting period)	21.2	22.8	23.0	20.7	20.2	22.7	22.9	20.7
Life expectancy for females at 65 at the end of the reporting period	21.8	24.4	24.7	22.8	20.9	24.3	24.7	22.8
Life expectancy for females at 65 (15 years after the end of the reporting period)	23.3	25.1	26.0	24.8	22.3	25.1	25.9	24.8

The financial position of the main defined benefit plans is summarized below:

(in € million)	Pension plans	Other plans	December 31, 2015	December 31, 2014
Present value of fully or partly funded obligations	7,919	-	7,919	7,518
Fair value of plan assets	(6,448)	-	(6,448)	(6,142)
Funded status deficit/(surplus)	**1,471**	**-**	**1,471**	**1,376**
Present value of unfunded obligations	933	2,271	3,204	3,208
Unrecognized asset due to application of asset ceiling	213	-	213	28
NET DEFINED BENEFIT OBLIGATION	**2,617**	**2,271**	**4,888**	**4,612**
Amounts recognized in the consolidated statement of financial position:				
▶ As assets in Non-current financial assets and other assets (note 15)			-	-
▶ As liabilities in Employee benefit obligations			4,888	4,612
NET LIABILITY			**4,888**	**4,612**

At December 31, 2015, the present value of the defined benefit obligation is made up of €4,618 million relating to active employees, €1,097 million relating to deferred members and €5,408 million relating to members in retirement (2014: respectively €4,615 million, €1,094 million and €5,017 million).

At December 31, 2015, the present value of the defined benefit obligation is made up of €8,461 million relating to vested benefits and €2,662 million relating to non-vested benefits (2014: respectively €8,239 million and €2,487 million).

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

The Group does not recognize as an asset any surplus in excess of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group immediately recognizes a liability for any surplus resulting from the contributions paid under the MFR which would not be fully recoverable through economic benefits available to the Group.

Any reduction in assets or increase in liabilities resulting from the asset ceiling application is recognized in other comprehensive income.

The movements in net defined benefit obligations recognized in the consolidated statement of financial position are shown below:

(in € million)	Pension plans	Other plans	2015	2014
At January 1	**2,326**	**2,286**	**4,612**	**3,895**
Contributions paid to the funds	(240)	-	(240)	(70)
Benefits paid directly to the beneficiaries	(32)	(123)	(155)	(152)
Other movements	-	(53)	(53)	-
Items recognized in operating income				
Current service cost	73	64	137	121
Actuarial (gains) or losses recognized on other long term benefit plans	-	(5)	(5)	20
Past service cost resulting from plan amendments	-	-	-	(7)
Effect of plan curtailments or settlements	1	1	2	(27)
Effect of plan amendments recognized in non-recurring items	(3)	(2)	(5)	11
Other items	-	-	-	-
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	68	73	141	153
Items recognized in other comprehensive income				
Translation adjustments	67	70	137	184
Actuarial (gains) or losses	158	(40)	118	461
Portion of unrecognized asset due to the application of the asset ceiling	199	-	199	23
AT DECEMBER 31	**2,617**	**2,271**	**4,888**	**4,612**

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € million)	Pension plans	Other plans	2015	2014
At January 1	**1,551**	**500**	**2,051**	**1,565**
Actuarial (gains) or losses recognized during the year related to demographic assumptions:				
▶ Due to change in assumptions	188	62	250	134
▶ Due to experience	(76)	(45)	(121)	(108)
Actuarial (gains) or losses recognized during the year related to financial assumptions:				
▶ Due to change in assumptions	(63)	(76)	(139)	964
▶ Due to experience	108	20	128	(528)
Unrecognized asset due to application of asset ceiling	199	-	199	24
AT DECEMBER 31	**1,907**	**461**	**2,368**	**2,051**
Of which actuarial gains or (losses)	*1,677*	*461*	*2,138*	*2,021*
Of which asset ceiling effect	*230*	*-*	*230*	*30*

In 2015, the net amount recognized in the consolidated income statement was an expense of €270 million (2014: expense of €271 million), broken down as follows:

(in € million)	Pension plans	Other plans	Year ended December 31, 2015	Year ended December 31, 2014
Cost of services rendered during the year	73	64	137	121
Net interest on the defined benefit liability (asset)	68	73	141	153
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(5)	(5)	20
Past service cost recognized during the year:				
▶ Due to the introduction of or modifications to defined benefit plans	-	-	-	(7)
▶ Due to curtailments of defined benefit plans	1	1	2	(11)
Effect of defined benefit plans settlements	-	-	-	(16)
Portion of defined benefit expenses recognized within non-recurring restructuring costs	(3)	(2)	(5)	11
TOTAL RECORDED IN THE INCOME STATEMENT	**139**	**131**	**270**	**271**

Annual charges are determined by independent actuaries at the beginning of each financial year based on the following factors:

- charge corresponding to acquisition of an additional year of rights ("cost of services rendered during the year");
- charge/income corresponding to the discounting adjustment to reflect the impact of the passage of time ("net interest");
- income or charge from annual recognition of actuarial gains or losses on other long term defined benefit plans ("Actuarial (gains) or losses recognized during the year");
- gain/loss resulting from changes or introduction of benefit plans ("past service cost recognized during the year");
- gain/loss resulting from curtailments of any benefit plans ("past service cost recognized during the year");
- gain/loss resulting from settlements of any benefit plans ("settlements").

27.1.1 Pension plans

The Group offers to its employees different pension plans that vary according to applicable laws and regulations in each country and in accordance with the respective collective bargaining agreements relevant to each subsidiary.

Under defined benefit plans, future level of benefits are defined by the plan regulations. The valuation of such defined benefit plans is carried out by independent actuaries using actuarial techniques. Defined benefit pension plans can be funded through payments to external funds or insurers specialized in managing these assets. In the case of unfunded plans such as the German pension plans, a provision is made in the consolidated statement of financial position.

The main pension plans provided within the Group are as follows:

USA

There is one major defined benefit plan in USA, the Michelin Retirement Plan (MRP) which is described below. Other plans, much less significant, were closed in 2014.

The plan was closed to new entrants as of January 1, 2004. After this date new entrants are enrolled in a defined contribution plan.

Some participants chose to stop participating in the Michelin Retirement Plan as of July 1, 2004 or as of July 1, 2007. Those participants may choose to receive the accrued frozen benefit as an annuity or as a lump sum on retirement. These participants have been enrolled In a defined benefit contribution plan.

For participants that did not choose to stop participating in the Michelin Retirement Plan as of July 1, 2007, accruals will be frozen under the Plan as of December 31, 2016. Those participants may only receive this benefit as an annuity. These participants will be enrolled in a defined contribution plan.

The Plan sets the normal retirement age at 65. However, employees who have reached age 55 and have completed at least 10 years of vesting service are eligible for early retirement provisions.

In the event of early retirement a reduction is applied to the calculation of the pension but a supplemental benefit may be granted for employees reaching age 55 and who have completed 30 years of service until the employee is eligible for social security benefit.

The plan provides a guaranteed monthly benefit at retirement based on a defined formula (with a lower accrual rate on the social security wage bases) that takes into consideration the years of plan membership and total pensionable recurring earnings. Employees can opt for a lump sum instead of an annuity and a majority of them do so.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit and orphan's pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides a cost-of-living adjustment of the pension only for employees hired before January 1, 1991.

The plan is funded solely by employer contributions.

Canada

There is one major defined benefit plan in Canada, Michelin Retirement Plan (MRP). Other minor defined benefit plans which are closed to new entrants are valued but not detailed further.

The Michelin Retirement Plan (MRP) was closed to new entrants as from January 1, 2005. After this date new entrants are enrolled in a defined contribution plan. Accruals for most of the participants will be frozen under the plan as of December 31, 2015. These participants will be enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees having 30 years of service or who have reached the age 55 are eligible for early retirement provisions.

In the event of early retirement a reduction is applied to the calculation of the pension but a supplemental bridge is granted for employees having 30 years of service to partially compensate early retirement.

The plan provides a guaranteed monthly annuity at retirement based on a defined formula that takes into consideration the years of plan membership and total pensionable recurring earnings.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit or a beneficiary pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides an annual increase of the pension based on a percentage inferior to Consumer Price Index.

The plan is funded solely by employer contributions.

United Kingdom

The defined benefit retirement plan in the UK is the Michelin Pension and Life Assurance Plan.

The plan was closed to new entrants as from December 6, 2004 and replaced by a defined contribution plan and as of January 1, 2009 it was closed for all future accruals.

Accruals up to December 31, 2008 are frozen but pensions are still linked to the average final salary at retirement.

The Plan sets the normal retirement age at 65. However, employees who have reached age 55 are eligible for early retirement with the Group's consent. In the case of early retirement, the accrued benefit is reduced by an actuarial reduction factor.

The plans provide for an annual pension based on the employee's pensionable earnings. Most employees take the maximum amount allowed by tax legislation in the form of a lump sum.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit and orphan's pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides an indexation of the pension benefit based on a capped inflation rate.

The plan is funded solely by employer contributions.

Germany

There is one major defined benefit retirement plan in Germany, the *"Versorgungsordnung 1979 (VO 1979)"* of MRW (Michelin Reifenwerke AG).

The plan was closed to new entrants as from January 1, 2000. After this date new entrants are enrolled in defined contribution plans.

The plan sets the normal retirement age at 65.

The plans provide lifetime monthly annuity which are based on the employee pensionable compensation.

A flat rate applies to the compensation exceeding the social security ceiling and an additional rate takes into account the years of service on the total pensionable earnings.

The plan includes provision in case of death in service provisions as well as post-retirement spouse and orphan's pensions and disability provisions.

There is a legal obligation to adjust every three years the pension annuity by the inflation up to the average increase of the employees' salaries.

France

There is one major pension defined benefit plan in France, *"Régime de retraite supplémentaire MFPM"*.

In order to be eligible, employees must reach 10 years of service and be present at the retirement date.

This plan had been set up in 1996 in order to grant an additional retirement benefit to all employees when the retirement replacement ratio of the mandatory state plans is below the trigger threshold of 55%. At this point an additional benefit is calculated based on service and pensionable earnings (capped additional plan).

If mandatory state pension plus additional benefit from this plan reaches 55% of pensionable salary, the annuity paid by the plan is capped at this level. Closure of the plan being not possible for new entrants, the threshold of 55% is decreasing progressively until 2046 where it will be nil. In return, employees must participate to a defined contribution plan (Article 83) and can also participate in other defined contribution plans (PERCO).

The plan includes provision in case of post-retirement spouse's pensions and disability provisions.

Plan is insured for the retirees and covered by two insurance companies.

Adjustments or increase of annuity are possible but not automatic and are based on the reserves available.

The following table analyzes changes in the financial position of the Group defined benefit pension plans:

	2015				2014			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	4,130	4,265	45	**8,440**	3,486	3,553	40	**7,079**
Translation adjustments	250	178	(6)	**422**	378	152	-	**530**
Changes in scope of consolidation	5	(7)	(2)	**(4)**	-	-	-	**-**
Current service cost	36	32	2	**70**	33	28	-	**61**
Interest cost on the defined benefit obligation	172	140	3	**315**	174	148	2	**324**
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	-	-	-	**-**	8	-	-	**8**
▶ Past service cost due to curtailments of defined benefit plans	1	(3)	-	**(2)**	4	(1)	-	**3**
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	**-**	(18)	-	-	**(18)**
Benefits paid	(264)	(177)	(3)	**(444)**	(260)	(147)	1	**(406)**
Other items	-	-	-	**-**	-	(1)	-	**(1)**
Actuarial (gains) or losses generated during the year	(56)	115	(4)	**55**	325	533	2	**860**
Present value of the obligations at the end of the year	**4,274**	**4,543**	**35**	**8,852**	**4,130**	**4,265**	**45**	**8,440**
Fair value of plan assets at the beginning of the year	3,731	2,383	28	**6,142**	3,056	2,103	23	**5,182**
Translation adjustments	205	140	(6)	**339**	325	127	-	**452**
Changes in scope of consolidation	-	(4)	-	**(4)**	-	-	-	**-**
Interest income on plan assets	153	91	3	**247**	150	95	2	**247**
Contributions paid to the plans	32	208	1	**241**	49	21	1	**71**
Administration costs	-	(5)	-	**(5)**	-	(5)	-	**(5)**
Benefits paid by the plans	(263)	(147)	(1)	**(411)**	(258)	(120)	2	**(376)**
Other items	-	-	-	**-**	-	-	-	**-**
Actual return on plan assets excluding interest income	(45)	(56)	-	**(101)**	409	162	-	**571**
Fair value of plan assets at the end of the year	**3,813**	**2,610**	**25**	**6,448**	**3,731**	**2,383**	**28**	**6,142**
Deficit/(Surplus) at the end of the year	**461**	**1,933**	**10**	**2,404**	**399**	**1,882**	**17**	**2,298**
Deferred items at the beginning of the year	(28)	-	-	**(28)**	(5)	-	-	**(5)**
Translation adjustments	13	-	1	**14**	-	-	-	**-**
Unrecognized asset due to application of the asset ceiling generated during the year	(195)	-	(4)	**(199)**	(23)	-	-	**(23)**
Deferred items at the end of the year	**(210)**	**-**	**(3)**	**(213)**	**(28)**	**-**	**-**	**(28)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**671**	**1,933**	**13**	**2,617**	**427**	**1,882**	**17**	**2,326**

In 2014, the Group announced a significant reduction of tire manufacturing capacity at its Pictou plant, Canada (note 9.2.1). The impact of this restructuring on the Canadian pension plan results in a curtailment and a past service cost for a global amount of €12 million recognized in non-recurring expenses.

In 2014, the Group has decided to offer the possibility to the US pension plan participants to get their pension in form of a lump sum generating a partial settlement of the plan amounting to an income of €16 million recognized in operating income before non-recurring expenses and income.

For Canadian pension plans, the Group does not have any rights to a refund of the plan surplus. The economic benefits available are measured as the present value of future service cost. These pension plans are subject to a minimum funding requirement. The surplus recognized as an asset is the sum of:

- any prepaid amount that would reduce the future minimum funding requirement; and
- the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service.

Any amount exceeding this limit is immediately recognized within the other comprehensive income.

In 2015, the amount recognized resulting from the effect of the asset ceiling was €199 million (2014: €23 million).

In 2015, the present value of defined benefit pension obligations increased by €412 million. This change was due to:

(in € million)	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the Euro	(422)	(530)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(55)	(860)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	59	21
Changes in plan regulations	2	7
Changes in the scope of consolidation	4	-
Other items	-	1

The fair value of plan assets amounted to €6,448 million at December 31, 2015, showing an increase of €306 million compared to December 31, 2014. The factors behind this variation were as follows:

(in € million)	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the Euro	338	452
Difference between the contributions paid to the funds and the benefits paid by the funds	(175)	(310)
Actual return on plan assets	147	818
Changes in the scope of consolidation	(4)	-
Other items	-	-

The present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follows for 2015 and the previous four periods:

(in € million)	2015	2014	2013	2012	2011
Defined benefit obligation	(8,852)	(8,440)	(7,079)	(7,563)	(6,634)
Plan assets	6,448	6,142	5,182	5,195	4,810
SURPLUS/(DEFICIT)	**(2,404)**	**(2,298)**	**(1,897)**	**(2,368)**	**(1,824)**
Experience adjustment to:					
▶ plan liabilities	75	32	(43)	(60)	8
▶ plan assets	(107)	538	166	227	(58)

The experience adjustments in percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

	2015	2014	2013	2012	2011
Experience adjustment to:					
▶ the plan liabilities in percentage of the present value of the obligation (DBO)	-0.85%	-0.38%	0.61%	0.79%	-0.12%
▶ to the plan assets in percentage of the fair value of the assets	-1.66%	8.76%	3.20%	4.37%	-1.21%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2015			December 31, 2014		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.23%	3.08%	12.65%	3.97%	3.15%	11.50%
Inflation rate	2.38%	2.54%	5.00%	2.36%	2.71%	5.00%
Rate of salary increases	2.84%	2.49%	6.00%	2.88%	2.94%	6.42%
Weighted average duration of the defined benefit obligation	12.3	15.1	10.5	13.0	15.6	11.9

The discount rates, salary increase and inflation are the main financial assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported.

All actuaries provide for each plan sensitivities on the obligation (DBO) and Current Service Cost to a change of the main assumptions. DBO and cost (meaning in that case the aggregate of the current service cost and interest cost on the obligation) sensitivities are the weighted average change of respectively the DBO and the Cost when one of these assumptions changes.

For the sensitivity of the fair market value of plan assets due to the interest rates movement it is considered that all the yield curve is moving up or down by 0.5 point and only the value of the bonds are impacted, all other assets keeping their value. The sensitivity indicated is the overall change of the value of the total portfolio due to the change in the interest rates.

A 0.5-point shift in these rates, while holding all other assumptions constant, compared to those used for 2015 would have the following effect on:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-6.61%	7.22%
Discount rate on the aggregate of current service cost and interest cost on the obligation	4.00%	-4.94%
Inflation rate on the defined benefit obligation (DBO)	4.79%	-4.38%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	4.66%	-4.26%
Salary increase rate on the defined benefit obligation (DBO)	1.30%	-1.15%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	2.07%	-1.81%
Interest rates on the fair market value of plan assets	-4.14%	4.54%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	Year ended December 31, 2015				Year ended December 31, 2014			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	36	35	2	**73**	30	32	2	**64**
Interest cost on the defined benefit obligation	172	140	3	**315**	161	144	3	**308**
Interest income on plan assets	(153)	(91)	(3)	**(247)**	(139)	(92)	(3)	**(234)**
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	-	-	**-**	-	-	-	**-**
Past service cost recognized during the year:								
▶ Due to the introduction of or modifications to defined benefit plans	-	-	-	**-**	(1)	-	-	**(1)**
▶ Due to curtailments of defined benefit plans	1	-	-	**1**	-	(1)	-	**(1)**
Effect of defined benefit plans settlements	-	-	-	**-**	(16)	-	-	**(16)**
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	(3)	-	**(3)**	12	-	-	**12**
TOTAL DEFINED PENSION BENEFIT EXPENSES	**56**	**81**	**2**	**139**	**47**	**83**	**2**	**132**
Actual return on plan assets	**109**	**36**	**2**	**147**	**559**	**257**	**3**	**819**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2015					December 31, 2014				
	Canada	USA	UK	Other	Total	Canada	USA	UK	Other	Total
Quoted securities										
Local equities	3.5%	13.1%	3.4%	0.0%	**7.3%**	5.6%	16.0%	4.3%	2.4%	**9.4%**
Foreign and global equities	7.8%	10.6%	14.3%	0.0%	**11.1%**	10.8%	10.2%	14.5%	0.0%	**11.5%**
Alternative investments	8.3%	9.3%	24.8%	0.0%	**14.6%**	7.8%	7.9%	21.5%	0.0%	**12.4%**
Real estate	0.0%	0.0%	7.6%	0.0%	**2.8%**	0.0%	0.0%	7.2%	0.0%	**2.6%**
Indexed linked bonds	0.2%	0.2%	8.2%	8.4%	**3.4%**	0.2%	0.0%	8.8%	2.2%	**3.3%**
Fixed income government and agencies	20.5%	7.3%	3.0%	1.6%	**7.8%**	17.9%	5.7%	8.4%	4.2%	**11.1%**
Corporate bonds	11.8%	25.3%	8.5%	0.0%	**15.8%**	10.0%	23.2%	10.8%	2.6%	**15.7%**
Other fixed income, multi-asset credit, emerging market bonds	33.8%	20.7%	21.5%	0.0%	**22.6%**	30.7%	24.0%	19.2%	0.1%	**20.3%**
Cash & cash equivalent	1.6%	3.1%	5.1%	0.7%	**3.5%**	2.1%	3.2%	1.8%	0.8%	**2.4%**
Total quoted securities	**87.5%**	**89.6%**	**96.4%**	**10.7%**	**88.9%**	**85.1%**	**90.2%**	**96.5%**	**12.3%**	**88.7%**
Non-quoted securities										
Funds managed by insurance companies	0.0%	0.0%	0.0%	89.3%	**3.2%**	0.0%	0.0%	0.0%	87.7%	**3.2%**
Private placements [(1)]	4.8%	3.6%	3.6%	0.0%	**3.7%**	7.0%	4.2%	3.5%	0.0%	**4.3%**
Real estate	7.7%	6.8%	0.0%	0.0%	**4.2%**	7.9%	5.6%	0.0%	0.0%	**3.8%**
Total non-quoted securities	**12.5%**	**10.4%**	**3.6%**	**89.3%**	**11.1%**	**14.9%**	**9.8%**	**3.5%**	**87.7%**	**11.3%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Duration in years of the bond portfolio, excluding cash & cash equivalents	**18.9**	**17.9**	**18.3**	**N/A**	**18.3**	**19.9**	**18.1**	**15.6**	**N/A**	**16.9**

(1) Hedge funds and private equity.

In the above allocation, assets reported under "Quoted Securities" are assets which have a regular market value at which such assets can be sold and the ones under "Non-Quoted Securities" are assets managed by insurance companies and less liquid assets which could be sold at a discounted price.

An internal group of experts, composed by the chairmen of the main investment committees and Group specialists, has issued investment guidelines for the use of the local investment committees giving the investment best practices. Among other issues, these guidelines state not to invest directly in any Michelin securities or in any properties used by the Group. Fund managers do not have such restrictions. The Group has no significant amount invested in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios. Detailed information is not available about the underlying assets held in general insurance funds or alternative investments.

Alternative investments are composed of hedge funds and some funds of hedge funds. In the UK there are also diversified growth funds for which the managers can switch between main asset classes depending on market conditions. This kind of investment is expected to have an equity-like return for a lower volatility.

Other fixed income are composed of emerging market bonds, commingled funds, liability hedging portfolios for which the managers invest in government and corporate bonds as well as in derivatives, as well as in multi asset credit in the UK for which the managers can switch between main credit products depending on market conditions. This kind of investment is expected to have a corporate bonds like return with a lower volatility due to its diversification to asset backed securities, loans, high yield bonds as well as cash, government and corporate bonds.

For the UK portfolio the real estate investment is an investment into a Limited Price Index Property Fund with long term leases which is expected to hedge inflation risk.

In most countries assets are managed by local independent boards which are required under local pension laws. The boards are required by their articles of association as well as by law to act in the best interest of the fund and of all relevant stakeholders in the plan, i.e. current and future beneficiaries as well as employers.

Asset allocation studies are performed periodically, generally every three to five years, by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent advisors (actuaries, consultants, investment management firms). The asset allocation takes into account the structure of employee-related liabilities and their terms. In case of a large rise in funding ratio such asset allocation study should be performed to ensure the target allocation is still appropriate.

