REGISTRATION DOCUMENT 2013

MICHELIN

A better way forward

CONTENTS

RFA

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

REGISTRATION DOCUMENT

2013

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on March 5, 2013, 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 with Jean-Dominique Senard

"Be recognized as one of the world's most innovative, responsible and high-performance companies, as well as a leader in sustainable mobility"

_How would you describe 2013?

Thanks to the remarkable commitment of all our teams, Michelin delivered a solid performance in a still highly volatile and challenging global environment. Sales volumes were stable, as expected, and operating income before non-recurring items improved on a like-for-like basis. On a reported basis, it came to €2,234 million, despite a €230-million currency effect from the higher euro and the devaluation of emerging market currencies. This represents an 11% margin on net sales, which was close to last year's.

Lastly, Michelin reduced its net debt to €142 million from €1 billion a year earlier, while maintaining a considerable capital expenditure commitment of nearly €2 billion or 10% of consolidated net sales. This is because our continuing operations generated more than €1.1 billion in free cash flow, which is very satisfactory. The steady improvement in the management of our operations has lifted Michelin to a whole new level of performance. Indeed, we improved in every aspect of the business, with the launch of innovative products and services, efficient sales and marketing, unit margin integrity, cost discipline and the effective management of the supply chain and working capital. We also created value for the fourth year in a row, delivering an 11.9% return on capital employed.

Moreover, we narrowed the gap between our geographies and improved the income balance across the business base, which has made Michelin stronger.

At mid-point, our New Phase of Dynamic Growth, 2011-2015 is moving forward smoothly.

We want to share this progress with everyone who helped to make it possible. We will therefore recommend to the next Annual Meeting that the payout ratio of consolidated net income before non-recurring items be raised to 35% over the 2013-2020 period, from 30% today. This would represent a dividend of €2.50 per share for 2013. In this way, we're demonstrating our confidence in the strength of the foundations that we have built and in our ability to do even better tomorrow.

Also, for the first time, we bought back and cancelled Michelin shares in order to gradually reduce dilution. This shows that we have the interests of every shareholder at heart, because we know that their loyalty is an invaluable asset.

_How are your capital projects in the growth regions doing?

Our 4 major projects in Brazil, China, India and the United States were commissioned on time and on budget.

In Brazil, production at the Itatiaia car tire plant is expected to reach 30,000 tonnes by the end of 2014. At the Shenyang 2 facility in China, production of truck tires got underway in 2012, followed by the car tire line in May 2013. Capacity is scheduled to double to 57,000 tonnes by year-end. In India, the first truck tire rolled off the line in July at the Chennai plant, which should produce 12,000 tonnes in 2014. In the United States, the Anderson, SC facility made its first mining tire in late 2013.

Few companies are capable of simultaneously leading such huge projects at the same time. We're proud to rank among them.

_You have announced a competitiveness plan in France and the closure of the Joué-les-Tours plant. Are these transformations really necessary?

Pursuing the strategy underway for the past 10 years, Michelin is continuing to specialize its facilities by consolidating closely related production operations, in order to develop world-class, competitive and highly export-driven manufacturing centers.

That's why we're consolidating our French truck tire production at a single facility, in La Roche-sur-Yon, and phasing out production at Joué-les-Tours. We shouldn't wait until things turn bad before taking action; it is our duty to plan ahead so that we can build robust manufacturing situations. That's why we have to carry out the required reorganizations before a crisis hits, calmly and with outstanding sensitivity to employee issues.

Our competitiveness plan in France is significant. We're going to commit €800 million in capital expenditure mainly to expand our plants in La Roche-sur-Yon, in the Vendée region, in Blanzy in Burgundy, in Puy-en-Velay in Auvergne, and in Troyes, in the Champagne-Ardennes region. We are also going to revitalize the innovation capabilities of our Research and Development Center in Clermont-Ferrand, which is the largest in the global tire industry.

Our commitment to the region vitality and to sustainable jobs is also expressed in the 173 small and mid-sized European companies and the more than 1,600 new jobs that we supported in 2013 through Michelin Development.

We're investing in our future growth and in its efficient balance among Europe, the Americas and Asia – and not at all to export to Europe. We're working for the long term, and we believe that costs are going to converge in the future. That's why we want to have strong, competitive plants in every country, even in the mature economies, which represent large, highly demanding markets offering a real springboard for our research.

Europe's current economic difficulties come from a lack of confidence caused by governance problems. If the necessary reforms are successfully implemented, we'll see an upturn in growth.

_How is Michelin demonstrating its commitment to taking its corporate social responsibility process to the next level?

In 2012, when we celebrated the 10th anniversary of our Michelin Performance and Responsibility approach, I announced our intention of breathing new life into the process with long-term objectives. That's what we did in 2013 with the announcement of our ambitious objectives for 2020. We want to be the company best able to secure its long-term growth, a company that is a winner in everything it does because it innovates, it's competitive and it is moving forward with all of its stakeholders.

That's the purpose of Ambitions 2020 – to make Michelin an undisputed leader in sustainable mobility and one of the world's top-performing companies in fulfilling its responsibilities.

To get there, we've set 6 ambitious objectives concerning the performance of our products, the well-being and development of the people who make up our corporate community, our business and environment performance, our commitment to road safety and sustainable mobility and, lastly, our support for people living near our installations. This commitment is now embedded deep in our strategic vision.

These objectives have been embraced by everyone, at every level, in every job and deployed in every country with clearly defined, regularly measured targets. They are guiding our decisions and inspiring a variety of real-world initiatives.

This is the case, for example, with the research partnership formed with Axens and IFP Energies Nouvelles to develop a biosourced butadiene production process. It will enable us to develop new sustainable sourcing channels for the elastomers that are essential for the quality of our tires.

Another example concerns the development of a circular economy with the creation of a consortium to manage 2 highly innovative resource recovery and reuse channels, to produce impeccable quality tires from scrap. The stakes are very high, in as much as 17 million tonnes of tires are scrapped every year around the world.

Another illustration of our Ambitions 2020 commitment is our involvement in the new FIA Formula E championship. Motorsports offer a fantastic way to meet technological challenges. Developing sustainable, environmentally friendly mobility is now a core challenge for racing teams. That's why we will supply tires for the Formula E cars running in the championship in 2014. We will also equip the Nissan ZEOD RC, a zero emission prototype participating in the 24 Hours of Le Mans race.

Lastly the 12th edition of Michelin Challenge Bibendum, the global sustainable mobility event, will be held in November 2014 in China, bringing together everyone with a stake in cleaner, safer, affordable and connected mobility.

_What is your outlook for 2014 and beyond?

In 2014, we expect to see around a 3% increase in our sales volumes, about the same as growth in the global tire market, and a business performance in line with our 2015 objectives. This will be driven by the ramp-up of the new production plants, the successful sales of recently launched tires like the MICHELIN Premier All Season car tires or the MICHELIN X Multi truck tire range, and the introduction of innovations in every product segment, starting with the MICHELIN Pilot Sport Cup 2, our sportiest street tire.

We will continue to carefully and pro-actively manage our margins to maintain a favorable balance between our pricing policy and raw materials costs, while steadily improving our fulfillment rate. In doing so, we'll be able to count on the OPE business process management system now being deployed. At the same time, we'll benefit from the new gains delivered by our competitiveness plan.

Capital expenditure will be about €2 billion and our continuing operations are expected to generate more than €500 million in free cash flow. We should also achieve a more than 11% return on capital employed.

The results delivered in 2013's very uneven environment mean that we can confirm our 2015 target of reporting around €2.9 billion in operating income before non-recurring items, based on the same average 2012 exchange rates used to set our targets. That's important, because as we saw in 2013, exchange rate movements can have a very significant impact when income earned in other currencies is translated into euros.

Looking farther out, our major challenge is growth. Tire markets and, in a broader sense, demand for mobility are undoubtedly going to expand. We're putting into place all the levers the Group needs to capitalize on these trends, by building the fundamentals that will underpin our growth for the next 20 years. Michelin is the world's leading premium tire brand, in every market segment and geography.

We rank among the world's 100 most innovative companies.

We now have a global manufacturing footprint. Our marketing clout is being multiplied by the dealership networks that we are developing around the world. We are continuously improving our competitiveness and deploying new management tools that are making our operations smoother, more agile and more responsive.

Most of all, we have our teams, who are united around our values and purpose, which every day encourages us to give our very best… and more.

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 2013, Michelin once again demonstrated its ability to structurally generate cash flow and create value, while pursuing a strong capital expenditure commitment. Operating income before non-recurring items stood at €2,234 million for the year, up €41 million at constant scope of consolidation and exchange rates.

- 111,200 employees (105,700 full-time equivalents).
- Net sales: €20.2 billion; operating income: €2.2 billion.
- 67 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 set highly ambitious objectives 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

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.
  171 million tires produced in 2013.
- **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. All of these networks set the market standard for expert advice and quality service.
  More than 3,500 integrated and franchised centers 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 13 million maps and guides published in 2013.
  - 1.2 billion itineraries calculated by ViaMichelin.
- **Michelin Lifestyle products** developed in partnership with licensees: car and bike accessories, work, sport and leisure gear, and collectibles.

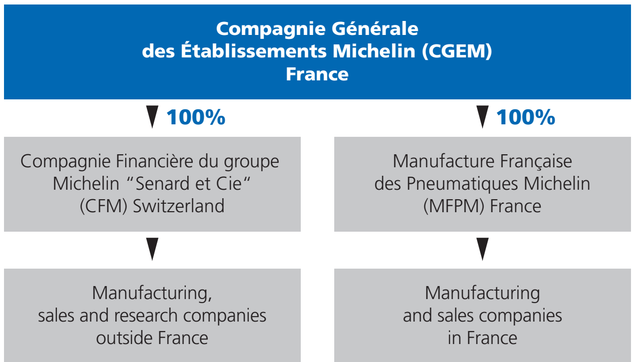
1.1.3 AN EFFICIENT ORGANIZATION

- **8 Product Lines,** each with its own marketing, development, production and sales resources: Passenger car and Light truck, Truck, Specialty product lines (Agricultural, Aircraft, Two-Wheel, Earthmover), Materials and Other businesses with Michelin Travel Partner and Michelin Lifestyle.
- **A Technology Center** in charge of research, development and process engineering, with operations in Europe, North America, South America and Asia.
- **8 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, ASEAN/Australia, China, Japan/South Korea and Africa/India/Middle East.
- **2 integrated tire dealership networks:** Euromaster and TCI.
- **13 Corporate Departments** that support the Product Lines and the Technology Center and impel general corporate policies.
- **4 Performance Divisions:** Research-Development-Process Engineering; Manufacturing; Sales and Marketing; Supply Chain and Logistics.

(1) Source: 2012 sales in US dollars published by Tire Business in August 2013.

1.2 SUMMARY ORGANIZATION CHART

(at December 31, 2013)



The Group's parent company is Compagnie Générale des Établissements Michelin (CGEM), which directly or indirectly owns all of its subsidiaries and associates. Its 2 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 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 Manufacture Française des Pneumatiques Michelin (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 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 du groupe Michelin "Senard et Cie" (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 2 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	Launching of the "New Phase of Dynamic Growth".
2012	First Passenger car and Light truck tire produced at Itatiaia plant in Brazil. First Truck tire 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 at the new Chennai plant in India.

1.4 FACILITIES

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

1.4.1 67 PRODUCTION FACILITIES IN 17 COUNTRIES

1.4.1 a) 56 Tire Production Facilities in 17 countries

_Europe

Country	Location	Products	Number of employees (1) (at December 31, 2013)	Maximum available capacity (in tons/year)
France	Avallon	Truck tires*	547	7,100
	Bourges	Aviation tires	484	4,900
	Cataroux (2)	Passenger car – Light truck tires	2,205	3,800
	Cholet	Passenger car – Light truck tires	1,207	70,500
	Combaude (2)	Truck tires*	979	15,200
	Gravanches (2)	Passenger car – Light truck tires	667	22,200
	La Roche-sur-Yon	Truck tires	566	69,700
	Le Puy-en-Velay	Earthmover tires	601	44,000
	Montceau-les-Mines	Earthmover tires	964	24,000
	Roanne	Passenger car – Light truck tires	833	40,300
	Tours	Truck tires	869	55,000
	Troyes	Agricultural tires	819	55,400
Germany	Bad-Kreuznach	Passenger car – Light truck tires	1,218	88,400
	Bamberg	Passenger car – Light truck tires	775	69,000
	Homburg	Truck tires	1,122	89,800
	Karlsruhe	Truck tires	552	56,000
	Oranienburg	Truck tires*	202	3,400
Spain	Aranda	Truck tires	1,134	145,400
	Lasarte	Two-wheel tires	546	13,600
	Valladolid	Passenger car – Light truck tires – Truck tires* – Agricultural tires	1,450	98,200
	Vitoria	Passenger car – Light truck tires – Earthmover tires	2,947	218,100
Italy	Alessandria	Truck tires	832	96,900
	Cuneo	Passenger car – Light truck tires	1,959	128,800
United Kingdom	Ballymena	Truck tires	828	77,500
	Dundee	Passenger car – Light truck tires	746	60,000
	Stoke on Trent	Truck tires*	349	6,800
Hungary	Budapest	Truck tires	441	40,100
	Nyiregyhaza	Passenger car – Light truck tires	869	24,800
Poland	Olsztyn	Passenger car – Light truck tires – Truck tires – Agricultural tires	3,895	205,500
Romania	Victoria	Passenger car – Light truck tires	1,013	43,700
	Zalau	Truck tires	1,145	40,100
Serbia	Pirot	Passenger car – Light truck tires – Two-wheel tires	2,188	72,400
Russia	Davydovo	Passenger car – Light truck tires – Truck tires*	731	17,600

(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, 2013)	Maximum available capacity (in tons/year)
United States	Ardmore	Passenger car – Light truck tires	1,796	157,200
	Asheboro	Truck tires*	245	27,900
	Columbia-Lexington	Passenger car – Light truck tires – Earthmover tires	2,164	244,600
	Covington	Truck tires*	147	30,800
	Dothan	Passenger car – Light truck tires	518	55,200
	Fort Wayne	Passenger car – Light truck tires	1,515	119,000
	Greenville 1	Passenger car – Light truck tires	1,002	126,000
	Greenville 2	Passenger car – Light truck tires	374	21,200
	Norwood	Aviation tires	469	7,200
	Spartanburg	Truck tires	990	146,400
	Tuscaloosa	Passenger car – Light truck tires	1,210	91,700
Canada	Bridgewater	Passenger car – Light truck tires	1,075	60,800
	Pictou	Passenger car – Light truck tires	913	37,500
	Waterville	Truck tires	1,162	135,400
Mexico	Queretaro	Passenger car – Light truck tires	408	17,800

South America

Country	Location	Products	Number of employees [1] (at December 31, 2013)	Maximum available capacity (in tons/year)
Brazil	Campo Grande	Truck tires – Earthmover tires	2,788	163,500
	Resende – Itatiaia	Passenger car – Light truck tires – Truck tires*	1,078	18,400

Asia (excluding India)

Country	Location	Products	Number of employees [1] (at December 31, 2013)	Maximum available capacity (in tons/year)
China	Shenyang 1 – 2	Passenger car – Light truck tires – Truck tires	3,577	77,000
	Shanghai	Passenger car – Light truck tires	2,382	76,500
Thailand	Laem Chabang	Passenger car – Light truck tires	1,969	89,400
	Nongkae	Truck tires – Aviation tires	1,733	62,700
	Phrapadaeng	Passenger car – Light truck tires – Truck tires – Two-wheel tires	1,355	41,600

Africa India Middle-East

Country	Location	Products	Number of employees [1] (at December 31, 2013)	Maximum available capacity (in tons/year)
India	Chennai	Truck tires	1,030	2,000

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

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

1.4.1 b) 11 Semi-Finished Product and Component Plants in 7 countries

Country	Location	Products	Number of employees (at December 31, 2013) (1)
France	Bassens	Synthetic rubber	380
	Golbey	Metal cables	480
	Vannes	Metal cables	474
Germany	Treves	Metal cables	92
Italy	Fossano	Metal cables	489
	Torino	Compounds	357
Romania	Zalau	Metal cables	289
United States	Anderson	Metal cables	835
	Louisville	Synthetic rubber	341
China	Shanghai	Metal cables	216
Thailand	Rayong	Metal cables	430

(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)	Headquarter
	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, Michelin defined 6 major objectives in 2013 backed by measurable targets. These Ambitions for 2020 have been expressed by commitments in the areas of financial performance, social responsibility and environmental stewardship. Each one focuses on measurable performance aligned with the Group's operating strategy. Deployed across the Group, these 6 objectives are designed to make Michelin an undisputed leader in sustainable mobility, as well as one of the world's most innovative, responsible and high-performance companies in fulfilling its financial, environmental and social responsibility commitments.

- **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 sites Environmental Footprint (MEF) by 40%, notably by improving our energy efficiency by 25% in relation to 2010.
  - 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 at least a 15% return on capital employed (ROCE) as from 2020.
- **4. Work together to continuously improve employee well-being and personal growth**
  - Further improve safety performance and achieve a Total Case Incident Rate (TCIR) of less than 2 for the entire Group.
  - Achieve and maintain an 85% employee engagement rate 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* positions to 30%.
  - Increase the percentage of local top managers in growth regions to 80%.
- **5. Strengthen ties 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 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 for 2020 express our commitment to building growth over the long term and helping to address societal challenges by putting our values into practice.

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

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 automobile 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 road mobility solutions that make the most of information and communication 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 5 for a car and one out of 3 for a truck. To limit the average increase in global temperatures to 2°C in 2100 [(1)], carbon 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 and costly, oil is a major geo-strategic challenge, as are other non-renewable energy sources and raw materials. In 2013, the cost of raw materials used in production represented nearly 30% of Michelin's net sales. Optimizing their use is essential if tires are to remain affordably priced and if these resources are to be conserved over the long term. The challenge is to meet these goals without sacrificing tire performance.

2.1.2 d) Connected mobility

The time it takes to travel from one point to another mainly depends on traffic, the itinerary, waiting times, the availability of a parking space and the speed of inter-modal connections. With a cell phone or onboard computer, travelers can access information to help them select the best options.

Information and communication technologies (ICTs) can also be used to transmit technical data that allow motorists to schedule servicing, drive more safely and use less fuel.

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, even in the depths of the recession.

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. Around the world, it accounted for some 75% of the net sales in the Passenger car and Light truck tire segment in 2013, 85% in Truck tires and 95% in Specialty tires.

2.1.3 b) Solid technological leadership

Throughout its history, Michelin's development has been fueled by technical innovation. With such technological breakthroughs as the radial tire and the fuel-efficient tire, 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, we enjoy critical mass and synergies that help to foster innovation, productivity and fair, balanced relations with tire dealers. The geographical breakdown of net sales attests that this global presence is well balanced between

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

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 tire solutions

Michelin is organized around 3 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. This broad segment diversity means that we can pursue every market growth opportunity as it arises.

2.1.3 e) A solid balance sheet

The Group made further progress in 2013, delivering operating income excluding the currency effect to record levels. Michelin has created value for 4 years in a row and generated enough free cash to achieve a historic reduction in debt. This solid underpinning is crucial for the future, in order to guarantee our independence and to support our ambitious capital expenditure program.

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 €600 million, 6,000 employees and a patent portfolio that has tripled in 10 years, Michelin's innovation priorities are to:

- bring new tire ranges to market more quickly;
- continuously improve performance so that each new range outperforms the previous generation;
- develop breakthrough innovations to develop totally new solutions to mobility challenges.

2.1.4 b) Governance system for innovation

A new governance system for innovation 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. Marketing and research teams cooperate seamlessly so that the products and services they create can be brought to market more quickly and efficiently without ever sacrificing quality.

2.1.5 OUR GROWTH STRATEGY

Built on a foundation of growth, competitiveness and commitment, Michelin's strategic vision is designed to deliver strong, diversified growth by capturing the full value of its products and services in mature markets and expanding more quickly in new markets. As we continue to make our organization more competitive and cost-effective, the mutual commitment of the Company and its employees will enable us to successfully move forward together.

Objectives for 2015

Provided that volumes grow by around 3% in 2014 and 2015:

- operating income of around €2.9 billion* in 2015 with normative operating margins before non-recurring items of 10% to 12% in the Passenger car and Light Truck tire segment, 7% to 9% in the Truck tire segment and 20% to 24% in the Specialty businesses;

* *Based on average 2012 exchange rates.*

- a more than 11% return on capital employed each year;
- annual capital expenditure of around €2 billion;
- structural free cash flow of more than €500 million in 2014 and 2015;
- a dividend payout rate of around 35% of consolidated net income, before non-recurring items.

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 will be enhanced by a multi-brand portfolio. Multiple brands enable us to serve retail networks that want to offer each customer just the right tire without leaving the Michelin Group brand universe.

Because these brands are also designed to help us reach our profitability targets, they will be initially focused on the fast growing segment of competitively priced tires for high-performance vehicles. The BFGOODRICH®, KLEBER, UNIROYAL, TIGAR, KORMORAN, RIKEN, TAURUS or WARRIOR brands will be used in their respective markets.

Another growth driver is the steady improvement in market access. We are strengthening our integrated dealer networks through acquisitions and stepping up our franchising operations in every market. We are committed to increasing our network of franchised dealers to 5,000 outlets in 2017 from 2,000 in 2013.

2.1.5 b) Stepping up capital expenditure

With nearly €2 billion invested in 2013, Michelin is pursuing a sustained investment policy, led by 3 objectives:

- sharply increase production capacity in fast growing markets;
- continue aligning plants in mature markets to keep pace with product developments and make them more competitive;
- develop the information systems needed to meet our operational excellence and quality of service targets.

4 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; Shenyang 2, which is designed to significantly increase automobile and truck tire production capacity in China; and Anderson in the United States, which has launched production of tires for the mining industry.

2.1.6 IMPROVED COMPETITIVENESS

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

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 conditions and will have plants in Europe and North America that are highly competitive.

2.1.6 b) The OPE business process management system: to make us more agile and competitive

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 4 years, this program will, by 2017, 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. A new plan has been deployed to deliver competitiveness gains of around €1 billion by 2016, before inflation and including avoided costs.

To lower production and transportation costs, and thereby drive a nearly €110-million annual reduction in the cost structure, 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 around €50 million annually 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 around €30 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.

2.1.6 d) An efficient manufacturing base

Europe	North America	Asia (excluding India)
15 for car and light truck tires 16 for truck tires 9 for specialty tires 7 for components and semi-finished products	10 for car and light truck tires 4 for truck tires 3 for specialty tires 2 for components and semi-finished products	4 for car and light truck tires and 1 under construction 3 for truck tires and 1 under construction 2 for specialty tires 2 for components and semi-finished products
	South America	**Africa/India/Middle East**
	1 for passenger car and light truck tires 2 for truck tires 1 for specialty tires	1 for truck tires

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, we modified the approach's governance system to make it more efficient and to integrate it more effectively at every level and in every skills-set. The new Ambitions 2020 are included in all of our strategic plans and targets and deployed in every host country, plant and unit. These ambitions are quantified, tracked and measured.

At the Group level, an 11-member PRM Council chaired by Jean-Dominique Senard defines objectives. The PRM Operations Committee is in charge of seeing that objectives 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 commitment 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.

2.2 TIRE MARKETS

2.2.1 A 2012 GLOBAL MARKET WORTH SOME $190 BILLION (1)

The global tire market totaled $190 billion (1) in 2012, with light-vehicle tires accounting for 60% and truck tires 30% (2). The total radial and bias-ply market was stable (2) during the year, with sales of nearly 1.4 billion car and van tires and nearly 180 million truck and bus tires. Three out of four tires were sold in the replacement market.

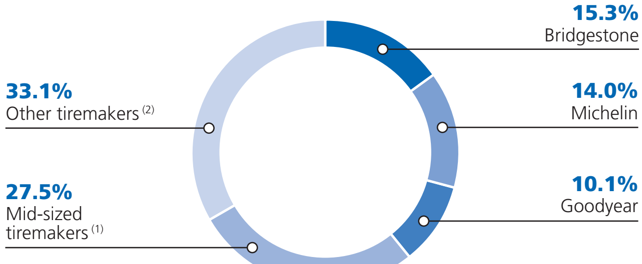
Over the long term, Michelin expects demand for tires to grow by 1-2% a year in mature markets and by 5-10% a year in the new markets.

New standards

Since November 2012, mandatory tire performance ratings, displayed on standardized labels, have been gradually introduced across the European Union. Similar legislation came into effect in South Korea on December 1, 2012, while the standardized labeling introduced in Japan in 2010 is being extended to other parameters, such as rolling noise. Regulated tire labeling systems are also under consideration in the United States, China and Brazil.

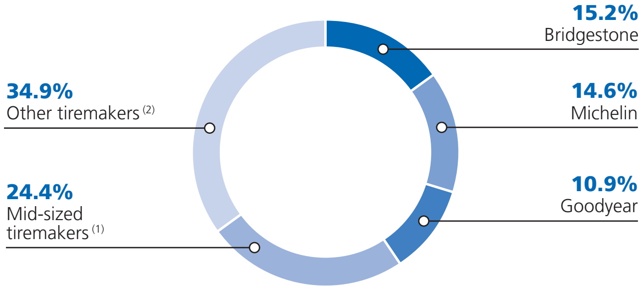
These trends are favorable to low rolling resistance tires, where Michelin sets the market standard. Original equipment sales of these tires are expected to increase by 200 million units between 2010 and 2020 to a total of 500 million.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2012



Source: 2012 sales in US dollars published by Tire Business in August 2013.
(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 2011



Source: 2011 sales in US dollars published by Tire Business in August 2012.
(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 2013

In 2013, the global tire market was shaped by sustained growth in demand in the new markets and generally flat demand in the mature regions in the first half, both for Passenger car and Light truck tires and Truck tires. In the second half, however, these regions saw an upturn, albeit off of prior-year comparatives that remained historically low.

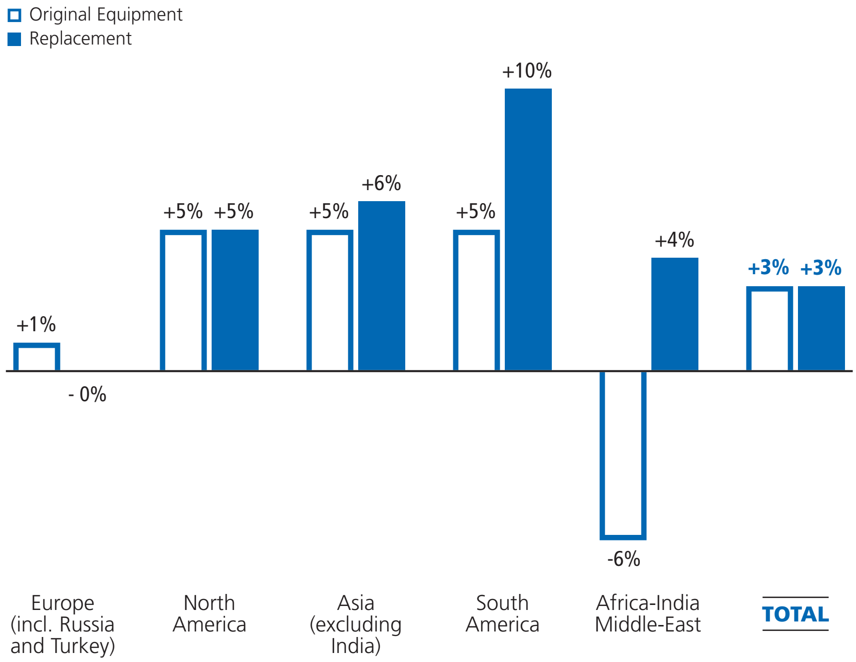
Methodological note. Tire market estimates reflect sell-in data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and expressed in the number of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

(1) Source: Tire Business, August 2013.
(2) Michelin estimates.

2.2.3 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS IN 2013

The number of **Passenger car and Light truck** tires sold worldwide rose by 3% in 2013, in both the original equipment and replacement segments, with more buoyant demand in the second half of the year.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2013 VS. 2012



Michelin estimates.

2.2.3 a) Original equipment

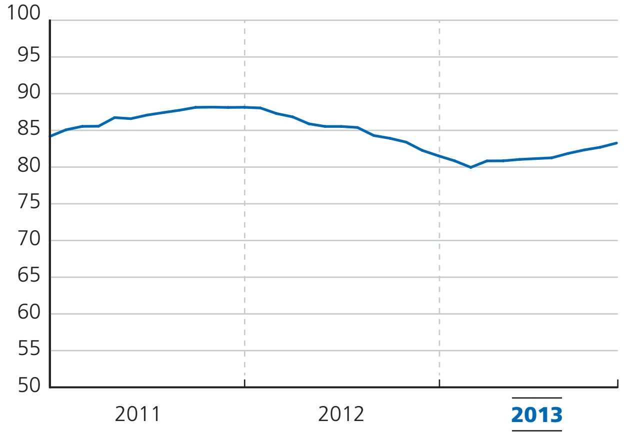
Original equipment demand ended the year up 3% overall, led by gains in every region except Africa-India-Middle East.

Passenger car and Light truck markets Original equipment *(in millions of tires)*	**2013**	**2012**	**2013/2012**	**2nd-Half 2013/2012**	**4th-Quarter 2013/2012**	**3rd-Quarter 2013/2012**	**1st-Half 2013/2012**	**2nd-Quarter 2013/2012**	**1st-Quarter 2013/2012**
Europe (1)	91.7	91.1	+1%	+5%	+6%	+4%	-3%	+4%	-9%
North America (2)	79.3	75.7	+5%	+6%	+6%	+6%	+4%	+7%	+1%
Asia (excluding India)	188.0	178.8	+5%	+8%	+10%	+5%	+3%	+2%	+3%
South America	22.6	21.5	+5%	-2%	-8%	+4%	+14%	+20%	+7%
Africa India Middle-East	26.3	27.9	-6%	-2%	-7%	+3%	-9%	-10%	-9%
TOTAL	**407.9**	**395.0**	**+3%**	**+5%**	**+6%**	**+4%**	**+1%**	**+3%**	**-1%**

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

In **Europe,** OE tire demand edged up just 1% over the year, with an improvement in the second half, in line with the overall increase in vehicle output. This increase varied, however, between the broadline carmakers and the better performance by specialty and export-driven brands. Demand in the Eastern European countries contracted by 4%.

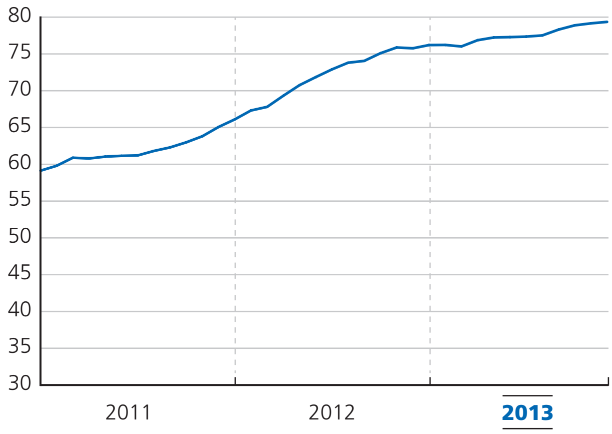
THE EUROPEAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

The **North American** market gained 5% over the year, returning to pre-recession levels as buyers continued to replace their aging cars.

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



Michelin estimates.

In **Asia (excluding India),** demand rose by 5% overall but growth varied by market. In China, it surged by a strong 15%, with new momentum in the final quarter (up 21%). In all, the Chinese market has tripled over the past five years. Growth in the Thai market initially benefited from comparison with the weak, flood-ravaged first-quarter 2012 but later in the year suffered from the rising political uncertainty. Vehicle registrations rose sharply in Indonesia.

Demand in **South America** rose by 5% over the year, shaped by the increasing percentage of vehicles produced locally and a slowdown in the second-half.

In **Africa-India-Middle East,** geopolitical conditions pushed original equipment sales down 6% during the year.

2.2.3 b) Replacement

The global replacement market improved by 3% over the year, lifted by the return to growth in Europe in the second quarter.

Passenger car and Light truck markets Replacement *(in millions of tires)*	**2013**	**2012**	**2013/2012**	**2nd-Half 2013/2012**	**4th-Quarter 2013/2012**	**3rd-Quarter 2013/2012**	**1st-Half 2013/2012**	**2nd-Quarter 2013/2012**	**1st-Quarter 2013/2012**
Europe (1)	320.6	322.2	-0%	+2%	+1%	+2%	-2%	+6%	-9%
North America (2)	268.0	256.3	+5%	+7%	+4%	+9%	+2%	+6%	-1%
Asia (excluding India)	236.5	223.3	+6%	+5%	+5%	+6%	+6%	+5%	+8%
South America	70.3	64.0	+10%	+9%	+8%	+10%	+11%	+13%	+9%
Africa India Middle-East	89.8	86.8	+4%	+1%	-1%	+4%	+6%	+8%	+4%
TOTAL	**985.2**	**952.6**	**+3%**	**+4%**	**+3%**	**+6%**	**+3%**	**+6%**	**-1%**

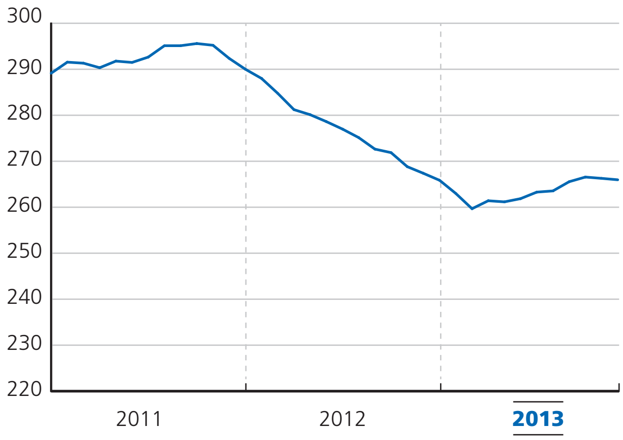
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

The **European** replacement market ended the year unchanged, with a more favorable trend in the second half. In Western Europe, the flat growth reflected the increase in the summer segment and the expected contraction in the winter segment (down 4%), which was exacerbated by prevailing weather conditions. Demand for high-performance (17" and larger) tires remained robust, gaining a further +7% over the year. Retail inventories returned to normal levels in summer tires but are still a little high in winter tires due to the lack of snow. In the Eastern European countries, the market was also stable for the year, despite wide swings in demand from one month to the next.

Passenger car and Light truck tire markets Replacement	2013 *vs.* 2012
WESTERN EUROPE	**-1%**
▶ including France	2%
▶ including Spain	6%
▶ including Italy	3%
▶ including United Kingdom	-1%
▶ including Germany	-4%
▶ including Poland	-6%
▶ including Turkey	14%
EASTERN EUROPE	**0%**
▶ including Russia	-1%

THE EUROPEAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

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



Michelin estimates.

THE NORTH AMERICAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

(in millions of tires – moving 12 months)

Michelin estimates.

In **North America,** demand increased by 5% over the year. It rose by 5% in the United States, primarily due to the rebound in Chinese imports after US customs duties were lifted. Note that most of the new Chinese tires were imported by certain dealers in line with their inventory management strategies. The Canadian market ended the year up 1% thanks to demand for winter tires, while in Mexico, the market expanded by 4%.

In **Asia (excluding India),** demand rose by 6% overall, with an 8% gain in China despite slowing economic growth, and a 3% increase in Japan, in line with long-term market trends. Demand gained 7% in South Korea, led by the vehicle replacement cycle in a stable economic environment.

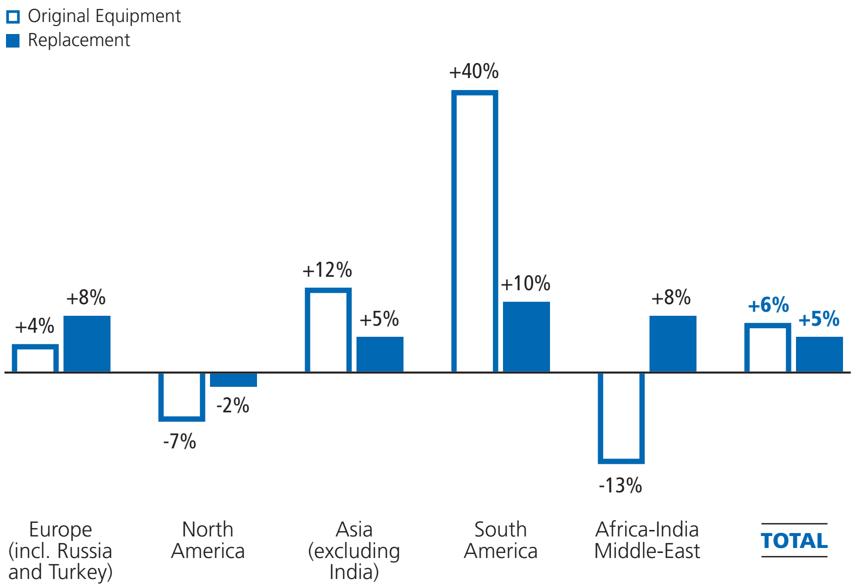
In **South America,** demand expanded by 10%, with significant growth in each market. In particular, Brazil saw an 14% increase in an inflationary environment.

Markets in **Africa-India-Middle East** rose by 4% overall in an unfavorable geopolitical environment, with a sustained 6% gain in India.

2.2.4 TRUCK TIRE MARKETS IN 2013

In the **Truck** tire markets, a more favorable second half enabled demand for new radial tires to end the year up, both in original equipment (by 6%) and in the replacement segment (by 5%).

THE GLOBAL TRUCK TIRE MARKET, 2013 VS. 2012



Michelin estimates – New radial tire market only.

2.2.4 a) Original equipment

The **global** original equipment Truck tire **market** expanded by 6% in 2013, led by an improvement in the mature regions in the second half.

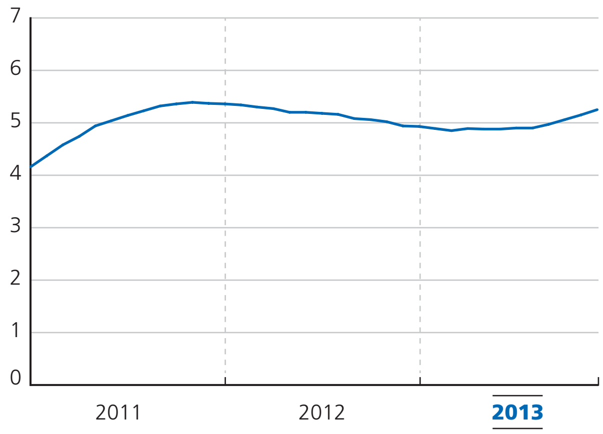
Truck markets* Original equipment *(in millions of tires)*	**2013**	**2012**	**2013/2012**	**2nd-Half 2013/2012**	**4th-Quarter 2013/2012**	**3rd-Quarter 2013/2012**	**1st-Half 2013/2012**	**2nd-Quarter 2013/2012**	**1st-Quarter 2013/2012**
Europe (1)	6.0	5.7	+4%	+9%	+17%	+2%	-1%	+2%	-3%
North America (2)	5.0	5.4	-7%	-0%	-2%	+2%	-13%	-13%	-12%
Asia (excluding India)	12.5	11.2	+12%	+15%	+17%	+12%	+9%	+20%	-1%
South America	2.8	2.0	+40%	+39%	+36%	+42%	+41%	+54%	+28%
Africa India Middle-East	2.4	2.9	-13%	-16%	-18%	-14%	-11%	-9%	-13%
TOTAL	**28.7**	**27.2**	**+6%**	**+9%**	**+11%**	**+7%**	**+2%**	**+8%**	**-3%**

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

In the relatively unfavorable **European** economy, demand rose by 4% over the year, with an upturn in the fourth quarter led by truck purchases ahead of the introduction of Euro VI emissions standards on January 1, 2014.

THE EUROPEAN ORIGINAL EQUIPMENT TRUCK NEW TIRE MARKET

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

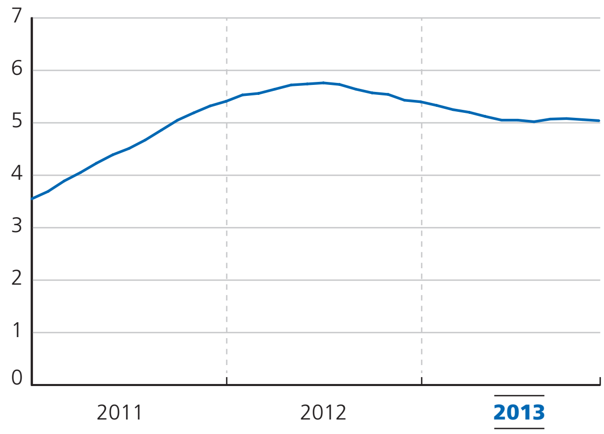


Michelin estimates.

In **North America,** the market remained flat for most of the year. Despite showing some signs of improvement in the 4th quarter, it ended 2013 down 7%. The increase in truck orders during those final three months could support demand in early 2014.

THE NORTH AMERICAN ORIGINAL EQUIPMENT TRUCK NEW TIRE MARKET

(in millions of radial tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** rose by 12% overall. The market grew by 14% in China, with a sharp gain in the heavy-duty truck and coach segments. In Southeast Asia, demand for radial tires jumped 28% in the first half but ended the year down 4%, with a steep fall-off in Thailand in particular. The Japanese original equipment market rebounded by 5% over the year and by 27% in the final quarter, lifted by the upturn in exports and truck buying ahead of an increase in the VAT rate.

The market climbed a steep 40% in **South America**, with a sustained upward trend driven by a strong demand for heavy-duty trucks in the farming industry and the comparison with low prior-year figures impacted by the introduction of Euro V emissions standards in 2012.

The FINAME subsidized financing program introduced by the Brazilian government in autumn 2012 continued to have a favorable impact even with slightly higher interest rates.

In **Africa-India-Middle East,** the radial original equipment market retreated 9% over the year, with an 18% drop in the fourth quarter. This was caused entirely by the collapse in demand in India, which fell 25% for the year and 36% in the final quarter alone. Demand in South Africa edged up over the year.

2.2.4 b) Replacement

The **global** replacement **market** rose by 5% in 2013, thanks to substantially faster growth after the second quarter.

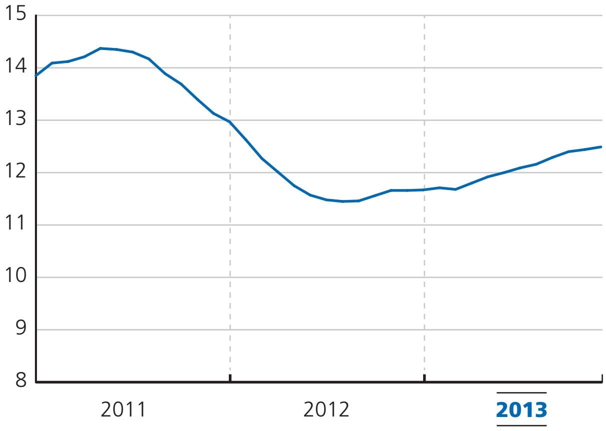
Truck markets* **Replacement** *(in millions of new tires)*	**2013**	**2012**	**2013/2012**	**2nd-Half 2013/2012**	**4th-Quarter 2013/2012**	**3rd-Quarter 2013/2012**	**1st-Half 2013/2012**	**2nd-Quarter 2013/2012**	**1st-Quarter 2013/2012**
Europe (1)	16.8	15.4	+8%	+9%	+6%	+12%	+8%	+10%	+6%
North America (2)	20.1	20.5	-2%	-0%	-2%	+1%	-3%	+0%	-7%
Asia (excluding India)	46.5	44.2	+5%	+7%	+7%	+8%	+2%	+10%	-4%
South America	10.9	10.0	+10%	+13%	+17%	+10%	+6%	+9%	+3%
Africa India Middle-East	13.2	12.2	+8%	+6%	+9%	+4%	+9%	+14%	+3%
TOTAL	**107.5**	**102.3**	**+5%**	**+6%**	**+6%**	**+7%**	**+3%**	**+8%**	**-2%**

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

The **European** replacement market ended the year up 8%, but remains weak. Demand in Western Europe increased 7%, reflecting the firm sell-out to fleets, the lack of retreadable casings and the decline in dealer inventory. In the Eastern European countries, replacement demand increased by 13% over the year, but slowed in the fourth quarter due to the 4% contraction in Russia.

THE EUROPEAN REPLACEMENT TRUCK NEW TIRE MARKET

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

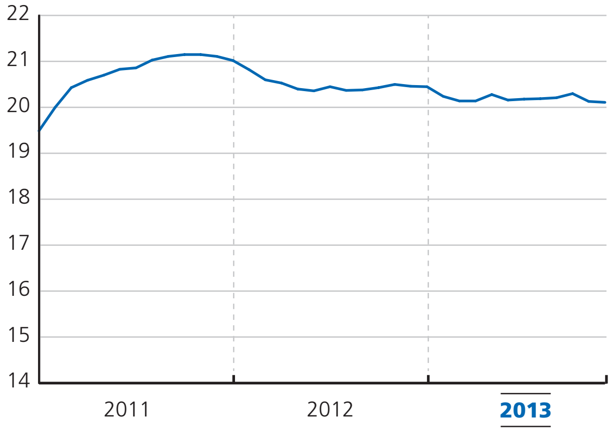


Michelin estimates.

The **North American** market declined by 2% over the year, reflecting both steep dealer inventory drawdowns and more optimized trucking fleet management. The latter enabled trucking companies to carry over 6% more freight tonnage than in 2012, while reducing ton-miles by 2% over the year.

THE NORTH AMERICAN REPLACEMENT TRUCK NEW TIRE MARKET

(in millions of radial tires – moving 12 months)



Michelin estimates.

Asian markets **(excluding India)** rose by 5% overall in 2013. The Chinese market grew 5% over the year and 7% in the final quarter, in line with the slight improvement in the economy. Demand in Southeast Asia, up 4% overall, is still being driven by the sustained shift to radial technology. The Japanese market saw another year of growth, up 7%.

In **South America,** demand rose 10% overall, with growth gaining momentum quarter by quarter until it reached 17% in the fourth. All of the leading country markets (Brazil, Argentina, Peru and Chile) experienced similar growth over the year.

Demand was not significantly impacted by the slight increase in interest rates on FINAME subsidized loans.

The **Africa-India-Middle East** market continued to trend upwards, with more robust growth in radial tires (up 8%) and in India (up 15%). Nevertheless, demand in certain markets was dampened by geopolitical instability.

2.2.5 SPECIALTY TIRE MARKETS IN 2013

Earthmover tires: Demand for large mining tires rose slightly over the year, but fell sharply in the fourth quarter following inventory drawdowns by mining companies. Original equipment markets dropped precipitously in Europe and North America, dragged down by weak demand and deep manufacturer destocking, which is now coming to an end. Demand for tires used in infrastructure and quarries contracted noticeably in mature markets, with an especially strong decline in North America, due to a fall-off in business and sustained high dealer inventories (albeit tapering down at year-end).