The largest pension plans have implemented a dynamic asset allocation, where the target asset allocations are based on plan funded status. An improvement in funding status results in the de-risking of the portfolios, allocating more funds to liability hedging assets (LHA) and less to return seeking assets (RSA). In case of a decrease of the funding ratio the target allocation remains unchanged, as re-risking of the portfolios is not permitted.

The RSA are diversified with the objective to target efficient portfolios where the level of volatility is minimized for the targeted return. These portfolios combine domestic and global equities with real estate and alternative assets such as hedge funds and private placements. Special attention is given to lower liquid asset classes which may complicate the de-risking process by creating concentrated positions or requiring transactions at discounted prices.

The LHA are hedging the duration risk as well as in some cases the credit spread and inflation risk. The LHA portfolios are primarily composed of government and corporate bonds. The larger plans also use completion managers to implement custom solutions in order to hedge key rate duration according to the policy set by each pension fund.

Foreign exchange risks might be covered when the exposure to foreign currency is considered as non-negligible. For instance the UK fund has a large exposure to non UK equities and has a policy to hedge 75% of its foreign currencies. In other cases, investment managers are given discretion to hedge currency exposure as they deem necessary.

Group contributions to pension plans and benefit payments made by these plans in 2015 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Contributions paid and benefits paid directly by the Group				
2015	33	236	3	**272**
Estimates of contributions to be paid and benefits to be paid directly by the Group				
2016	14	102	1	**117**
2017	14	119	1	**134**
2018	14	108	1	**123**
2019	14	72	1	**87**
2020	91	88	1	**180**
2021-2025	369	524	1	**894**

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In the US the following year contribution is determined annually using IRS rules including temporary funding relief provided by HATFA (Highway and Transportation Funding Act of 2014) legislation.

In Canada the contributions are determined on a tri-annual base and the funding plan is spread over 15 years as required under local regulations.

In the UK the contributions are determined based on tri-annual actuarial valuations as required by the Pension Act. In case of deficit the employer must agree a recovery plan with the Trustees. The current Recovery Plan matures in 2027.

In 2015, in addition to the ordinary contributions, it was decided to make contributions in advance due in the UK for an amount of €138 million.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly via the relevant administrators.

The estimates of future payments for unfunded plans are based on data included in the calculation of the projected defined benefit obligation based on expected leaving dates each year. The same method is used for the constitutive funds for partially funded plans paid to insurance companies. For funded plans, the estimates of future contributions take into account the changes in regulations that are known to date (Pension Protection Act 2006 in the US and Pension Act 2004 in the UK).

/ 27.1.2 Other Defined Benefit Plans

In many countries, Group employees receive other post-employment benefits and long-term benefits throughout their term of employment. The "other post-employment benefits" mainly include health insurance and end of service benefit. The "Other defined benefit plans" are mainly found in the United States, Canada and France. "Other long-term benefits" include deferred compensation plans that are mandatory in the countries where the Group operates or provided for under local company-specific agreements. Such defined benefit plans generally concern the Group European companies and are based on seniority.

As in the case of the above-described defined benefit plans, "other defined benefit plans" are valued by independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets and are recognized as liabilities.

The main plans provided within the Group are:

USA

The Group offers retiree medical benefits that provide healthcare coverage for Pre-Medicare and Medicare eligible retirees and their dependents.

Eligible retirees are mainly those who were active prior to January 1, 2004 and will have at least 10 years of service at the date of retirement.

For the Medicare retirees, the health care coverage comes as an addition to the Medicare basis.

Medical and prescription drug expenses are covered by the plan. The retirees contribute to the cost of the post-retirement medical plan.

The Group pays a premium for the administrative services. This plan is not pre-funded

Canada

The Group offers retiree medical benefits that provide healthcare coverage for certain retirees and their dependents. Medical and prescription drug expenses are covered by the plan.

This plan was closed to new entrants as from January 1, 2005.

The Group pays a premium for the administrative services. This plan is not pre-funded.

France

The main plan is a mandatory rubber branch end-of-service benefit plan.

The plan provides that a lump sum payment is made upon retirement for employees being present at the retirement date. The normal age of retirement is 65. The calculation of the lump sum corresponds to a number of months of salary based on years of service at the time of retirement.

This plan is not pre-funded.

Changes in the financial position of "other defined benefit plans" are as follows:

	December 31, 2015				December 31, 2014			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	1,095	1,159	32	**2,286**	946	1,024	23	**1,993**
Translation adjustments	70	(6)	(3)	**61**	105	-	1	**106**
Changes in scope of consolidation	(4)	(47)	2	**(49)**	-	-	-	**-**
Current service cost	14	49	4	**67**	12	42	2	**56**
Interest cost on the defined benefit obligation	46	25	2	**73**	47	34	2	**83**
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	(1)	1	-	**-**	-	(7)	1	**(6)**
▶ Past service cost due to curtailments of defined benefit plans	-	(1)	-	**(1)**	1	(12)	-	**(11)**
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Benefits paid	(53)	(68)	(2)	**(123)**	(55)	(71)	(1)	**(127)**
Other items	-	-	-	**-**	-	-	-	**-**
Actuarial (gains) or losses generated during the year	17	(57)	(3)	**(43)**	39	149	4	**192**
Present value of the obligations at the end of the year	**1,184**	**1,055**	**32**	**2,271**	**1,095**	**1,159**	**32**	**2,286**
Fair value of plan assets at the beginning of the year	-	-	-	**-**	-	-	-	**-**
Translation adjustments	-	-	-	**-**	-	-	-	**-**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Interest income on plan assets	-	-	-	**-**	-	-	-	**-**
Contributions paid to the plans	-	-	-	**-**	-	-	-	**-**
Administration costs	-	-	-	**-**	-	-	-	**-**
Benefits paid by the plans	-	-	-	**-**	-	-	-	**-**
Other items	-	-	-	**-**	-	-	-	**-**
Actual return on plan assets excluding interest income	-	-	-	**-**	-	-	-	**-**
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deficit/(surplus) at the end of the year	**1,184**	**1,055**	**32**	**2,271**	**1,095**	**1,159**	**32**	**2,286**
NET LIABILITY/(ASSET) RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**1,184**	**1,055**	**32**	**2,271**	**1,095**	**1,159**	**32**	**2,286**

The calculation formula of the benefit offered by the jubilee plan in Italy has been changed in 2014 generating a past service cost amounting to €7 million recognized as an income within the operating income before non-recurring expenses and income.

In 2014, a curtailment on the whole of the defined benefit plans in France, linked to the restructuring of Joué-lès-Tours, has been recognized for an amount of €11 million as an income within the operating income before non-recurring expenses and income.

At the same time, a provision for restructuring has been recognized in the expenses within the operating income before non-recurring expenses and income for an equivalent amount.

In 2015 the present value of "other defined benefit plans" decreased by €15 million, due to:

	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(61)	(106)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	43	(192)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(17)	(12)
Changes in plan regulations	1	17
Changes in the scope of consolidation	49	-
Other items	-	-

The present value of the defined benefit obligation and experience adjustments are as follows for 2015 and the previous four periods:

(in € million)	2015	2014	2013	2012	2011
Defined benefit obligation	(2,271)	(2,286)	(1,993)	(2,252)	(1,920)
Experience adjustments to plan liabilities	25	65	86	5	3
Experience adjustments to plan liabilities *(in % of present value of the obligation (DBO)*	1.10%	2.84%	4.32%	0.22%	0.16%

The main actuarial weighted average assumptions used to measure obligations for "other defined benefit plans" are as follows:

	December 31, 2015			December 31, 2014		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.23%	1.99%	6.38%	3.97%	2.11%	7.19%
Weighted average duration of the defined benefit obligation	12.9	11.7	10.9	13.6	11.9	10.4

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2015		December 31, 2014	
	USA	Canada	USA	Canada
Expected growth in healthcare costs in the first year	8.00%	5.12%	7.33%	5.25%
Minimum long-term rate of annual growth in healthcare costs	5.00%	4.25%	5.00%	4.25%
Year in which the minimum growth rate will be achieved	2023	2023	2021	2023

The discount rate and the assumed health care cost trend rate are the main assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported. All actuaries provide for each plan sensitivities on the obligation (DBO) and Current Service Cost to a change of the main assumptions. DBO and Cost (meaning in that case the aggregate of the current service cost and interest cost on the obligation) sensitivities are the weighted average change of respectively the DBO and the Cost when one of these assumptions changes.

A 0.5-point shift in these rates, all else otherwise being equal, compared to those used for 2015 would have the following effect:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-5.86%	7.12%
Discount rate on the aggregate of current service cost and interest cost on the obligation	0.80%	-0.54%
Healthcare cost trend on the healthcare defined benefit obligation	5.90%	-5.10%
Healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plan obligation	6.26%	-5.44%

Net income and expenses recognized in the income statement are as follows:

	Year ended December 31, 2015				Year ended December 31, 2014			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	14	46	4	**64**	11	42	4	**57**
Interest cost on the defined benefit obligation	46	25	2	**73**	43	34	2	**79**
Interest income on plan assets	-	-	-	**-**	-	-	-	**-**
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(5)	-	**(5)**	-	20	-	**20**
Past service cost recognized during the year:								
▶ Due to the introduction of or modifications to defined benefit plans	(1)	1	-	**-**	-	(7)	1	**(6)**
▶ Due to curtailments of defined benefit plans	-	1	-	**1**	-	(10)	-	**(10)**
Effect of defined benefit plans settlements	-	-	-	**-**	-	-	-	**-**
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	(2)	-	**(2)**	1	(2)	-	**(1)**
TOTAL OTHER DEFINED BENEFIT EXPENSES	**59**	**66**	**6**	**131**	**55**	**77**	**7**	**139**

Group payments made under "other defined benefit plans" in 2015 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Benefit payments made				
2015	53	67	3	**123**
Estimates of benefit payments to be made				
2016	64	50	4	**118**
2017	65	51	1	**117**
2018	67	54	2	**123**
2019	68	58	1	**127**
2020	69	76	2	**147**
2021-2025	338	386	8	**732**

For unfunded plans, such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

27.2 Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-employment plans.

In 2015, the contributions paid to defined contribution plans and expensed amounted to €187 million (2014: €139 million).

These plans are mainly found in the United States of America, Canada, the United Kingdom and France.

USA

The defined contribution plans in the United States consist of the Michelin Retirement Account Plan (MRAP) and various 401(k) plans. The MRAP plan is fully funded by employer contributions. The contribution levels are based on age and years of service. The 401(k) plans are voluntary and are funded by employee contributions with employer matching contributions. In both the MRAP and 401(k) plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment committee under the authority of the US Pension Board.

Canada

The defined contribution plans in Canada consist of the Defined Contribution Plan for the Employees of Michelin North America (Canada) Inc. as well as a registered retirement savings plan (RRSP). The defined contribution plan is funded by core employer contributions and optional employee contributions with employer matching. The core contribution levels, modified at January 1, 2016, are based on years of service and age. The RRSP plan is voluntary and is funded by employee contributions with employer matching contributions. In both the DC and RRSP plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

United Kingdom

The main defined contribution pension plan in UK is the Michelin Pension and Life Assurance plan DC section (for Michelin and ATS employees). It has been implemented as from December 1, 2004 for the new entrants and for January 1, 2009 for all employees who did not opt out.

For Michelin employees, there are employee and employer contributions to this Plan which are based on a percentage of the eligible pay and age of the employee. Employees may also make optional contributions to the plan and the Group will match some of these optional contributions.

For ATS employees, there are employee and employer contributions. The range of contribution is chosen by the employee and matched by the employer. Contributions are a flat rate whatever the age of the employee.

All contributions to the plan are held in a Pension Account in a Trust. The employees choose how to invest these contributions among the different options made available for the Plan. The asset allocation choices are determined and monitored by the Board of Trustees.

France

There are two defined contribution pension schemes in France: the "Article 83" scheme and the "PERCO".

The defined-contributions "Article 83" retirement savings plan has been implemented as from January 1, 2012 in order to replace the defined benefit plan which will be progressively terminated. It is a mandatory retirement plan for all employees of the French companies concerned by the applicable agreement. Contributions are paid by the employee and the employer on the gross annual salary capped. An individual account is opened on the name of each employee. The employee can claim his additional retirement benefit at the date he is entitled to his pension in a compulsory retirement scheme.

The PERCO has been implemented on June 1, 2007 and revised as from January 1, 2012. It is a voluntary pension saving plan. Each employee can contribute to this plan and the Group will match the voluntary contributions made by the employee up to a cap.

NOTE 28 SHARE-BASED PAYMENTS

28.1 Stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2015		2014	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**67.41**	**2,743,458**	**63.98**	**3,635,116**
Granted	-	-	-	-
Forfeited	66.68	(99,988)	60.56	(25,338)
Exercised	70.41	(909,999)	53.25	(866,320)
AT DECEMBER 31	**65.87**	**1,733,471**	**67.41**	**2,743,458**

1,592,445 of the 1,733,471 options outstanding as at December 31, 2015 are exercisable (2014: 2,743,458 in total and 2,349,432 exercisable).

Stock option plans have the following exercise prices and expiry dates:

			December 31, 2015		December 31, 2014	
Grant dates	Vesting dates	Expiry dates	Exercise prices *(in € per option)*	Number of options outstanding	Exercise prices *(in € per option)*	Number of options outstanding
May 2005	May 2009	May 2014	46.34	-	46.34	-
November 2005	November 2009	November 2014	46.34	-	46.34	-
May 2006	May 2010	May 2015	55.99	-	55.99	40,718
May 2007	May 2011	May 2016	87.85	596,721	87.85	1,052,978
May 2008	May 2012	May 2017	59.85	167,878	59.85	204,672
November 2009	November 2013	November 2018	51.16	541,785	51.16	836,800
May 2010	May 2014	May 2019	52.12	150,951	52.12	214,264
May 2011	May 2015	May 2020	66.00	135,110	66.00	252,900
June 2012	June 2016	June 2021	51.16	141,026	51.16	141,126
NUMBER OF STOCK OPTIONS OUTSTANDING				**1,733,471**		**2,743,458**

28.2 Performance share plans

Changes in the number of performance share rights are as follows:

	2015	2014
	Number of outstanding performance share rights	Number of outstanding performance share rights
At January 1	**1,007,798**	**733,712**
Granted	84,892	396,718
Forfeited	(132,795)	(42,061)
Shares delivered	(227,489)	(80,571)
AT DECEMBER 31	**732,406**	**1,007,798**

In November 2015, 84,892 rights to performance shares of the Company have been granted to Group employees. Grantees are subject to a vesting period of four years ending in November 2019 and are not subject to any lock-up period. The shares will vest providing that the performance conditions (Group net sales growth percentage, increase in operating income, rate of return on capital employed and employee engagement level) are met. The fair value of a right to a performance share is estimated at €82.24. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The total cost for the plans issued in 2015 is estimated at €5 million.

The performance share plans have the following characteristics:

Grant dates	Vesting dates		Lock-up period		Fair value at grant date		December 31, 2015 Number of outstanding performance share rights	December 31, 2014 Number of outstanding performance share rights
	France	Other countries	France	Other countries	France	Other countries		
2011	2014	2015	2 years	None	37.49	35.49	-	163,008
2012	2015	2016	2 years	None	61.87	59.46	178,632	366,672
2013	2017	2017	None	None	69.43	69.43	78,544	81,400
2014	2018	2018	None	None	63.05	63.05	283,670	288,426
2014	2018	2018	None	None	63.05	63.05	106,668	108,292
2015	2019	2019	None	None	82.24	82.24	84,892	-
NUMBER OF OUTSTANDING PERFORMANCE SHARE RIGHTS							**732,406**	**1,007,798**

The expense recognized in 2015 for the performance share plans amounts to €9 million (2014: €6 million) and is included in "Other operating income and expenses".

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other long-term liabilities amount to €1,680 million (2014: €1,476 million) and include restructuring and litigation provisions as well as other provisions and long-term liabilities.

Movements in provisions during the year:

(in € million)	Restructuring	Litigation	Other provisions	Total
At January 1, 2015	**206**	**241**	**137**	**584**
Additional provisions	219	95	28	**342**
Provisions utilized during the year	(98)	(78)	(48)	**(224)**
Unused provisions reversed during the year	(10)	(5)	(2)	**(17)**
Translation adjustments	(2)	(1)	(10)	**(13)**
Other effects	1	-	-	**1**
AT DECEMBER 31, 2015	**316**	**252**	**105**	**673**

29.1 Restructuring

At December 31, 2015, the remaining restructuring provisions were related to restructuring taking place in the following countries:

	December 31, 2015	December 31, 2014
Spain	15	25
France	80	113
United Kingdom	110	1
Hungary	14	24
Italy	50	6
Germany	34	17
Other countries	13	20
RESTRUCTURING PROVISIONS	**316**	**206**

29.2 Other provisions

These amounts represent the risks arising from a commercial, technical, tax or social origin and have been identified by the Group with regard to its clients, suppliers and other third parties. These risks arise in the course of the Group ordinary activities.

NOTE 30 OTHER CURRENT LIABILITIES

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

(in € million)	December 31, 2015	December 31, 2014 [1]
Customers – Deferred rebates	971	935
Employee benefits	514	474
Social security liabilities	232	223
Restructuring liabilities	5	14
Current income tax payable	126	144
Other taxes	190	163
Other	280	267
OTHER CURRENT LIABILITIES	**2,318**	**2,220**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

NOTE 31 DETAILS OF THE CASH FLOW STATEMENT

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

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
(Gains)/Losses on disposal of non-financial assets	(11)	6
Other	2	(1)
Other non-cash income and expenses	**(9)**	**5**
Change in employee benefit obligations	(260)	(117)
Change in restructuring provisions	(99)	(64)
Change in litigation and other provisions	2	(10)
Change in provisions, including employee benefit obligations	**(357)**	**(191)**
Interest and other financial expenses paid	(198)	(203)
Interest and other financial income received	32	25
Dividends received	23	34
Cost of net debt and other financial income and expenses paid	**(143)**	**(144)**
Change in inventories	60	(71)
Change in trade receivables and advances	(66)	234
Change in trade payables and advances	(47)	79
Change in trade payables under factoring contracts	81	8
Change in other receivables and payables	(4)	(68)
Change in working capital, net of impairments	**24**	**182**
Purchases of intangible assets (note 13)	(135)	(131)
Purchases of PP&E (note 14)	(1,668)	(1,752)
Government grants received	11	11
Change in capital expenditure payables	18	33
Purchases of intangible assets and PP&E	**(1,774)**	**(1,839)**
Increase in other non-current financial assets	(23)	(8)
Decrease in other non-current financial assets	11	14
Net cash flows from cash management financial assets	109	172
Net cash flows from borrowing collaterals	(8)	(60)
Net cash flows from other current financial assets	(3)	3
Cash flows from other financial assets	**86**	**121**
Increase in non-current financial liabilities	843	122
Decrease in non-current financial liabilities	(62)	(96)
Repayment of finance lease liabilities	(10)	(13)
Net cash flows from current financial liabilities	(258)	(400)
Derivatives	(51)	107
Cash flows from financial liabilities	**462**	**(280)**
Details of non cash transactions:		
▶ New finance leases (note 14)	55	24
▶ Increase/(Decrease) of liabilities to minority shareholders	16	(15)
▶ New emission rights	5	9
▶ Dividends paid in shares (note 24)	-	-

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

/ 32.1.1 Operating lease commitments

Future minimum payments under non-cancellable operating leases by maturity are as follows (not discounted):

(in € million)	December 31, 2015	December 31, 2014
Within one year	196	189
Between one and five years	361	347
More than five years	89	88
TOTAL FUTURE MINIMUM PAYMENTS	**646**	**624**

Total operating lease rents recognized in the income statement in 2015 amounted to €381 million (2014: €346 million).

/ 32.1.2 Capital commitments

PP&E capital expenditure on the main extension projects, which were contracted but not delivered before December 31, 2015, amounts to €174 million (of which €13 million is likely to be delivered from 2017).

/ 32.1.3 Other commitments

The Group has various purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2016. They are established under normal market conditions and arise in the course of the Group ordinary activities.

32.2 Contingencies

/ 32.2.1 Michelin Pension Trust Ltd UK

Following the introduction of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension funds, "Recovery Plan", was established between Michelin Pension Trust Ltd U.K. and Michelin U.K. In order to limit the amount of the contributions and to stagger them over more than ten years, the Group a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make.

The calculation of the Recovery Plan is done every three years. The last one was carried out as at March 31, 2014. The actuarial assumptions used to evaluate the liability for the Recovery Plan are globally more conservative than the ones used to evaluate the defined benefit obligations under IAS 19.

The amount of the guarantee given is equal to the difference, if positive, between the present value of future contributions and the amount of the provision booked in the accounts. As of December 31, 2015, the present value of the future contributions is lower than the provision booked in the Group accounts.

/ 32.2.2 URSSAF audit

A French subsidiary of the Group received formal claims, by the administration in charge of the social security contribution collection, to pay €97 million (excluding interests and penalties) relating to several grievances. The Group evaluated these claims in the following way:

- Certain claims were accepted for an amount of €6 million, expensed and paid in 2013;
- Claims which are not accepted and not provided represent an amount of €29 million, for which the Group has submitted for out-of-court and/or legal settlements. Despite the uncertainties inherent to this type of procedures, the Group believes it has good chances to make its point of view prevail;
- All other claims not accepted and for which the Group has submitted for out-of-court and/or legal settlements were fully taken into consideration in the consolidated financial statements.

/ 32.2.3 Tax audit in Germany

Following a tax audit covering the periods 2005 to 2009, a German subsidiary received during the year 2015 two notifications of intended tax adjustment from the tax authorities. They are contesting the effects on the subsidiary of the transfer price policy applied by the Group. The risk of a potential adjustment covers a taxable base of €286 million. Information received from tax authorities is not a formal tax notice as of yet. The Group does not accept any of the positions taken by the German tax authorities and considers that:

- It is more unlikely than likely that the subsidiary will have to face a financial loss in connexion with these tax adjustments;
- Furthermore, it is not possible at this stage of the proceedings to reliably evaluate the potential financial risk related to these tax litigations.

/ 32.2.4 Other contingencies

In the course of their ordinary activities, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and the cash outflows probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of the Group management, there is no other governmental, judicial or arbitration proceedings likely to have significant impacts on its net assets or cash flows.

32.3 Assets pledged as collateral

/ 32.3.1 PP&E

PP&E pledged as collateral amounted to €28 million (2014: €28 million).

/ 32.3.2 Financial assets

Loans and deposits amounting to €80 million (2014: €72 million) are pledged as collateral for financial borrowings (note 26 "Financial liabilities").

/ 32.3.3 Trade receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in their eligible trade receivable portfolios. The maximum financing that can be drawn from these programs amounts to €483 million (2014: €465 million). Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to €15 million as at December 31, 2015 (2014: €15 million), has been accounted for as collateralized loans (note 26.2 "Loans from financial institutions and other").