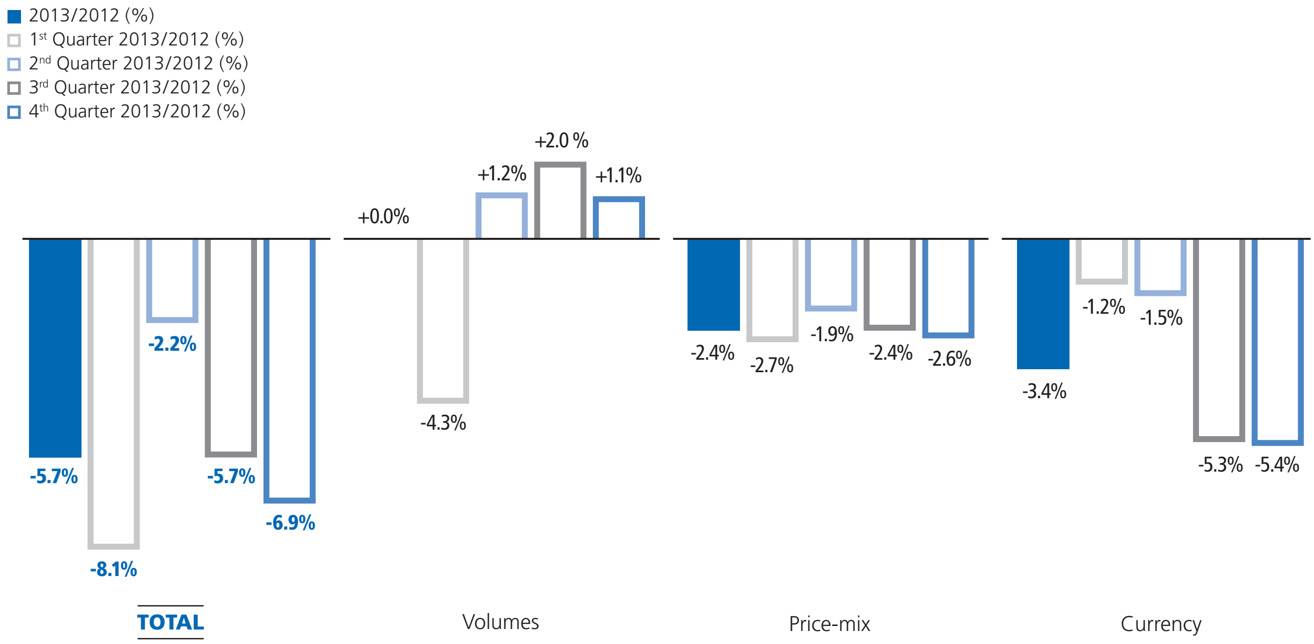
Agricultural tires: Global demand for OE tires softened in mature markets, but is continuing to trend upwards for technical tires. The replacement market is recovering in Europe, but remains down in North America.

Two-Wheel tires: The motorcycle market was flat in Europe but down in North America, where it suffered from unfavorable weather conditions. Demand rose in the emerging markets.

Aircraft tires: The commercial aviation market was stable, while defense markets are being dampened by government budget restrictions.

2.3 NET SALES

2.3.1 ANALYSIS OF NET SALES



Net sales totaled €20,247 million for the year, versus €21,474 million in 2012.

The decrease stemmed from the combined impact of the following main factors:

- The stable volume performance reflected demand that was weak in the first half and more robust in the second, despite the slowdown in Earthmover tire markets over the year;
- The negative price-mix reduced net sales by €516 million or 2.4%. This figure included the €550 million negative impact from contractual price reductions based on raw materials indexation clauses and the carefully managed price repositionings targeted on certain tire sizes, as well as the €34-million positive impact from improvements in the product mix, led by the premium strategy in the 17" and larger segment;
- The very unfavorable currency effect, which reduced reported net sales by €716 million or 3.4%, primarily resulted from the stronger euro.

(in € million and %)	2013	2nd-Half 2013	4th-Quarter 2013	3rd-Quarter 2013	1st-Half 2013	2nd-Quarter 2013	1st-Quarter 2013
NET SALES	**20,247**	**10,088**	**4,965**	**5,123**	**10,159**	**5,282**	**4,877**
***vs.* the same period in 2012**	**-1,227**	**-680**	**-366**	**-313**	**-547**	**-120**	**-427**
Volumes	+5	+167	+56	+110	-162	+65	-227
Price-mix	-516	-274	-138	-135	-242	-104	-138
Currency	-716	-573	-284	-288	-143	-82	-61
***vs.* the same period in 2012**	**-5.7%**	**-6.3%**	**-6.9%**	**-5.7%**	**-5.1%**	**-2.2%**	**-8.1%**
Volumes	+0.0%	+1.5%	+1.1%	+2.0%	-1.5%	+1.2%	-4.3%
Price-mix	-2.4%	-2.5%	-2.6%	-2.4%	-2.3%	-1.9%	-2.7%
Currency	-3.41%	-5.4%	-5.4%	-5.3%	-1.4%	-1.5%	-1.2%

2.3.2 NET SALES BY REPORTING SEGMENT

(in € million and %)	2013	2nd-Half 2013	4th-Quarter 2013	3rd-Quarter 2013	1st-Half 2013	2nd-Quarter 2013	1st-Quarter 2013
GROUP	**20,247**	**10,088**	**4,965**	**5,123**	**10,159**	**5,282**	**4,877**
Passenger car/Light truck and related distribution	10,693	5,372	2,670	2,702	5,321	2,739	2,582
Truck and related distribution	6,425	3,304	1,644	1,660	3,121	1,644	1,477
Specialty businesses (1)	3,129	1,412	651	761	1,717	899	818
***vs.* the same period in 2012**	**-5.7%**	**-6.3%**	**-6.9%**	**-5.8%**	**-5.1%**	**-2.2%**	**-8.1%**
Passenger car/Light truck and related distribution	-3.6%	-4.0%	-4.7%	-3.4%	-3.3%	-0.1%	-6.5%
Truck and related distribution	-4.6%	-4.7%	-2.8%	-6.5%	-4.5%	-1.3%	-7.9%
Specialty businesses (1)	-14.0%	-17.1%	-22.4%	-11.9%	-11.3%	-9.7%	-13.0%

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

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

Passenger car and Light truck tire sales volumes rose slightly in **Europe** over the year. OE sales were held back by the Group's solid positions with broadline carmakers, while in the replacement market, the MICHELIN Pilot Super Sport, MICHELIN Energy Saver+ and MICHELIN Primacy 3 lines confirmed their success and the Group strengthened its positions, notably in MICHELIN brand sales and in the premium 17" and larger segment.

In **North America,** volumes generally tracked the market, losing ground in the midrange but benefiting from the MICHELIN brand's strong positions and the popularity of the newly introduced MICHELIN Defender and MICHELIN Pilot Sport All Season lines.

Group positions in **South America** improved sharply, particularly for the MICHELIN brand.

In **Asia (excluding India),** OE sales increased in every region, while in the replacement segment, demand for Group products was strong ahead of start-up of the new Shenyang 2 Passenger car and Light truck tire plant. Note that in China, 1.4 million WARRIOR-brand tires were produced by the joint venture with Double Coin and sold primarily through the TyrePlus chain.

Sales volumes in **Africa-India-Middle East** suffered from adverse geopolitical factors.

In all, net sales in the Passenger car and Light truck tires and related distribution segment declined to €10,693 million from €11,098 million in 2012, due to the combined net impact of the pricing policy, the sustained improvement in the product mix and the slight 1% increase in volumes, all in an unfavorable currency environment.

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

In **Europe,** Michelin maintained its commitment to widening margins in a market that gradually improved over the year, particularly in the midrange brands.

In **North America,** the MICHELIN brand drove good growth with the support of a robust dealer network and a carefully managed pricing policy.

Sales in **South America** tracked the market, with gains for the MICHELIN brand in the original equipment market (up 40%).

In **Asia (excluding India),** sales were lifted by growing demand in China but dampened in Southeast Asia by the collapse in the Thai market. More generally, the Group is benefiting from the growing shift to radials in these markets.

Sales in **Africa-India-Middle East** were stable for the year, with growth in India in line with the market helping to offset the adverse impact of geopolitical uncertainty in the Middle East.

In all, net sales in the Truck tires and related distribution segment amounted to €6,425 million for the year, down 4.6% from 2012. The decline primarily reflected the focus on margins and the unfavorable currency effect at a time of persistently modest volume growth (up 1%). Note, however, that volumes picked up in the final quarter, with a 5% gain.

2.3.2 c) Specialty businesses – Analysis of net sales

Earthmover tires: Net sales declined over the year. The mining segment saw a decrease in net sales as higher volumes failed to offset the negative impact of raw-materials-based indexation clauses and unfavorable exchange rates. Net sales in the OE Earthmover and Infrastructure segments fell sharply, dragged down by the steep decline in volumes and the negative currency effect.

Agricultural tires: Net sales edged up over the year, as higher volumes, led by significant OE market share gains, offset the unfavorable application of raw-materials-based indexation clauses and adverse exchange rate movements.

Two-Wheel tires: Net sales were stable in 2013, with higher volumes balancing out the unfavorable impact of the geographic and product mixes. Volumes rose on the back of significant market share gains, particularly in North America.

Aircraft tires: Net sales retreated over the year, penalized by the decline in the defense business and an unfavorable basis of comparison in first-quarter 2012.

Michelin Travel Partner's businesses enjoyed another year of record digital visits as users continued to rapidly migrate from PCs to smartphones and tablets. Barely a year after its launch in France, the Michelin Restaurants site is now widely recognized as a major partner by restaurant professionals and diners alike. In addition, Michelin is strengthening its positions in the maps and travel guides markets, which were flat in 2013.

In all, net sales by the Specialty businesses declined by 14% to €3,129 million due to price adjustments stemming from raw materials-based indexation clauses, the 7% fall-off in volumes and the negative currency effect.

2.3.3 CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales declined by 5.7% in 2013.

This reported decline reflected a €716-million negative currency effect, primarily stemming from the euro's increase against the US dollar and, to a lesser extent, the Brazilian real, Canadian dollar, Australian dollar, South African rand, British pound, Turkish lira and Argentine peso.

Average exchange rate	2013	2012	% change
Euro/USD	1.331	1.286	+3.5%
Euro/CAD	1.373	1.285	+6.8%
Euro/MXN	17.013	16.905	+0.6%
Euro/BRL	2.876	2.501	+15.0%
Euro/GBP	0.848	0.811	+4.6%
Euro/JPY	129.910	102.524	+26.7%
Euro/CNY	8.176	8.113	+0.8%
Euro/THB	40.994	39.964	+2.6%
Euro/AUD	1.381	1.242	+11.2%
Euro/ZAR	12.860	10.525	+22.2%
Euro/ARS	7.308	5.834	+25.3%
Euro/TRY	2.543	2.314	+9.9%

2.3.4 NET SALES BY REGION

(in € million)	2013	2013/2012	2nd-Half 2013	1st-Half 2013
GROUP	**20,247**	**-5.7%**	**10,088**	**10,159**
Europe	8,193	-3.6%	4,170	4,023
including France	*1,979*	*-3.4%*	*1,012*	*967*
North America (incl. Mexico)	7,032	-9.2%	3,512	3,520
Other	5,022	-4.0%	2,406	2,616

(in € million)	2013	% of total	2012	% of total
GROUP	**20,247**		**21,474**	
Europe	8,193	+40.5%	8,498	39.6%
including France	*1,979*	*+9.8%*	*2,048*	*9.5%*
North America (incl. Mexico)	7,032	+34.7%	7,745	36.1%
Other	5,022	+24.8%	5,231	24.4%

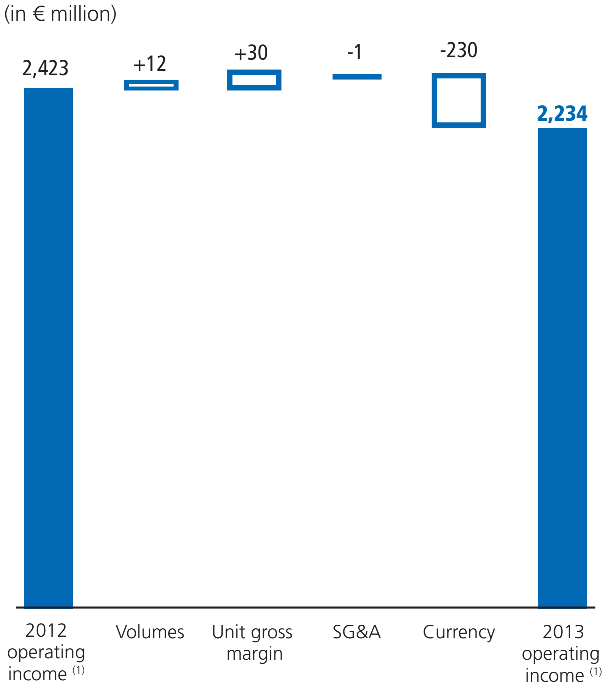
At a time of easing raw materials costs and targeted price adjustments, consolidated net sales declined in every operating region, impacted by varying markets and unfavorable currency effects.

Nearly 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)	2013	2012 reported	2013/2012	2013 *(% of net sales)*	2012 *(% of net sales)*
Net sales	**20,247**	**21,474**	**-5.7%**		
Cost of sales	(13,841)	(14,764)	-6.3%	68.4%	68.8%
Gross income	**6,406**	**6,710**	**-4.5%**	**31.6%**	**31.2%**
Sales and marketing expenses	(1,968)	(2,068)	-4.8%	9.7%	9.6%
Research and development expenses	(643)	(622)	+3.4%	3.2%	2.9%
General and administrative expenses	(1,517)	(1,468)	+3.3%	7.5%	6.8%
Other operating income and expenses	(44)	(129)	-65.9%	0.2%	0.6%
Operating income before non-recurring income and expenses	**2,234**	**2,423**	**-7.8%**	**11.0%**	**11.3%**
Non-recurring income and expenses	(260)	46	NM	-	-
Operating income	**1,974**	**2,469**	**-20.0%**	**9.7%**	**11.5%**
Cost of net debt	(94)	(155)	-39.4%	0.5%	0.7%
Other financial income and expenses	(15)	(22)	-31.8%	(0.1%)	(0.1%)
Net interest on net defined benefit obligation (asset)	(162)	0	NM	(0.8%)	-
Share of profit from associates	(1)	15	-106.7%	(0.0%)	0.1%
Income before taxes	**1,702**	**2,307**	**-26.2%**	**8.4%**	**10.7%**
Income tax	(575)	(736)	-21.9%	2.8%	3.4%
Net income	**1,127**	**1,571**	**-28.3%**	**5.6%**	**7.3%**
▶ Attributable to shareholders of the Company	1,127	1,570	-28.2%	5.6%	7.3%
▶ Attributable to non-controlling interests	0	1			
Earnings per share *(in €)*					
▶ Basic	6.08	8.62	-29.5%		
▶ Diluted	5.98	8.41	-28.9%		

2.4.1 ANALYSIS OF CONSOLIDATED OPERATING INCOME BEFORE NON-RECURRING ITEMS



(1) Before non recurring items.

Consolidated operating income before non-recurring items came to €2,234 million or 11.0% of net sales in the year ended December 31, 2013, versus €2,423 million and 11.3% as reported in 2012. The €260 million in non-recurring expenses primarily correspond to restructuring costs incurred in the projects to improve manufacturing competitiveness.

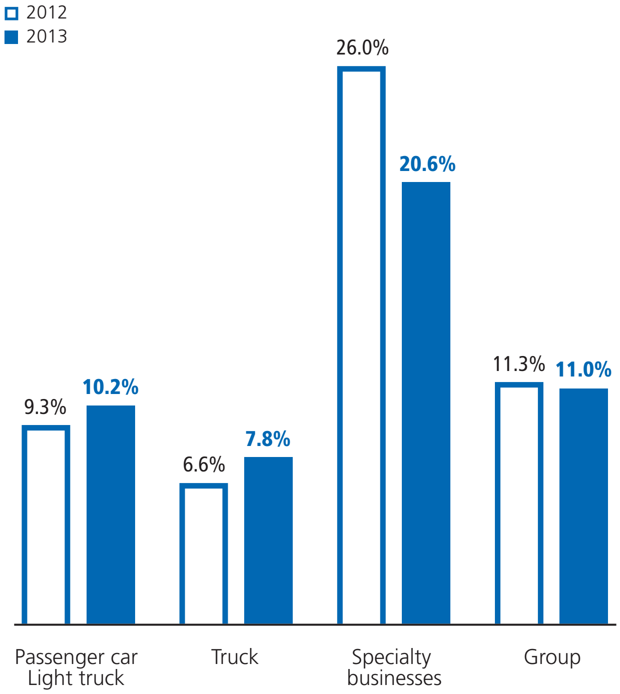
The €189-million decline in operating income before non-recurring items may be analyzed as follows:

- the currency effect was a negative €230 million, reflecting the euro's appreciation after the summer;
- as expected, volumes were stable year-on-year, adding €12 million to operating income;
- improved unit gross margins added €30 million, as follows:
  - disciplined pricing policy management ensured that a €103-million net favorable balance was maintained between the €516 million negative price-mix effect (including a €34-million positive mix effect) and the €619-million positive impact from lower raw materials costs,
  - higher labor, energy and other production cost inflation had a €139-million negative impact,
  - despite low overall output, productivity gains had a €169-million favorable impact,
  - the competitiveness plan helped to deliver a €45-million gain on materials costs,
  - start-up costs had a €95-million negative impact,
  - other unfavorable factors trimmed €53 million from operating income;
- sales, general and administrative (SG&A) expenses were down by just €1 million compared with 2012, reflecting:
  - the €66-million negative impact of inflation,
  - the €26-million negative impact of research, development, advertising and other expenditures to drive growth in new markets,
  - the €61-million gain on general and administrative expenses, thanks to the competitiveness plan,
  - the €47-million increase in cost of deploying the new OPE business process management system,
  - €77 million in other favorable cost factors.

2.4.2 OPERATING INCOME BEFORE NON-RECURRING ITEMS BY REPORTING SEGMENT

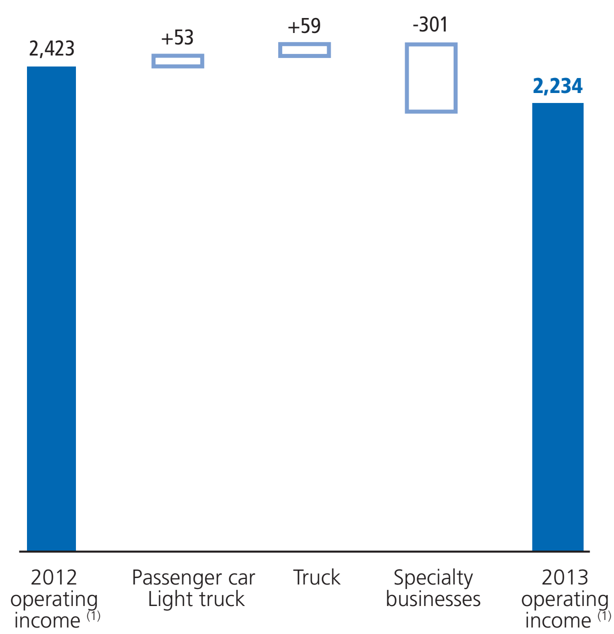
(in € million)	2013	2012	2nd-Half 2013	1st-Half 2013
Passenger car/Light truck and related distribution				
Net sales	10,693	11,098	5,372	5,321
Operating income before non-recurring items	1,086	1,033	536	550
Operating margin before non-recurring items	**10.2%**	**9.3%**	**10.0%**	**10.3%**
Truck and related distribution				
Net sales	6,425	6,736	3,304	3,121
Operating income before non-recurring items	503	444	300	203
Operating margin before non-recurring items	**7.8%**	**6.6%**	**9.1%**	**6.5%**
Specialty businesses				
Net sales	3,129	3,640	1,412	1,717
Operating income before non-recurring items	645	946	245	400
Operating margin before non-recurring items	**20.6%**	**26.0%**	**17.3%**	**23.3%**
Group				
Net sales	20,247	21,474	10,088	10,159
Operating income before non-recurring items	2,234	2,423	1,081	1,153
Operating margin before non-recurring items	**11.0%**	**11.3%**	**10.7%**	**11.3%**

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



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

(in € million)



(1) Before non recurring items.

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

Passenger car/Light truck and related distribution *(in € million)*	**2013**	**2012**	**2013/2012**	**2013** *(% of Group total)*	**2012** *(% of Group total)*
Net sales	10,693	11,098	-3.6%	53%	52%
Change in volume	*1%*				
Operating income before non-recurring items	1,086	1,033	+5.1%	49%	43%
Operating margin before non-recurring items	10.2%	9.3%	+0.9pt		

Operating income before non-recurring items from the Passenger car/Light truck tires and related distribution business rose slightly to €1,086 million or 10.2% of net sales from €1,033 million and 9.3% in 2012, in a negative currency environment, a tight pricing policy in the face of low raw material prices. The stronger performance by the MICHELIN brand drove a further improvement in the product mix, and volumes grew by 1%.

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

Truck and related distribution *(in € million)*	**2013**	**2012**	**2013/2012**	**2013** *(% of Group total)*	**2012** *(% of Group total)*
Net sales	6,425	6,736	-4.6%	32%	31%
Change in volume	*1%*				
Operating income before non-recurring items	503	444	+13.3%	23%	18%
Operating margin before non-recurring items	7.8%	6.6%			

In 2013, the focus on margins in the Truck tires and related distribution business led to a significant improvement in **operating income** before non-recurring items, which rose to €503 million or 7.8% of net sales from €444 million or 6.6% the year before.

The sharp increase, achieved in an unfavorable currency environment, was attributable to disciplined pricing policy management in the face of lower raw material prices and to a modest 1% increase in volumes.

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

Specialty businesses *(in € million)*	**2013**	**2012**	**2013/2012**	**2013** *(% of Group total)*	**2012** *(% of Group total)*
Net sales	3,129	3,640	-14.0%	15%	17%
Change in volume	*-7%*				
Operating income before non-recurring items	645	946	-31.7%	29%	39%
Operating margin before non-recurring items	20.6%	26.0%			

Operating income before non-recurring items from the Specialty businesses amounted to €645 million or 20.6% of net sales versus €946 million and 26.0% in 2012.

The decline was due to price adjustments stemming from raw materials-based indexation clauses, the negative currency effect and the 7% fall-off in volumes, caused by the contraction in infrastructure and OE earthmover market.

2.4.3 OTHER INCOME STATEMENT ITEMS

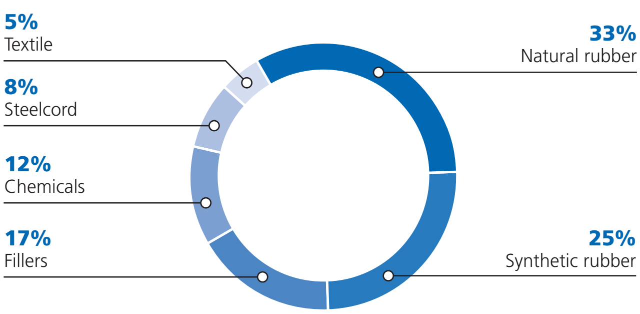
2.4.3 a) Raw materials

The cost of **raw materials** reported in the income statement under "cost of sales" (€5,668 million in 2013 versus €6,479 million in 2012) is determined by valuing raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product.

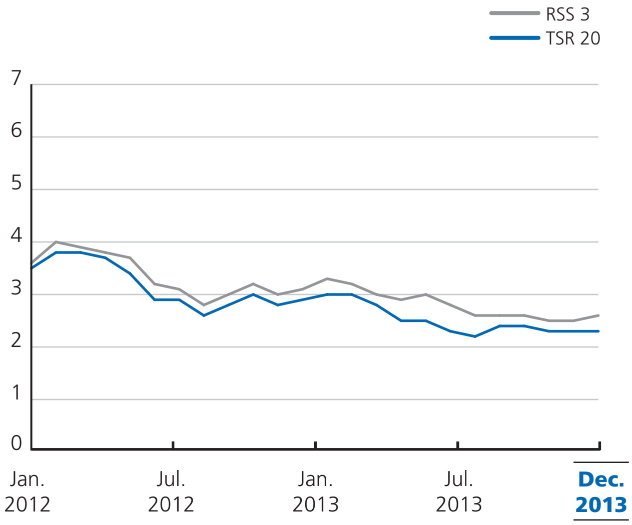
In 2013, raw materials costs recognized in cost of sales included the €619 million impact of lower prices, as well as the volume and currency effects.

Changes in purchase prices for natural rubber and butadiene feed through to the income statement 5 to 6 months later.

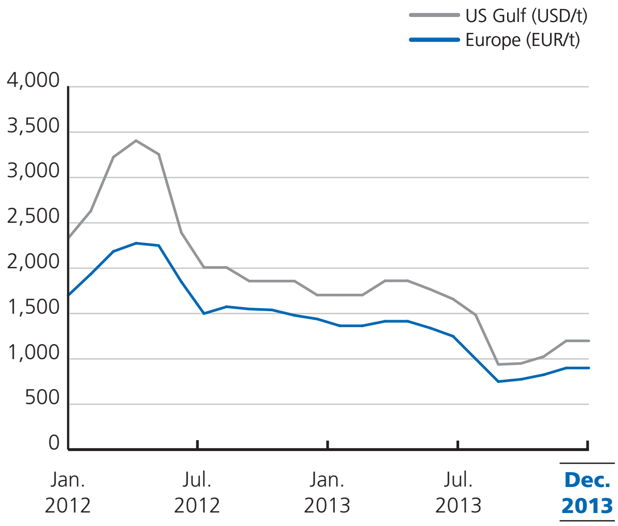
RAW MATERIALS RECOGNIZED IN 2013 COST OF SALES (€6,479 MILLION)



NATURAL RUBBER PRICES (SICOM)
(USD/kg)



BUTADIENE PRICES

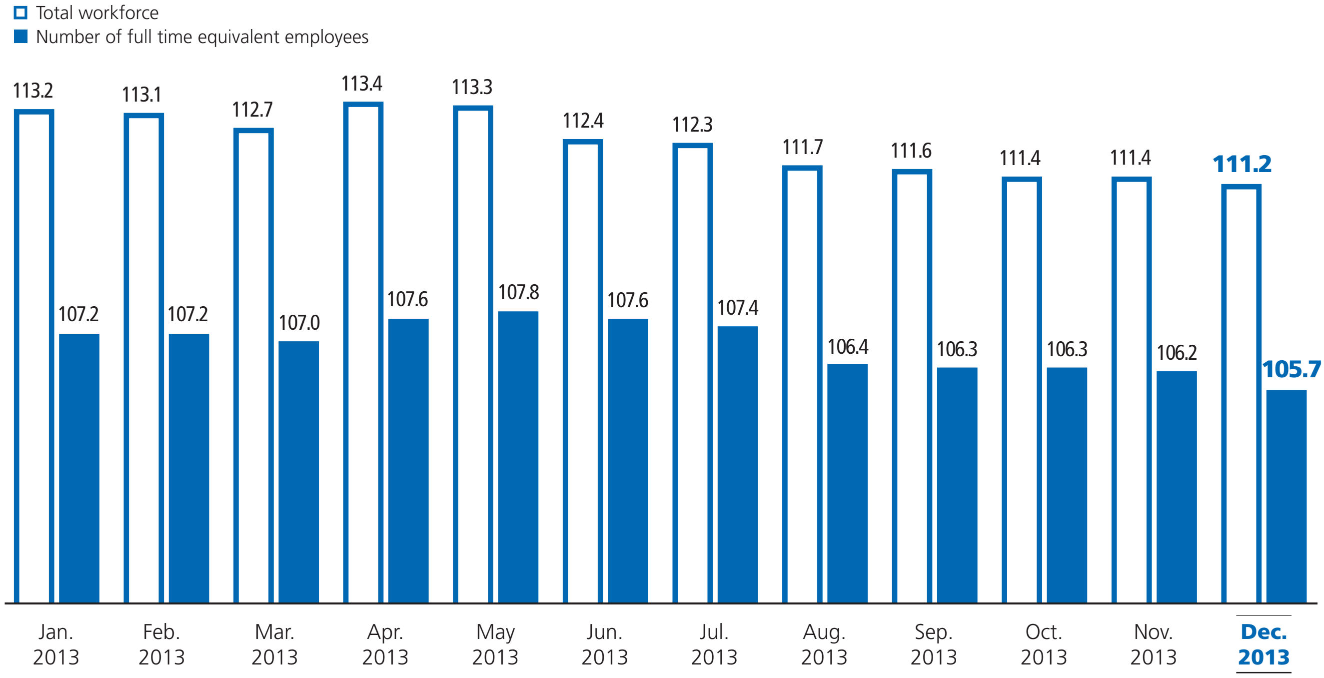


2.4.3 b) Employee benefit costs and number of employees

(in € million and number of people)	2013	2012 reported	% Change
Employee benefit costs	5,292	5,377	-1.6%
As a % of net sales	*26.1%*	*25.0%*	*+1.1pt*
Total number of employees at December 31	111,200	113,400	-1.9%
Number of full time equivalent employees at December 31	105,700	107,300	-1.5%
Average number of full time equivalent employees	106,900	108,100	-1.1%

At €5,292 million, **employee benefit costs** represented 26.1% of net sales in 2013, versus 25.0% as reported the year before. This corresponded to an €85 million or 1.6% decline in absolute value, primarily led by 2.9% wage inflation and an favorable currency effect.

NUMBER OF EMPLOYEES
(in thousands)

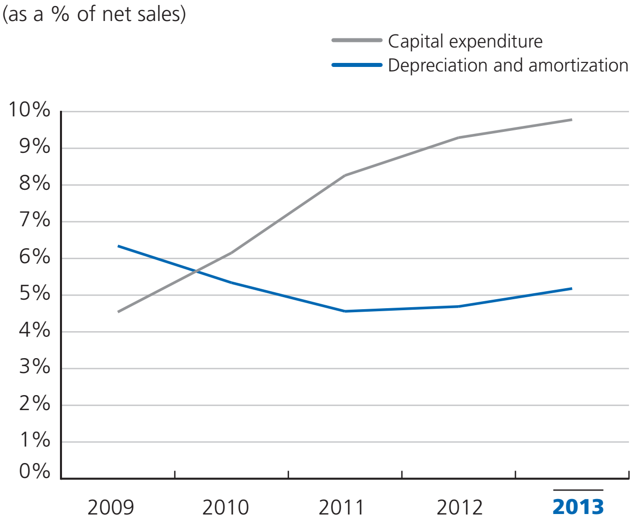


2.4.3 c) Depreciation and amortization

(in € million)	2013	2012	% Change
Depreciation and amortization	1,049	1,007	+4.2%
As a % of capital expenditure	*53%*	*50%*	

Depreciation and amortization charges rose by €42 million or 4.2% to €1,049 million, reflecting the Group's sustained ambitious capital spending program. 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)	2013	2012	% Change
Transportation costs	1,030	1,058	-2.6%
As a % of sales	*5.1%*	*4.9%*	

Due to the reduction in sales volumes over the period, **transportation costs** retreated by 2.6% year-on-year to €1,030 million, representing 5.1% of net sales. These costs are expected to decline as a percentage of net sales in coming years, with the ramp-up of production at new plants in emerging markets.

2.4.3 e) Sales and marketing expenses

Sales and marketing expenses represented 9.7% of net sales in 2013, up slightly from 9.6% in 2012. In value, they contracted by €100 million to €1,968 million, reflecting tight control over advertising spend and the other costs incurred to help drive the Group's new phase of growth.

2.4.3 f) Research and development expenses

Research and development expenses stood at €643 million, a 3.3% year-on-year increase that reflected the Group's strategy of increasing the pace of new product launches, aligning innovation with real market needs and extending its technological leadership.

As a percentage of net sales, R&D expenses rose to 3.2% from 2.9% in 2012.

2.4.3 g) General and administrative expenses

At €1,517 million, **general and administrative expenses** represented 7.5% of net sales, versus €1,468 million and 6.8% in 2012.

The €49 million increase reflected the higher information technology costs related to the new OPE business process management system and wage inflation.

2.4.3 h) Other operating income and expenses

Other operating income and expenses represented a net expense of €44 million in 2013 versus a net expense of €129 million as reported the previous year.

The improvement was mainly due to:

- the €31-million reduction in pension costs recognized in the income statement, including the €55-million favorable impact of applying IAS 19R;
- the decline in pension benefit costs to €9 million in 2013 from €28 million the year before, representing a favorable impact of €19 million;
- the shift from restructuring costs of €15 million in 2012 to income of €15 million in 2013, for a total positive impact of €30 million.

2.4.3 i) Non-recurring income and expenses

Non-recurring expenses stood at €260 million for the year, reflecting projects in Europe, Colombia and Algeria to improve the competitiveness of operations in an increasingly challenging international environment.

2.4.3 j) Cost of net debt

(in € million)	2013	2012	Change
Cost of net debt	94	155	- 61

At €94 million, the **cost of net debt** was down by €61 million compared with 2012, mainly due to the following factors:

- a €29-million reduction in net interest expense, reflecting the net impact of:
  - a €31-million decrease due to the reduction in average net debt to €912 million in 2013 from €1,466 million the year before,
  - a €3-million favorable currency effect,
  - a €5-million net increase from a variety of factors, including the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost,
- A €12 million increase in capitalized borrowing costs related to capital spending projects;
- a €32-million net decrease from other factors.

2.4.3 k) Other financial income and expenses

(in € million)	2013	2012	Change
Other financial income and expenses	(15)	(22)	+7

Other financial income and expenses mainly include exchange gains and losses, dividends, interest income and proceeds from the sale of financial assets. In 2013, they represented a net expense of €15 million, of which €11 million corresponded to the cost of retiring some of the bonds scheduled to mature in 2014, 2017 and 2033.

2.4.3 l) Income tax

(in € million)	2013	2012 reported	Change
Income before taxes	1,702	2,307	-605
Income tax	**(575)**	**(736)**	**-161**
Current tax	(480)	(576)	-96
Withholding tax	(35)	(45)	-10
Deferred tax	(60)	(115)	-55

Income tax expense fell by €161 million to €575 million in 2013 from €736 million as reported the year before, corresponding to an effective tax rate of 33.8%, compared with 31.9% in 2012. The increase in the effective tax rate was primarily due to revised estimates of part of the deferred tax assets of the French tax group and to non-recurring costs in Colombia and Algeria that did not give rise to any deferred tax benefit, the impact of which was partly offset by the reversal of deferred tax liabilities on investments in certain subsidiaries.

2.4.3 m) Consolidated net income and earnings per share

(in € million)	2013	2012 reported	Change
Net income	1,127	1,571	-444
As a % of net sales	*5.6%*	*7.3%*	*-1.7pt*
▶ Attributable to shareholders of the Company	1,127	1,570	-443
▶ Attributable to non-controlling interests	0	1	+0
Earnings per share *(in €)*			
▶ Basic	6.08	8.62	-2.54
▶ Diluted	5.98	8.41	-2.43

Net income came to €1,127 million, or 5.6% of net sales, compared with €1,571 million as reported in 2012. The decline reflecting the following factors:

- favorable factors:
  - the €61-million reduction in the cost of net debt,
  - the €7-million improvement in other financial income and expenses, net,
  - the €161-million decrease in income tax, including the tax impact of applying IAS 19R;
- unfavorable factors:
  - the €189-million decline in operating income before non-recurring items,
  - the €306-million unfavorable impact of the shift to €260 million in net non-recurring expense in 2013 – concerning projects to improve the competitiveness of operations – from net non-recurring income of €46 million in 2012,
  - the €16-million decrease in the Group's share of profit from associates,
  - the €162-million impact of recognizing net interest on net defined benefit obligations in 2013, following the adoption of IAS 19R.

2.5 CONSOLIDATED BALANCE SHEET REVIEW

The revised version of IAS 19 was applied retrospectively as of January 1, 2013. The impact of adjusting the main 2012 indicators is presented in note 2.3 to the consolidated financial statements.

The following comments refer to the 2012 consolidated financial statements as reported.

ASSETS

(in € million)	December 31, 2013	December 31, 2012 reported	Total change	Currency effect	Movement
Goodwill	388	414	-26	-19	-7
Other intangible assets	451	403	+48	-5	+53
Property, plant and equipment (PP&E)	8,955	8,579	+376	-379	+755
Non-current financial assets and other assets	309	298	+11	-9	+20
Investments in associates and joint ventures	195	204	-9	-1	-8
Deferred tax assets	1,054	1,530	-476	-52	-424
Non-current assets	**11,352**	**11,428**	**-76**	**-465**	**+389**
Inventories	3,979	4,417	-438	-169	-269
Trade receivables	2,517	2,802	-285	-100	-185
Current financial assets	564	371	+193	-3	+196
Other current assets	707	706	+1	+16	-15
Cash and cash equivalents	1,563	1,858	-295	-15	-280
Current assets	**9,330**	**10,154**	**-824**	**-270**	**-554**
TOTAL ASSETS	**20,682**	**21,582**	**-900**	**-735**	**-165**

LIABILITIES AND EQUITY

(in € million)	December 31, 2013	December 31, 2012 reported	Total change	Currency effect	Movement
Share capital	372	365	+7	-	+7
Share premiums	3,641	3,508	+133	-	+133
Reserves	5,237	4,626	+611	-342	+953
Non-controlling interests	6	2	+4	-0	+4
Equity	**9,256**	**8,501**	**+755**	**-342**	**+1,097**
Non-current financial liabilities	1,447	2,023	-576	-120	-456
Employee benefit obligations	3,895	4,679	-784	-99	-685
Provisions and other non-current liabilities	1,184	855	+329	-39	+368
Deferred tax liabilities	43	87	-44	-0	-44
Non-current liabilities	**6,569**	**7,644**	**-1,075**	**-258**	**-817**
Current financial liabilities	856	1,274	-418	-21	-397
Trade payables	1,970	1,991	-21	-55	+34
Other current liabilities	2,031	2,172	-141	-66	-75
Current liabilities	**4,857**	**5,437**	**-580**	**-142**	**-438**
TOTAL EQUITY AND LIABILITIES	**20,682**	**21,582**	**-900**	**-742**	**-158**

2.5.1 GOODWILL

Goodwill declined by €7 million between December 31, 2012 and December 31, 2013, due mainly to the restructuring of operations in Algeria. In addition, translation adjustments had a €19-million negative impact on the reported amount of goodwill.

2.5.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €8,955 million at December 31, 2013, a €755-million increase from December 31, 2012 before taking into account the €379-million negative currency effect. The increase was primarily led by the faster deployment of capacity investments in the new markets and product investments for the premium segments and Specialty businesses. Over the year, purchases of new property, plant and equipment exceeded depreciation charges, with some 40% of the outlays concerning the new plants in Brazil, China, India and the United States.

2.5.3 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other non-current assets stood at €309 million, an increase of €20 million excluding the €9-million negative currency effect that was mainly due to:

- a €21-million decrease from fair value adjustments to available-for-sale financial assets;
- €20-million worth of purchases of available-for-sale financial assets;
- a €31-million increase from fair value adjustments to derivative instruments;
- a €10-million net decrease due to other movements.

2.5.4 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets declined by €476 million compared with the reported amount at December 31, 2012, mainly as a result of the actuarial gains and losses recognized during the year on employee benefit obligations – primarily in North America – and a revised estimate of deferred taxes to take account of the tax rate applicable by the companies in the French tax group.

2.5.5 WORKING CAPITAL REQUIREMENT

(in € million)	December 31, 2013	December 31, 2012	Change	2013 *(as a % of net sales)*	2012 *(as a % of net sales)*
Inventories	3,979	4,417	-438	19.7%	20.6%
Trade receivables	2,517	2,802	-285	12.4%	13.0%
Trade payables	(1,970)	(1,991)	+21	9.7%	9.3%
WORKING CAPITAL REQUIREMENT	**4,526**	**5,228**	**-702**	**22.4%**	**24.3%**

Working capital requirement declined by €702 million compared with December 31, 2012, chiefly due to the decrease in both inventories and trade receivables. It represented 22.4% of net sales for the year.

Inventories, which represented 19.7% of net sales at December 31, 2013, were down €269 million year-on-year excluding the currency effect, mainly as a result of lower raw materials costs. Finished product inventory volumes were 2% lower.

Trade receivables contracted by €185 million excluding the currency effect, to €2,517 million at year-end 2013. This was mainly the result of price reductions introduced during the year.

Trade payables ended the year down €34 million excluding the currency effect, at €1,970 million. There was no significant increase in payables due to suppliers of fixed assets in 2013.

2.5.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents fell by €295 million to €1,563 million, mainly reflecting:

- increases from:
  - The €1,154 million in free cash flow,
  - €20 million in other items;
- decreases from:
  - purchases of cash management instruments for €193 million,
  - the payment of €206 million in cash dividends,
  - €136-million worth of share buybacks,
  - the net repayment of €921 million in debt, including the partial retirement of the 2014, 2017 and 2033 bonds for €234 million.

2.5.7 EQUITY

Consolidated equity increased by €755 million to €9,256 million at December 31, 2013 from €8,501 million as reported at December 31, 2012, primarily as a result of the following factors:

- increases from:
  - the €1,042 million in comprehensive income for the year, including:
    - net income of €1,127 million,
    - the €279-million favorable impact of actuarial gains and losses, after deferred taxes,
    - the €342-million negative difference from translating foreign operations,
  - the issue of €276 million in new shares, of which:
    - 4,467,601 shares issued on the reinvestment of dividends (€249 million),
    - 574,583 shares issued on the exercise of stock options and the vesting of performance shares (€27 million);
- decreases from:
  - the €455 million in dividends and other distributions,
  - the cancelation of 1,809,260 shares (€136 million).

At December 31, 2013, the **share capital** of Compagnie Générale des Établissements Michelin stood at €371,579,286, comprising 185,789,643 shares corresponding to 240,454,826 voting rights.

2.5.8 NET DEBT

Net debt stood at €142 million at December 31, 2013, down €911 million from December 31, 2012, primarily as a result of the following factors:

- €814 million in net cash flow, of which:
  - €1,154 million in free cash flow for the year, less,
  - €340 million in dividends net share buybacks and other distributions for a total outlay of €340 million;
- €97 million in other items leading to a net reduction in net debt, as follows:
  - the €121-million positive translation adjustment,
  - €9 million in other favorable items,
  - €33 million in interest expense on the zero-coupon convertible bonds.

NET DEBT

(in € million)	2013	2012
At January 1	**1,053**	**1,814**
Free cash flow [1]	-1,154	-1,075
Distributions and other	+340	+281
Commitments to purchase shares	-5	-5
New obligations under finance leases	+0	+1
Interest expense on the zero-coupon convertible bonds	+33	+35
Other change in equity	-4	+0
Translation adjustment	-121	+2
AT DECEMBER 31	**142**	**1,053**
CHANGE	**-911**	**-761**

(1) Free cash flow equals 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).

2.5.8 a) Gearing

Gearing stood at 2% at December 31, 2013, versus 12% as reported at year-end 2012, reflecting the very low level of consolidated debt and the strength of the Group's balance sheet.

2.5.8 b) Ratings

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

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Moody's	P-2	P-2
Long term	Standard & Poor's	BBB+	BBB+
	Moody's	Baa1	Baa1
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Stable	Stable

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

2.5.9 PROVISIONS

Provisions and other non-current liabilities amounted to €1,184 million, versus €855 million at December 31, 2012.

2.5.10 EMPLOYEE BENEFITS

CHANGE IN FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other defined benefit plans	2013	2012 reported
At January 1	**2,390**	**2,289**	**4,679**	**3,825**
Effect of IAS 19R (June 2011)	**(18)**	**(38)**	**(56)**	**0**
Translation adjustments	(38)	(59)	(97)	(37)
Contribution paid to the funds	(185)	0	(185)	(269)
Benefits paid directly to the beneficiaries	(28)	(118)	(146)	(100)
Items recognized in the operating income				
Current service cost	72	61	133	110
Interest cost	0	0	0	398
Expected return on plan assets	0	0	0	(327)
Actuarial (gains) or losses recognized on other long term benefit plans	0	(2)	(2)	18
Past service cost resulting from plan amendments or introduction	(28)	22	(6)	(16)
Past service cost resulting from plan curtailments	0	0	0	24
Portion of benefit expenses or income recognized within non-recurring restructuring costs	2	(16)	(14)	0
Items recognized outside the operating income				
Net interest on the net defined benefit liability (asset)	84	78	162	0
Items recognized in other comprehensive income				
Actuarial (gains) or losses	(350)	(224)	(574)	1,056
Unrecognized asset due to application of the asset ceiling	1	0	1	(3)
AT DECEMBER 31	**1,902**	**1,993**	**3,895**	**4,679**

Since January 1, 2013 the Group has applied the revised version of IAS 19 (IAS 19R) issued in June 2011.

The application of IAS 19R has had the following material impacts on the consolidated financial statements:

- "Interest cost" and "Expected return on plan assets" have been replaced by the line item "Net interest on the net defined benefit obligation (asset)". This net interest amount is presented below the line "Operating income" in the income statement;
- the past service cost resulting from plan amendments is now recognized immediately in income for the period and may no longer be deferred over the vesting period of the related rights.

Since 2011, actuarial gains and losses arising on defined benefit plans have been recognized in other comprehensive income.

Consolidated data for the year ended December 31, 2012 have been restated. The full impact is presented in note 2.3 to the consolidated financial statements at December 31, 2013.

The net obligation recognized in the consolidated balance sheet at December 31, 2013 stood at €3,895 million, a decrease of €784 million compared with December 31, 2012.

Previously unrecognized past service costs of €56 million were recognized at December 31, 2013 in accordance with IAS 19R, reducing by the same amount the net obligation recognized in the balance sheet at that date.

The expense recognized in operating income in 2013 in respect of defined benefit plans amounted to €111 million, on a par with 2012 and in line with Group projections.

The expense recognized below the line in 2013 in respect of defined benefit plans amounted to €162 million, also on a par with 2012 and in line with Group projections.

Total payments under defined benefit plans amounted to €331 million in 2013 versus €369 million the year before, including:

- €185 million in contributions paid to fund management institutions (2012: €269 million);
- €146 million in benefits paid directly to employees (2012: €100 million).

Contributions to defined contribution plans amounted to €129 million in 2013, versus €127 million the year before.

Actuarial gains recognized in equity at December 31, 2013 totaled €574 million, primarily reflecting the use of higher discount rates in the euro-zone and North America.

2.6 CONSOLIDATED CASH FLOW STATEMENT REVIEW

2.6.1 CASH FLOW FROM OPERATING ACTIVITIES

(in € million)	2013	2012	Change
EBITDA before non-recurring income and expenses	**3,285**	**3,445**	**-160**
Change in inventory	269	140	+129
Change in trade receivables and prepayments	536	409	+127
Change in trade payables and prepayments	13	(145)	+158
Restructuring cash costs	(119)	(93)	-26
Other changes in provisions	(203)	(124)	-79
Tax and interest paid	(586)	(849)	+263
Other operating working capital	(106)	143	-249
CASH FLOWS FROM OPERATING ACTIVITIES	**3,089**	**2,926**	**+163**

EBITDA before non-recurring income and expenses contracted by €160 million to €3,285 million for the year, reflecting the decline in operating income before non-recurring items.

Cash flows from operating activities rose to €3,089 million from €2,926 million, primarily as a result of:

- faster growth in working capital requirement, which increased by €818 million in 2013 compared with a €404-million increase in 2012, under the impact of:
  - the €269-million decrease in inventories, versus a €140-million decrease in 2012, primarily due to their decline in value,
  - the €536-million decrease in trade receivables and prepayments, versus a €409-million decrease in 2012, reflecting the slowdown in sales in the fourth quarter and price adjustments applied during the year,
  - the €13-million decrease in trade payables and prepayments, versus a €145-million increase in 2012;
- the increase in restructuring cash costs, which rose to €119 million from €93 million in 2012;
- the decrease in tax and interest paid during the year, to €586 million from €849 million in 2012.