NOTE 33 ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

33.1 Blackcircles

On April 30, 2015, the Group acquired 100% of the shares and voting rights in Blackcircles, the leading Internet tires sales company in the United Kingdom.

This acquisition generated a net cash outflow of €69 million included in "Equity investments in consolidated companies, net of cash acquired" in the Group consolidated cash flow statement.

At the acquisition-date, the fair value of the consideration transferred, which includes a contingent consideration, amounts to €88 million.

The measurement at their fair value of assets acquired and liabilities assumed are detailed in the following table:

(in € million)	April 30, 2015
Intangible assets [1]	27
Property, plant and equipment (PP&E)	-
Non-current financial assets and other assets	-
Non-current assets	**27**
Inventories	-
Trade receivables and other current assets	-
Cash and cash equivalents	4
Current assets	**4**
Non-current financial liabilities	-
Provisions and other non-current liabilities	-
Deferred tax liabilities	5
Non-current liabilities	**5**
Current financial liabilities	-
Trade payables and other current liabilities	4
Current liabilities	**4**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**22**

(1) The fair value of intangible asset has been measured, with the assistance of an external consultant, using the royalty relief method for the trademark and using an income approach for the client portfolio. The Blackcircles trademark has been valued at €22 million. Its remaining useful life is 15 years. The fair value of the client portfolio has been measured at €2 million. It will be amortized over its remaining useful life of 8 years.

The allocation of the purchase price, after the measurement of identifiable assets acquired and liabilities assumed, led to the recognition of a goodwill for €66 million, calculated as follows:

(in € million)	April 30, 2015
Fair value of consideration transferred (1)	88
Fair value of net assets acquired (2)	22
GOODWILL (1) - (2)	**66**

Furthermore, synergies identified at the time of the acquisition and relating to the increase in the United Kingdom of sales of the Group's branded tires, either by online purchases through Blackcircles internet site or by purchases from a retailer after visiting the site, led the Group to allocate a part of the goodwill, amounting to €44 million, to the Passenger car and light truck tires Europe CGU.

In the eight months to December 31, 2015, Blackcircles contributed €42 million to the Group's net sales, €-1 million to its operating income and €-1 million to its net income. Had the acquisition taken place on January 1, 2015, the net sales in the consolidated income statement would have amounted to €21,214 million, the operating result would have amounted to €2,206 million and consolidated net income for the year would have amounted to €1,163 million. In determining these amounts, the Group assumed that the fair value of the identifiable assets acquired and liabilities assumed as determined at the acquisition date would have been the same as if the acquisition had occurred on January 1, 2015.

The purchase price includes a contingent consideration arrangement for a maximum aggregate amount of 40 million pounds sterling. The amount to be paid depends on net sales and EBITDA thresholds for the years 2015, 2016 and 2017 and payment in respect of the relevant earn-out period will occur a few months after the end of each of the three years if the targets are met. The fair value of the contingent consideration as at 31 December, 2015 amounts to €20 million.

33.2 Livebookings Holdings Limited

On December 29, 2015, the Group took control over Livebookings Holdings Limited, the European leader in the online restaurant reservation market with headquarters in London. The Group was previously holding a 9.1% interest in the company and acquired an additional 90.8% of the share capital for an amount of €108 million. This acquisition is temporarily presented as "Non-current financial assets and other assets" in the consolidated statement of financial position at December 31, 2015. Consolidation and purchase price allocation will be carried out during the accounting period beginning on January 1, 2016.

NOTE 34 RELATED PARTY TRANSACTIONS

34.1 Subsidiaries, joint ventures and associates

The list of the major Group subsidiaries is included in note 36 "List of main Group companies". Transactions between the parent company and its subsidiaries and between subsidiaries are eliminated in consolidation.

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € million)	2015	2014
Income statement		
Income for the sale of goods or supply of services	140	115
Expenses for the purchase of products or supply of services	(116)	(128)
Statement of financial position		
Financial liabilities	(14)	(8)
Accounts payable	(7)	(7)
Accounts receivable	29	27

34.2 Senior Management and Supervisory Board

In 2015, Jean-Dominique Senard, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution based on 2014 net income and amounting to €0.8 million (2014: €1.2 million). He was entitled to a global compensation of €1.4 million (social charges included) as non-general Managing Partner of Manufacture Française des Pneumatiques Michelin (2014: €1.5 million). The present value of the benefits attributed during the period in a post-employment defined benefit plan amounts to €0.4 million (2014: €0.5 million). A provision of €1.7 million (social charges included) is recognized as at December 31, 2015 (2014: €1.4 million) based on the present value of the vested rights in a long term incentive bonus program.

The global compensation granted in 2015 to the 12 [(1)] members of the Group Executive Committee (2014: 11 [(1)] members) was €19.0 million (2014: €14.1 million). This amount breaks down as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Short term benefits	14.4	9.8
Post-employment benefits	2.7	2.7
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	1.9	1.6
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	**19.0**	**14.1**

(1) Members of the Group Executive Committee as at December 31.

The attendance fees paid in 2015 to the Supervisory Board members for 2014 meetings were €0.3 million (2014: €0.3 million).

NOTE 35 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 2015 consolidated financial statements.

NOTE 36 LIST OF MAIN GROUP COMPANIES

Countries are presented based on the Michelin geographical regions and within each regions are listed according to the alphabetical order of the French names.

Companies	Registered office	Nature	% of interest
EUROPE			
Germany			
Laurent Reifen GmbH	Oranienburg	Manufacturing & commercial	100.00
Michelin Reifenwerke AG & Co. KgaA	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Kaiserslautern	Commercial	99.98
Michelin Finanz Gesellschaft für Beteiligungen AG & Co.OHG	Karlsruhe	Financial	100.00
Meyer Lissendorf GmbH & Co. KG International Trading	Goennersdorf	Miscellaneous	100.00
Ihle Baden-Baden AG	Baden-Baden	Miscellaneous	100.00
Tirecorp GmbH	Baden-Baden	Miscellaneous	100.00
Ihle International GmbH	Baden-Baden	Miscellaneous	100.00
Belgium			
Michelin Belux S.A.	Zellik	Commercial	100.00
Denmark			
Euromaster Danmark A/S	Skanderborg	Commercial	99.94
Spain			
Michelin España Portugal, S.A.	Tres Cantos	Manufacturing & commercial	99.80
Euromaster Automoción y Servicios, S.A.	Madrid	Commercial	99.94
Nex Tyres, S.L.	Lleida	Miscellaneous	49.97
Finland			
Suomen Euromaster Oy	Pori	Commercial	99.94
France			
Compagnie Générale des Etablissements Michelin	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Avallon	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Bassens	Manufacturing	100.00
Euromaster France	Montbonnot Saint-Martin	Commercial	98.41
Michelin Aircraft Tyre	Clermont-Ferrand	Commercial	100.00
Transityre France	Clermont-Ferrand	Commercial	100.00
Michelin Travel Partner	Boulogne-Billancourt	Commercial	100.00
Spika	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Etablissements Piot Pneu	Montbonnot Saint-Martin	Commercial	96.81
Tyredating	Lyon	Commercial	100.00
Ihle France	Schiltigheim	Miscellaneous	100.00
Greece			
Elastika Michelin A.E.	Halandri	Commercial	100.00
Hungary			
Michelin Hungaria Tyre Manufacture Ltd	Nyíregyháza	Manufacturing & commercial	100.00
Ireland			
Miripro Insurance Company Limited	Dublin	Miscellaneous	100.00
Italy			
Società per Azioni Michelin Italiana	Turin	Manufacturing & commercial	100.00
Luxembourg			
Michelin Luxembourg SCS	Luxembourg	Financial	100.00

Companies	Registered office	Nature	% of interest
The Netherlands			
Eurodrive Services and Distribution N.V.	Amsterdam	Commercial	99.94
Euromaster Bandenservice B.V.	Deventer	Commercial	99.94
Michelin Nederland N.V.	Drunen	Commercial	100.00
Transityre B.V.	Breda	Commercial	100.00
Michelin Finance (Pays-Bas) B.V.	Amsterdam	Financial	100.00
Poland			
Michelin Polska S.A.	Olsztyn	Manufacturing & commercial	100.00
Serbia			
Tigar Tyres d.o.o.	Pirot	Manufacturing & commercial	100.00
Romania			
Michelin Romania S.A.	Voluntari	Manufacturing & commercial	99.86
Euromaster Tyre & Services Romania S.A.	Voluntari	Commercial	99.94
United Kingdom			
Michelin Tyre Public Limited Company	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Birmingham	Commercial	99.94
Blackcircles.com Limited	Peebles	Commercial	100.00
Sweden			
Euromaster AB	Varberg	Commercial	99.94
Michelin Nordic AB	Stockholm	Commercial	100.00
Switzerland			
Euromaster (Suisse) S.A.	Givisiez	Commercial	99.94
Nitor S.A.	Granges-Paccot	Financial	100.00
Michelin Suisse S.A.	Givisiez	Commercial	100.00
Compagnie Financière du Groupe Michelin, "Senard et Cie"	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Granges-Paccot	Miscellaneous	100.00
Michelin Mexico Properties Sàrl	Granges-Paccot	Miscellaneous	100.00
Turkey			
Michelin Lastikleri Ticaret A.S.	Istanbul	Commercial	100.00
AFRICA / INDIA / MIDDLE EAST			
South Africa			
Michelin Tyre Company South Africa Proprietary Limited	Boksburg	Commercial	100.00
Algeria			
Michelin Algérie SPA	Algiers	Commercial	100.00
Nigeria			
Michelin Tyre Services Company Ltd	Lagos	Commercial	60.28
India			
Michelin India Private Limited	Chennai	Manufacturing	100.00
NORTH AMERICA			
Canada			
Michelin North America (Canada) Inc.	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	New Glasgow	Commercial	100.00
United States of America			
Michelin North America, Inc.	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Wilmington	Commercial	100.00
Tire Centers, LLC	Wilmington	Commercial	100.00
CR Funding Corporation	Wilmington	Financial	100.00
Michelin Corporation	New York	Financial	100.00
Oliver Rubber Company, LLC	Wilmington	Manufacturing	100.00
Mexico			
Michelin Mexico Holding, S.A. de C.V.	Queretaro	Financial	100.00
Industrias Michelin, S.A. de C.V.	Mexico City	Manufacturing & commercial	100.00

Companies	Registered office	Nature	% of interest
SOUTH AMERICA			
Argentina			
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Buenos Aires	Commercial	100.00
Brazil			
Sociedade Michelin de Participações, Indústria e Comércio Ltda.	Rio de Janeiro	Manufacturing & commercial	100.00
Michelin Espírito Santo – Comércio, Importações e Exportações Ltda.	Vila Velha	Commercial	100.00
Plantações E. Michelin Ltda.	Rio de Janeiro	Miscellaneous	100.00
Michelin Monitoramento de Ativos do Brasil Ltda.	Rio de Janeiro	Miscellaneous	100.00
Sascar Participações S.A.	Santana Do Parnaíba	Miscellaneous	100.00
Sascar Tecnologia E Segurança Automotiva S.A.	Santana Do Parnaíba	Miscellaneous	100.00
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00
Colombia			
Industria Colombiana de Llantas S.A.	Bogotá	Commercial	99.96
Peru			
Michelin del Perú S.A.	Lima	Commercial	100.00
SOUTHEAST ASIA / AUSTRALIA			
Australia			
Michelin Australia Pty Ltd	Melbourne	Commercial	100.00
Indonesia			
PT Michelin Indonesia	Jakarta	Commercial	100.00
PT Synthetic Rubber Indonesia	Jakarta	Manufacturing	55.00
Malaysia			
Michelin Malaysia Sdn. Bhd.	Petaling Jaya	Commercial	100.00
Singapore			
Michelin Asia (Singapore) Co. Pte. Ltd	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte Ltd	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd	Singapore	Miscellaneous	100.00
Thailand			
Michelin Siam Company Limited	Bangkok	Manufacturing & commercial	100.00
Michelin Thai Holding Co., Ltd	Bangkok	Financial	100.00
Vietnam			
Michelin Vietnam Company Limited	Ho Chi Minh City	Commercial	100.00
CHINA			
China			
Michelin Shenyang Tire Co., Ltd	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd	Shanghai	Commercial	100.00
Taiwan			
Michelin Tire Taiwan Co., Ltd	Taipei	Commercial	100.00
EASTERN EUROPE			
Russia			
Michelin Russian Tyre Manufacturing Company LLC	Davydovo	Manufacturing & commercial	100.00
Ukraine			
Michelin Ukraine LLC	Kiev	Commercial	100.00
JAPAN / KOREA			
Japan			
Nihon Michelin Tire Co., Ltd	Tokyo	Commercial	100.00
South Korea			
Michelin Korea Co., Ltd	Seoul	Commercial	100.00

7.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

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 of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Compagnie Générale des Etablissements Michelin;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing Chairman. Our role is to express an opinion on these consolidated financial statements based on our audit.

/ I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

/ II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- Note 2.5 to the financial statements related to the basis of preparation of the consolidated financial statements presents the main assumptions and estimates used by management, in particular with respect to impairment of non financial assets, to employee benefits and income tax.

  As mentioned in note 2.5.1 the actual future cash flows as well as the actual income and expenses may differ from the estimates used, depending upon market trends and significant changes in the economical environment.

  We have examined the process applied by the management for the determination of the assumptions and estimates used and their implementation, the related evaluation of assets and liabilities as well as the corresponding information disclosed in the notes to the financial statements.

This assessment was made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

/ III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 15, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Pascale Chastaing-Doblin

8 COMPANY FINANCIAL STATEMENTS

8.1 REVIEW OF THE FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin (CGEM) is the Group's parent company, which directly or indirectly owns all of its subsidiaries and associates. Its two main subsidiaries are:

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all the manufacturing, sales and research operations based in France ;
- Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM), a wholly-owned subsidiary that owns most of the Group's manufacturing, sales and research companies outside of France and coordinates their operations.

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

They are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment and facilities, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

8.1.1 INCOME STATEMENT

CGEM reported net income of €589.7 million in 2015 versus €555.4 million in 2014.

8.1.1 a) Operating income

Operating income amounted to €161.6 million, compared with €91.3 million in 2014. Royalty revenue increased by 12.0% during the year, reflecting a similar rise in net sales by Group companies, while operating expenses fell by €9.8 million to €402.9 million, versus €412.7 million in 2014.

8.1.1 b) Financial income

Net financial income amounted to €468.2 million in 2015 compared with €486.5 million the previous year, reflecting a fall in dividend income.

8.1.2 BALANCE SHEET

Equity amounted to €6,294 million at December 31, 2015, compared with €6,560 million a year earlier. The decrease primarily reflected the decline in share capital and paid-in capital in excess of par due to the cancellation of 4,961,534 shares in the frame of the implementation of a €750 million share buyback program, which offset the rise in retained earnings and net income.

8.2 FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (PARENT COMPANY)

BALANCE SHEET AT DECEMBER 31, 2015

		December 31, 2015			December 31, 2014
ASSETS *(in € thousand)*	**Note**	**Cost**	**Depreciation, amortization & provisions**	**Net**	**Net**
Non-current assets					
Intangible assets					
Patents, licenses and other rights		26,191	26,191	0	0
Other intangible assets		61	61	0	0
	5	**26,252**	**26,252**	**0**	**0**
Property and equipment					
Land		102	0	102	102
Buildings		1,837	1,837	0	0
Other		346	346	0	0
	5	**2,285**	**2,183**	**102**	**102**
Investments [(1)]					
Shares in subsidiaries and affiliates	5-6-7-21-22	6,145,629	62,591	6,083,038	6,034,700
Loans and advances to subsidiaries and affiliates	5-7-9	350,424	0	350,424	350,503
Loans	5-6-7-9	271,522	17,552	253,970	507,964
Other equity interests	5-7-9-22	3,064	55	3,009	3,354
	5	**6,770,639**	**80,198**	**6,690,441**	**6,896,521**
(I)		**6,799,176**	**108,633**	**6,690,543**	**6,896,623**
Current assets					
Receivables [(2)]	7-9	579,478	0	579,478	736,085
Marketable securities	8	1	0	1	1
Cash		891,506	0	891,506	425,369
		1,470,985	**0**	**1,470,985**	**1,161,455**
Accruals					
Prepaid expenses [(2)]		430	0	430	118
(II)		**1,471,415**	**0**	**1,471,415**	**1,161,573**
Deferred charges and bond call premiums (III)		**0**	**0**	**0**	**0**
Conversion losses (IV)		**0**	**0**	**0**	**0**
ASSETS (I)+(II)+(III)+(IV)		**8,270,591**	**108,633**	**8,161,958**	**8,058,196**
(1) of which: short-term				*90,946*	*273,163*
(2) of which: long-term				*0*	*0*

Equity and Liabilities *(in € thousand)*		**Note**	**December 31, 2015**	**December 31, 2014**
Equity				
Share capital		11	363,804	371,452
Paid-in capital in excess of par		11	3,222,121	3,600,893
Revaluation reserve		12	624,772	624,772
Other reserves		12	1,284,579	1,285,034
Retained earnings		12	147,895	60,352
Net income for the year		12	589,684	555,428
Untaxed reserves		12	61,598	61,598
	(I)		**6,294,453**	**6,559,529**
Liabilities (1)				
Convertible bonds		10	731,648	709,871
Other bonds		10	8	11
Other borrowings		10	212,426	419,298
Other financial liabilities (2)		7-10	601,265	80,479
Accrued taxes and payroll costs		10	3,144	6,931
Other liabilities		7-10	319,014	282,077
			1,867,505	**1,498,667**
Accruals and other liabilities				
Deferred revenue			**0**	**0**
	(II)		**1,867,505**	**1,498,667**
Conversion gains	**(III)**		**0**	**0**
EQUITY AND LIABILITIES	**(I)+(II)+(III)**		**8,161,958**	**8,058,196**
(1) of which: long-term			*731,648*	*710,830*
of which: short-term			*1,135,857*	*787,837*
(2) of which: short-term bank loans and overdrafts			*0*	*0*

Notes 1 to 23 are an integral part of the financial statements of Compagnie Générale des Établissements Michelin.

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

(in € thousand)		Note	2015	2014
Revenue				
Royalties – of which, export revenues: 509,432		14	564,550	503,954
Other revenue			28	22
Total revenue	**(I)**		**564,578**	**503,976**
Operating expenses				
External charges			393,563	398,473
Taxes other than on income			8,186	4,771
Wages and salaries		17-18	670	318
Payroll taxes			199	139
Other expenses			329	8,954
Total operating expenses	**(II)**		**402,947**	**412,655**
OPERATING INCOME	**(I)-(II)**		**161,631**	**91,321**
Financial income				
Dividends from subsidiaries and affiliates (1)			513,690	529,294
Interest income (1)			2,847	1,954
Provision reversals			5	144
Exchange gains			19,094	11,033
Total financial income	**(III)**		**535,636**	**542,425**
Financial expense				
Amortization and provision expense			23,511	20,500
Interest expense (2)			24,585	24,175
Exchange losses			19,366	11,284
Total financial expenses	**(IV)**		**67,462**	**55,959**
NET FINANCIAL INCOME	**(III)-(IV)**		**468,174**	**486,466**
INCOME BEFORE NON-RECURRING ITEMS AND TAX	**(I-II+III-IV)**		**629,805**	**577,787**
Non-recurring income				
From revenue transactions			0	0
From capital transactions			789	6
Total non-recurring income	**(V)**		**789**	**6**
Non-recurring expenses				
From revenue transactions			0	0
From capital transactions		13	399	0
Total non-recurring expenses	**(VI)**		**399**	**0**
NET NON-RECURRING INCOME (EXPENSE)	**(V-VI)**		**390**	**6**
INCOME TAX EXPENSE	**(VII)**	**15**	**40,511**	**22,365**
Total revenue	(I+III+V)		1,101,003	1,046,407
Total expenses	(II+IV+VI+VII)		511,319	490,979
NET INCOME			**589,684**	**555,428**
(1) of which: income from related parties			*515,005*	*530,145*
(2) of which: expenses paid to related parties			*23,511*	*20,500*

NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

NOTE 1 GENERAL INFORMATION

The Company's financial year covers the 12 months from January 1 to December 31.

The following notes and tables form an integral part of the financial statements.

The financial statements were approved for publication by the Chief Executive Officer on February 11, 2016 after being reviewed by the Supervisory Board.

Unless otherwise specified, all amounts are presented in thousands of euros.

NOTE 2 SIGNIFICANT EVENTS OF THE YEAR

In 2015, Compagnie Générale des Établissements Michelin (the Company) carried out the following operations;

- cancellation of 4,961,534 shares bought back in 2015 for a total amount of €450,948 thousand;
- capital increase of €70,000 thousand at Spika.

NOTE 3 BASIS OF PREPARATION

The financial statements of Compagnie Générale des Établissements Michelin have been prepared and presented in accordance with French generally accepted accounting principles (*Plan Comptable Général,* 1999). These principles have been applied consistently in all periods presented unless otherwise specified.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Intangible assets

"Concessions, patents and other rights" are stated at historical cost. Concessions and patents are amortized over 12 months. Other rights, corresponding primarily to software licenses, are amortized over periods of either 12 months or 3 years, depending on their nature.

Expenses incurred for the creation and protection of brands are recognized as expenses for the year.

"Other intangible assets" consist of vehicle parking rights, which are amortized over 40 years.

4.2 Property and equipment

/ 4.2.1 Cost

Property and equipment are stated at historical cost, except for assets held at the time of the 1976/1978 legal revaluation, which are stated at valuation.

/ 4.2.2 Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- Buildings: 30 years;
- Equipment: 10 years, except for computer hardware, which is depreciated over 5 years.

4.3 Investments

/ 4.3.1 Shares in subsidiaries and affiliates

Cost: Shares in subsidiaries and affiliates are stated at historical cost, except for investments held at the time of the 1976/1978 legal revaluation, which are stated at valuation.

Net book values: shares in subsidiaries are written down in the event of a lasting decline in value in use to below cost. Value in use generally corresponds to the Company's share in the investee's underlying adjusted or unadjusted net assets or consolidated net assets, as adjusted for its earnings outlook.

/ 4.3.2 Other equity interests

This item includes shareholdings that the Company intends to retain, but which are not held for purposes directly related to the Company's business.

Other equity interests are measured in the same way as shares in subsidiaries and affiliates.

/ 4.3.3 Loans

Loans are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.4 Receivables

Accounts receivable are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.5 Paid-in capital in excess of par

This item corresponds to premiums on shares issued for cash or on conversion of bonds, after deducting issuance costs net of tax. When shares are cancelled, the difference between their purchase cost and par value is recorded as a deduction from paid-in capital in excess of par.

4.6 Untaxed reserves

Substantially all untaxed reserves correspond to reinvested capital gains qualifying for rollover relief under the former Article 40 of the French General Tax Code *(Code général des impôts).*

4.7 Conversion of foreign currencies

Revenues and expenses in foreign currencies are converted at the transaction date exchange rate.

Foreign currency receivables and payables are converted at the year-end exchange rate.

Foreign currency forward contracts that are outstanding at the balance sheet date are marked to market in the balance sheet. Their notional amounts are recognized in off-balance sheet items.

4.8 Income taxes

Income tax expense in the income statement includes the Company's current taxes, the net income of the tax group and the surtax on dividends.

NOTE 5 NON-CURRENT ASSETS

Changes in intangible assets, property and equipment and the corresponding depreciation/amortization can be analyzed as follows:

5.1 Changes in non-current assets

(in € thousand)	Cost at January 1, 2015	Additions, new loans, increases in accrued interest	Disposals, decommissioning, reduction in loans and accrued interest	Cost at December 31, 2015
Intangible assets	26,252	0	0	26,252
Property and equipment	2,285	0	0	2,285
	28,537	**0**	**0**	**28,537**
Shares in subsidiaries and affiliates	6,075,291	70,338	0	6,145,629
Loans and advances to subsidiaries and affiliates	350,503	0	(79)	350,424 (1)
Loans	524,010	0	(252,488)	271,522 (1)
Other equity interests	3,409	53	(398)	3,064
	6,953,213	**70,391**	**(252,965)**	**6,770,639**
TOTAL	**6,981,750**	**70,391**	**(252,965)**	**6,799,176**

(1) Loans are granted to related companies.

5.2 Depreciation and amortization

	At January 1, 2015	Increase for the year	Decrease for the year	At December 31, 2015
Accumulated amortization (intangible assets)	26,252	0	0	26,252
Accumulated depreciation (property and equipment)	2,183	0	0	2,183
TOTAL	**28,435**	**0**	**0**	**28,435**

NOTE 6 PROVISIONS

	At January 1, 2015	Increase for the year	Decrease for the year	At December 31, 2015
Provisions for impairment of shares in subsidiaries and affiliates and other equity interests	40,646	22,000	0	62,646
Provisions for impairment of loans	16,046	1,511	(5)	17,552
TOTAL	**56,692**	**23,511**	**(5)**	**80,198**

NOTE 7 ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS

	Transactions involving	
Balance sheet items *(net book value)*	**Related companies**	**Other companies in which the Company holds an equity interest**
Shares in subsidiaries and affiliates	6,083,038	0
Loans and advances to subsidiaries and affiliates	350,424	0
Loans	253,970	0
Other equity interests	0	2,989
Receivables	384,285	0
Other financial liabilities	601,265	0
Other liabilities	317,284	0

NOTE 8 TREASURY STOCK

The Company did not hold any treasury stock at December 31, 2015 (0 treasury shares held at December 31, 2014).

NOTE 9 MATURITIES OF LOANS AND RECEIVABLES

	Total	Due within one year	Due in more than one year
Non-current assets			
Loans and advances to subsidiaries and affiliates	350,424	424	350,000
Loans	271,522	90,522	181,000
Current assets			
Receivables	579,478	579,478	0
TOTAL	**1,201,424**	**670,424**	**531,000**

NOTE 10 MATURITIES OF PAYABLES AND LONG AND SHORT-TERM DEBT

	Total	Due within one year	Due in one to five years	Due in more than five years
Convertible bonds	731,648 (1)	0	731,648	0
Other bonds	8	8	0	0
Other borrowings	212,426 (2)	212,426	0	0
Other financial liabilities	601,265	601,265	0	0
Accrued taxes and payroll costs	3,144 (3)	3,144	0	0
Other liabilities	319,014 (4)	319,014	0	0
TOTAL	**1,867,505**	**1,135,857**	**731,648**	**0**

(1) 2007-2017 convertible bond issue. The related issuance costs were expensed.
(2) The commercial paper program totaled €1.5 billion, with the nominal amounts outstanding as of December 31, 2015 representing €125 million, US$80 million and £10.5 million.
(3) An accrual of €2,039 thousand was recorded in respect of Non-General Managing Partners' rights to long-term incentive plan payments that vested in prior years.
(4) Including €317,284 thousand in liabilities toward related companies and €477 thousand in accrued expenses.

NOTE 11 SHARE CAPITAL AND PAID-IN CAPITAL IN EXCESS OF PAR

Share capital and paid-in capital in excess of par break down as follows:

	Share capital	Paid-in capital in excess of par	Total
At January 1, 2015: 185,726,200 shares	**371,452**	**3,600,893**	**3,972,345**
Issuance of 1,137,516 shares on exercise of stock options	2,275	62,253	64,528
Cancellation of 4,961,534 shares	(9,923)	(441,025)	(450,948)
AT DECEMBER 31, 2015: 181,902,182 SHARES	**363,804**	**3,222,121**	**3,585,925**

The shares have a par value of €2.

All outstanding shares are registered and fully paid.

NOTE 12 OTHER EQUITY

	Revaluation reserve	Other reserves	Retained earnings	Net income for the year	Untaxed reserves	Total
At January 1, 2015	**624,772**	**1,285,034**	**60,352**	**555,428**	**61,598**	**2,587,184**
Appropriation of 2014 net income			86,112	(555,428)		(469,316)
Dividends on treasury stock			1,431			1,431
Deduction for performance share issuance		(455)				(455)
2015 net income				589,684		589,684
AT DECEMBER 31, 2015	**624,772**	**1,284,579**	**147,895**	**589,684**	**61,598**	**2,708,528**
The revaluation reserve concerns:						
▶ land	32					
▶ shares in subsidiaries and affiliates	624,740					
Other reserves break down as follows:						
▶ legal reserve, including €26,943 thousand corresponding to long-term capital gains		37,158				
▶ special long-term capital gains reserve		881,419				
▶ other reserves		366,002				

NOTE 13 SHARE-BASED PAYMENTS

Stock option plans

The number of options granted under stock option plans and the average weighted exercise price may be analyzed as follows:

	2015		2014	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**67.41**	**2,743,458**	**63.98**	**3,635,116**
Granted	0	0	0	0
Cancelled	66.68	(99,988)	60.56	(25,338)
Exercised	70.41	(909,999)	53.25	(866,320)
AT DECEMBER 31	**65.87**	**1,733,471**	**67.41**	**2,743,458**

Of the 1,733,471 options outstanding at December 31, 2015, 1,592,445 were exercisable at that date (2014: 2,349,432 out of 2,743,458).

Stock option plans in effect at December 31, 2015:

			December 31, 2015		December 31, 2014	
Grant date	Start of exercise period	End of exercise period	Exercise price *(in € per option)*	Number of options outstanding	Exercise price *(in € per option)*	Number of options outstanding
May 2005	May 2009	May 2014	46.34	0	46.34	0
November 2005	November 2009	November 2014	46.34	0	46.34	0
May 2006	May 2010	May 2015	55.99	0	55.99	40,718
May 2007	May 2011	May 2016	87.85	596,721	87.85	1,052,978
May 2008	May 2012	May 2017	59.85	167,878	59.85	204,672
November 2009	November 2013	November 2018	51.16	541,785	51.16	836,800
May 2010	May 2014	May 2019	52.13	150,951	52.13	214,264
May 2011	May 2015	May 2020	66.00	135,110	66.00	252,900
June 2012	June 2016	June 2021	51.16	141,026	51.16	141,126
NUMBER OF OPTIONS OUTSTANDING				**1,733,471**		**2,743,458**

Performance share plans

The number of performance share rights outstanding may be analyzed as follows:

	2015	2014
	Number of performance share rights outstanding	Number of performance share rights outstanding
At January 1	**1,007,798**	**733,712**
Granted	84,892	396,718
Cancelled	(132,795)	(42,061)
Delivered	(227,489)	(80,571)
AT DECEMBER 31	**732,406**	**1,007,798**

In November 2015, 84,892 rights to shares of Company stock, subject to certain performance conditions (performance shares) were granted to Michelin group employees. The rights are subject to a four-year vesting period ending in November 2019 without any lock-up period. The shares will vest at the end of this period if the performance objectives concerning growth in net sales and operating income, return on capital employed and the employee engagement level have been met. The fair value of each performance share right is estimated at €82.24, based on the share price at date of grant less the discounted value of the estimated dividends that the grantee will not receive over the vesting period.

Performance share plan data:

Grant date	Vesting date		Lock-up period		Fair value at date of grant		December 31, 2015 Number of performance share rights outstanding	December 31, 2014 Number of performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2011	2014	2015	2 years	None	37.49	35.49	0	163,008
2012	2015	2016	2 years	None	61.87	59.46	178,632	366,672
2013	2017	2017	None	None	69.43	69.43	78,544	81,400
2014	2018	2018	None	None	63.05	63.05	283,670	288,426
2014	2018	2018	None	None	63.05	63.05	106,668	108,292
2015	2019	2019	None	None	82.24	82.24	84,892	
NUMBER OF PERFORMANCE SHARE RIGHTS OUTSTANDING							**732,406**	**1,007,798**

NOTE 14 REVENUE

Revenue for the year totaled €564,550 thousand, consisting entirely of royalties received from:

France	55,118
Outside France	509,432
TOTAL	**564,550**

NOTE 15 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises thirteen French subsidiaries that are at least 95%-owned directly or indirectly.

Under the terms of the group relief agreement, each subsidiary in the tax group continues to record the income tax expense that it would have paid if it had been taxed on a stand-alone basis and any group relief is recorded at the level of Compagnie Générale des Établissements Michelin.

The income tax that would be payable by the thirteen subsidiaries if they were taxed on a stand-alone basis amounted to €14,621 thousand for 2015, before taking into account tax credits of €38,727 thousand.

Income tax recognized in the CGEM financial statements includes current taxes.

Income tax reported in the income statement can be analyzed as follows:

Current tax due from CGEM alone	27,039
Group relief	(11,995)
3% surtax on distributed income	14,039
Other	11,428
TOTAL	**40,511**

NOTE 16 MARKET RISKS

16.1 Interest rate risk

The Company does not hold any interest rate instruments.

16.2 Currency risk

At December 31, 2015, the Company had receivables corresponding to royalties with a net book value of €165 million. These receivables have been converted into euros at the year-end exchange rate. The Company policy is to hedge currency risk through currency futures.

16.3 Equity risk

The Company holds shares in subsidiaries and affiliates and other equity interests that are valued at value in use.

NOTE 17 MANAGEMENT COMPENSATION

As per its bylaws, the Company is administered by one or several Managing General Partners who are entitled to a share of the income distributed among all the General Partners in accordance with the provisions of the bylaws. The Managing Partner(s) do not receive any other compensation or benefits in kind.

The statutory share of 2014 profit allocated to the Chief Executive Officer and Managing General Partner in 2015 amounted to €0.7 million (2014: €1.15 million in respect of 2013 profit).

NOTE 18 AVERAGE NUMBER OF EMPLOYEES

	Employees on the payroll
Managers	1
Employees	6
	7

NOTE 19 RETIREMENT BENEFITS

The Company is liable for the payment of length-of-service awards to employees on retirement, in accordance with the terms of the applicable Collective Bargaining Agreement. The present value of the related obligation at December 31, 2015 was approximately €0.5 million (2014: €0.9 million). No provision has been recorded for this amount.

NOTE 20 FEES PAID TO THE STATUTORY AUDITORS

Audit fees recognized in the 2015 financial statements amount to €552 thousand.

NOTE 21 SECURITIES PORTFOLIO AT DECEMBER 31, 2015

	Number of securities		Book value
Shares in subsidiaries and affiliates			
Compagnie Financière du groupe Michelin "Senard et Cie"	25,023,301	shares	4,325,327
Manufacture Française des Pneumatiques Michelin	13,263,056	shares	1,614,296
Spika S.A.	200,000	shares	143,415
			6,083,038
Other equity interests			
SI Participations	17,776	shares	278
Siparex Associés	154,945	shares	2,430
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786	shares	280
Other			20
			3,009

NOTE 22 LIST OF SUBSIDIARIES AND AFFILIATES

Subsidiaries and affiliates (in € thousand unless otherwise specified)	Share capital (1)	Other equity excl. income (1)	% interest	Book value of shares Cost	Book value of shares Net	Outstanding loans and advances	Guarantees given by the Company	Last published revenue	Last published profit/(loss) (1)(2)	Dividends received during the year
A. Detailed information about subsidiaries and affiliates (investments with a book value in excess of 1% of the Company's capital)										
Compagnie Financière du groupe Michelin "Senard et Cie" Route Louis-Braille 10, 1763 Granges-Paccot (Switzerland)	2,502,355 *(in CHF thousand)*	8,041,396 *(in CHF thousand)*	99.99	4,325,327	4,325,327	214,963	-	-	1,251,639 *(in CHF thousand)*	504,125
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand	504,000	1,189,263	99.99	1,614,296	1,614,296	350,424	-	5,164,158	21,911	-
Spika S.A. 23, rue Breschet, 63000 Clermont-Ferrand	183,000	(38,025)	100.00	205,915	143,415	-	-	-	(16,662)	-
B. Aggregate information about other subsidiaries and affiliates										
1. Subsidiaries not listed under A:										
▶ French companies				-	-	-	-			-
▶ Foreign companies				91	-	-	-			
2. Affiliates not listed under A										
▶ French companies				-	-	-	-			-
▶ Foreign companies				3,044	2,989	-	-			-

(1) In local currency.
(2) Year ended December 31, 2014.

NOTE 23 FINANCIAL COMMITMENTS

23.1 Lines of credit

	2015	2014
Lines of credit granted by the Company to related companies	772,000	1,082,000
Drawdowns	(323,000)	(564,850)
AVAILABLE AT DECEMBER 31	**449,000**	**517,150**

These lines of credit expire in 2016 (€702,000 thousand) and 2017 (€70,000 thousand).

23.2 Currency futures

At December 31, 2015, the value in euros of the currency futures was as follows:

- currency to be received €103,640 thousand
- currency to be delivered €104,437 thousand

8.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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 of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Compagnie Générale des Etablissements Michelin ("the Company");
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Managing Chairman. Our role is to express an opinion on these financial statements based on our audit.

/ I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

/ II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- The Company makes an annual assessment of the inventory value of its shares in subsidiaries and affiliates using the method described in the note 4 to the financial statements "Accounting policies - Investments".

  We have examined the methodology used by the Company and its implementation based on the available information, and we have assessed the fairness of the estimates made by the Company.

This assessment was made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

/ III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Managing Chairman, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information relating to the statutory allocation and the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the Managing Partners and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare the financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine, February 15, 2016

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Pascale Chastaing-Doblin

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

8.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

For the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin ("the Company"), we hereby report on regulated agreements and commitments with third parties.

It is our responsibility to communicate to you, based on information provided to us, the principal terms and conditions of these agreements and commitments brought to our attention or those we may have identified as part of our engagement, without expressing an opinion on their usefulness or their merit or searching for other agreements or commitments. It is your responsibility, pursuant to Article R. 226-2 of the French Commercial Code (*Code de commerce*), to assess the interest of entering into these agreements with a view to approving them.

Where applicable, it is our responsibility to communicate to you the information pursuant to Article R. 226-2 of the French Commercial Code (*Code de commerce*) relating to carrying out during the year the agreements and commitments already approved by the shareholders' meeting.

We conducted the procedures we deemed necessary in accordance with professional standards applicable in France.

/ Agreements and commitments to be submitted for the approval of the shareholders' meeting

We were not informed of any agreement or commitment to be submitted for approval at the shareholders' meeting pursuant to the provision of article L.226-10 of the French Commercial Code.

/ Agreements and commitments authorized in prior years by the shareholders' meeting

We inform you that we have not been advised of any agreements and commitments, approved by the shareholders' meeting in prior years, having continuing effect during the year.

Neuilly-sur-Seine, February 15, 2016

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Pascale Chastaing-Doblin

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

8.5 STATEMENT OF CHANGES IN EQUITY

(in € thousand and € per share)	2015	2014
Net income		
Accounting profit		
Total: Net income/(loss)	589,684	555,428
Per share: Net income/(loss)	3.24	2.99
Recommended dividend		
Total	518,421	464,316
Per share (1)	2.85	2.50

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2016.

Statement of changes in equity *(in € thousand)*	2015	2014
A) 1 – Equity at December 31, 2014	**6,559,529**	**6,515,776**
2 – Dividend approved by the Annual Shareholders Meeting	(469,316)	(471,239)
B) Equity at January 1, 2015	**6,090,213**	**6,044,537**
C) Movements for the year:		
1 – Par value of shares issued during the year	(7,648)	(127)
2 – Increase in paid-in capital in excess of par	(378,772)	(40,244)
3 – Change in reserves and retained earnings	976	(65)
4 – Net income for the year	589,684	555,428
D) Equity at December 31, 2015 before dividends	**6,294,453**	**6,559,529**
E) TOTAL CHANGES IN EQUITY DURING THE YEAR	**204,240**	**514,992**
F) of which changes due to changes in Group structure	*0*	*0*
G) TOTAL CHANGES IN EQUITY DURING THE YEAR EXCLUDING CHANGES IN GROUP STRUCTURE	**204,240**	**514,992**
Notes:		
C3 – Amounts transferred to the revaluation reserve during the year	*0*	*0*
C6 – Dividends on treasury shares credited to retained earnings	*1,431*	*96*

8.6 APPROPRIATION OF 2015 NET INCOME

(in € thousand)		
Amount to be appropriated		
Retained earnings brought forward from prior year		147,895
Net income for the year		589,684
Recommended appropriations		
Dividend	518,421 (1)	
Statutory share of income attributed to the General Partners	6,981 (1)	
Retained earnings	212,177	
TOTAL	**737,579**	**737,579**

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2016.

8.7 FIVE-YEAR FINANCIAL SUMMARY

(in € thousand and in € per share, unless otherwise specified)	2011	2012	2013	2014	2015
I – Capital at December 31					
a) Share capital	360,038	365,113	371,579	371,452	363,804
b) Number of common shares outstanding	180,018,897	182,556,713	185,789,643	185,726,200	181,902,182
II – Results of operations					
a) Net revenue	532,552	566,610	545,071	503,954	564,550
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	382,027	477,181	331,917	598,149	653,701
c) Income tax	21,646	(7,993)	12,741	22,365	40,511
d) Net income	360,146	465,119	302,985	555,428	589,684
III – Per share data					
a) Earnings per share after tax, before depreciation, amortization and provision expenses (EBDA)	2.00	2.66	1.72	3.10	3.37
b) Basic earnings per share	2.00	2.55	1.63	2.99	3.24
c) Dividend per share	2.10	2.40	2.50	2.50	2.85 (1)
IV – Employee data					
a) Average number of employees	14	10	8	8	7
b) Total payroll	4,245	1,434	485	318	670
c) Total benefits	1,436	648	(119)	139	199

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2016.

9 ADDITIONAL INFORMATION

9.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Person Responsible for the Registration Document and the Annual Financial Report

Jean-Dominique Senard, Managing Chairman.

/ Statement by the person responsible for the Registration Document and the Annual Financial Report

I hereby declare that, to the best of my knowledge and having taken all reasonable precautions, the information contained in the Registration Document is in accordance with the facts and no information has been omitted that would be likely to affect its import.

I further declare that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation, and (ii) the management report (section 2 of this Registration Document) presents fairly the business and earnings performance and the financial position of the Company and the undertakings in the consolidation, as well as the principal risks and uncertainties they face.

I obtained a statement from the Statutory Auditors at the end of their audit affirming that they have verified the information regarding the financial position and the accounts contained herein and have read the entire Registration Document.

The consolidated financial statements for the year ended December 31, 2015 have been audited by the Statutory Auditors. Their report is provided in section 7.2 of this Registration Document.

The consolidated financial statements for the year ended December 31, 2014, incorporated by reference in section 9.3 of this Registration Document, have been audited by the Statutory Auditors.

The consolidated financial statements for the year ended December 31, 2013, incorporated by reference in section 9.3 of this Registration Document, have been audited by the Statutory Auditors. Their report includes an observation on a technical matter.

Clermont-Ferrand, March 7, 2016

Jean-Dominique Senard,
Managing Chairman

9.2 STATUTORY AUDITORS

9.2.1 STATUTORY AUDITORS

Under French law, the accounts of listed companies are required to be audited by two independent Statutory Auditors. The purpose of this requirement is to provide assurance that the financial statements have been properly prepared and comply with the true and fair view principle.

The Statutory Auditors are appointed by the Annual Shareholders Meeting for a six-year term, based on a recommendation made by the Supervisory Board following a selection process overseen by the Audit Committee. They may be re-appointed for successive terms. They test the fairness of financial statements and carry out all of the statutory audit work required by law. Michelin does not ask them to perform any other engagements that might impair their independence.

The Statutory Auditors of Compagnie Générale des Établissements Michelin, Michelin's holding Company are:

PricewaterhouseCoopers Audit

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

63, rue de Villiers
92208 Neuilly-sur-Seine

Represented by Éric Bulle, Partner
Substitute Statutory Auditor, Pierre Coll, Partner, PricewaterhouseCoopers Audit

Deloitte & Associés

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine

Represented by Pascale Chastaing-Doblin, Partner
Substitute Statutory Auditor, BEAS,

195, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

There are no legal or financial ties of any sort between the two accounting firms or the lead partners.

The Statutory Auditors' term of office will expire at the end of the Annual Shareholders Meeting to be held in 2016 to approve the 2015 accounts.

9.2.2 FEES PAID TO THE STATUTORY AUDITORS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (CGEM)

The following tables set out the details of fees, excluding tax, paid in 2014 and 2015 by the Michelin Group to its Statutory Auditors

	PricewaterhouseCoopers				Deloitte				Total			
	(in € thousand)		*(%)*		*(in € thousand)*		*(%)*		*(in € thousand)*		*(%)*	
Years 2015 and 2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Audit												
Statutory audits, opinions, reviews of standalone and consolidated financial statements												
▶ CGEM	333	291	6.0%	6.1%	275	265	7.2%	7.7%	608	556	6.5%	6.8%
▶ French subsidiaries	736	742	13.2%	15.6%	717	701	18.8%	20.4%	1,453	1,443	15.5%	17.7%
▶ Foreign subsidiaries	3,154	2,688	56.6%	56.7%	1,974	1,854	51.8%	54.1%	5,128	4,542	54.6%	55.6%
Other services directly linked to the statutory audit work												
▶ CGEM	-	-	0.0%	0.0%	-	-	0.0%	0.0%	-	-	0.0%	0.0%
▶ Subsidiaries	870	454	15.6%	9.6%	716	298	18.8%	8.8%	1,586	752	16.9%	9.1%
Sub-total Audit	**5,093**	**4,175**	**91.4%**	**88.0%**	**3,682**	**3,118**	**96.6%**	**91.0%**	**8,775**	**7,293**	**93.5%**	**89.2%**
Other services rendered by Auditors networks to subsidiaries												
Legal, tax and social	419	459	7.5%	9.7%	104	98	2.7%	2.9%	523	557	5.6%	6.8%
Others	59	110	1.1%	2.3%	27	212	0.7%	6.1%	86	322	0.9%	4.0%
Sub-total Others	**478**	**569**	**8.6%**	**12.0%**	**131**	**310**	**3.4%**	**9.0%**	**609**	**879**	**6.5%**	**10.8%**
TOTAL	**5,571**	**4,744**	**100.0%**	**100.0%**	**3,813**	**3,428**	**100.0%**	**100.0%**	**9,384**	**8,172**	**100.0%**	**100.0%**

The other services directly linked to the statutory audit work relate essentially to:

- financial and accounting agreed-upon procedures;
- a review of the annual and sustainable development report, as well as;
- sundry certificates (notably linked to government grants).