2.6.2 CAPITAL EXPENDITURE

(in € million)	2013	2012	2013/2012	2013 *(as a % of sales)*	2012 *(as a % of sales)*
Gross purchases of intangible assets and PP&E	**1,980**	**1,996**	**-16**	**9.8%**	**9.3%**
Investment grants received and change in capital expenditure payables	(14)	(76)	+62	0.1%	(0.4%)
Proceeds from sale of intangible assets and PP&E	(53)	(149)	+96	0.3%	(0.7%)
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,913**	**1,771**	**+142**	**9.4%**	**8.2%**

Gross purchases of intangible assets and property, plant and equipment came to €1,980 million in 2013, compared to €1,996 million the year before, reflecting implementation of the Group's new phase of dynamic growth. As a result of this increase, total capital expenditure represented 9.8% of net sales versus 9.3% in 2012.

Growth investments amounted to €1,208 million, over half of which was related to the construction of new capacity in Brazil, China, India and the United States.

The main capital projects by Product line were as follows:

Passenger car and Light truck tires:

- projects to increase capacity, improve productivity or refresh product lines in:
  - Itatiaia, Brazil,
  - Columbia, SC in the United States,
  - Shenyang (construction of a new plant underway) and Shanghai, China,
  - Davydovo, Russia,
  - Olsztyn, Poland,

- Cuneo, Italy,
- Bad Kreuznach and Bamberg, Germany,
- Pirot, Serbia,
- Thailand;

Truck tires:

- projects to increase capacity, improve productivity or refresh product lines in:
  - Shenyang, China,
  - Chennai, India (construction of a new plant underway),
  - Campo Grande, Brazil,
  - Thailand,
  - Homburg and Karlsruhe, Germany;

Specialty products:

- mining tires:
  - project to increase capacity at the Lexington, SC plant in the United States,
  - construction of a new plant in Anderson, SC in the United States;
- projects to increase Agricultural equipment tire capacity at the Olsztyn plant in Poland.

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

Note that the Group's financing depends on its ability to generate cash flow as well as on 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)	2013	2012
Cash flows from operating activities	**3,089**	**2,926**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(772)	(659)
AVAILABLE CASH FLOW	**2,317**	**2,267**
Growth investments	(1,208)	(1,337)
Other cash flows from investing activities	45	145
FREE CASH FLOW	**1,154**	**1,075**

After subtracting €772 million in routine capital expenditure, available cash flow was strongly positive in 2013, at €2,317 million.

Free cash flow amounted to €1,154 million thanks to available cash flow, despite outlays of €1,208 million for growth investments.

2.7 RETURN ON CAPITAL EMPLOYED (ROCE)

Achieving by 2020 a return on capital employed (ROCE) of 15% at least is one of Michelin's strategic objectives.

ROCE is measured as:

- net operating profit after tax (NOPAT), based on a normalized average tax rate of 31% applied to Group companies;
- divided by the average economic assets employed during the year, i.e. all of the Group's property, plant and equipment, intangible assets, 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, 2013 WACC remained below the 9% target the Group uses to assess its value creation.

(in € million)	2013	2012
Operating income before non-recurring income and expenses	2,234	2,423
Average standard income tax rate used for ROCE calculation	31%	31%
Net Operating Profit before non-recurring items After Tax (NOPAT)	**1,541**	**1,672**
Intangible assets and property, plant and equipment	9,794	9,396
Loans and deposits	71	78
Investments in associates and joint ventures	195	204
Non-current financial assets	10,060	9,678
Working capital requirement	2,613	3,487
Economic assets (end of period)	12,673	13,165
Average economic assets	**12,919**	**13,047**
Group Return on capital employed	**11.9%**	**12.8%**
Passenger car/Light truck tires and related distribution ROCE	11.6%	11.0%
Truck tires and related distribution ROCE	8.0%	6.4%
Specialty businesses ROCE	23.2%	35.2%

2.8 OUTLOOK

2.8.1 OUTLOOK

Michelin's good results in 2013, achieved in an uneven market environment, confirm our objective of delivering a business performance in line with our 2015 objectives*.

During the year, tire demand is expected to continue expanding quickly in the new markets, while moving back in line with economic activity in the mature regions.

In this environment, Michelin is committed to increasing its sales volumes by around 3% over the year in line with growth in the global tire market. This performance will be driven by the successful launch of products like the MICHELIN Premier All Season or the MICHELIN X Multi range, the ongoing deployment of the premium strategy, the structural robustness of the Specialty businesses, the MICHELIN brand's stronger positions and the ramp-up of the new production plants.

Michelin is maintaining its margin discipline, which preserves a positive balance between pricing policy and raw materials costs. The benefits of the Competitiveness Plan should be strengthened by the growth in net sales.

As a result, Michelin has set a 2014 objective for operating margin before non-recurring items in the middle of the 10-12% range for the Passenger car and Light truck tires reporting segment, at the top of the 7-9% range for the Truck tires reporting segment and at the bottom of the 20-24% range for the Specialty businesses tires reporting segment.

For the Group as a whole, the 2014 objective is to achieve a more than 11% ROCE and structural free cash flow exceeding €500 million, all while maintaining the capital expenditure program at around €2 billion.

* *Based on average 2012 exchange rates.*

2.8.2 PROFIT FORECASTS OR ESTIMATES

No precise earnings or operating margin forecasts or estimates were issued for 2014.

In light of trend information provided in section 2.8.1, any previously published targets for 2014 do not take into account the current economic environment and are not achievable this year.

2.8.3 RECENT EVENTS

On March 3, 2014, in response to the sharp fall-off in demand for 14, 15 and 16-inch Car and Light truck tires in North America, Michelin announced that it will reduce production of small tires at its Pictou County plant in Nova Scotia, Canada. The project will give rise to a provision of CAD 87 million.

2.9 OPERATING HIGHLIGHTS

A full description of 2013 highlights may be found on the Michelin website: www.michelin.com/corporate/EN/finance/facts-figures.

2.9.1 STRATEGY – PARTNERSHIPS – INVESTMENTS

6 major sustainable development objectives set for 2020

(September 18, 2013) – During an investors conference, Jean-Dominique Senard, Chief Executive Officer of Michelin, reminded participants that Michelin has laid the foundations for a New Phase of Dynamic Growth, led by its powerful innovation capabilities, improving competitiveness and robust gains in the most promising segments thanks to the engagement and professionalism of its teams. He also emphasized the Group's sustained progress over the 2011-2015 period, as well as its clearly strengthened balance sheet.

Acting as an efficient, responsible company, Michelin is now entering a new phase of improvement and growth. Mr. Senard presented the 6 major objectives for 2020:

1) improve the performance of our products by at least 10% compared with 2010, while using fewer raw materials in their production;
2) enhance the responsible purchasing, production and supply chain processes, in particular to improve the energy efficiency of our plants and reduce our carbon footprint;
3) drive sustainable financial performance by delivering €1 billion in structural free cash flow per year and at least a 15% return on capital employed;
4) pursue Group-wide programs to improve employee engagement, well-being and development;
5) live in harmony with our host communities, by deploying employee-driven outreach programs and helping to create local jobs;
6) promote better quality of life through clean, sustainable mobility, safer roads and recycling solutions to support a circular economy.

Improving the competitiveness of the manufacturing base and upgrading research and development facilities

(June 10, 2013) – To improve the competitiveness of its manufacturing base and upgrade its R&D facilities, Michelin is deploying a vast project that will involve the following:

- in France, the investment of around €800 million in the French production facilities and the Research and Development Center from 2013 to 2019:
  - the development of a highly competitive truck tire plant in La Roche-sur-Yon, which will double output from 800,000 to 1.6 million units per year by 2019,
  - the closure of the truck tire facility at the Joué-lès-Tours plant,
  - capacity extensions for earthmover and agricultural tires at the Montceau-les-Mines, Le Puy and Troyes plants,
  - modernization of the worldwide research and innovation center in Clermont-Ferrand;
- internationally, the discontinuation of production at the truck tire plant in Algeria and manufacturing operations at Icollantas, the Group's Colombian subsidiary.

A major modernization program for the Global Research and Development Center

(December 16, 2013) – Chief Executive Officer Jean-Dominique Senard today laid the cornerstone for the main building at Michelin's new Research and Development Center. The ceremony was part of a vast project to thoroughly modernize the Group's global research facilities, which will eventually house the 3,300 members of the R&D teams in France, who exercise more than 350 professions in liaison with other research teams around the world. With a total cost of €270 million, the project constitutes a major step forward in the deployment of the Group's global innovation strategy and will be a powerful driver of innovation, and thus success, in the future. By basing this business-critical complex in Clermont-Ferrand, Michelin is reaffirming its commitment to maintaining its very strong roots in the Auvergne region of France, while deploying advanced resources to support global collaborative R&D and enhance its worldwide footprint.

_New tire plant opened in Shenyang, China

(January 26, 2013) – A new plant has been opened in the Economic and Technological Development Zone of Shenyang in Liaoning Province, China. The €1.2-billion investment has increased production capacity for MICHELIN car, truck and bus tires intended for the Chinese market.

_First Prototype Tire Produced at Chennai (India)

(July 19, 2013) – After Pau-Brasil (Brazil) in 2012 and Shenyang 2 (China) in 2013, the Chennai plant in India, the Group's third major investment project, has produced its first Michelin radial truck tire prototype.

Over 700 people helped to bring the plant on stream, 350 Indian employees were trained in 12 countries and 4,500 tonnes of machinery requiring 280,000 meters of cable were installed. The plant will produce 1.8 million truck tires a year.

_Agreement signed with Petrokimia Butadiene Indonesia to produce synthetic rubber

(June 17, 2013) – PT Petrokimia Butadiene Indonesia (PBI), a wholly-owned subsidiary of PT Chandra Asri Petrochemical Tbk (CAP), and Compagnie Financière du Groupe Michelin have signed an agreement to create a joint venture to produce synthetic rubber. The new company will be owned 55% by Michelin and 45% by PBI.

The total investment is estimated at US$435 million. Pending the final investment decision, plant construction is expected to commence in early 2015, with completion and start-up targeted for the beginning of 2017.

_Compagnie Générale des Établissements Michelin carries out employee share issue

(October 31, 2013) – The Chief Executive Officer decided to offer employees participating in the Group Employee Shareholder Plan the opportunity to purchase existing shares of the Company (CGEM), in a commitment to increasing their stake in the Group's growth and expansion as part of a mutual commitment dynamic.

The shares were offered exclusively to employees of the Company (CGEM) and of the participating French and foreign companies in which the Company (CGEM) holds, directly or indirectly, at least 50% of the share capital and who are members of the Group Employee Shareholder Plan.

The offered shares were acquired by the Company (CGEM) through the buyback program authorized in the 7th resolution approved by shareholders at the May 17, 2013 Annual Meeting.

During the offer period, which ran from November 4 until close of business on November 18, 2013, nearly 96,000 people working at 88 companies worldwide purchased shares under preferential terms.

Thanks to the involvement of everyone who helped to lead the program in all the countries concerned, 54.2% of participating employees had decided to invest in the ESOP by the time the offer closed.

_Michelin in the 2013 Top 100 global innovators

(October 2013) – Thomson Reuters ranked Michelin in the 2013 top 100 most innovative companies in the world.

Launched in 2011, the ranking identifies the most innovative organizations in the world through a series of patent-based metrics including overall innovation (patent) activity, success rate, globalization and influence.

North America continues to lead in representation overall, with 46 of the 100 from this region of the world. Asia has the next greatest representation, with 28. Europe completes the list of 100, with representation from France (12), Switzerland (4), Germany (3), Sweden (2), and the Netherlands (1). Again, France dominates the European landscape in terms of innovation.

_Michelin again included in the Dow Jones Sustainability Index in 2013

(October 21, 2013) – In September, the Dow Jones Sustainability Index (DJSI) announced the results of its review for 2013, which showed that for the seventh year in a row, Michelin earned inclusion in the Automobiles & Components Global Industry Group. Only 10% of the companies demonstrating superior leadership in sustainability are selected for the DJSI. Michelin was also retained in the DJSI Europe Index. The DJSI is considered to be the most reliable indicator of best-in-class sustainability performance. Companies are assessed based on their answers to a questionnaire prepared by RobecoSAM (Sustainable Asset Management), which covers 17 criteria analyzing their corporate governance, labor practices, and social and environmental performance. During the 2013 review, Michelin's environmental policy and human capital development process were again awarded the maximum score of 100, the highest in its Industry Group.

2.9.2 PRODUCTS

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

_Supplying luxury automakers

_Michelin and Porsche: A Lasting Partnership Since 1961

(April 2013) – Recognizing their privileged relationship – Michelin is one of just 2 official Porsche partners, along with Mobil 1 motor oil – the 2 brands celebrated the 12th anniversary of their cooperation agreement this month. A fourth contact has been signed extending the partnership through December 31, 2016 in such areas as research, tire development, purchasing, marketing and sales. This commitment also led to Porsche's return to the 24 Hours of Le Mans in 2014, exclusively on MICHELIN tires. Future Porsches will be shoed with tires produced at 3 Michelin plants: Les Gravanches in Clermont-Ferrand, Nyiregyhaza in Hungary and Cuneo in Italy.

(June 20, 2013) – 3 MICHELIN tire ranges – Summer, Winter and All Season in a total of 12 sizes – have been certified worldwide for the new-generation Porsche Panamera.

(November 20, 2013) – 3 MICHELIN tire ranges have been certified for the new Porsche Macan SUV, including – for the first time – the new **MICHELIN Latitude Sport 3**. The other 2 are the **MICHELIN Latitude Alpin 2** for winter driving and the all-season **MICHELIN Latitude Tour** in certain regions.

(September 10, 2013) – At the Frankfurt International Motor Show, it was announced today that the Porsche 918 Spyder will roll on **MICHELIN Pilot Sport Cup 2** tires. The tire features a host of new technologies, including a new tread rubber compound, an aramid fiber belt, the Track Variable Contact Patch 3.0®, a new bead region and sidewalls made with MICHELIN Velvet Technology®.

The outstanding performance delivered by the new **MICHELIN Pilot Sport Cup 2** reflects the Group's considerable ongoing research and development commitment, which totals more than €600 million a year. It is also the result of the Michelin Total Performance Strategy, which is designed to drive continuous, simultaneous improvement in every aspect of tire performance.

_MICHELIN Primacy 3ST launched in Southeast Asia and Australia

(October 13, 2013) – The **MICHELIN Primacy 3ST**, the latest release in the Passenger car & Light truck Product Line in Southeast Asia and Australia, was specially developed at the Ota R&D Center in Japan and produced at the Laemchabang plant in Thailand to address the specific needs of local consumers.

This new tire was the result of 18 months' work and more than 1.3 million kilometers of testing. It introduces the notion of MICHELIN Total Performance for the first time in the region.

2.9.2 b) Truck tires and Related Distribution

_Michelin helps to deliver real savings with its fifth-generation fuel-efficient truck tire range, MICHELIN X® Line™ Energy™

(June 2013) – Independent certification organization TÜV Süd Automotive has measured the fuel efficiency of 4 tire brands: Bridgestone, Continental, Pirelli and MICHELIN. The tests were conducted in Germany on a 450-km autobahn circuit, using Mercedes Benz Actros 1842 trucks pulling Schmitz trailers, with a gross train rate of 40 tonnes.

The tests showed that, based on a tractor-trailer driven 130,000 km a year on long hauls and a diesel price of €1.15/liter, the **MICHELIN X® Line™ Energy™** range consumes an average of 1.2 liters/100 km less than its competitors, representing fuel savings per truck of up to €1,800 a year.

_Michelin comes out on top in DEKRA braking tests on low-traction surfaces with its MICHELIN X® Multiway™ 3D XZE and MICHELIN X® Multiway™ 3D XDE tires

(July 2013) – At its Technology Center in Germany, DEKRA conducted braking tests on low-traction surfaces to compare the performance of 4 tire brands: Bridgestone, Continental, Goodyear and MICHELIN. The **MICHELIN X® Multiway™ 3D XZE** and **MICHELIN X® Multiway™ 3D XDE** tires easily came out on top in the scoring. On two-thirds worn tires and from a speed of 60 km/h, trucks fitted with **MICHELIN X® Multiway™ 3D XZE** and **XDE** tires stopped far shorter than the competition, at just 89 meters compared with an average 133.9 meters for the other brands. This is a performance that counts for customers.

2.9.2 c) Specialty businesses

Earthmover tires

_New Earthmover tires

(May 28, 2013) – The **MICHELIN® X-STRADDLE 2** tire for cargo-handling equipment delivers 30% more productivity as well as enhanced safety and treadlife for operators in the port services business, which is enjoying growth despite the recession.

(June 25, 2013) – The **X-SUPER TERRAIN +** tire for articulated dump trucks is made with new rubber compounds that increase tire life by up to 15%.

(September 16, 2013) – The **MICHELIN XTXL** range of tires for underground mine equipment has been expanded with 2 new sizes, **26.5R25** and **29.5R25**. The new tires last up to 10% longer while increasing puncture resistance by 20% and load capacity by 30%.

The **MICHELIN X ADN +** for quarries and large infrastructure worksites is now available in sizes **23.5R25** and **26.5R25**. The upgraded line offers enhanced safety and lasts up to 15% longer than the previous-generation X ADN.

(December 11, 2013) – The new **MICHELIN X-CRANE +** for all-terrain mobile cranes has an F speed rating (80 km/h) and retains all the benefits of the **MICHELIN X-CRANE**, in particular its best-in-class braking distance. Its asymmetrical tread design allows it to be used on roads as well as in and around worksites, with the small center blocks providing a comfortable ride and accurate steering and the large outside blocks delivering traction on soft terrain. The **MICHELIN X-CRANE +** is available in sizes **385/95 R25**, **445/95 R25** and **525/80 R25**.

Agricultural tires

_New Agricultural tires

(October 22, 2013) – Michelin today revealed, live and online, all of the secrets of the new **MICHELIN AxioBib IF900/65R46**, **the world's largest tractor tire** at 900 mm wide and 2.32 m tall. Featuring MICHELIN Ultraflex technology, it offers a load capacity of 10,600 kg per tire for tractors driven at speeds of up to 65 km/h [(1)]. It was developed with leading agriculture machinery manufacturers.

To support new developments in farm machinery, Michelin is developing its new-generation agricultural tires in seamless partnership with farm equipment manufacturers.

For example, the **MICHELIN AxioBib IF900/65R46** was displayed on the New Holland T9 and Deutz-Fahr's all-new Series 11. Krone also announced that it will fit the tire on its next generation of combine-harvesters, which will deliver more than 1,100 horsepower.

(November 7, 2013) – At Agritechnica, the world's leading farm machinery trade show, held in Hanover, Germany, Michelin presented:

- the new size **MICHELIN SprayBib VF420/95R50** sprayer tire featuring MICHELIN Ultraflex Technology;
- the new **MICHELIN BibLoad Hard Surface** range of tires for compact and telescopic loaders.

Two-Wheel tires

_The MICHELIN® City Grip Winter scooter tire

(September 2013) – Now scooter drivers can also benefit from Michelin's winter tire expertise, thanks to the Two Wheel Product Line's latest addition – the **MICHELIN® City Grip Winter** tire.

For the first time, Michelin is offering customers a scooter tire designed specifically for winter conditions, responding to the needs of drivers who use their scooters all year round.

Featuring a tread with a dense pattern of grooves and sipes that closely resembles Michelin's winter passenger car tires, the new scooter fitment combines the Group's expertise in winter performance with the comfort and safety of the **MICHELIN® City Grip**. The top-selling tire in the European scooter market, MICHELIN® City Grip is used extensively as original equipment by scooter specialist Piaggio and is very popular with scooter enthusiasts.

The new tire delivers greater grip on wet, dry and snow-covered roads, as well as effective braking in cold, damp conditions. The M+S (Mud & Snow) marking attests to the tire's superior performance in mud and freshly fallen or melting snow, proving once again that safety and longevity are embedded in the MICHELIN brand's DNA.

7 sizes are now available for a wide range of under-500cc scooters.

Aircraft tires

_4 new certifications announced at the Paris Air Show

(June 17-23, 2013) – At the Paris Air Show, Michelin unveiled 4 new aircraft tire models, which will deliver the benefits of Michelin radials with NZG* technology to a broad range of aircraft in the 4 main segments of the aerospace market.

"Michelin is committed to innovation and to creating value for money solutions for its customers. Our radial tires with **NZG technology** are designed to provide a long tire life and to reduce Total Cost of Ownership (TCO)" says Bob Pointon, MICHELIN Aircraft Tire Company's Director of Original Equipment.

MICHELIN AIR X tires were certified by the appropriate aeronautics agencies for the Airbus A350-XWB in the long-haul segment, for the Bombardier CSeries among regional carriers, for the Cessna Citation X in general aviation and for the Lockheed Martin F-35A Lightning II in military aviation.

These new certifications have strengthened Michelin's position as the world's tire technology leader by fitting new aircraft types with radial tires – which were invented by Michelin – and NZG technology, which considerably increases both fuel economy and treadlife, while reducing maintenance costs and TCO.

(1) Where authorized by local legislation.

** Near Zero Growth (NZG) is a radial tire technology that uses aramid reinforcing cords to reduce casing growth due to inflation or centrifugal force, thereby considerably lengthening tire lifespan.*

2.9.3 INNOVATIONS – SERVICES

_Michelin Solutions launches EFFIFUEL™

(July 11, 2013) – **Michelin solutions** is a new unit created to bring to market innovative offerings that facilitate mobility and improve profit margins for truck, car, utility vehicle and earthmover fleet operators.

The first offering, called **EFFIFUEL™**, will help operators to monitor and reduce vehicle fuel consumption through telematics, eco-driving training, driver behavior studies and electronic monitoring of tire pressure.

_An innovative motorized wheel for the bus of tomorrow

(October 18-23, 2013) – Partnering with France's Agency for the Environment and Energy Management (ADEME), Michelin and Iveco Bus have unveiled **Ellisup**, the world's **first fully electric bus with a motorized wheel**, at the Busworld Kortrijk exhibition in Belgium. A Michelin innovation, the wheel features a miniature electric motor housed within a small, energy-efficient tire offering superior load capacity.

The tire and motorized wheel system helps to increase load capacity (10%), enhance passenger comfort (more interior space, less noise – 69 dB instead of 75 dB) and reduce operating costs (extended driving range, lower maintenance costs thanks to the tire's self-regenerating treads). Ellisup's environmental footprint is significantly smaller compared with other products.

_Michelin Travel Partner enhances mobile apps bundle to make travel easier for everyone

(October 3, 2012) – Michelin has introduced **MICHELIN Mobility Apps**, a bundle of free applications to assist people whenever they travel for business or pleasure. Already available in France, it will be launched in Germany, Spain, Italy and the United Kingdom at year-end.

At some point every motorist has to choose the right tire, get advice on servicing and maintenance, prepare and calculate an itinerary, or find out the latest weather, traffic and road hazard information. To provide support at every step of the way, Michelin has introduced a bundle of 6 free applications:

MICHELIN MyCar, MICHELIN Navigation, ViaMichelin, MICHELIN Restaurants, MICHELIN Hotels and MICHELIN Voyage.

The bundle of free mobile phone apps may be downloaded in one click from:

- the website: www.michelin.fr/mobility-apps;
- the mobile site: m.mobility-apps.michelin.fr;
- the iTunes App Store;
- Google Play.

2.9.4 RACING

_Michelin: official tire supplier for the FIA Formula E Championship

(September 10, 2013) – On its stand at the 65th Frankfurt International Motor Show, Michelin once again demonstrated that tire innovation is the engine driving all of its business operations. This is why the Group's research and development teams regularly transfer racing technologies from the track to the street.

Michelin has announced that it will actively participate in the FIA Formula E Championship. Held in city centers, the races are run with only full-electric vehicles, including for the first time single-seat cars fitted with 18-inch tires. This represents a number of technical challenges for new tires, but also an opportunity for interesting technological benefits. Michelin's involvement shows that motor sports can provide tangible solutions to issues involving the mobility of people and goods.

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 120 below.

In addition to this global process, 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 and liability insurance.

- The property & casualty insurance program provides total coverage of €500 million, except for natural disasters for which the coverage limit may be lower. The overall coverage includes €50 million worth of Increased Cost of Working cover to enable operations to continue in the best possible financial conditions in the event of a business interruption.
- The liability insurance program comprises 3 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 €30 million limit per claim;
- product liability in the United States and Canada, with a US$25 million limit per claim;
- product recall expenses, with a US$25 million limit per claim.