The other services rendered by Auditors networks to subsidiaries relate essentially to conformity reviews of the transfer pricing documentation or the tax returns, as well as legal reviews.

9.3 2013 AND 2014 FINANCIAL STATEMENTS INCORPORATED BY REFERENCE

The following information is incorporated by reference in this Registration Document:

- Consolidated financial statements for the period ended December 31, 2013 as well as the relevant Statutory Auditors' reports contained in the Registration Document filed with the AMF on March 5, 2014 (D.14-0116), respectively on pages 196 to 260 and 261.
- Consolidated financial statements for the period ended December 31, 2014 as well as the relevant Statutory Auditors' reports contained in the Registration Document filed with the AMF on March 2, 2015 (D.15-0093), respectively on pages 196 to 260 and 261.

10 ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2016

10.1 REPORT OF THE CHIEF EXECUTIVE OFFICER AND PROPOSED RESOLUTIONS

Introduction

Ongoing dialogue between shareholders and issuers, both before and after Annual Shareholders Meetings, is essential to enable shareholders to effectively exercise their role, and for companies to enhance their communications.

One of the ways that companies can ensure the effectiveness of such dialogue is by making additional efforts to clearly explain the content, rationale and import of the resolutions submitted for shareholder approval.

In its "Final Report on General Meetings of Shareholders of Listed Companies" published on July 2, 2012, a working group set up by the French securities regulator (the AMF) proposed, inter alia, that the titles of resolutions put forward at Shareholders Meetings should be more understandable and that the wording of the statement of reasons for each proposed resolution should be improved in order to clarify what is to be voted on and what is at stake in shareholders' decisions. Following this proposal, the AMF called on the trade associations concerned to draft a guide that explains the objectives and procedures for each type of resolution.

In response to this request, the Committee of Corporate & Securities Law and Corporate Governance that forms part of the French employers' federation (the MEDEF) coordinated the preparation of a guide concerning *"Proposed resolutions submitted to the vote of shareholders of listed companies"* prepared in 2013 and updated in 2016 (hereinafter referred to as the "MEDEF Guide" or the "Guide"), which is available [(1)] on the MEDEF's website at www.medef.com/. Consequently, for each financial authorization to be submitted for approval at the May 13, 2016 Annual Shareholders Meeting, this report refers to the corresponding information sheet in the Guide.

The resolutions set in blue type below are the resolutions proposed by the Company that will be included in the Notice of Meeting published in the *Bulletin des annonces légales obligatoires.* Each shareholder will also be sent a copy of the Notice of Meeting within the period prescribed by law.

10.1.1 ORDINARY RESOLUTIONS (RESOLUTIONS N°1 TO 15)

First and second resolutions

/ Approval of the Company financial statements for the year ended December 31, 2015

/ Appropriation of net income for the year ended December 31, 2015 and approval of the recommended dividend

The 1st and 2nd resolutions concern approval of the Company's 2015 financial statements and appropriation of net income for the year.

Shareholders are invited to approve the transactions reflected in the Company's income statement and balance sheet, as presented, and to appropriate net income for the year which amounts to €589,683,866.94.

After deducting €6,980,407.43 attributable to the General Partners in accordance with the bylaws, the balance of €582,703,459.51 plus €147,894,997.52 in retained earnings brought forward from prior years represents a total of €730,598,457.03 available for distribution to shareholders.

We are recommending paying a 2015 dividend of €2.85 per share.

In order to qualify for the dividend payment, beneficiaries must be shareholders of record at midnight (CET) on May 18, 2016 (the record date).

The ex-dividend date will be May 17, 2016.

The dividend will be paid as from May 19, 2016.

The amount of the dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

First resolution
(Approval of the Company financial statements for the year ended December 31, 2015)

Having considered the reports of the Chief Executive Officer, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the Company financial statements for the year ended December 31, 2015 which show net income for the period of €589,683,866.94.

The Ordinary Shareholders Meeting also approves the transactions reflected in these financial statements and referred to in these reports, including those relating to the various provision accounts.

Second resolution
(Appropriation of net income for the year ended December 31, 2015 and approval of the recommended dividend)

On the recommendation of the Chief Executive Officer (as approved by the Supervisory Board), the Ordinary Shareholders Meeting notes that the total amount available for distribution is as follows:

- Net income for the year: €589,683,866.94.
- Share of profits attributed to the General Partners in accordance with the bylaws: €6,980,407.43.
- Balance: €582,703,459.51.
- Plus retained earnings brought forward from prior years: €147,894,997.52.
- Total amount available for distribution: €730,598,457.03.

And resolves:

- To pay an aggregate dividend of: €518,421,218.70.
- Representing €2.85 per share.
- To appropriate the balance of: €212,177,238.33 to retained earnings.

The dividend will be paid as from May 19, 2016.

The amount of dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

For individual shareholders domiciled in France for tax purposes, the total dividend will be subject to:

- The graduated tax rate applied to personal income tax, after the application of the 40% allowance provided for under Article 158-3-2° of the French General Tax Code *(Code général des impôts).*

(1) *In French only.*

- A 21% compulsory withholding tax. This tax, which is withheld at source by the paying agent, corresponds to a prepayment of personal income tax and will be deducted from the shareholders' final income tax payment for the year or refunded in the case of an excess payment. (However, shareholders filing a single tax return whose personal taxable income for 2014 was less than €50,000 [less than €75,000 for shareholders filing a joint tax return] may apply for an exemption from this withholding tax. In order to make such an application, eligible shareholders should have lodged a declaration of honor with the bank holding their shares, by November 30, 2015, stating that their personal taxable income is below the applicable threshold).
- The applicable social security and additional contributions withheld at source by the paying agent at a rate of 15.5%, of which 5.1% is deductible for tax purposes.

In accordance with Article 119 *bis* of the French General Tax Code, dividends paid to shareholders not domiciled in France for tax purposes are subject to withholding tax at the rate applicable to the country in which the shareholder is domiciled.

As required under Article 243 *bis* of the French General Tax Code, shareholders note that dividends paid for the past three years were as follows:

Year	Total dividend payout *(in €)*	Dividend per share* *(in €)*
2012	438,136,111.20	2.40
2013	464,474,107.50	2.50
2014	464,315,500.00	2.50

* *The full amount of the dividend was eligible for the 40% tax allowance provided for in Article 158-3-2° of the French General Tax Code.*

Third resolution

/ Approval of the consolidated financial statements for the year ended December 31, 2015

The purpose of the 3rd resolution is to approve the consolidated financial statements for the year ended December 31, 2015, which show net income for the period of €1,163,401 thousand.

The Registration Document, the Annual and Sustainable Development Report and the Shareholders' Guide, which can be downloaded from the Finance/Individual Shareholders/Documents section of Michelin's website (www.michelin.com), contain an analysis of the consolidated financial statements and year-on-year changes. These documents can also be sent to shareholders on request.

Third resolution
(Approval of the consolidated financial statements for the year ended December 31, 2015)

Having considered the reports of the Chief Executive Officer, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the consolidated financial statements for the year ended December 31, 2015 which show net income for the period of €1,163,401 thousand.

Fourth resolution

/ Related-party agreements

As no related-party agreements were entered into during 2015, shareholders are invited to place on record that there are no such agreements to approve.

In addition, no related-party agreements entered into in previous years remained in force during 2015.

Fourth resolution
(Related-party agreements)

Having considered the Statutory Auditors' special report on related-party agreements governed by Article L. 226-10 of the French Commercial Code *(Code de commerce),* the Ordinary Shareholders Meeting approves said report and places on record that no such agreements requiring shareholder approval were entered into or were in force in 2015.

Fifth resolution

/ Authorization for the Chief Executive Officer to put in place a share buyback program, except during a public offer period, based on a maximum purchase price per share of €140

In the 5th resolution, shareholders are invited to renew the authorization for the Company to buy back its own shares over a period of 18 months. The maximum purchase price per share under this authorization would be €140 and the maximum number of shares purchased would not exceed 10% of the total shares outstanding.

This new authorization would supersede the previous authorization granted for the same purpose at the Annual Shareholders Meeting held on May 22, 2015.

During 2015, the Company used the previous authorization to buy back and cancel just under five million shares, resulting in a corresponding capital reduction. For details of the buybacks, see section 5.5.7 of 2015 Registration Document.

The proposed authorization would not be able to be used while a takeover bid is in progress.

This type of proposed resolution is explained in detail in Information Sheet 4 (Share Buybacks), on page 37 of the MEDEF Guide, available [(1)] on the MEDEF's website at www.medef.com/.

Fifth resolution
(Authorization for the Chief Executive Officer to carry out a share buyback program, except during a public offer period, based on a maximum purchase price per share of €140)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, as well as the description of the share buyback program drawn up in accordance with the requirements of the General Regulations of the AMF, the Ordinary Shareholders Meeting authorizes the Chief Executive Officer, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, to put in place a program for the Company to buy back its own shares at a maximum purchase price per share of €140.

In the event of any corporate actions, such as a bonus share issue paid up by capitalizing reserves or a stock split or reverse stock split, the above maximum purchase price will be adjusted accordingly.

The number of shares that may be bought back under this authorization may not represent more than 10% of the total shares outstanding at the time of each transaction. The total number of shares that may be purchased for the purpose of maintaining a liquid market, as set out below, will be calculated after deducting the number of shares sold over the duration of the share buyback program. In addition, the Company may not hold more than 10% of its own share capital at any time.

(1) In French only.

Based on the share capital at December 31, 2015, the maximum amount invested in the program would not exceed €2,546,600,000 (two billion, five hundred and forty-six million six hundred thousand euros), corresponding to 10% (ten percent) of the Company's share capital, or 18,190,000 (eighteen million one hundred and ninety thousand) shares purchased at the maximum price of €140 (one hundred and forty euros) per share.

The objectives of the share buyback program are as follows:

- To purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) in connection with employee rights issues.
- To maintain a liquid market for the Company's shares through a liquidity contract complying with a Code of Ethics approved by the AMF.
- To purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company.
- To purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions. The maximum number of shares purchased for the purpose of being held and subsequently sold or exchanged in connection with a merger, de-merger or asset contribution shall not exceed 5% of the Company's share capital.
- To implement any other market practices that may be authorized in the future by the applicable laws and the AMF.
- To acquire shares for cancellation under a shareholder-approved capital reduction.

The purchase, sale or transfer of shares may be effected at any time, except during a public offer period, and by any method, on the basis and within the limits prescribed by the laws and regulations in force on the transaction date(s), *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, including through (i) block purchases or sales, (ii) public offers of purchase or exchange, (iii) the use of options or other forward financial instruments traded *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, or (iv) the allocation of shares on conversion, redemption, exchange or exercise of securities carrying rights to the Company's shares or by any other means, either directly or *via* an investment services provider. The entire buyback program may be implemented through a block trade.

The Chief Executive Officer shall have full powers – which may be delegated – to (i) place buy and sell orders, (ii) enter into any and all agreements, (iii) make any and all filings, (iv) carry out all other formalities, (v) allocate or reallocate the purchased shares to any of the various purposes of the program and (vi) generally, do everything necessary to carry out the share buyback program.

This authorization shall be valid for a period of eighteen months from the date of this Meeting and supersedes, from that date, the authorization granted for the same purpose in the fifth resolution of the Annual Shareholders Meeting held on May 22, 2015.

Sixth resolution

/ Advisory vote on the components of the compensation due or awarded for 2015 to Jean-Dominique Senard, Chief Executive Officer

As prescribed in Article L. 225-37 of the French Commercial Code, the Company bases its corporate governance framework on the Corporate Governance Code for listed companies published by the AFEP and MEDEF (the AFEP/MEDEF Code) and on the Code's implementation guidance (November 2015 versions).

Companies that elect to apply the recommendations in Article 24.3 of the AFEP/MEDEF Code are required to provide their shareholders with an advisory "say-on-pay" vote relating to the components of compensation due or awarded for the previous year to each executive officer. Said components may include:

- The fixed portion of the executive officer's compensation.
- The annual variable portion, and where applicable, the multi-year variable portion, including a description of the objectives that must be met in order for this variable portion to be awarded.
- Stock options, performance shares and any other type of long-term compensation.
- Benefits related to taking up or terminating office.
- Supplementary pension benefits.
- Any other benefits.

Michelin's Supervisory Board and Management have elected to apply this recommendation since it came into effect.

Consequently, as was the case at the 2015 Annual Shareholders Meeting, on the recommendation of the Supervisory Board and with the approval of the Board and of the Non-Managing General Partner (SAGES), in the 6th resolution the Chief Executive Officer is asking shareholders to give a positive advisory vote on the components of the compensation due or awarded for 2015 to Jean-Dominique Senard, who is the Company's Chief Executive Officer and sole executive officer.

The compensation components concerned and the related reviews performed by the Compensation and Appointments Committee are presented in the table below (all of the amounts indicated are based on the standard tables provided in the AFEP/MEDEF Code which are set out in section 4.3.1 of the 2015 Registration Document).

Compensation due or awarded for 2015	Amounts (or accounting value) submitted for shareholder approval *(in €)*	Presentation
Fixed compensation	1,100,000	**Unchanged from the previous year.** This corresponds to the gross annual fixed compensation due by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, as consideration for the duties performed by Mr. Senard in his capacity as Non-General Managing Partner of that company. Its amount was set by MFPM's General Partner on April 29, 2014, then confirmed on April 9, 2015 following Mr. Senard's re-election based on the recommendation of CGEM's Compensation and Appointments Committee.
Annual variable compensation	1,276,975	**Details of the method to be used to calculate the Annual Variable Components of Mr. Senard's compensation were announced by the Supervisory Board in a press release posted on the Company's website on July 7, 2015.** **Shared features** The Annual Variable Components of Mr. Senard's compensation are paid out of the share of profit (Profit Shares) allocated to the two General Partners of CGEM – Jean-Dominique Senard and SAGES – that is now split between them on a mutually agreed basis. In accordance with the compensation policy detailed in section 4.3.2 a) of the 2015 Registration Document, and in application of Article 30, paragraph 3, of CGEM's bylaws, the Profit Share is: ▶ Set at 12% of the Company's net income for the year, net of dividend income corresponding to distributions of profits or reserves by MFPM and Compagnie Financière du groupe Michelin (CFM). ▶ Capped at 0.6% of the Group's consolidated net income. Taking into account the legal provisions specifically applicable to partnerships limited by shares and the provisions of the bylaws, as described above, the Compensation and Appointments Committee made proposals to the Supervisory Board about the various components of the performance criteria. After discussing the matter, the Supervisory Board made recommendations to the Non-Managing General Partner (SAGES) about the different criteria to be applied to the Profit Share payable to the Chief Executive Officer. For 2015, the Profit Share payable to the General Partners amounts to €6,980,407, as recommended in the resolution concerning the appropriation of net income to be put to the Annual Shareholders Meeting of May 13, 2016. Since 2015, as decided by the General Partners on the recommendation of the Supervisory Board, the basis used to calculate the Annual Variable Components (the Consolidated Calculation Basis) has been set at 0.6% of the Group's consolidated net income, and not the net income of the holding company, CGEM, in the interest of aligning the said Basis with the objectives of the Group as a whole. Consequently, for 2015, based on consolidated net income of €1,163,401,238, the Compensation and Appointments Committee has noted that the Consolidated Calculation Base amounts to €6,980,407 for 2015. Given the mutually agreed division of the Profit Share between the General Partners, and the performance achieved in 2015 with respect to the conditions governing the Annual Variable Component, as described below, the total amount payable to Mr. Senard represents €1,276,975. **Single-Criterion Annual Variable Component** This component is equal to 8% of the Consolidated Calculation Base. The Compensation and Appointments Committee has noted that, based on a Consolidated Calculation Base of €6,980,407, the Single-Criterion Annual Variable Component amounts to €508,432 for 2015. This amount is net of the sum payable by CFM as compensation for Mr. Senard's role as General Managing Partner of this subsidiary, estimated at €50,000.

<table>
<tr><th>Compensation due or awarded for 2015</th><th>Amounts (or accounting value) submitted for shareholder approval (in €)</th><th>Presentation</th></tr>
<tr><td>Annual variable compensation (continued from previous page)</td><td></td><td>
Multi-Criteria Annual Variable Component
This component corresponds to between 0% and 14% of the Consolidated Calculation Base, depending on achievement rates for seven criteria.
These performance conditions are as follows:
▶ Three quantitative criteria – the same as those applied to determine the 2015 variable compensation of the Executive Committee members and Group managers – which together account for up to 100/150ths:
– Annual growth in unit sales, accounting for up to 50/100ths, with performance in relation to the target measured by reference to the observed increase.
– Annual savings from the Efficiency project to reduce overheads, measured on the basis of an appropriate SG&A/gross margin ratio; this criterion accounts for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum ratio.
– Annual level of structural free cash flow, accounting for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum level.
For reasons of confidentiality and business secrecy, and in particular to avoid (i) disclosing information about the Company's strategy that could be used by competitors for their advantage and (ii) creating confusion in shareholders' minds with the information disclosed by the Company to investors, the Supervisory Board has elected not to disclose details of these performance targets.
▶ Four qualitative criteria, together accounting for up to 50/150ths and concerning:
– Quality of research and development strategies and the digital transformation strategy
– Quality of management
– Quality of investor relations
– Quality of operational control.
In addition:
▶ If the cumulative achievement rate for the seven criteria is less than 50/150ths, Mr. Senard will not be entitled to any Multi-Criteria Annual Variable Compensation.
▶ He will be awarded the maximum 14% of the Consolidated Calculation Base for this component only if the cumulative achievement rate for the seven criteria is 150/150ths.
Observation and analysis of performance against the criteria
The Compensation and Appointments Committee carefully reviewed each of the quantitative and qualitative criteria.
Regarding the three quantitative criteria, the Committee noted the achievement rate in 2015 for each of the objectives set by the Supervisory Board, which together gave an overall achievement rate of 87.1 out of 100.
The Committee then evaluated the achievement rate for qualitative criteria.
After discussing the matter, the Committee decided that the overall performance against qualitative criteria was good, and awarded an achievement rate of 33 out of 50.
Following this analysis, having noted that for the Multi-Criteria Annual Variable Component:
▶ The cumulative achievement rate for the quantitative criteria was 87.1/150ths.
▶ The cumulative achievement rate for the qualitative criteria was 33/150ths.
▶ The cumulative achievement rate for the quantitative and qualitative criteria was 120.1/150ths.
The Compensation and Appointments Committee observed that, based on a Consolidated Calculation Base of €6,980,407, the application of this cumulative achievement rate to the assessment grid defined by the Supervisory Board would result in a Multi-Criteria Annual Variable Component of €768,543.
After discussing the matter during its meeting on February 11, 2016, the Supervisory Board approved the Compensation and Appointments Committee's recommendations.
The Chair of the Compensation and Appointments Committee then submitted its recommendations to the General Partners (SAGES and Mr. Senard), which approved them.
</td></tr>
</table>

Compensation due or awarded for 2015	Amounts (or accounting value) submitted for shareholder approval *(in €)*	Presentation
Deferred variable compensation	No deferred variable compensation was due for 2015	This long-term incentive bonus was announced by the Supervisory Board in a press release posted on the Company's website on July 7, 2015. The long-term incentive bonus is not due by Michelin but would be deducted from the General Partners' allocated Profit Shares. The calculation structure for the long-term incentive bonus was unchanged in 2015 compared to that used in the previous year. The long-term incentive bonus is calculated on a base amount of €1,800,000, as increased or reduced to reflect the percentage gain or loss in Michelin's share price over the three years 2015-2017. The amount obtained by applying the adjustment clause will be modulated by the application of three criteria set by the Supervisory Board and applicable over the above three-year period. The criteria are as follows: ▶ Michelin's stock market performance in relation to that of the CAC 40 index, accounting for up to 33.3%, with the target gradually met from the point at which Michelin's stock market performance exceeds that of stocks in the third quartile. ▶ Average annual growth in consolidated net revenue, accounting for up to 33.3%, with the target gradually met based on growth in relation to a fixed starting point. ▶ Average annual return on capital employed (ROCE), accounting for up to 33.3%, with the target gradually met once observed ROCE is significantly greater than the weighted average cost of capital employed. ▶ The targets for the second and third criteria concern like-for-like growth in net revenue and ROCE (i.e. based on a comparable structure and at constant exchange rates, excluding any changes in accounting policies and any non-recurring items), and may be revised following the occurrence of any exceptional events. ▶ The achievement rate under this long-term incentive plan will be equal to 100% only if the targets for all three criteria are met in full. The final amount receivable under the long-term incentive plan will be: ▶ Capped at 150% of the average of the Annual Variable Components paid to Mr. Senard for 2015, 2016 and 2017. ▶ Paid out of the Profit Shares allocated to the General Partners in respect of 2017 and payable in 2018 after the 2017 financial statements have been approved: – Subject to the availability of Profit Shares payable in 2018 in respect of 2017 profit, and – Up to the amount of said available Profit Shares after deducting the Single-Criterion and Multi-Criteria Annual Variable Components due for 2017. As this is a long-term incentive plan, the Supervisory Board noted that no amount was due in respect of 2015. There is no way of reliably simulating the amount to be paid with respect to this incentive plan in 2018, as the plan: ▶ Is not paid by Michelin and, as such, is not recorded in the Company's financial statements. ▶ Is subject to the achievement of highly uncertain conditions and criteria, as indicated above, over a period of three years, of which only one has passed. As was the case for his 2014 compensation, by virtue of the law and the Company's bylaws, if the Chief Executive Officer were to cease to be a General Partner before the end of the performance assessment period, he would forfeit his rights to the long-term incentive bonus. Note that in return, Jean-Dominique Senard is required to invest 20% of the long-term incentive bonus in Michelin shares at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.
Exceptional compensation	N/A	No exceptional compensation.
Stock options, performance shares and other long-term compensation	Stock options = N/A Performance shares = N/A Other long-term compensation = N/A	No stock options granted No performance shares granted No other long-term compensation awarded
Attendance fees	N/A	Mr. Senard does not receive any attendance fees
Value of fringe benefits	6,894	Company car
Signing bonus	N/A	Mr. Senard was not paid any signing bonus

Components of compensation due or awarded for 2015 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments*	Amounts submitted to hareholder approval *(in €)*	Presentation
Compensation for loss of office	No compensation for loss of office was due for 2015	**The detailed information in this section is unchanged from 2014.** In accordance with Article 13-2 of the bylaws, as approved by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner and subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of Mr. Senard's total compensation for the two years preceding the year of his removal from office. It would be subject to the performance conditions decided by the Supervisory Board in 2014, according to which the final compensation would depend on the average performance in relation to the targets set for the Multi-Criteria Annual Variable Component of his allocated share of profit for the three years preceding his removal from office (Three-Year Average), as follows: ▶ Three-year Average of less than 40%: no compensation for loss of office. ▶ Three-year Average of between 40% and 60%: compensation for loss of office equal to 50% of the Reference Base. ▶ Three-year Average of between 60% and 100%: compensation for loss of office equal to 100% of the Reference Base. Where the Reference Base is equal to the aggregate compensation paid for the two years preceding the year of his removal from office. The compensation for loss of office would be reduced, if applicable, so that any other severance payments due to Mr. Senard would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP/MEDEF Code.
Non-compete indemnity	No indemnity was due under a non-compete clause in 2015	**The detailed information in this section is unchanged from 2014.** In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, Mr. Senard is subject to a non-compete clause, which was signed on July 26, 2011 after prior approval by the Supervisory Board. This clause replaced the one contained in his employment contract that was terminated following his election as General Managing Partner. If the Company were to decide to apply this non-compete clause, over a period of up to two years it would have to pay to Mr. Senard the equivalent of up to 16 months' compensation based on the most recent aggregate compensation paid to him by Group companies. The Company is, however, entitled to waive the application of this clause. Any compensation for loss of office that would be due to Mr. Senard in the event of a change of control or strategy would be reduced or withheld entirely if necessary so that his aggregate severance package, including the non-compete indemnity referred to above, did not exceed the equivalent of the aggregate of his last two years' compensation, as recommended in the AFEP/MEDEF Code.