Aggregate premiums amounted to €53.8 million in 2013, 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, anticipate and effectively respond to any such events, the Group has set up a crisis management system, which is overseen by the Group Audit and Risk Management Department. The system's underlying processes are regularly updated to ensure maximum effectiveness and responsiveness.

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.

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 policies and weather conditions for winter tires.

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.

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

More generally, business activity 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 ensuring the Group can grow in a sustainable and responsible way 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 managers. The Group's strategic plan is regularly reviewed over the medium term by the Chief Executive Officer and the Group Executive Committee.

The Group's 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 2 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 not as successful as hoped 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. In tandem, we are taking steps to bolster our specific strengths such as our global footprint, our premium positioning, our leadership in Specialty businesses and the power of the MICHELIN brand.

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 and the integrated dealer networks – Euromaster in Europe and TCI in North America – make only a limited contribution to sales volumes. The TYREPLUS network, which is currently being developed in the new markets, is also made up of independent sales outlets, most of which are franchised.

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 distribution 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 42% of all Group purchases in 2014, 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 2013 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

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

Raw materials costs for 2011, 2012 and 2013	2011	2012	2013
In € million	7,019	6,479	5,668
As a % of net sales	33.9%	30.2%	28.0%
Of which:			
Natural rubber	42%	36%	33%
Synthetic rubber	24%	27%	25%
Reinforcing agents	13%	15%	17%
Chemicals	10%	10%	12%
Metal cables	7%	7%	8%
Textiles	4%	5%	5%

_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 increases in raw materials prices is estimated using internal models that take into account actual changes in the cost of raw materials used in production, production volumes, the time required to transform the raw materials – from delivery and storage to manufacturing – and changes in exchange rates.

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 2013, the decrease in the cost of raw materials used had a positive €619 million impact, which resulted in a €69 million favorable net effect after deducting the €550 million negative price effect.

Margins on certain fixed-price sales contracts have been protected using short-term futures. At December 31, 2013, these futures had a positive fair value of €1 million, recorded in assets. This compares with the €5.5 billion cost of raw materials used in production during the year (see note 16.3 to the consolidated financial statements on page 228).

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 recent steady development 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 a major asset for the Group. 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 continuous and systematic intelligence process that analyzes the different media, particularly online, to identify any initiatives or comments that could spiral out of control and lastingly damage the Group's 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 jeopardize the integrity of the entire Group.

_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 has been put into place:

- A Code of Ethics has been prepared and distributed.
  This Code defines the behavioral standards applicable to our business activities and presents guidelines to help employees make decisions about the following 15 ethical issues:
  - legal and regulatory compliance;
  - conflicts of interest;
  - gifts and invitations;
  - governmental relations and anti-corruption measures;
  - 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.
- Training programs dedicated to ethical issues have been developed and are currently being deployed, notably through a purpose-designed educational game.
- A governance structure has been set up comprising:
  - a Group Ethics Committee, meeting 3 or 4 times a year and comprising the Heads of the Legal Affairs, Finance, Purchasing, Safety and Security, 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 111,200 people worldwide and also uses temporary employment agencies and subcontractors. These people work in a wide variety of environments involving the use of machines and equipment that range from manual to fully automated, depending on the type of product manufactured and the age of the machines.

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

- risks related to on-site equipment and logistics (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 as well as risks of industrial accidents and natural disasters.

Occupational 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 of our 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 see section 6.1.3 on page 153 below, as well as the 2013 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 their use.

The production processes use energy, electricity and water as well as steam generated internally in gas, coal or oil-fired boilers. The tire manufacturing process can likewise potentially lead to environmental risks. 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 5 generations of more fuel-efficient tires for cars and 3 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 [1] and CO_2 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, and in 2013 the Michelin sites Environmental Footprint indicator was 33.5% lower than in 2005.

For further information on environmental risks see section 6.3 on page 178, as well as the 2013 Annual and Sustainable Development Report.

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

_Risk factors

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 over 171 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-situ behavior is constantly monitored to detect even the slightest indication and to swiftly implement any 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.

(1) VOC: Volatil Organic Compound.

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.

Gearing stood at 2% at December 31, 2013, corresponding to a net debt of €142 million, versus 12% and €1,053 million at year-end 2012.

_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 Michelin (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 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 strives to ensure that its financial contracts do not include covenants providing for ratios or "material adverse change" clauses that could restrict its ability to mobilize credit lines or affect their term. At December 31, 2013 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 see note 4.2.1 to the consolidated financial statements on page 214.

Currency risk

Currency transaction 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).

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.

_Risk management response

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 majority of which have short-term maturities of around 3 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.

The Group continuously tracks foreign exchange gains and losses and regularly carries out internal audits to ensure that every entity is correctly applying the hedging policy.

Currency translation risk

_Risk factors

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 translation risk is also monitored by the Corporate Financing Department.

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. Future cash flows from investments in consolidated companies (dividends, capital increases, royalties paid for R&D and brand use, etc.) are hedged selectively based on the probability of the cash flows occurring.

No currency hedges are set up for available-for-sale financial assets.

For further information on the Group's currency risk see note 4.2.2 to the consolidated financial statements on page 214.

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. Given its net debt position, the Group is exposed to the risk of an increase in (i) interest rates on the portion of debt at variable rates and (ii) spreads applied by lenders. 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 (hedging requirements evolve in line with the relative weighting of debt).

For further information on the Group's interest rate risk see note 4.2.3 to the consolidated financial statements on page 215.

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.

_Risk management response

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.

For further information on the Group's equity risk see note 4.2.4 to the consolidated financial statements on page 215.

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 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.

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.

For further information on the Group's counterparty risk see note 4.2.5 to the consolidated financial statements on page 215.

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

In 2013, trade receivables represented less than 12.4% of annual net sales. 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. In 2013, the Group Credit Department continued to implement measures to gradually reduce days sales outstanding.

For further information on our major customers see note 4.2.6 to the consolidated financial statements on page 215.

2.10.3 f) Business interruption risk

_Risk factors

The Group's tires are produced in 2 stages. First, semi-finished products are manufactured for use as components, and then the semi-finished products are 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 both of these types 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 are 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 3 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 enables us 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 over €13 billion worth of goods and services from more than 45,000 different suppliers. These purchases can be broken down into 3 different types:

1. raw materials, divided into 8 categories: natural rubber, monomers, elastomers, fillers, chemicals, oils and resins, textile reinforcements and metal reinforcements;
2. industrial purchases, 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 3 different 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 recent tightening of environmental regulations in Europe, the United States and a number of emerging countries – can impact the operations of some suppliers.

The Group is also exposed to the risk that one or more of its 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. In general, several categories of risk management measures have been put in place Group-wide to deal with all types of supply risk. These include raising employee awareness of these issues to improve risk planning, 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 risk 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 protecting its trade secrets, in the broadest sense of the term, and by filing patent applications when possible or appropriate. 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 coming years is based on 4 core objectives: drive strong, diversified growth, become more competitive, deliver sustainable business and financial performance, and foster mutual commitment between the Group and its people.

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, 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 and in 2013, the percentage of training hours per total hours worked was 4.4%.

To cover employee benefits risks, defined benefit pension plans have been set up, primarily for employees in North America and the United Kingdom. These plans represent a long-term benefit payment obligation for the Group. Michelin's total obligation for pension plans and other employee benefits amounted to €7.1 billion at December 31, 2013, including €6.3 billion in funded commitments. At the same date, the related plan assets totaled €5.2 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 shortfall.

For further information on the financing of employee benefits see note 27 to the consolidated financial statements on page 237, 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. As well as 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 Finance 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 both on 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 data centers.

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 €1.6 billion and €2.2 billion a year depending on the outlook of its host markets.

There are 2 types of major projects. The first are growth projects, which are mainly focused on manufacturing facilities and aimed at increasing production capacity. Examples include the ramping up of 4 large-scale plant construction projects in Itatiaia (Brazil), Shenyang 2 (China), Chennai (India) and Anderson (United States).

The second are business transformation projects, which have been consolidated into 2 priority programs: the OPE Business Management System – intended to create an integrated reporting and information sharing system to enhance the Group's management and performance – and the Efficiency Program, launched in 2011 with a view to streamlining and optimizing the support function processes.

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 even 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. In addition, to ensure consistent implementation, standard project management methods defined by the Group Quality Department are used Group-wide. 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)

Trade payables *(including tax, in € thousand)*	**Past due**		**Due within 60 days**		**Due beyond 60 days**		**Total trade payables**	
	December 31, 2013	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Foreign suppliers:								
Group	0	0	9,503	7,357	0	0	9,503	7,357
Non-Group	0	0	785	1,044	0	0	785	1,044
French suppliers:								
Group	0	0	102,286	108,841	0	0	102,286	108,841
Non-Group	0	0	239	378	0	0	239	378
TOTAL	**0**	**0**	**112,813**	**117,620**	**0**	**0**	**112,813**	**117,620**

Trade payables totaled €113 million at December 31, 2013 and €118 million at December 31, 2012. They are reported under "Other liabilities" which, including other payables, amounted to €219 million at year-end 2013 and €179 million at year-end 2012.

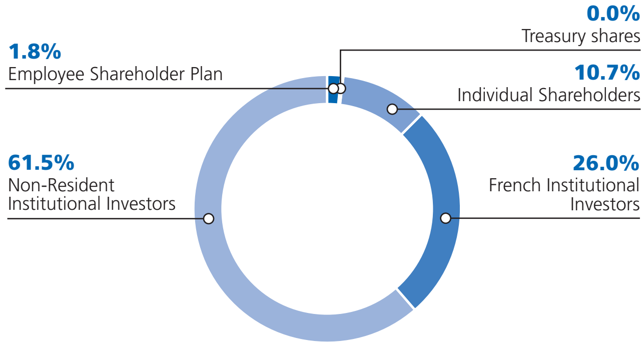
2.14 MATERIAL CHANGES IN THE COMPANY'S BUSINESS OR FINANCIAL POSITION

There were no material changes in the Company's business or financial position between February 10, 2014 (the date of the Statutory Auditors' report) and the date on which this Registration Document was filed with the Autorité des marchés financiers.

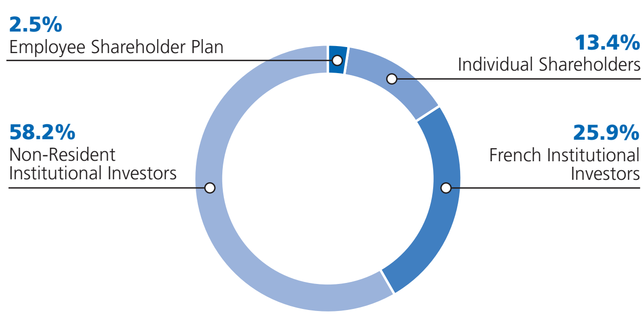
2.15 OWNERSHIP STRUCTURE AND VOTING RIGHTS

At December 31, 2013, Michelin's share capital amounted to €371,579,286, represented by 185,789,643 ordinary shares, all fully paid-up, with a total of 240,454,826 voting rights.

SHARE OWNERSHIP
(at December 31, 2013)



VOTING RIGHTS
(at December 31, 2013)



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

At December 31, 2013, 185,789,643 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:
- no shareholder directly or indirectly holds more than 5% of capital or voting rights;
- there are no shareholders' agreements or pacts.

30,000 Michelin shares are held in treasury. There has been no material change in the Company's ownership structure over the last three years.

2.16 INFORMATION DISCLOSED IN COMPLIANCE WITH THE GRENELLE 2 ACT

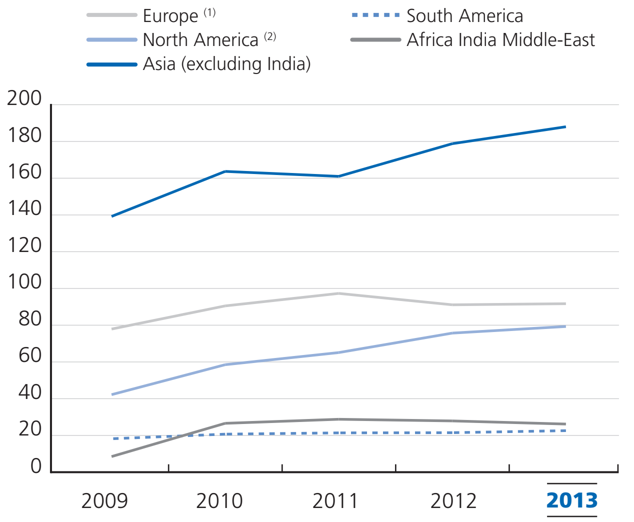
The 2013 social, societal and environment information disclosed in compliance with article 225 of the Grenelle 2 Act, as well as the auditors' review report, may be found in section 6. 2013 Employee, Societal and Environmental Information.

3

FINANCIAL HIGHLIGHTS

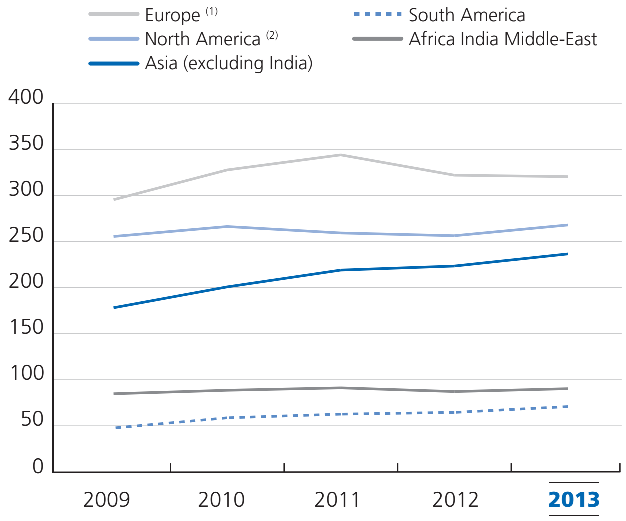
3.1 MARKETS

THE ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION
(in millions of tires)



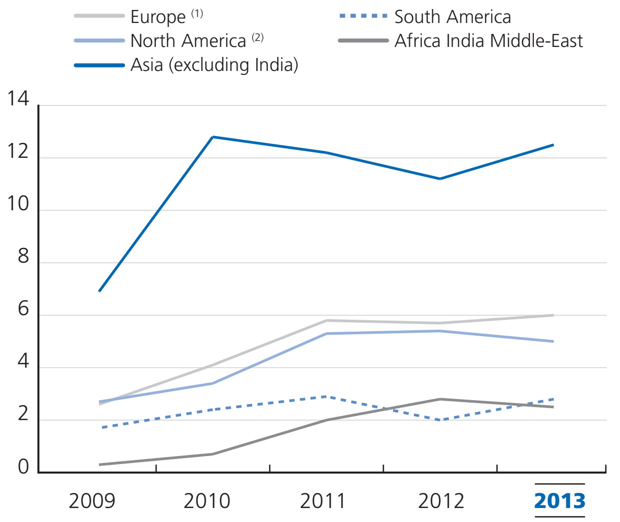
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

THE REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION
(in millions of tires)



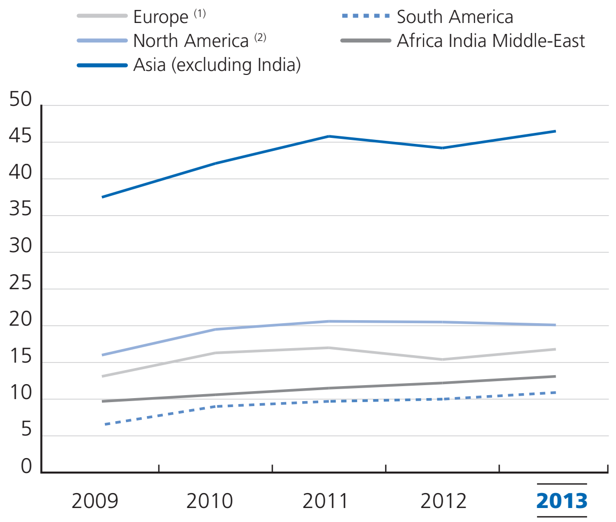
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

THE ORIGINAL EQUIPMENT TRUCK TIRE MARKET BY REGION
(in millions of new radial tires)



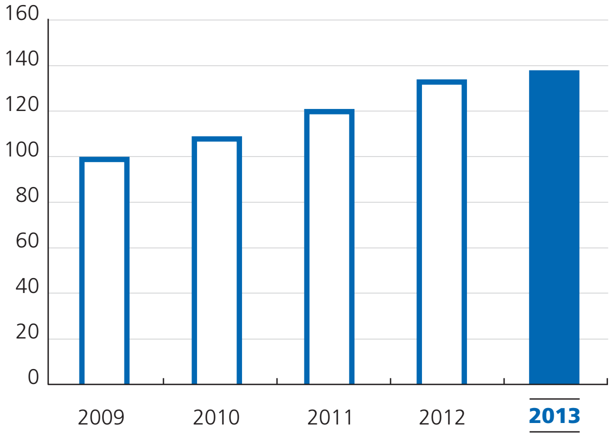
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET BY REGION
(in millions of new radial tires)



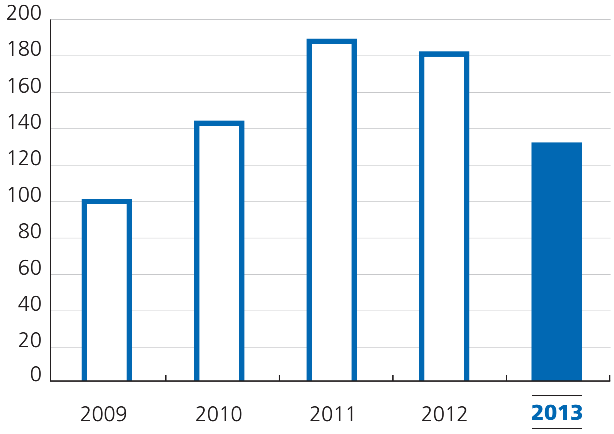
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

THE EARTHMOVER MINING TIRE MARKET
(base 100 in 2009 in number of tires)



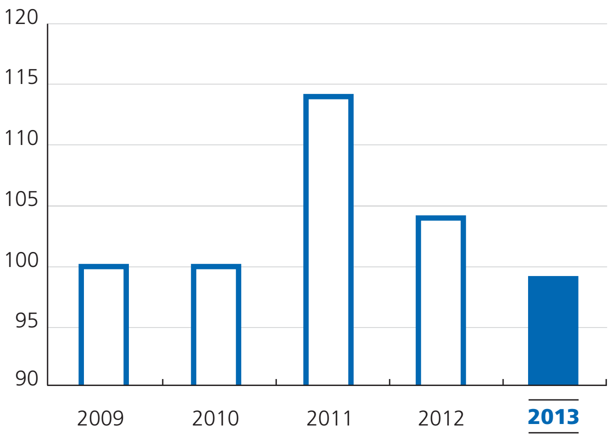
Michelin estimates.

THE EARTHMOVER INFRASTRUCTURE & ORIGINAL EQUIPMENT TIRE MARKET
(base 100 in 2009 in number of tires)



Michelin estimates.

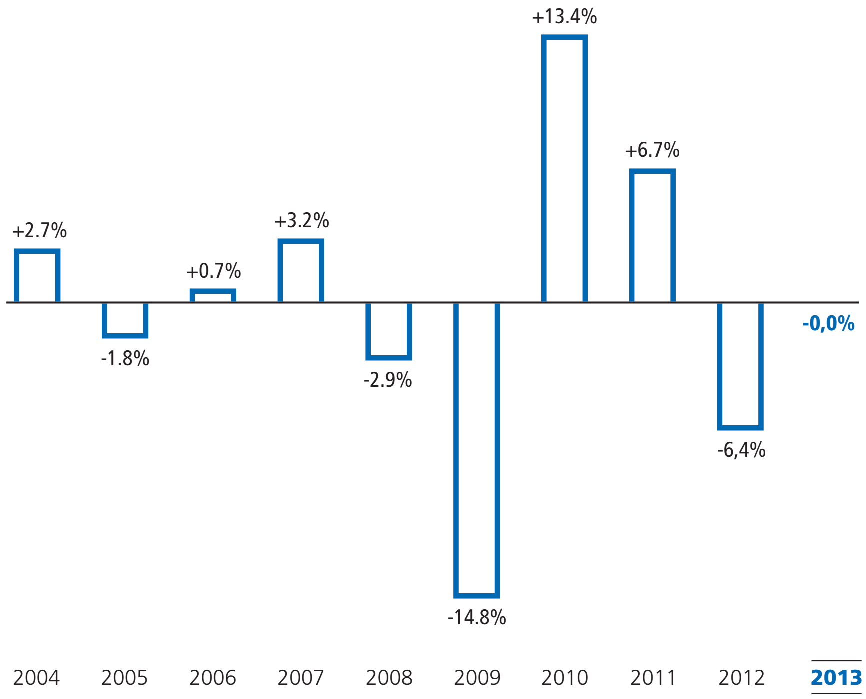
THE AGRICULTURAL TIRE MARKET
(base 100 in 2009 in number of tires Europe and North America)



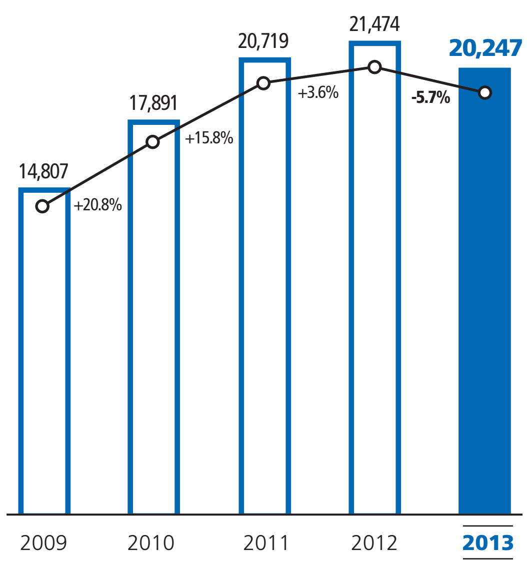
Michelin estimates.

3.2 SALES

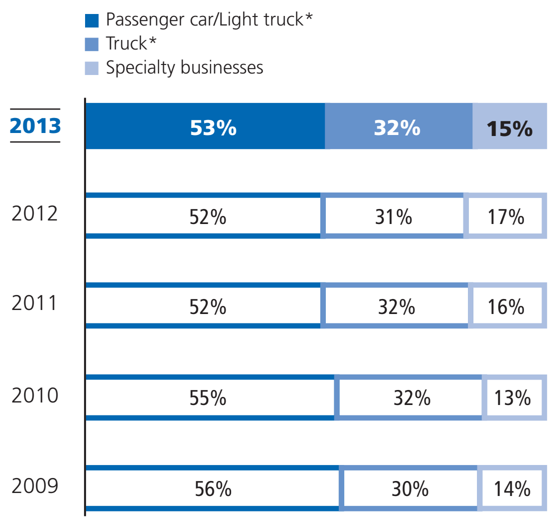
UNIT SALES
(in tons)



NET SALES
(in € million)

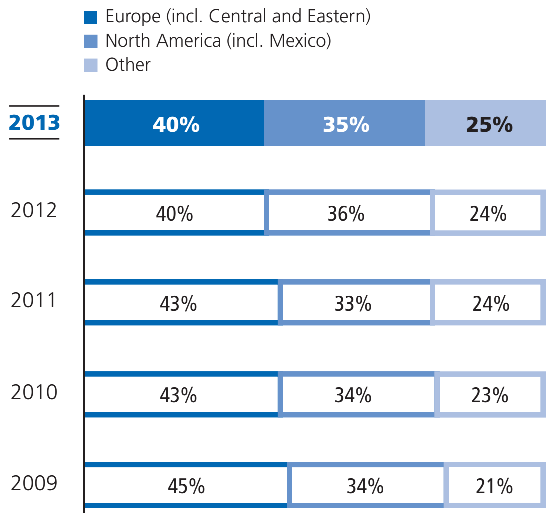


NET SALES BY REPORTING SEGMENT – BREAKDOWN
(in value)

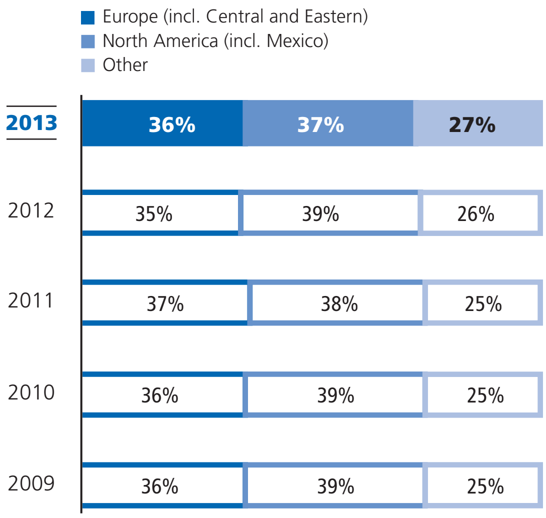


* *And related distribution.*

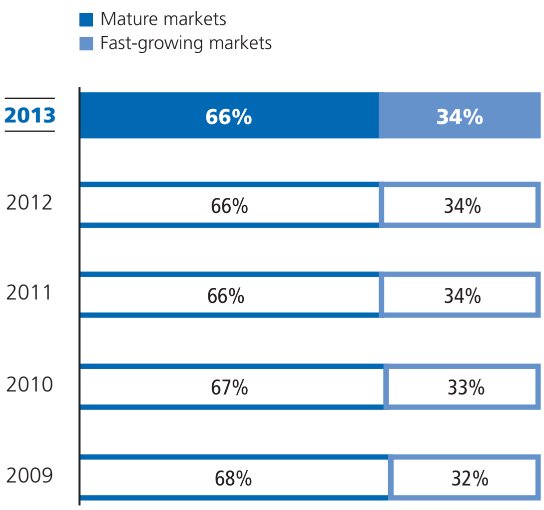
NET SALES BY REGION – BREAKDOWN
(in value)



SALES BY REGION – BREAKDOWN
(in tons)



BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS
(in tons)

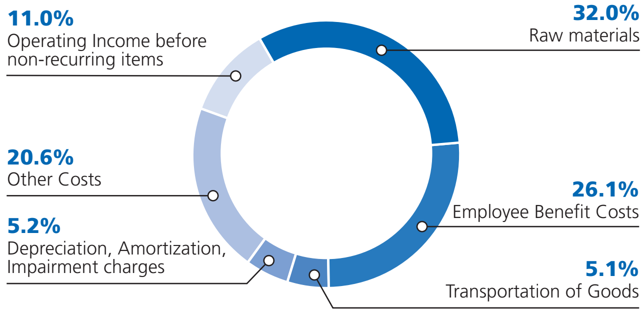


* *Mature markets: United States, Canada, Western Europe and Japan.*

3.3 EARNINGS

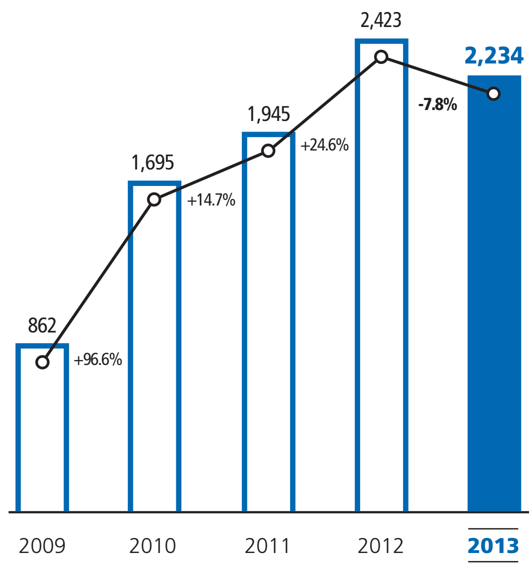
ANALYSIS OF OPERATING EXPENSES

(as a % of 2013 net sales)



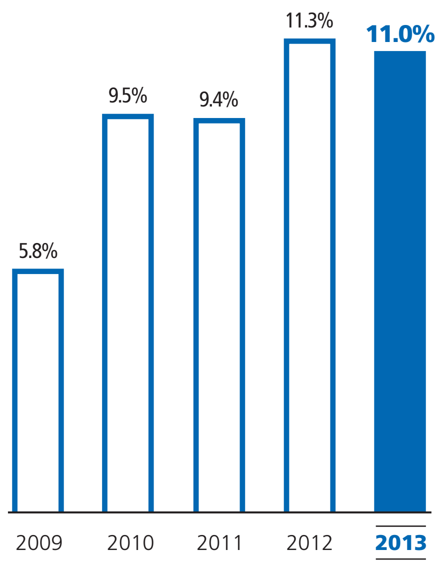
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)

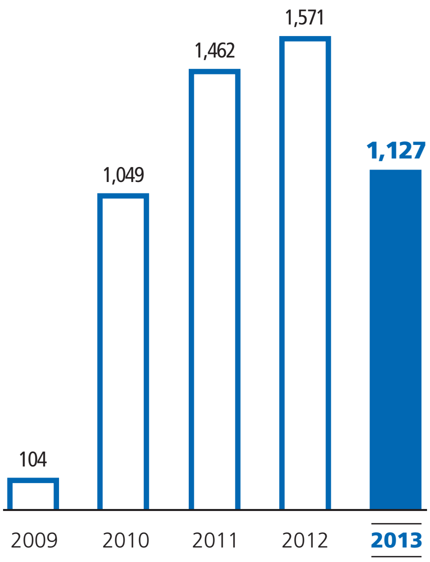


OPERATING MARGIN BEFORE NON-RECURRING ITEMS

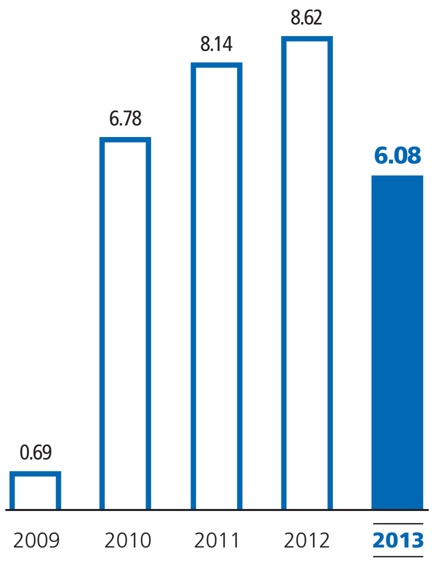
(as a % of net sales)



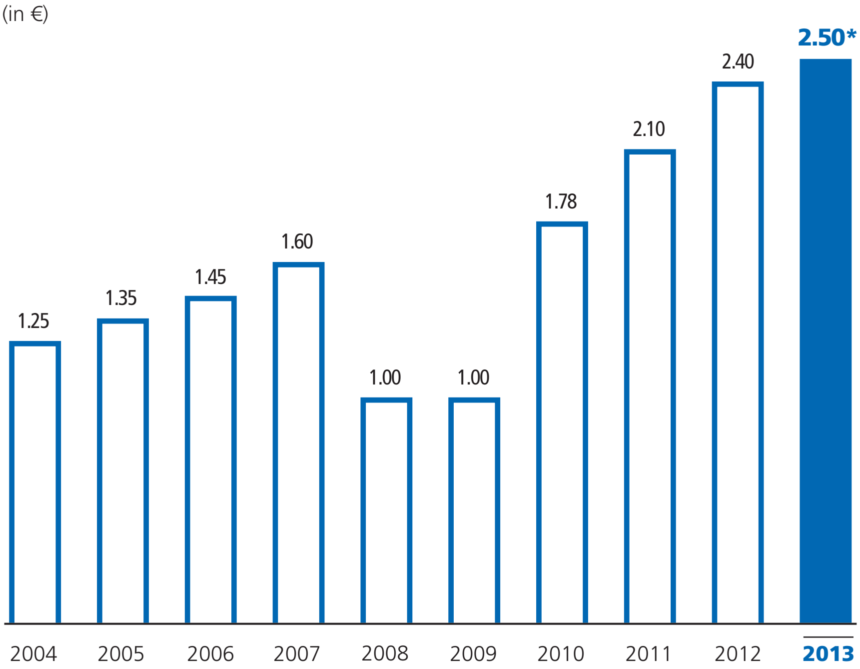
NET INCOME
(in € million)



BASIC EARNINGS PER SHARE
(in €)



DIVIDEND PER SHARE
(in €)

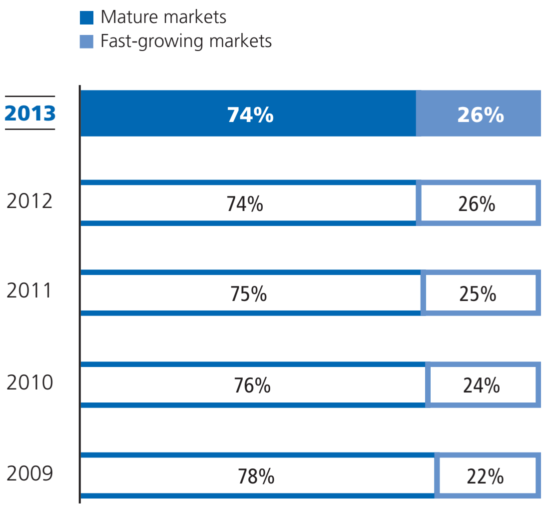


* *Subject to approval at the Annual Shareholders Meeting on May 16, 2014.*

3.4 REPORTING SEGMENTS

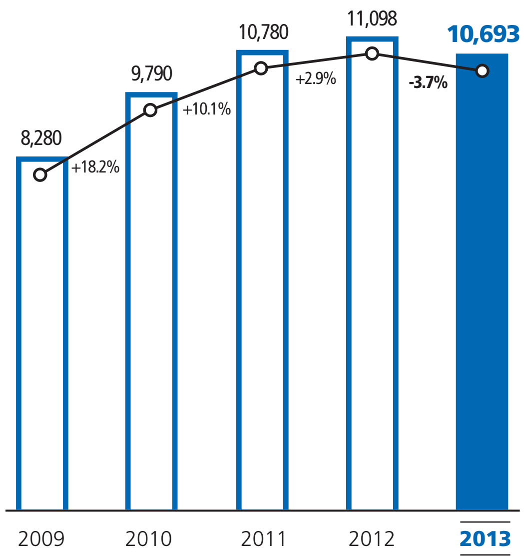
3.4.1 PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS
(in tons)

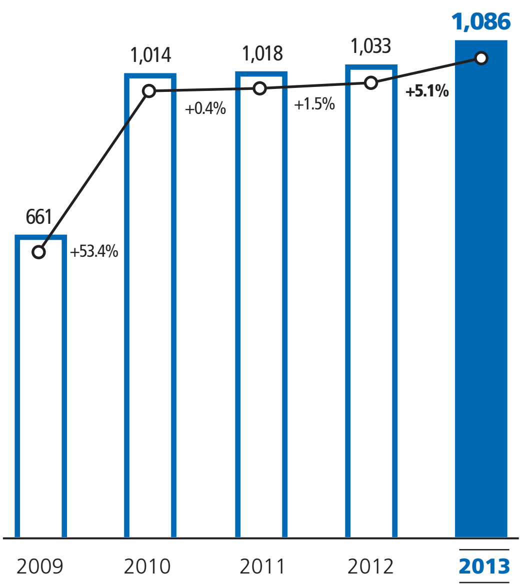


* *Mature markets: United States, Canada, Western Europe and Japan.*

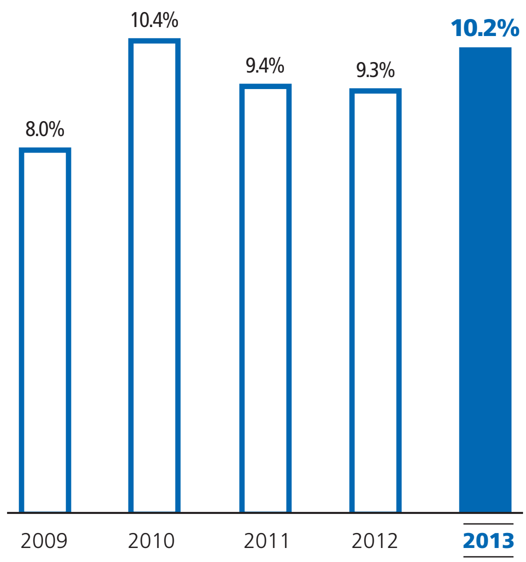
NET SALES
(in € million)



OPERATING INCOME BEFORE NON-RECURRING ITEMS
(in € million)

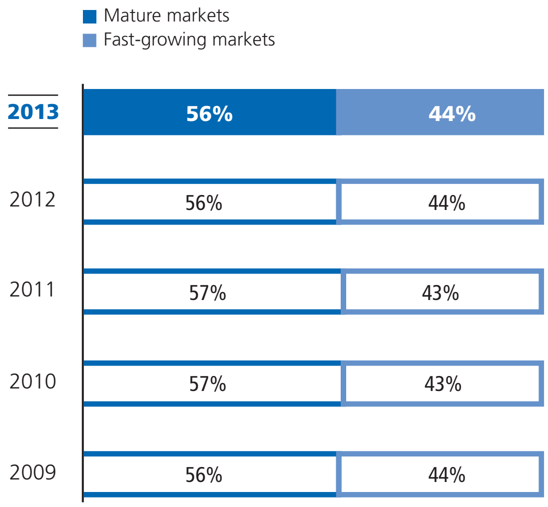


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



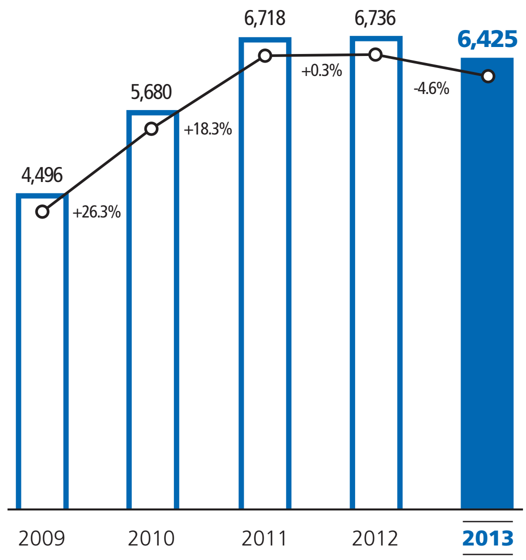
3.4.2 TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS
(in tons)

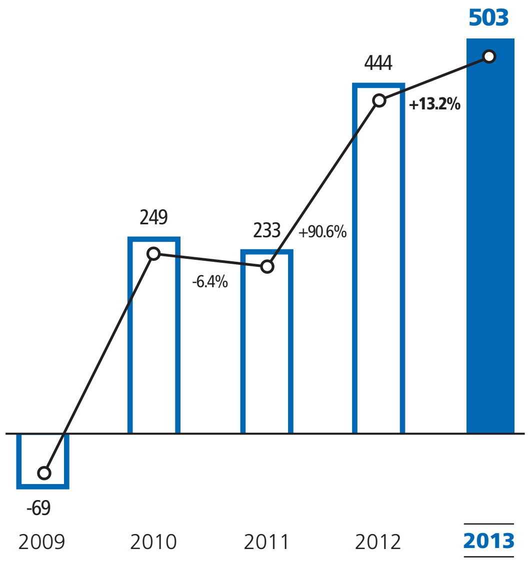


* *Marchés matures : États-Unis, Canada, Europe de l'Ouest, Japon.*

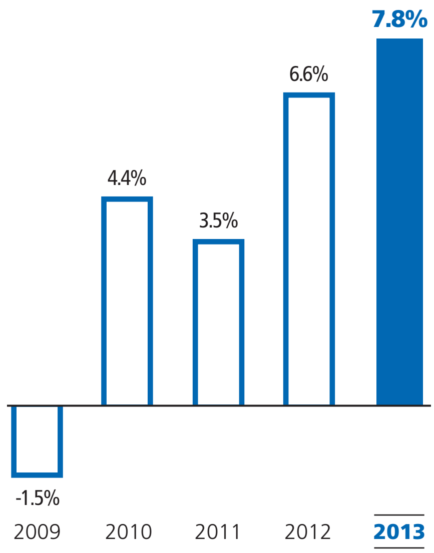
NET SALES
(in € million)



OPERATING INCOME BEFORE NON-RECURRING ITEMS
(in € million)

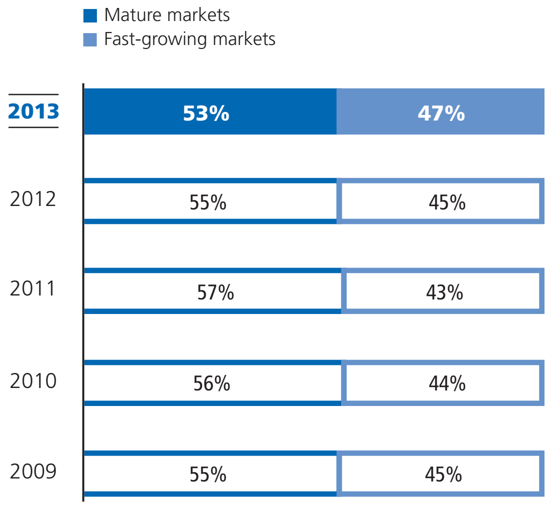


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



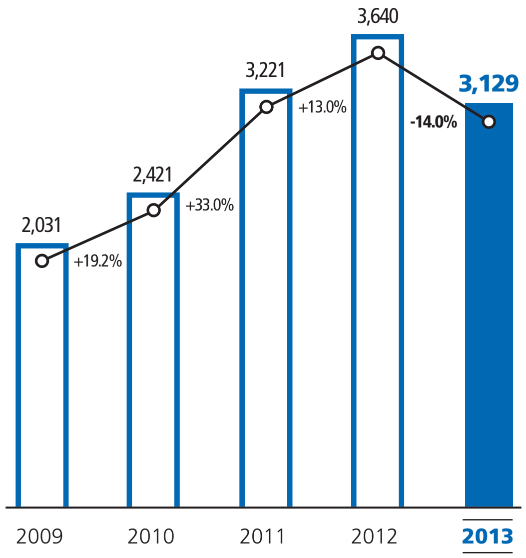
3.4.3 SPECIALTY BUSINESSES

BREAKDOWN OF SPECIALTY TIRE SALES BETWEEN MATURE* AND FAST-GROWING MARKETS
(in tons)

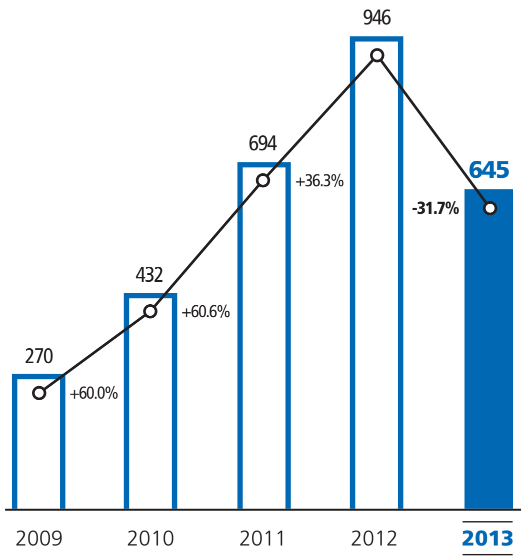


* *Mature markets: United States, Canada, Western Europe and Japan.*

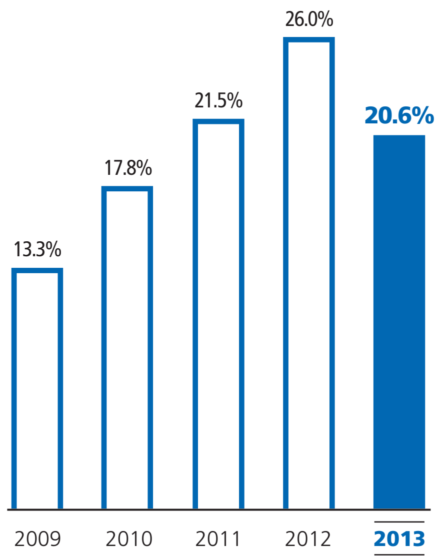
NET SALES
(in € million)



OPERATING INCOME BEFORE NON-RECURRING ITEMS
(in € million)

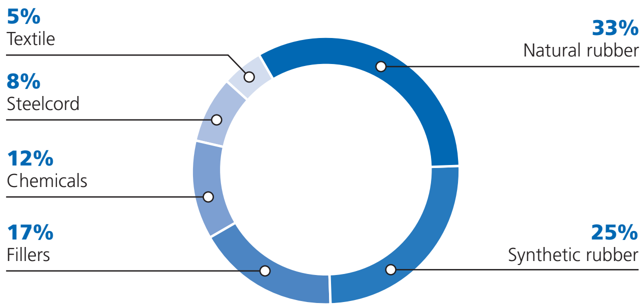


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)

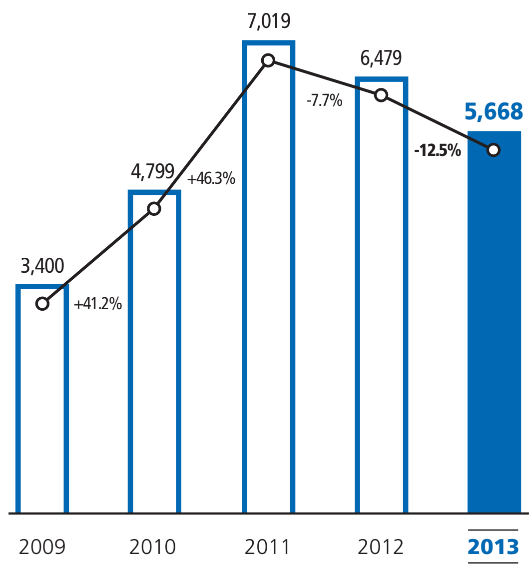


3.5 COST STRUCTURE

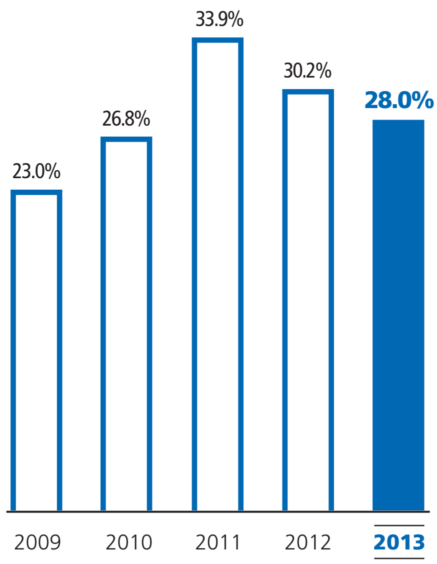
2013 RAW MATERIAL COSTS
(in €)



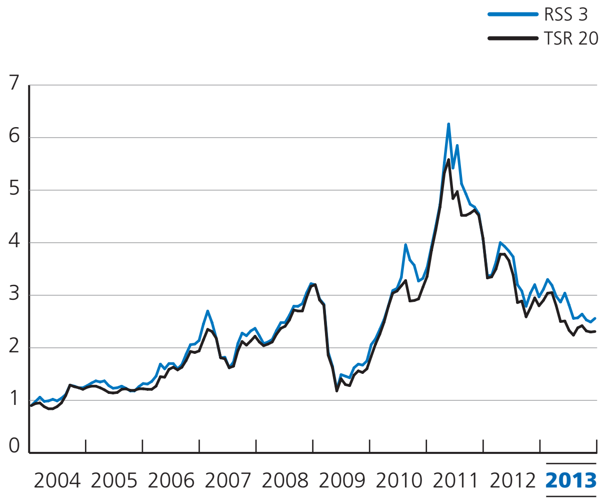
RAW MATERIAL COSTS
(in € million)