Components of compensation due or awarded for 2015 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments*	Amounts submitted to hareholder approval *(in €)*	Presentation
Supplementary pension benefits	No supplementary pension benefits were due for 2015	**The pension plan structure and rules, as described below, are unchanged from 2014.** This description complies with the provisions of the Macron Act of August 6, 2015 and the enabling legislation dated February 23, 2016. Mr. Senard is not a member of any pension plan set up specifically for executive officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard participates in the supplementary pension plan set up for MFPM senior executives (the Michelin Executive Supplementary Pension Plan). This plan, which is governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code and is not restricted to Non-General Managing Partners (executive officers), has the following main features: ▶ Participants must have served for at least five years as a senior executive. ▶ 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). ▶ The replacement rate including benefit entitlements under compulsory plans is capped at 35%. ▶ An evaluation is carried out in accordance with Group accounting policies. ▶ Benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code. ▶ 70% of the prior year's benefit obligation funded through a contribution to an insured plan. Mr. Senard's reference compensation is made up solely of the fixed compensation paid by MFPM and amounts to €1,100,000 for 2015. Based on the assumptions set out in the above-mentioned legislation of February 23, 2016, the estimated amount of annual income he will receive under this plan is €108,500. The benefits will be taxed at the rate of 32%. As the reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2015 (fixed compensation and variable share of profit as stipulated in the bylaws), his actual gross replacement rate would be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

* *Unlike for joint stock companies (sociétés anonymes, or S.A.s) the provisions concerning "related-party commitments" set out in Article L. 225-42-1 of the French Commercial Code do not apply to commitments given by a partnership limited by shares (société en commandite par actions, or S.C.A.) to its Managing Partners (Article L. 226-10 of said Code states that Articles L. 225-38 to L. 225-43 thereof apply to partnerships limited by shares with respect to related-party agreements but does not mention related-party commitments).*

The fact that the specific system applicable to S.A.s concerning related-party commitments does not apply to S.C.A.s is corroborated by Article L. 226-10-1 of the Commercial Code, which states that the Chairman of the Supervisory Board is required to prepare a report reviewed by the Statutory Auditors whose content explicitly excludes information related to the "principles and rules concerning the compensation and benefits granted to executive officers", whereas this information is compulsory for S.A.s pursuant to Articles L. 225-37 and L. 225-68 of the Commercial Code. This difference in the applicable legal regimes does not have any effect on (i) the rules concerning public disclosures of the amounts and underlying principles relating to the compensation of the Company's executive officers and (ii) the application, adapted to the context, of the AFEP/MEDEF Code's recommendations.

Sixth resolution
(Advisory vote on the components of the compensation due or awarded for 2015 to Jean-Dominique Senard, Chief Executive Officer)

Having noted the agreement of both the General Partners on the allocation of Profit Shares and considered the report of the Supervisory Board, the Ordinary Shareholders Meeting issues a positive advisory vote on the components of the compensation due or awarded for 2015 to Jean-Dominique Senard, Chief Executive Officer, as presented in section 4.3.3 of the Company's 2015 Registration Document.

Seventh, eighth and ninth resolutions: election and re-election of Supervisory Board members

/ Michelin's Supervisory Board plays a vital role for the Group

The current members of Michelin's Supervisory Board are Barbara Dalibard, Anne-Sophie de La Bigne, Aruna Jayanthi, Monique Leroux, Olivier Bazil, Pat Cox, Jean-Pierre Duprieu, Cyrille Poughon and Michel Rollier.

All of them have very solid business experience acquired through working with leading corporations as well as a good knowledge of the Michelin Group. They actively participate in the work of both the Board and its Committees, as illustrated by the attendance rates for meetings held in 2015 (100% for Board meetings and 100% for meetings of the Audit Committee and the Compensation and Appointments Committee).

The Supervisory Board members perform their duties independently and have total freedom of judgment.

A summary of the work carried out by the Supervisory Board in 2015 is included in the report of the Chairman of the Supervisory Board on the Board's membership structure and practices, set out in section 4.5 of the 2015 Registration Document.

/ Michelin's General Partners do not take part in the election or re-election of Supervisory Board members

Michelin is a *société en commandite par actions* (partnership limited by shares) and as such its Supervisory Board is entirely made up of non-executive members (78% of whom are independent) who represent the shareholders. Only the Supervisory Board itself may put forward proposals for the election or re-election of its members at Annual Shareholders Meetings.

With a view to clearly segregating management and supervisory powers, no General Partner may play a role in the nomination process – neither the Managing General Partner (the Chief Executive Officer), nor the Non-Managing General Partner (SAGES), which is responsible for ensuring the Company's continuity of leadership.

The General Partners may not be involved in decisions to recommend candidates for election to the Supervisory Board at Shareholders Meetings.

Likewise, in accordance with the law and the Company's bylaws the General Partners may not take part in any votes cast at Shareholders Meetings concerning the election or re-election of Supervisory Board members and their shares are not included in the quorum for the related resolutions.

For further information on Michelin's corporate governance principles please see sections 4.1 and 4.2 of the 2015 Registration Document ("Administrative, Management and Supervisory Bodies and Senior Management" and "Practices of the Administrative, Management and Supervisory Bodies").

/ The Supervisory Board is recommending that shareholders re-elect two Supervisory Board members and ratify the Board's decision to appoint one new member

The terms of office of Anne-Sophie de La Bigne and Jean-Pierre Duprieu are due to expire at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ended December 31, 2015.

In addition, following the resignation from the Board of Laurence Parisot in July 2015, the Supervisory Board appointed Monique Leroux to fill the vacant seat, subject to shareholder ratification at the Annual Meeting.

The candidate selection process, the criteria applied by the Compensation and Appointments Committee and a presentation of the candidates are set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2016 Annual Shareholders Meeting and section 10.2.1 of the 2015 Registration Document).

Following this process the Board unanimously decided to ask the Chief Executive Officer to recommend at the Annual Meeting that the shareholders:

- Re-elect Anne-Sophie de La Bigne and Jean-Pierre Duprieu, neither of whom took part in the Supervisory Board vote on their nomination for re-election.
- Ratify the Supervisory Board's decision in 2015 to appoint Monique Leroux to the Board.

Anne-Sophie de La Bigne and Jean-Pierre Duprieu would be re-elected for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2019.

Monique Leroux was appointed for the remainder of her predecessor's term, expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2017.

Seventh resolution
(Re-election of Anne-Sophie de La Bigne as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Anne-Sophie de La Bigne as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2019.

Eighth resolution
(Re-election of Jean-Pierre Duprieu as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Jean-Pierre Duprieu as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2019.

Ninth resolution
(Ratification of the appointment of Monique Leroux as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting ratifies the decision of the Supervisory Board at its meeting on October 1, 2015 to fill the seat left vacant by the resignation of Laurence Parisot by appointing Monique Leroux as a member of the Supervisory Board for the remainder of her predecessor's term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2017.

Tenth resolution

/ Supervisory Board compensation

The Chief Executive Officer is presenting to the Annual Shareholders Meeting a resolution proposed and supported by the Supervisory Board to increase the total compensation paid to the Supervisory Board in the form of attendance fees to €555,000 per year.

The reasons for the proposed increase are set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2016 Annual Shareholders Meeting and section 10.2.1 of the 2015 Registration Document).

Tenth resolution
(Supervisory Board compensation)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting sets at €555,000 (five hundred and fifty-five thousand euros), the total annual compensation awarded to the Supervisory Board, effective from the financial year beginning on January 1, 2016.

Eleventh to fourteenth resolutions

/ Renewal of the appointment of Statutory Auditors and Substitute Auditors

The purpose of the 11th to 14th resolutions is to re-appoint or to appoint the Company's Statutory Auditors and their substitutes.

Considering the quality of the Statutory Auditors' work, the Group set the Audit Committee the task of examining the pros and cons of renewing their appointment.

In line with the Audit Committee's recommendation, the Supervisory Board decided to propose to the Annual Shareholders Meeting of May 13, 2016 to:

- Renew the appointment of PricewaterhouseCoopers Audit, represented by Eric Bulle, as Statutory Auditor of CGEM.
- Renew the appointment of Deloitte & Associés, represented by Pascale Chastaing-Doblin, as Statutory Auditor of CGEM, and of B.E.A.S. as substitute for Deloitte & Associés.
- Appoint Jean-Baptiste Deschryver as substitute for Pricewaterhouse-Coopers Audit, in place of Pierre Coll,

For a period of six years.

Just as for the election or re-election of members of the Supervisory Board, the General Partners do not take part in the process to appoint or re-appoint the Statutory Auditors.

The appointment review process is described in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2016 Annual Shareholders Meeting and section 10.2.1 of the 2015 Registration Document).

Eleventh resolution
(Renewal of the appointment of a Statutory Auditor)

Having considered the report of the Supervisory Board and noted that the appointment of the Company's Statutory Auditor, PricewaterhouseCoopers Audit, is due to expire, the Ordinary Shareholders Meeting resolves to renew the appointment of PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine, as Statutory Auditor for a period of six years, expiring at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2021.

Twelfth resolution
(Appointment of a Substitute Auditor)

Having considered the report of the Supervisory Board, the Ordinary Shareholders Meeting resolves to appoint,as a replacement for Pierre Coll, whose appointment is due to expire, Jean-Baptiste Deschryver, 63, rue de Villiers, 92208 Neuilly-sur-Seine as Substitute for PricewaterhouseCoopers Audit for a period of six years, expiring at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2021.

Thirteenth resolution
(Renewal of the appointment of a Statutory Auditor)

Having considered the report of the Supervisory Board and noted that the appointment of the Company's Statutory Auditor, Deloitte & Associés, is due to expire, the Ordinary Shareholders Meeting resolves to renew the appointment of Deloitte & Associés, 185, avenue Charles-de Gaulle, 92524 Neuilly-sur-Seine as Statutory Auditor, for a period of six years, expiring at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2021.

Fourteenth resolution
(Renewal of the appointment of a Substitute Auditor)

Having considered the report of the Supervisory Board, the Ordinary Shareholders Meeting resolves to renew the appointment of B.E.A.S., 195 avenue Charles de Gaulle, 92524 Neuilly-sur-Seine, as Substitute for Deloitte & Associés for a period of six years, expiring at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2021.

Fifteenth resolution

/ Authorization for the Chief Executive Officer to issue bonds and debt-linked securities

The purpose of the 15th resolution is to authorize the Chief Executive Officer to issue up to €2.5 billion worth of bonds or debt-linked securities. This authorization would supersede the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (11th resolution).

Government order No. 2014-863 dated July 31, 2014 on various French company law issues has simplified the rules applicable to compound securities. Under the new rules, it is no longer necessary to seek shareholder approval by means of an extraordinary resolution for issues of compound securities with rights to debt securities, provided that the issue does not ultimately result in a capital increase.

Consequently, in line with these new rules and CGEM's bylaws, the authorization to issue debt-linked securities, like the authorization to issue bonds, forms part of the ordinary business of the Annual Shareholders Meeting and not the extraordinary business.

The wording and scope of the 15th resolution are therefore somewhat different from those of the last similar authorization voted in 2014.

In addition, shareholders are being asked to raise the cap on debt securities issues to €2.5 billion, in order to be consistent with the cap applicable to issues of equity-linked securities that still require an extraordinary resolution by shareholders.

Fifteenth resolution
(Authorization for the Chief Executive Officer to issue bonds and debt-linked securities)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting:

- Authorizes the issue of (i) bonds and/or (ii) debt-linked securities representing a maximum nominal amount of €2,500,000,000 (two billion five hundred million euros) or the foreign currency equivalent.
- Grants the Chief Executive Officer full powers to carry out one or several such issues, for the amounts and in the periods determined at his discretion, in France and/or abroad and/or on the international market, and to determine the issues' characteristics, amounts, terms and conditions.
- Resolves that the Chief Executive Officer shall have full powers, which may be delegated, to use this authorization and to decide the issues' characteristics, amounts, terms, price and other conditions.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

10.1.2 EXTRAORDINARY RESOLUTIONS (RESOLUTIONS N°16 TO 26)

Sixteenth resolution

/ Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders

In the 16th resolution, shareholders are asked to authorize the Chief Executive Officer to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders. Note that the authorization could not be used while a takeover bid was in progress.

The aggregate par value of shares issued pursuant to this authorization would not exceed €127 million, representing less than 35% of the Company's current share capital, and the aggregate nominal value of debt securities issued with immediate or deferred rights to shares would be capped at €2.5 billion.

This new authorization renews, with a slightly lower ceiling for share issues, the authorization given at the Annual Shareholders Meeting of May 16, 2014 (12th resolution), which has not been used.

The only change this year concerns the ceiling on the issuance of debt securities carrying rights to shares, which has been raised in order to enable the Group to pursue its debt strategy on an optimized basis. The blanket ceiling on the issuance of debt securities with or without rights to shares remains unchanged (see the 23rd resolution).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.1 on page 42 of the MEDEF Guide (Authorizations to carry out capital increases with pre-emptive subscription rights for existing shareholders), available for consultation at www.medef.com.

Sixteenth resolution
(Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders)

Having considered the Chief Executive Officer's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Article L. 225-129-2 and Articles L. 228-91 *et seq.*:

- To authorize the Chief Executive Officer to carry out one or several issues of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares, except while a public tender offer is in progress. The issue(s) may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies.
- That:
  - The aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €127,000,000 (one hundred and twenty-seven million euros), representing less than 35% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.

- The securities carrying rights to shares issued pursuant to this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares.
- The aggregate nominal amount of debt securities issued under this authorization shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent at the issue date in a foreign currency or a monetary unit determined by reference to a basket of currencies.
- Shareholders shall have a pre-emptive right to subscribe the shares and/or debt securities issued under this authorization, pro rata to their existing shareholdings. The Chief Executive Officer may also give shareholders a pre-emptive right to subscribe any shares and/or debt securities not taken up by other shareholders. In this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned.
- If the entire issue is not taken up by shareholders exercising their pre-emptive rights, the Chief Executive Officer may take one or more of the following courses of action, in the order of his choice: (i) limit the amount of the issue to the subscriptions received, provided that at least 3/4 of the issue is taken up; (ii) freely allocate all or some of the unsubscribed securities among the investors of its choice; or (iii) offer them for subscription by the public in the French market and/or a foreign market and/or the international market.
- Equity warrants may be offered for subscription on the above basis or allocated among holders of existing shares without consideration, in which case the Chief Executive Officer shall be authorized to decide that rights to fractions of shares shall be non-transferable and non-tradable and that the corresponding shares shall be sold.
- The Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of his choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s); and, at the Chief Executive Officer's discretion, enter into any and all agreements for the purpose of completing the issue(s); charge the share issuance costs against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Seventeenth resolution

/ Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares, through a public offer without pre-emptive subscription rights for existing shareholders

The 17th resolution concerns the issuance of ordinary shares and/or securities carrying rights to shares without pre-emptive subscription rights for existing shareholders. Note that the authorization could also not be used while a takeover bid was in progress. The issue price of the new shares would be at least equal to the average of the opening prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%.

The aggregate par value of shares issued pursuant to this authorization would not exceed €36 million or less than 10% of the current share capital, and the aggregate nominal value of securities carrying rights to shares would be capped at €1 billion.

As for the authorization to issue shares and securities with rights to shares with pre-emptive subscription rights for existing shareholders, this authorization renews, with a slightly lower ceiling for share issues, the authorization given at the Annual Shareholders Meeting of May 16, 2014 (13th resolution), which has not been used.

The cap on debt securities issues is unchanged.

Debt securities issued under this authorization would be deducted from the blanket ceiling on the issuance of debt securities with or without rights to shares and with or without pre-emptive subscription rights, set in the 23rd resolution.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.2, page 45, of the MEDEF Guide ("Authorizations to carry out capital increases without pre-emptive subscription rights for existing shareholders"), available for consultation at www.medef.com.

Seventeenth resolution
(Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares, through a public offer without pre-emptive subscription rights for existing shareholders)

Having considered the Chief Executive Officer's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135; L. 225-136 and Articles L. 228-91 *et seq.*–:

- To authorize the Chief Executive Officer to carry out one or several public offers of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares, except while a public tender offer is in progress. The offer(s) may be carried out in France or abroad and the issues may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies.

- That:
  - The aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €36,000,000 (thirty-six million euros), representing less than 10% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.
  - The securities carrying rights to shares issued pursuant to this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares.
  - The aggregate nominal amount of debt securities issued under this authorization shall not exceed €1,000,000,000 (one billion euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies.
  - Shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization.
  - (i) The issue price of the shares shall be at least equal to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the issue pricing date, less a discount of no more than 5%, and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of securities carrying rights to shares shall be, for each share issued, at least equal to the issue price defined in point (i) above.
  - The Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) (within the above limits) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of his choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s); and, at the Chief Executive Officer's discretion, enter into any and all agreements for the purpose of completing the issue(s); charge the share issuance costs against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Eighteenth resolution

/ Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders

The purpose of the 18th resolution is to submit to a separate vote by shareholders a proposed authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares through private placements. As for the 16th and 17th resolutions, this authorization could not be used while a takeover bid was in progress.

This authorization would give the Company the necessary flexibility to rapidly raise funds from qualified investors.

The securities would be placed exclusively with the categories of investors specified in Article L. 411-2-II of the French Monetary and Financial Code, *i.e.* (i) professional investment portfolio managers and (ii) qualified investors or restricted groups of investors, provided that they are investing on their own behalf.

Any share issues carried out pursuant to this authorization would be included in the ceiling for issues without pre-emptive subscription rights for existing shareholders set in the 13th resolution.

As for the authorization to carry out public offers of shares and securities with rights to shares, this authorization renews, with a slightly lower ceiling for share issues, the authorization given at the Annual Shareholders Meeting of May 16, 2014 (14th resolution), which has not been used.

The cap on debt securities issues is unchanged. Debt securities issued under this authorization would be deducted from the blanket ceiling on the issuance of debt securities with or without rights to shares and with or without pre-emptive subscription rights, set in the 23rd resolution.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.3, on page 48 of the MEDEF Guide ("Authorizations to carry out capital increases through private placements"), available for consultation at www.medef.com.

Eighteenth resolution
(Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to shares through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders)

Having considered the Chief Executive Officer's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135; L. 225-136 and Articles L. 228-91 *et seq.* – and paragraph II of Article L. 411-2 of the French Monetary and Financial Code:

- To authorize the Chief Executive Officer to carry out one or several issues of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code, except while a public tender offer is in progress. The issue(s) may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies.
- That:
  - The aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €36,000,000 (thirty-six million euros), representing less than 10% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.
  - The securities carrying rights to shares issued pursuant to this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares.
  - The aggregate nominal amount of debt securities issued under this authorization shall not exceed €1,000,000,000 (one billion euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies.
  - Issues of shares and debt securities carried out pursuant to this authorization shall be included in the ceilings for such issues set in the 17th resolution of this Meeting.
  - Shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization.
  - (i) The issue price of the shares shall be at least equal to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the issue pricing date, less a discount of no more than 5%, and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of securities carrying rights to shares shall be, for each share issued, at least equal to the issue price defined in point (i) above.
  - The Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) (within the above limits) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of his choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s); and, at the Chief Executive Officer's discretion, enter into any and all agreements for the purpose of completing the issue(s); charge the share issuance costs against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Nineteenth resolution

/ Authorization for the Chief Executive Officer to increase the number of securities to be issued in the event that an issue (with or without pre-emptive subscription rights) is oversubscribed

The purpose of the 19th resolution is to authorize the Chief Executive Officer to increase the number of securities to be issued in the event that an issue carried out under the 16th, 17th or 18th resolutions is oversubscribed. It could not be used while a takeover bid was in progress.

The additional securities would not exceed 15% of the original issue and would be offered at the same price as for the original issue. They would be included in the ceilings set in the resolution concerned.

This authorization would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (15th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.6 on page 54 of the MEDEF Guide ("Authorizations to increase the amount of an issue carried out either with or without pre-emptive subscription rights in the event that the issue is oversubscribed (greenshoe option)").

Nineteenth resolution
(Authorization for the Chief Executive Officer to increase the number of securities to be issued in the event that an issue (with or without pre-emptive subscription rights) is oversubscribed)

Having considered the Chief Executive Officer's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Article L. 225-135-1 of the French Commercial Code:

- To authorize the Chief Executive Officer to increase the number of shares and/or other securities carrying rights to shares issued with or without pre-emptive subscription rights under the sixteenth, seventeenth and eighteenth resolutions. Any such additional shares and/or other securities (i) shall be issued within 30 days of the end of the subscription period for the original issue, (ii) shall not represent more than 15% of the original issue, (iii) shall be offered at the same price as for the original issue, and (iv) shall be included in the respective ceilings set in the sixteenth, seventeenth and eighteenth resolutions.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twentieth resolution

/ Authorization for the Chief Executive Officer to increase the Company's capital by capitalizing reserves, income or additional paid-in capital

The purpose of the 20th resolution is to seek an authorization to increase the Company's capital by up to €80 million by capitalizing reserves, profits or share premiums. Note that the authorization could not be used while a takeover bid was in progress.

It would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (16th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.7, on page 56 of the MEDEF Guide ("Authorizations to increase capital by capitalizing reserves"), available for consultation at www.medef.com.

Twentieth resolution
(Authorization for the Chief Executive Officer to increase the Company's capital by capitalizing reserves, income or additional paid-in capital)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 and L. 225-130 of the French Commercial Code:

- To authorize the Chief Executive Officer to increase the Company's capital, on one or more occasions except when a public offer is in progress, by a maximum of €80,000,000 (eighty million euros) by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalizing reserves, income, or additional paid-in capital. This amount shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations and contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.
- That if new shares are issued, the Chief Executive Officer shall be authorized to decide that rights to fractions of shares shall be non-transferable and non-tradable and that the corresponding shares shall be sold in accordance with Article L. 225-130 of the French Commercial Code. In such a case, the sale proceeds shall be allocated among the rights holders within 30 days of the date when the whole number of shares allotted to them is recorded in their securities account.
- That the Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) apply for the listing of the new shares on any market chosen by the Chief Executive Officer, (iv) place on record the amount of the capital increase(s) resulting from the issue of shares, (v) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at the Chief Executive Officer's discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-first resolution

/ Authorization for the Chief Executive Officer to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets

The 21st resolution concerns issues of shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets.

The aggregate par value of the new shares would be included in the ceiling set in the 17th resolution. Shares issued in payment of contributed assets would also be limited to the equivalent of 10% of the Company's capital.

This authorization would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (17th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.5, on page 52 of the MEDEF Guide ("Authorizations to increase capital in payment for contributed assets"), available for consultation at www.medef.com.

Twenty-first resolution
(Authorization for the Chief Executive Officer to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets)

Having considered the report of the Chief Executive Officer and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Chief Executive Officer to issue ordinary shares, except when a public offer is in progress:
  - In connection with a stock-for-stock offer carried out in accordance with Article L. 225-148 of the French Commercial Code, or
  - As payment for shares or securities carrying rights to shares of another company contributed to the Company in transactions not governed by Article L. 225-148 of the French Commercial Code, in which case the number of shares issued shall be based on the report of the Expert Appraiser of Capital Contributions *(Commissaire aux apports)* and shall not exceed 10% (ten percent) of the Company's capital.

  The aggregate par value of shares issued under this authorization shall be included in the ceiling specified in the 17th resolution of this Meeting.
- That the Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) approve the value attributed to the contributed securities, (iv) apply for the listing of the new shares on any market chosen by the Chief Executive Officer, (v) place on record the amount of the capital increase(s) resulting from the issue of shares, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at the Chief Executive Officer's discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-second resolution

/ Authorization for the Chief Executive Officer to carry out a rights issue for members of a Group Employee Shareholder Plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders

The 22nd resolution concerns rights issues for employees who are members of a Group Employee Shareholder Plan. The issues would be limited to an aggregate par value of €7 million, or less than 2% of the Company's current share capital.

This authorization would replace, with a slightly lower ceiling, the authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (18th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 6.3, on page 68 of the MEDEF Guide ("Authorizations to carry out employee rights issues"), available for consultation at www.medef.com.

Twenty-second resolution
(Authorization for the Chief Executive Officer to carry out a rights issue for members of a Group Employee Shareholder Plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders)

Having considered the report of the Chief Executive Officer, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Chief Executive Officer, pursuant to Articles L. 3332-1 *et seq.* of the French Labor Code and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, to carry out one or more rights issues for members of an Employee Shareholder Plan of the Company or of French or foreign related companies within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code.

- That:
  - Existing shareholders shall waive their pre-emptive right to subscribe any shares to be issued under this authorization.
  - The aggregate par value of shares issued under this authorization shall not exceed €7,000,000 (seven million euros), representing less than 2% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.
  - The issue price of the shares offered under this authorization shall be set by the Chief Executive Officer in accordance with Article L. 3332-19 of the French Labor Code and shall not reflect a discount of more than 20% (20 percent) on the average of the opening prices quoted for the Company's shares on Euronext Paris over the 20 trading days preceding the date on which the opening date of the subscription period is decided. The Chief Executive Officer may reduce or cancel this discount if appropriate, in order to take into account, *inter alia,* locally applicable tax, labor law or accounting restrictions.
  - Employees may be given free shares in place of the discount, in accordance with Article L. 3332-21 of the French Labor Code.
  - The Chief Executive Officer may also decide that employer matching payments will be made in the form of free shares or securities with rights to shares instead of cash, subject to the limits set out in Article L. 3332-21 of the French Labor Code.
  - The Chief Executive Officer shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount, and terms and conditions of the issue(s), (ii) determine whether the shares will be purchased directly by employees or through a corporate mutual fund, (iii) set the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on any markets chosen by the Chief Executive Officer, (v) set any length-of-service conditions to be met by beneficiaries, (vi) place on record the amount of the capital increase(s) resulting from the rights issues, (vii) carry out – directly or through a representative – all operations and formalities related to the capital increase(s); and, at the Chief Executive Officer's discretion, charge the share issuance costs against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each issue.

In accordance with the applicable legal provisions, the authorization provided for in this resolution shall also cover sales of shares to members of a Group Employee Shareholder Plan.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-third resolution

/ Blanket ceilings on issues of shares, securities carrying rights to shares and debt securities

The purpose of the twenty-third resolution is to set a blanket ceiling of €127 million – or the equivalent of less than 35% of the Company's current capital – on share issues carried out pursuant to the 16th, 17th, 18th, 19th, 20th and 21st resolutions. This authorization would replace, with a slightly lower ceiling, the authorization granted for the same purpose at the Annual Shareholders Meeting of May 16, 2014 (19th resolution), which has not been used.

It also raises to €2.5 billion the blanket ceiling on issues of debt securities (with or without rights to shares) carried out pursuant to the 15th, 16th, 17th, 18th, 19th and 21st resolutions.

An explanation of the ceilings set by shareholders for authorizations relating to corporate actions is provided in the Introductory Information Sheet, on page 39 of the MEDEF Guide ("Authorizations granted by shareholders for the Board of Directors to carry out capital increases").

Twenty-third resolution
(Blanket ceilings on issues of shares, securities carrying rights to shares and debt securities)

Having considered the reports of the Chief Executive Officer and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- That:
  - The aggregate par value of shares issued under the 16th, 17th, 18th, 19th, 20th and 21st resolutions, either immediately or on conversion, exchange redemption or exercise of securities carrying rights to shares, shall not exceed €127,000,000 (one hundred and twenty-seven million euros), representing less than 35% of the Company's capital as of the date of this Meeting. This ceiling shall not include either (i) the par value of any shares to be issued to protect the interests of holders of securities carrying rights to shares or of other rights to the Company's shares in accordance with the law, or (ii) any other adjustments made pursuant to any applicable contractual provisions.
  - The aggregate nominal amount of debt securities, with or without rights to shares, issued under the 15th, 16th, 17th, 18th, 19th and 21st resolutions shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-fourth resolution

/ Authorization for the Chief Executive Officer to reduce the Company's capital by canceling shares

In the 24th resolution, shareholders are invited to authorize the Chief Executive Officer to reduce the Company's capital by canceling treasury shares purchased under shareholder-approved buyback programs.

This 18-month authorization would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 22, 2015 (9th resolution), which has not been used.

Just under five million shares acquired under buyback programs were canceled in 2015 (for more details, refer to section 5.5.7 b) of the 2015 Registration Document).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.9, on page 60 of the MEDEF Guide (Authorizations to carry out capital reductions).

Twenty-fourth resolution
(Authorization for the Chief Executive Officer to reduce the Company's capital by canceling shares)

Having considered the report of the Chief Executive Officer, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Chief Executive Officer to:
  - Cancel, at his sole discretion, on one or more occasions, all or some of the shares purchased under shareholder-approved buyback programs, provided that the number of shares canceled does not exceed 10% of the Company's capital.
  - Charge the difference between the cost of the canceled shares and their par value against any available premium or reserve account.
- To grant the Chief Executive Officer full powers – which may be delegated in accordance with the law – to (i) carry out the capital reduction(s) resulting from the share cancellation(s) authorized under this resolution, (ii) make the corresponding accounting entries, (iii) amend the bylaws to reflect the new capital and (iv) generally, carry out all necessary formalities.

This authorization shall be valid for a period of 18 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-fifth resolution

/ Authorization for the Chief Executive Officer to grant performance shares to employees of the Company and of its subsidiaries (other than the Chief Executive Officer), without pre-emptive subscription rights for existing shareholders

This resolution replaces the 21st resolution of the Annual Shareholders Meeting of May 16, 2014 which was used to launch three performance share plans for the 2014-2016 and 2015-2017 periods.

Details of these plans and the achievement rate for each performance criterion are presented in sections 5.5.5 a) and 5.5.5 b) of the 2015 Registration Document.

An ex-post assessment of the results of the plans showed that performance criteria had been set at challenging levels given the prevailing environment. For each plan launched by the Group, at least one criterion was not fulfilled, with the result that a significant proportion of the performance share rights did not or will not vest.

In the same way as the resolution approved in 2014, the 25th resolution concerns the grant of new or existing shares, subject to performance conditions, to employees of the Company and of its French and foreign subsidiaries. The list of grantees, the number of shares to be granted to each one and the grant criteria would be decided by the Chief Executive Officer, based on the recommendation of the Compensation and Appointments Committee of the Supervisory Board.

No performance shares would be granted to the Chief Executive Officer, who is the Company's only executive officer.

The performance shares would be subject to a vesting period of at least three years.

The performance criteria would be based on three objectives reflecting different aspects of the strategy implemented by Michelin as part of its 2020 Ambitions, described in section 2.1 of the 2015 Registration Document. These objectives are as follows:

- A share performance objective: growth in the Michelin share price.
- A corporate social responsibility objective: employee engagement and the environmental performance of manufacturing operations.
- A profitability objective: growth in operating income.

These criteria would apply to all performance share grants, whatever the grantee's level of responsibility.

These three criteria take into account shareholders' expectations and changes in the market environment.

A financial performance objective: growth in the Michelin share price

This objective concerns Michelin's share performance compared with that of the CAC 40 index.

It falls under the third objective ("Secure our financial performance") of the 2020 Ambitions plan.

The CAC 40 index has been chosen due to the breakdown of the Group's operations into the various product families (truck tires, passenger car and light truck tires, specialty tires). These operations expose the Group to changes in consumer goods markets (around 40% of the Group's business), economic growth and industrial markets (around 30%), as well as raw materials (around 15%). In this regard, automotive stocks alone (around 15%) – and especially automotive equipment stocks – would be a less appropriate benchmark for measuring Michelin's performance.

This criterion has a 35% weighting.

If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate would be 100% and the maximum 35% of the performance shares would vest.

If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result would be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15).

If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate would be 0% .

This criterion would be assessed over a rolling three-year period, between the average of the closing prices quoted on Euronext Paris for the six-month period preceding the reference three-year period and the same average for the last six months of that period. For example, for a performance share plan launched in 2016 with a three-year vesting period from 2016 to 2018, gains in the Michelin share price and the CAC 40 would be calculated by comparing the average price for the second half of 2015 and that for the second half of 2018.

As an example of past performance, comparing the average closing price between the second half of 2012 and the second half of 2015, the Michelin's share price (up 44%) outperformed the CAC 40 (up 39%) by 5 points (source: Euronext).

A corporate social responsibility objective: employee engagement and the environmental performance of manufacturing operations

This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement.

It is part of the second objective ("Set the industry standard for responsible manufacturing") and the fourth objective ("Work together to continuously improve employee well-being and personal growth") of the 2020 Ambitions plan.

Since 2005, Michelin has measured and published these operations' energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled, using the Michelin Environmental Footprint (MEF) indicator. The Group's goal for 2020 is to reduce the MEF by 50% compared with 2005.

The action taken, gains made to date and the detailed MEF calculation method are presented in section 6.3.1.

The environmental performance of the manufacturing indicator has a weighting of 15% and would be taken into account as follows:

- If the average MEF over three years was less than 60, the achievement rate would be 100% and the maximum 15% of the performance shares would vest.
- If the average MEF over three years was between 60 and 63, the achievement rate would be: (average MEF - 60)/(63 - 60).
- If the average MEF over three years was more than than 63, the achievement rate would be 0%.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a performance share plan launched in 2016 with a three-year vesting period from 2016 to 2018, the average would be calculated based on the MEF for each of the three years.

As an example of past performance, based on annual MEF indicators of 66.5 for 2013, 65.1 for 2014 and 62.8 for 2015 (source: page 180 of the 2014 Registration Document and page 174 of the 2015 Registration Document), the average MEF for the last three year period was 64.8.

Employee engagement is an important driver of operational excellence and the Group's ability to meet its performance objectives. Michelin has set the particularly ambitious objective of becoming a world-class leader in this area by reaching and maintaining an 85% employee engagement rate by 2020. Since 2013, the annual "Moving Forward Together: Your Voice for Action" survey measures the engagement rate and employee opinions about their work.

The action taken, gains made to date and the detailed employee engagement calculation method are presented in section 6.1.5 c) of the 2015 Registration Document.

The employee engagement indicator has a weighting of 15% and would be taken into account as follows:

- If the average engagement rate was more than 80%, the achievement rate would be 100% and the maximum 15% of the performance shares would vest.
- If the engagement was between 77% and 80%, the achievement rate would be: (average engagement rate - 77%)/(80% - 77%).
- If the average engagement rate was less than 77%, the achievement rate would be 0%.

This indicator (calculated on a like-for-like basis) would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a performance share plan launched in 2016 with a three-year vesting period from 2016 to 2018, the average would be calculated based on the engagement rate for each of the three years.

As an example of past performance, based on annual engagement rates of 72% for 2013, 74% for 2014 and 77% for 2015 (source: page 166 of the 2015 Registration Document), the average engagement rate for the last three year period was 74.3%.

As each of these indicators has a 15% weighting, the criterion's total weighting would be 30%.

A profitability objective: growth in operating income

This criterion concerns growth in € millions in consolidated operating income, before non-recurring income and expenses (on a like-for-like basis and excluding changes in exchange rates).

It falls under the third objective ("Secure our financial performance") of the 2020 Ambitions plan.

The choice of this criterion is part of the Group's value creation strategy aiming to guarantee a robust and sustainable financial position, the independence of the Group and the achievement of its growth ambitions.

This criterion has a 35% weighting.

It would be taken into account as follows:

- If average annual growth in operating income [(1)] was more than €150 million a year, the achievement rate would be 100% and the maximum 35% of the performance shares would vest.

(1) Consolidated operating income, before non-recurring income and expenses (on a like-for-like basis and excluding changes in exchange rates).

- If average annual growth in operating income [1] was between €70 million and €150 million a year, the achievement rate would be: (operating income – €70 million)/€150 million – €70 million).
- If average annual growth in operating income [1] was less than €70 million a year, the achievement rate would be 0%.

This criterion would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a performance share plan launched in 2016 with a three-year vesting period from 2016 to 2018, the average would be calculated based on the annual growth rate for each of the three years 2016, 2017 and 2018.

As an example of past performance, based on a €41 million operating income increase for 2013, a €81 million increase for 2014 and a €30 million decrease for 2015 (source: page 30 of the 2013 Registration Document, page 31 of the 2014 Registration Document and page 32 of the 2015 Registration Document), average growth in operating income [1] for the last three years was €30.66 million.

Provided that the grantee was still employed by the Group at the end of the vesting period (or qualified for an exemption from this requirement under French law or in the cases decided by management), if the achievement rate for all of the above criteria was 100% then 100% of the performance shares would vest.

The number of vested shares per grantee would not exceed the number of performance share rights initially granted.

The number of shares granted under this authorization would not exceed 0.5% of the Company's capital on the day of the decision (909,511 shares based on the capital at December 31, 2015).

This authorization would be given for a period of 38 months.

This type of proposed resolution is explained in detail in Information Sheet 6.2 on page 65 of the MEDEF Guide (Share buybacks), which is available at www.medef.com/medef-corporate/publications.

Twenty-fifth resolution
(Authorization for the Chief Executive Officer to grant performance shares to employees of the Company and of its subsidiaries (other than the Chief Executive Officer), without pre-emptive subscription rights for existing shareholders)

Having considered the report of the Chief Executive Officer, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Chief Executive Officer, in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code, to grant performance shares to selected employees of the Company and related entities within the meaning of Article L. 225-197-2 of the Code, other than the Company's executive officers, on the basis defined below.
- That existing or new shares granted pursuant to this authorization may not represent more than an aggregate 0.5% (zero point five percent) of the Company's capital at the date of this Meeting. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares.
- That the Chief Executive Officer shall draw up the list of grantees, and determine the number of shares to be granted and the grant conditions and criteria, which shall include performance criteria determined with the Supervisory Board's agreement.
- That the performance shares shall be subject to a vesting period set by the Chief Executive Officer, which shall be at least three years and may be followed by a lock-up period set by the Chief Executive Officer for certain grantees.
- That the performance shares shall vest before the end of the above vesting period and that all restrictions on their shall will be lifted in the event that the grantee is affected by a category 2 or 3 disability as defined in Article L. 341-4 of the French Social Security Code.
- That, if the decision is made to deliver new shares to grantees, the successive share issues carried out when the performance shares vest shall be paid up by capitalizing reserves, profit or additional paid-in capital, and that existing shareholders shall waive their pre-emptive right to subscribe for said new shares.
- That the Chief Executive Officer shall have the broadest powers, within the above-defined limits and the limits resulting from the law, to:
  - Provide for the possibility of temporarily suspending the performance share rights on the basis prescribed by the applicable laws and regulations.
  - Place on record the dates on which the performance shares vest and the dates on which the restrictions on their sale are lifted, in accordance with this resolution and taking into account the legal restrictions.
  - Record the performance shares in a registered share account in the grantee's name.
  - Provide for the possibility of adjusting the number of performance shares during the vesting period in order to protect the rights of grantees following any corporate actions carried out by the Company.
  - Generally, do everything useful or necessary to implement this authorization, carry out any and all filing and other formalities, place on record the resulting capital increases and amend the bylaws to reflect the new capital.

This authorization shall be valid for a period of 38 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

Twenty-sixth resolution

/ Powers to carry out formalities

The purpose of the 26th resolution is to give powers to carry out the formalities related to the Shareholders Meeting.

Twenty-sixth resolution
(Powers to carry out formalities)

The shareholders give full powers to the bearer of an original, copy or extract of the minutes of this Ordinary and Extraordinary Shareholders Meeting to carry out all legal and administrative formalities and to make all filings and publish all notices required by the applicable laws.

(1) Consolidated operating income, before non-recurring income and expenses (on a like-for-like basis and excluding changes in exchange rates).

10.1.3 SUMMARY OF FINANCIAL AUTHORIZATIONS SUBMITTED FOR SHAREHOLDER APPROVAL

Corporate action	Applicable ceilings *(nominal amount)*	Duration (expiration date)
Issuance of shares and/or securities carrying rights to shares, with pre-emptive subscription rights *(16th resolution)*	shares: €127 million (less than 35% of current capital) debt securities: €2.5 billion	26 months *(July 2018)*
Issuance of shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights *(17th resolution)*	shares: €36 million (less than 10% of current capital) debt securities: €1 billion	26 months *(July 2018)*
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights *(18th resolution)*	shares: €36 million (1) debt securities: €1 billion (1)	26 months *(July 2018)*
Increase in the number of securities to be issued under issues with or without pre-emptive subscription rights *(19th resolution)*	15%, subject to the ceilings applicable for the issues concerned	26 months *(July 2018)*
Issuance of new shares paid up by capitalizing reserves, income or additional paid-in capital *(20th resolution)*	€80 million	26 months *(July 2018)*
Issuance of shares for a stock-for-stock offer or in payment for contributed assets *(21st resolution)*	€36 million (1)	26 months *(July 2018)*
Employee rights issue *(22nd resolution)*	€7 million (less than 2% of current capital)	26 months *(July 2018)*
Blanket ceilings on all the authorizations sought (except for share issues carried out under the 20th and 22nd resolutions). *(23rd resolution)*	shares: €127 million (less than 35% of current capital) debt securities: €2.5 billion	26 months *(July 2018)*
Capital reduction by canceling shares *(24th resolution)*	10% of the current capital	18 months *(November 2017)*
Share buyback program *(5th resolution)*	18.19 million shares at a maximum price of €140 per share	18 months *(November 2017)*
Issuance of bonds and debt-linked securities *(15th resolution)*	€2.5 billion	26 months *(July 2018)*
Performance share plans *(25th resolution)*	0.5% of the current capital excluding the Chief Executive Officer Subject to performance conditions	38 months *(July 2019)*

(1) Included in the ceiling set in the 17th resolution (issuance through a public offer without pre-emptive subscription rights).

10.2 REPORT OF THE SUPERVISORY BOARD

To the shareholders,

You will find below our report to the 2015 Annual Shareholders Meeting.

10.2.1 RECOMMENDATIONS CONCERNING THE RE-ELECTION OR APPOINTMENT OF SUPERVISORY BOARD MEMBERS AND THE STATUTORY AUDITORS (RESOLUTIONS 7 TO 9 AND 11 TO 14)

The terms of Anne-Sophie de La Bigne and Jean-Pierre Duprieu as Supervisory Board members and the appointment of both Statutory Auditors and their substitutes are due to expire at the close of the Annual Shareholders Meeting on May 13, 2016.

In addition, the Supervisory Board appointed Monique Leroux as a member during the year, subject to ratification by shareholders at the Annual Meeting.

Note that the General Partners do not take part in the election or re-election of Supervisory Board members or the appointment or re-appointment of the Statutory Auditors (refer to the detailed information in the report of the Chief Executive Officer on the proposed resolutions).

Re-elections of Supervisory Board members

Anne-Sophie de La Bigne and Jean-Pierre Duprieu have informed the other Supervisory Board members that they wish to stand for re-election.

In reviewing their proposed re-election, the Compensation and Appointments Committee took into account the main candidate assessment criteria, covering their skills, experience, independence and availability (i.e. that they do not hold too many other directorships) and the commitment to promoting Board diversity in terms of both culture and background.

When examining the individual situations of Anne-Sophie de La Bigne and Jean-Pierre Duprieu, the Board notably considered:

- The pros and cons of re-electing them.
- The skills and experience they bring to the Board.
- Their availability and involvement in the work of the Board and its Committees.
- Their independence and the absence of any conflicts of interest.
- Their contribution to the diversity of the Board in terms of gender equality and cultural backgrounds.

/ Anne-Sophie de La Bigne

Airbus Group – 12, rue Pasteur – BP 75 – 92152 Suresnes Cedex – France

Anne-Sophie de La Bigne was born in 1960 and is a French national. Since 2008, she has been Vice President in charge of Civil Affairs in the Public Affairs Division, France, at Airbus Group[1].

Anne-Sophie de La Bigne owns 903 Michelin shares.

She has been a member of the Supervisory Board and its Audit Committee since 2013 and is considered by the Supervisory Board as being an independent member [2] because:

- She does not have any close family ties with either the Chief Executive Officer or any member of the Supervisory Board.
- She is not currently and never has been an employee of Michelin or any of its subsidiaries.
- She has not been a member of the Supervisory Board for more than 12 years.
- She is not an executive officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board.
- She is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.
- She has not been an auditor of Michelin in any of the past five years.
- She is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners.

The Board examined Ms. de La Bigne's candidature for re-election for a four-year term based on the above-mentioned criteria, and particularly took into account:

- Her contribution to the work of the Board and its Audit Committee, as reflected in her availability and attendance rate.
- Her excellent understanding of the challenges facing the Group.
- Her participation in Board discussions.
- Her familiarity with French and international industrial strategies.
- Her independent viewpoint as someone who comes from outside the tire business.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that Anne-Sophie de La Bigne be re-elected for a further four-year term. Ms. de La Bigne did not take part in the Board's discussion or vote.

/ Jean-Pierre Duprieu

Air Liquide – 75, quai d'Orsay – 75321 Paris – France

Jean-Pierre Duprieu was born in 1952 and is a French national. He is Executive Vice President of the Air Liquide Group[1]. He has been a member of Air Liquide's Executive Management team since 2010, in charge of supervising the group's European and Healthcare activities as well as corporate functions, including information systems and Efficiency/Purchasing programs.

Jean-Pierre Duprieu owns 510 Michelin shares.

(1) Listed company.

(2) See the detailed review of Supervisory Board members' independence in the report of the Chairman of the Supervisory Board on the membership of the Supervisory Board (section 4.5.1 b) of the 2015 Registration Document).

He has been a member of the Supervisory Board and its Audit Committee since 2013 and is considered by the Supervisory Board as being an independent member (2) because:

- He does not have any close family ties with either the Chief Executive Officer or any member of the Supervisory Board.
- He is not currently and never has been an employee of Michelin or any of its subsidiaries.
- He has not been a member of the Supervisory Board for more than 12 years.
- He is not a corporate officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which a corporate officer of Michelin has a seat on the Board.
- He has not been an auditor of Michelin in any of the past five years.
- He is not a shareholder or a corporate officer of SAGES, which is one of Michelin's General Partners.
- He is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

The Board examined Mr. Duprieu's candidature for re-election for a four-year term based on the above-mentioned criteria, taking into account:

- His contribution to the work of the Board and its Audit Committee.
- His availability and attendance rate at Board and Audit Committee meetings.
- His excellent understanding of the challenges facing the Group.
- His participation in Board discussions.
- His experience of the manufacturing sector.
- His familiarity with international markets, particular in Asia.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that Jean-Pierre Duprieu be re-elected for a further four-year term. Mr. Duprieu did not take part in the Board's discussion or vote.

Ratification of the appointment of a Supervisory Board member

/ Monique Leroux

Mouvement des Caisses Desjardins – Tour Sud – 40e étage – 1, complexe Desjardins – Montréal (Québec) H5B 1B2 – Canada

Monique Leroux was born in 1954 and is a Canadian national. She has been Chair of the Board, President and Chief Executive Officer of Desjardins, Canada's largest cooperative financial group, since 2008.

Monique Leroux owned 400 Michelin shares as of March 1, 2016.

Monique Leroux has been a Supervisory Board member since October 1, 2015 and following the latest review of the independence of its members (1) the Board classified her as independent because:

- She does not have any close family ties with either the Chief Executive Officer or any member of the Supervisory Board.
- She is not currently and never has been an employee of Michelin or any of its subsidiaries.
- She has not been a member of the Supervisory Board for more than 12 years.
- She is not a corporate officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which a corporate officer of Michelin has a seat on the Board.
- She has not been an auditor of Michelin in any of the past five years.
- She is not a shareholder or a corporate officer of SAGES, which is one of Michelin's General Partners.
- She is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

Ms. Leroux will give the Board the benefit of her experience in two areas:

As Chair of the Board, President and Chief Executive Officer of Desjardins, Canada's largest cooperative financial group, she has led the bank's dynamic growth while making it the world's fifth strongest financial institution.

Her participation in many international bodies gives her solid insight into the global markets.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that shareholders ratify Monique Leroux's appointment to the Board for two years, corresponding to the remaining term of her predecessor, Laurence Parisot.

If Anne-Sophie de La Bigne and Jean-Pierre Duprieu are re-elected and Monique Leroux's appointment is ratified, after the Annual Shareholders Meeting, the expiration dates of the Supervisory Board members' terms of office will be effectively staggered, as follows:

EXPIRATION DATES OF SUPERVISORY BOARD MEMBERS' TERMS OF OFFICE

	2016 AGM	2017 AGM	2018 AGM	2019 AGM	2020 AGM
Olivier Bazil		X			
Pat Cox			X		
Barbara Dalibard				X	
Anne-Sophie de La Bigne	X				X
Jean-Pierre Duprieu	X				X
Aruna Jayanthi				X	
Monique Leroux (1)	X (1)		X		
Cyrille Poughon			X		
Michel Rollier		X			
NUMBER OF EXPIRATIONS BY YEAR	**3**	**2**	**3**	**2**	**2**

(1) Ratification of her appointment by the Board

(1) See the detailed review of Supervisory Board members' independence in the report of the Chairman of the Supervisory Board on the membership of the Supervisory Board (section 4.5.1 b) of the 2015 Registration Document).

Re-appointment of the Statutory Auditors

During several of its meetings and based on Finance Department analyses and presentations, the Audit Committee examined the question of re-appointing the auditors or appointing new auditors at the 2016 Annual Shareholders Meeting.

The Audit Committee noted that, following an extensive call for bids in 2009, the Statutory Auditors' fees were among the lowest of the CAC 40 companies.

The quality of the audits performed by PricewaterhouseCoopers Audit and Deloitte & Associés was considered satisfactory.

In addition, with regard to other services provided by the two firms' networks, fees were limited in relation to the audit budgets (refer to the table of fees for 2014 and 2015 in section 9.2.2 of the 2015 Registration Document).

The Audit Committee considered that the continuous improvement approach that aims to better organize the work of the two firms and their interaction with the Company and its subsidiaries was preferable to calling into question the choices made in 2010.

Based on the further improvements proposed by the two firms, the Audit Committee recommended that shareholders be asked to renew the appointments of PricewaterhouseCoopers Audit and Deloitte & Associés as Statutory Auditors, and of B.E.A.S. as substitute for Deloitte & Associés, and to appoint Jean-Baptiste Deschryver as substitute for PricewaterhouseCoopers Audit in place of Pierre Coll, in all cases for a period of six years.

10.2.2 "SAY-ON-PAY" ADVISORY VOTE ON THE CHIEF EXECUTIVE OFFICER'S COMPENSATION FOR 2015 (6TH RESOLUTION)

As prescribed in Article L. 225-37 of the French Commercial Code, the Company bases its corporate governance framework on the Corporate Governance Code for listed companies published by the AFEP and MEDEF (the AFEP/MEDEF Code) and on the Code's implementation guidance (November 2015 versions).

Companies that elect to apply the recommendations in Article 24.3 of the AFEP/MEDEF Code are required to provide their shareholders with an advisory "say-on-pay" vote relating to the components of compensation due or awarded for the previous year to each executive officer. Said components may include:

- The fixed portion of the executive officer's compensation.
- The annual variable portion, and where applicable, the multi-year variable portion, including a description of the objectives that must be met in order for this variable portion to be awarded.
- Stock options, performance shares and any other type of long-term compensation.
- Benefits related to taking up or terminating office.
- Supplementary pension benefits.
- Any other benefits.

Michelin's Supervisory Board and Management have elected to apply this recommendation since it came into effect.

The compensation components concerned and the related reviews performed by the Compensation and Appointments Committee are described in the table included in the presentation of the 6th resolution in the Chief Executive Officer's report, and in section 4.3.3 of the 2015 Registration Document.

Consequently, as in 2015, with the approval of the Non-Managing General Partner (SAGES), the Supervisory Board recommends that shareholders give a positive advisory vote on the components of the compensation due or awarded for 2015 to Jean-Dominique Senard, Chief Executive Officer and the Company's sole executive officer.

10.2.3 APPROVAL OF THE FINANCIAL STATEMENTS, FINANCIAL AUTHORIZATIONS, INCREASE IN SUPERVISORY BOARD ATTENDANCE FEES (RESOLUTIONS 1 TO 5, 10 AND 15 TO 26)

Concerning the ordinary resolutions, the Chief Executive Officer's report and the accounting and financial information communicated to you present the Group's operations and results for 2015 (for the purposes of the 1st and 2nd ordinary resolutions).

We have no comments on the Statutory Auditors' reports on the financial statements.

As no new related-party agreements requiring shareholder approval were entered into in 2014, you are asked to place on record that there are no such agreements to approve (in the 4th ordinary resolution).

Before asking you to approve the financial statements of the Company and the consolidated financial statements, we would like to point out that the Group made significant advances in 2015, recording solid growth in revenues, a further improvement in operating income before non-recurring income and expenses, and strong free cash flow generation.

These good performances lead us to reaffirm our confidence in the Chief Executive Officer.

They also lead us to support the Chief Executive Officer's recommendation to set the dividend at €2.85 per share (3rd ordinary resolution).

The Company wishes to renew its share buyback program on the same terms as for the previous program (5th ordinary resolution).

An authorization to cancel shares bought back under the program is also being sought to replace the authorization granted at the 2015 Meeting which was used by the Company during the year (24th extraordinary resolution).

At this year's Meeting on May 13, 2016, we intend to ask shareholders to approve an increase in the total attendance fees awarded to the Supervisory Board, to take into account:

- The greater expertise and engagement required of its members.
- The recent election or appointment of members with recognized experience, from countries outside the European Union.
- The 12% increase in the number of members, from eight to nine.
- The 33% increase in the number of Supervisory Board meetings between 2014 and 2015.

For these reasons, we propose that the total attendance fee budget should be increased from €420,000 to €555,000 for the 2016 fiscal year, payable in 2017 (10th ordinary resolution). In accordance with the Supervisory Board's internal rules, a substantial portion of the attendance fees allocated to its members are contingent on their actual attendance at Board and Committee meetings.

We are also proposing a number of extraordinary resolutions which renew – on the same or very similar terms but with a slightly lower ceiling for share issues – the financial authorizations granted at the May 16, 2014 and May 22, 2015 Annual Shareholders Meetings, which continue to be required in order for the Group to implement its overall business strategy (15th ordinary resolution, 16th to 21st, 23rd and 24th extraordinary resolutions).

Shareholders will be asked to renew the authorization given at the May 16, 2014 Annual Shareholders Meeting to grant performance shares to Michelin employees (excluding corporate officers of the Company). The performance conditions have been reviewed and are supported by the Compensation and Appointments Committee (see the detailed presentation of the proposed 25th resolution in the Chief Executive Officer's report and in section 10.1.1 of the 2015 Registration Document).

In addition, you will be asked to renew the previous authorization to carry out rights issues for members of a Group Employee Shareholder Plan (22nd resolution).

We recommend that shareholders adopt the proposals submitted by the Chief Executive Officer for their approval by voting in favor of the corresponding ordinary and extraordinary resolutions.

February 11, 2016

Michel Rollier

Chairman of the Supervisory Board

10.3 STATUTORY AUDITOR'S REPORTS

10.3.1 STATUTORY AUDITOR'S REPORT ON THE ISSUE OF SHARES AND SECURITIES WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

(Combined Shareholders' Meeting of May 13, 2016 - 16th, 17th, 18th, 19th and 23rd resolutions)

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin ("the Company") and pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby present our report on the shareholder authorizations sought by the Managing Chairman to issue shares and/or marketable securities, which you will be asked to approve.

Your Managing Chairman is seeking, on the basis described in his report, a 26-month authorization, from the date of this meeting, to decide on the following securities issues and set the final terms of the issues and, if appropriate, to cancel existing shareholders' pre-emptive subscription rights:

- The issue with pre-emptive subscription rights (16th resolution) of shares and/or securities carrying immediate and/or deferred rights to new or existing shares in the Company.
- The issue through a public offer without pre-emptive subscription rights (17th resolution) of shares and/or securities carrying immediate and/or deferred rights to new or existing shares in the Company.
- The issue, without pre-emptive subscription rights, through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code, within the limit of 20% of the Company's share capital per year (18th resolution), of shares and/or securities carrying immediate and/or deferred rights to new or existing shares in the Company.

The aggregate par value of shares issued under the 16th, 17th, 18th, 19th, 20th and 21st resolutions, either immediately or on conversion, exchange, redemption or exercise of securities shall not, under the 23rd resolution exceed €127,000,000, it being stipulated that the aggregate par value of shares issued under the 17th and 18th resolutions shall not exceed €36,000,000.

The aggregate nominal amount of debt securities issued under the 15th, 16th, 17th, 18th, 19th and 21st resolutions shall not, under the 23rd resolution, exceed €2,500,000,000, it being stipulated that the aggregate par value of debt securities issued under the 17th and 18th resolutions shall not exceed €1,000,000,000.

These ceilings take into account the additional securities to be issued under the 16th, 17th and 18th resolutions in accordance with Article L. 225-135-1 of the French Commercial Code, if shareholders also adopt the 19th resolution.

The Managing Chairman is responsible for preparing a report on the proposed issues in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our role is to express a conclusion on the fairness of accounting information contained in his report, on the proposed waiver of shareholders' pre-emptive subscription rights and on certain other information pertaining to the issues as presented in his report.

We performed the procedures that we considered necessary in accordance with the professional standards issued by our professional body, Compagnie Nationale des Commissaires aux Comptes, for this type of engagement. Those procedures consisted of reviewing the contents of the Managing Chairman's report concerning the proposed issues and the proposed method of determining the issue price of the shares.

Subject to a subsequent examination of the final terms of any issues decided by the Managing Chairman, we have nothing to report concerning the proposed method of determining the issue price of the shares under the 17th and 18th resolutions, as described in the Managing Chairman's report.

As the Managing Chairman's report does not describe the method to be used to determine the issue price of shares under the 16th resolution, we do not express a conclusion thereon.

As the final issue terms have not yet been set, we do not express a conclusion thereon and, consequently, on the proposed waiver of shareholders' pre-emptive subscription rights under the 17th and 18th resolutions.

As required by Article R. 225-116 of the French Commercial Code, we will issue a further report if and when the Managing Chairman decides to use these authorizations to issue equity instruments carrying rights to other equity instruments or debt securities, in the event of the issue of securities carrying rights to shares to be issued and in the event of the issue of shares without pre-emptive subscription rights.

Neuilly-sur-Seine, February 15, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Pascale Chastaing-Doblin

10.3.2 STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL INCREASE RESERVED FOR MEMBERS OF A COMPANY SAVING PLAN

Combined Shareholders' Meeting of May 13, 2016 (22nd resolution)

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin and pursuant to Articles L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegation to the Managing Chairman of the authority to decide a share capital increase through the issue of ordinary shares with cancellation of pre-emptive subscription rights, reserved for employee members of a company saving plan of your Company linked to Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code (*Code du travail*) and up to a maximum amount of €7,000,000, on which you are asked to vote.

Shareholders are asked to approve this share capital increase pursuant to Article L. 225-129-6 of the French Commercial Code and Article L. 3332-18 *et seq.* of the French Labor Code.

Your Managing Chairman recommends that, based on his report and for a period of 26 months as of the date of this meeting, you delegate to him the authority to decide a share capital increase and cancel your pre-emptive subscription rights to the ordinary shares to be issued. The Managing Chairman would also decide the final terms of the issue, if appropriate.

The Managing Chairman is responsible for preparing a report on the proposed issue in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. Our role is to express a conclusion on the fairness of the quantified data extracted from the financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other information pertaining to the issue as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Such procedures consisted in verifying the content of the Managing Chairman's report as it relates to this transaction and the terms and conditions governing the determination of the issue price of shares.

Subject to a subsequent review of the final terms of any share capital increase that may be decided, we have nothing to report concerning the proposed terms of determining the issue price of the shares, as described in the Managing Chairman's report.

As the final terms and conditions of the share capital increase have not been determined, we do not express a conclusion thereon and, consequently, on the proposed cancellation of pre-emptive subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue a further report if and when the Managing Chairman decides to use this authorization.

Neuilly-sur-Seine, February 15, 2016
The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Pascale Chastaing-Doblin

10.3.3 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined shareholders' meeting of May 13, 2016 (24th resolution)

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin and pursuant to Article L. 225-209 of the French Commercial Code (*Code de commerce*) concerning capital reductions carried out by cancelling bought-back shares, we hereby present our report on our assessment of the reasons for and terms of the proposed capital reduction.

Your Managing Chairman has proposed that you delegate to him, for a period of 18 months as of the date of this meeting, the authority to cancel, for up to 10% of its share capital, the bought-back shares, as authorized by your company under the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*), for this type of engagement. Those procedures consisted of examining whether the reasons for and the terms of the proposed capital reduction were compliant with the provisions of the law applicable to these operations.

We have nothing to report concerning the reasons for and the terms of the proposed capital reduction.

Neuilly-sur-Seine, February 15, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Pascale Chastaing-Doblin

10.3.4 STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT PERFORMANCE SHARES, EXISTING OR TO BE ISSUED

Combined Shareholders' Meeting of May 13, 2016 (25th resolution)

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin and pursuant to Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the authorization sought to grant performance shares, existing or to be issued, to selected employees of your company and the companies affiliated to it within the meaning of Article L. 225-197-2 of the French Commercial Code, with the exception of corporate officers of your company, on which you are asked to vote.

The number of shares, existing or to be issued, granted in accordance with this authorization will not represent more than 0,5% of share capital at the date of this shareholders' meeting.

Your Managing Chairman recommends that, based on his report and for a period of 38 months as of the date of this meeting, you authorize him to grant performance shares, existing or to be issued.

The Managing Chairman is responsible for preparing a report on the proposed operation. Our role is to report to you on the information provided to you on the proposed operation.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement.

Such procedures primarily consisted in verifying that the terms proposed and the information included in the Managing Chairman's report comply with the applicable legal provisions.

We have nothing to report concerning the information included in the Managing Chairman's report on the proposed authorization to grant performance shares.

Neuilly-sur-Seine, February 15, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit
Éric Bulle

Deloitte & Associés
Pascale Chastaing-Doblin

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11.2 TABLE OF CONCORDANCE FOR EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION

		GRI	Sections
EMPLOYEE INFORMATION			**6.1**
1-a	Total number of employees	G4-9	6.1.1 a)
	Employees hired under fixed-term contracts	G4-LA1	6.1.1 b)
	Employees hired under permanent contracts	G4-LA1	6.1.1 b)
	Potential difficulties in hiring	NA	6.1.1 b)
	Dismissals and their reasons	G4-LA1	6.1.1 b)
	Overtime	NA	6.1.1 c)
	Contractor employees	NA	6.1.1 a)
1-b	Information concerning redundancy plans	G4-LA1 & LA4	6.1.1 b)
	Job retention initiatives	G4-LA4	6.1.1 b)
	Retraining and inplacement	G4-LA4	6.1.1 b)
	Rehirings	G4-LA4	6.1.1 b)
	Support programs	G4-LA4	6.1.1 b)
2.	Working hours	NA	6.1.2 a)
	Working hours for full-time employees	NA	6.1.2 a)
	Working hours for part-time employees	NA	6.1.2 b)
	Absenteeism	NA	6.1.2 f)
	Reasons for absenteeism	NA	6.1.2 f)
3.	Compensation	G4-51	6.1.1 c)
	Compensation trends	G4-51	6.1.1 c)
	Employer payroll taxes	NA	6.1.1 c)
	Discretionary profit-sharing plans	NA	6.1.1 c)
	Non-discretionary profit sharing plans and employee savings plans	NA	6.1.1 c)
	Gender equality	G4-LA3	6.1.6 c)
4.	Employee relations and collective bargaining agreements	G4-11 G4-LA4	6.1.5 a)
5.	Workplace health and safety	G4-LA5 G4-LA6	6.1.3
6.	Training	G4-LA9, G4-LA10	6.1.4
7.	Hiring and retaining the disabled	G4-10	6.1.6 d)
SOCIETAL INFORMATION			**6.2**
8.	Employee welfare programs	G4-EC7	6.2.2
9.	Subcontracting	NA	6.2.4
	Creating jobs and supporting local economic development	G4-EC7	6.2.1
	Relationships with non-profit associations, schools, etc.	NA	6.2.2
	Amount of subcontracting	NA	6.2.4
	Programs to encourage subcontractors to comply with ILO conventions	HR9	6.2.4
	Programs undertaken by foreign subsidiaries to measure their impact on regional development and local communities	NA	6.2.1; 6.2.2

		GRI	Sections
ENVIRONMENTAL INFORMATION			**6.3**
1.	Water use	G4-EN8	6.3.1; 6.3.3
	Raw materials use	NA	6.3.3
	Energy use	G4-EN3, G4-EN18	6.3.1; 6.3.3
	Measures undertaken to improve energy efficiency	G4-EN6	6.3.1; 6.3.3
	Use of renewable energy sources	G4-EN19	6.3.1; 6.3.4
	Land use	NA	6.3.3
	Air, water and soil releases	G4-EN21	6.3.1; 6.3.2
	Noise and odors	NA	6.3.2
	Waste treatment	G4-EN23	6.3.1; 6.3.2
2.	Measures undertaken to attenuate damage to the biological balance	G4-EN11	6.3.1; 6.3.5
3.	Environmental audits and certification processes underway	NA	6.3
4.	Measures undertaken to ensure that the company's operations comply with legislation	NA	6.3
5.	Expenditure committed to prevent the company's operations from having an impact on the environment	G4-EN31	6.3.1
6.	Existence of internal environmental management teams	NA	6.3.1
	Employee training and information	NA	6.3.1
	Resources allocated to attenuating environmental risks	G4-EN31	6.3.1
	Organization to deal with accidental offsite spills and releases	NA	6.3.1
7.	Provisions and guarantees for environmental risks	NA	6.3.1
8.	Damages paid during the year under court rulings regarding the environment	NA	None
9.	Objectives assigned to foreign subsidiaries	NA	6.3

NA : Not applicable/Not applied.

11.3 TABLE OF CONCORDANCE FOR THE REGISTRATION DOCUMENT

In order to facilitate reading of the Registration Document, please consult the following contents table to identify the disclosures required under European Commission Regulation No. 809/2004 dated April 29, 2004.

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