RAW MATERIAL COSTS
(as a % of net sales)

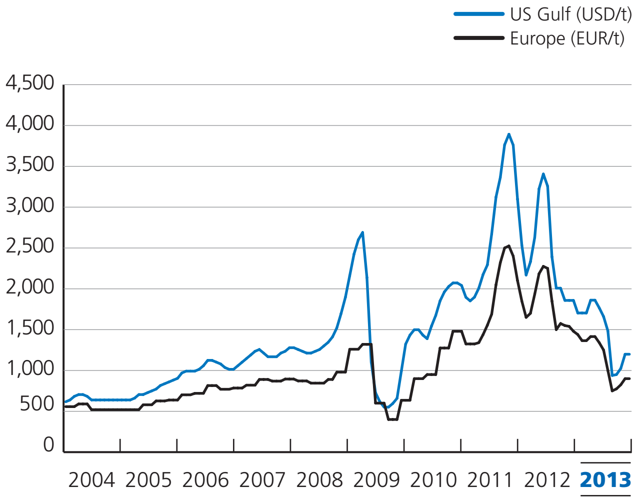


NATURAL RUBBER PRICES*
(in USD/kg)



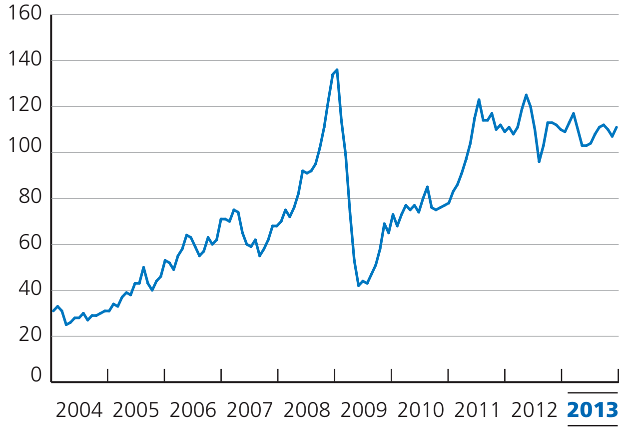
* *Monthly average.*

BUTADIENE PRICES*



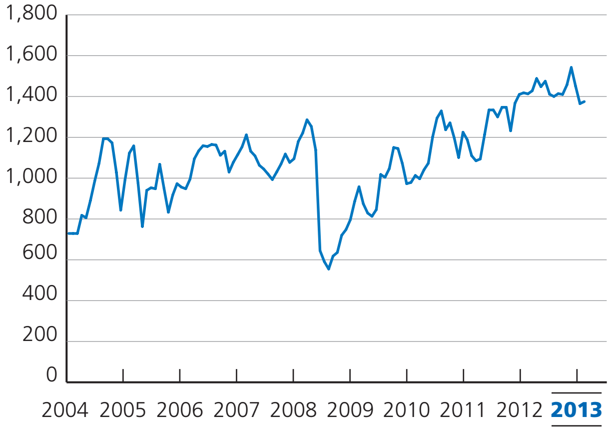
* *Monthly average.*

BRENT OIL PRICES*
(in $/bbl)



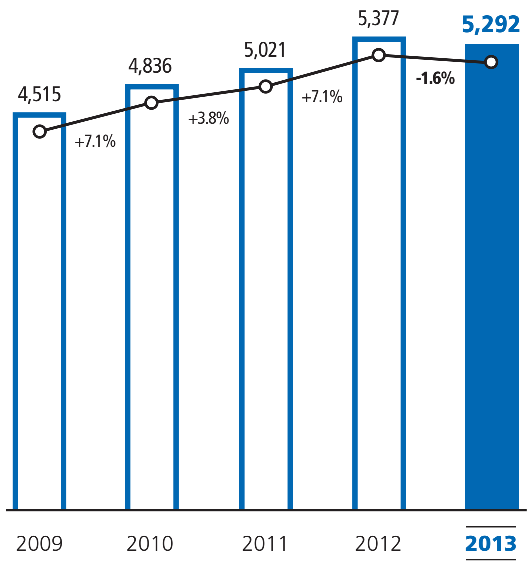
* *Monthly average.*

STYRENE PRICES*
(in €/ton)

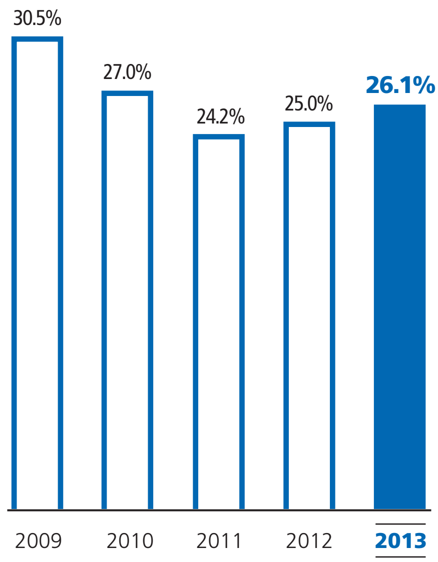


* *Monthly average.*

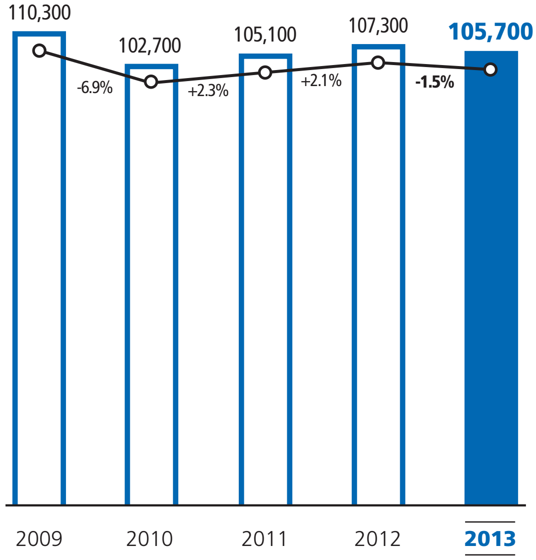
EMPLOYEE BENEFIT COSTS
(in € million)



EMPLOYEE BENEFIT COSTS
(as a % of net sales)



NUMBER OF EMPLOYEES
(full-time equivalent employees at December 31)



EMPLOYEES BY REGION

(full-time equivalent employees at December 31)

	2013	2012	2011	2010	2009
Europe	62,100	63,100	64,500	63,400	63,300
North America	21,300	21,400	21,700	21,000	20,300
Asia (excluding India)	15,400	15,300	15,000	14,500	13,200
South America	5,100	5,500	5,300	5,100	4,900
Africa India Middle-East	1,800	2,000	1,800	1,100	1,000
TOTAL	**105,700**	**107,300**	**105,100**	**102,700**	**110,300**
including mature countries [1]	68%	68%	68%	65% [2]	66% [2]
including fast-growing countries	32%	32%	32%	35% [2]	34% [2]

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

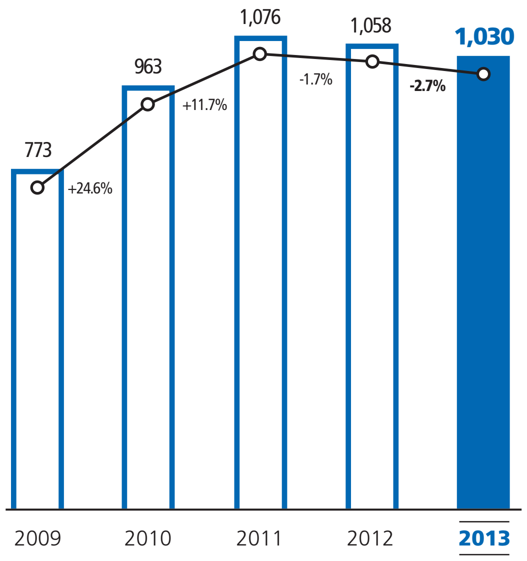
EMPLOYEES BY JOB CATEGORY

(total workforce at December 31)

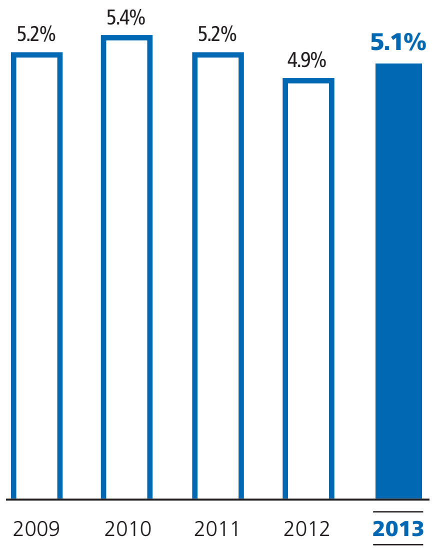
	2013	2012	2011	2010 [1]	2009 [1]
Production workers	61.4%	63.1%	63.6%	64.5%	64.8%
Administrative and technical staff	31.0%	30.1%	30.0%	29.2%	29.3%
Managers	7.6%	6.8%	6.4%	6.3%	5.9%

(1) Excluding distribution.

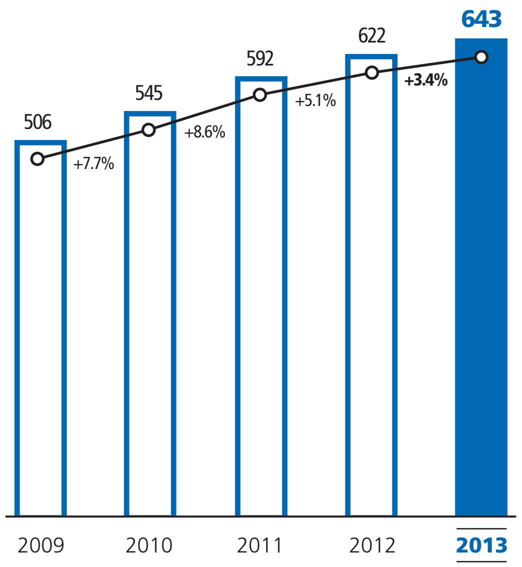
TRANSPORTATION COSTS
(in € million)



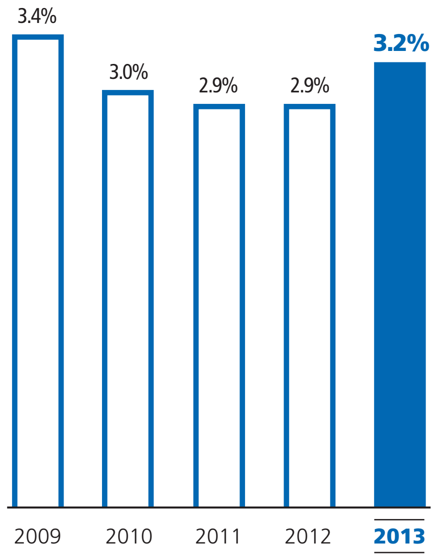
TRANSPORTATION COSTS
(as a % of sales)



RESEARCH AND DEVELOPMENT COSTS
(in € million)

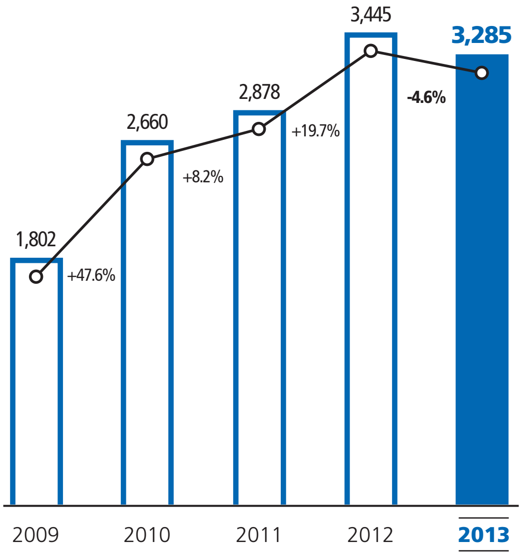


RESEARCH AND DEVELOPMENT COSTS
(as a % of net sales)

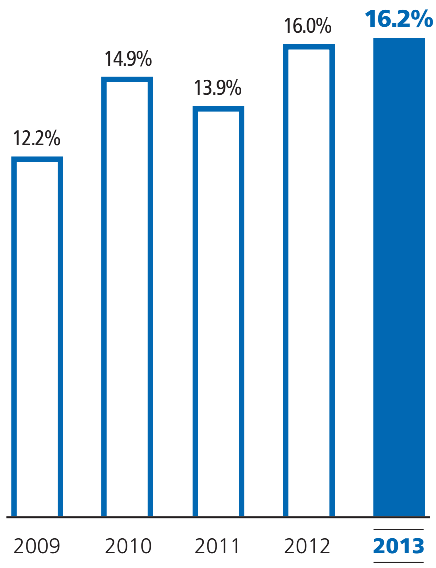


3.6 CASH FLOW AND BALANCE SHEET

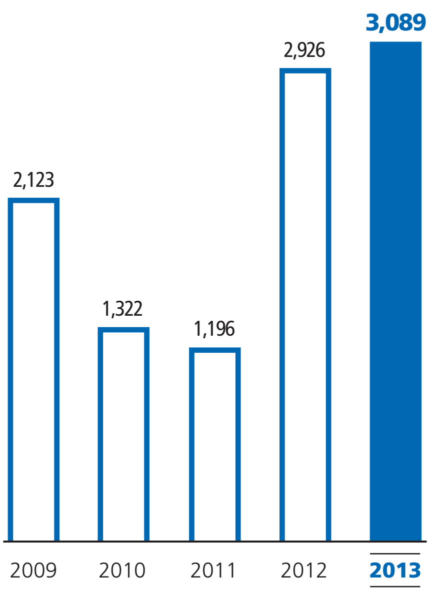
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES [(1)]
(in € million)



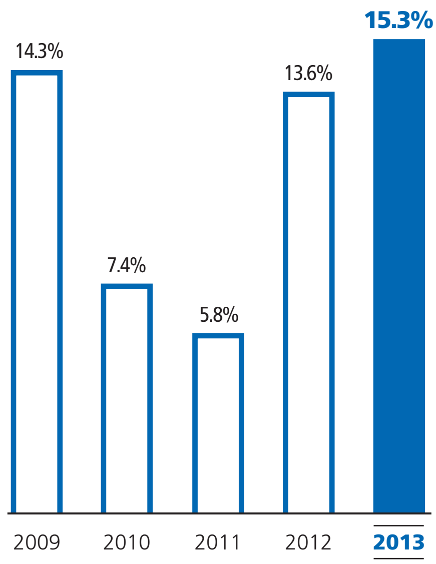
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES [(1)]
(as a % of net sales)



CASH FLOWS FROM OPERATING ACTIVITIES
(in € million)

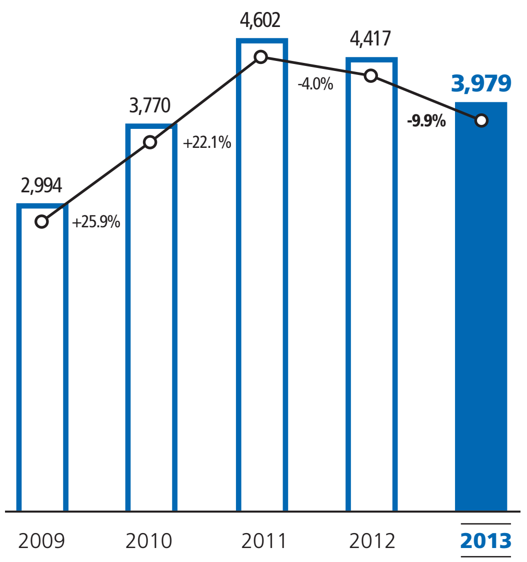


CASH FLOWS FROM OPERATING ACTIVITIES
(as a % of net sales)

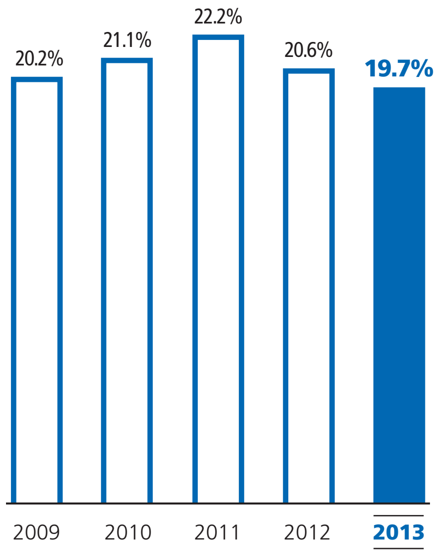


(1) This indicator is defined in note 3.7.2 to the consolidated financial statements.

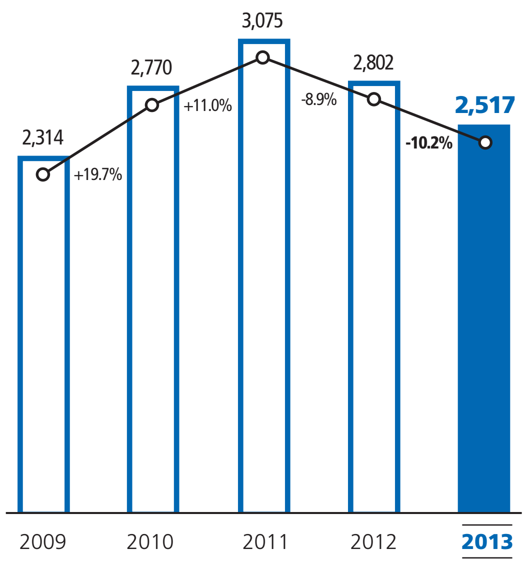
INVENTORIES
(in € million)



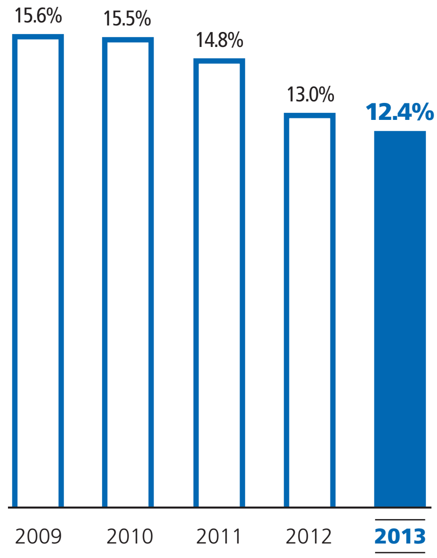
INVENTORIES
(as a % of net sales)



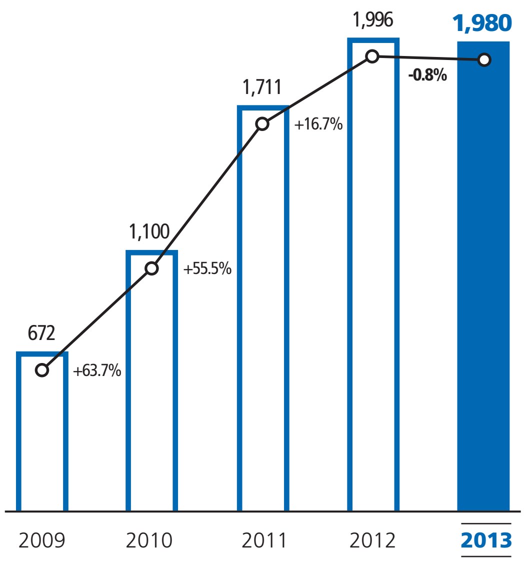
TRADE RECEIVABLES
(in € million)



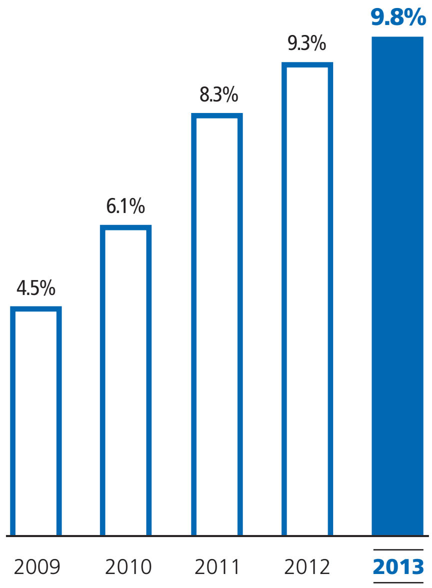
TRADE RECEIVABLES
(as a % of net sales)



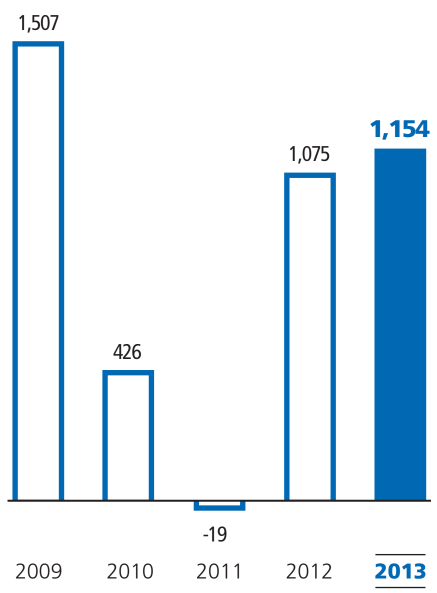
CAPITAL EXPENDITURE
(in € million)



CAPITAL EXPENDITURE
(as a % of net sales)

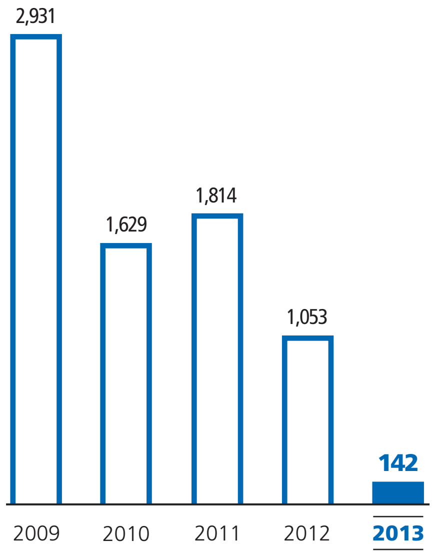


FREE CASH FLOW [1] (AFTER CAPITAL EXPENDITURE AND BEFORE PAYMENT OF DIVIDENDS)
(in € million)

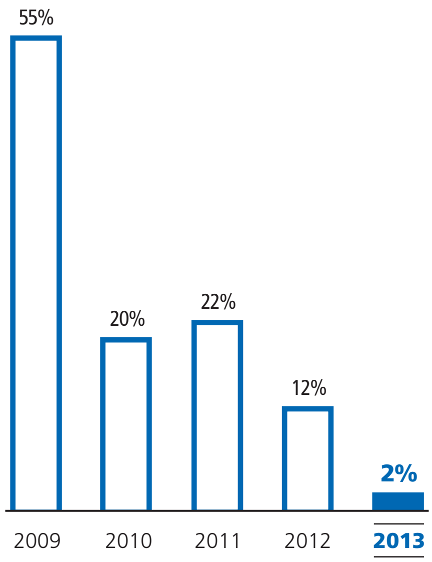


(1) This indicator is defined in section 3.4.8 of the present document.

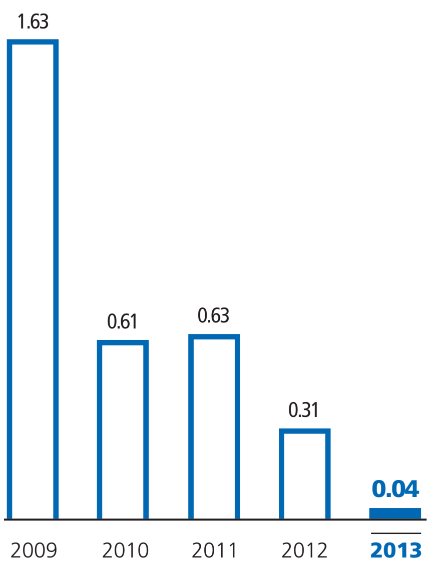
NET DEBT [1]
(in € million)



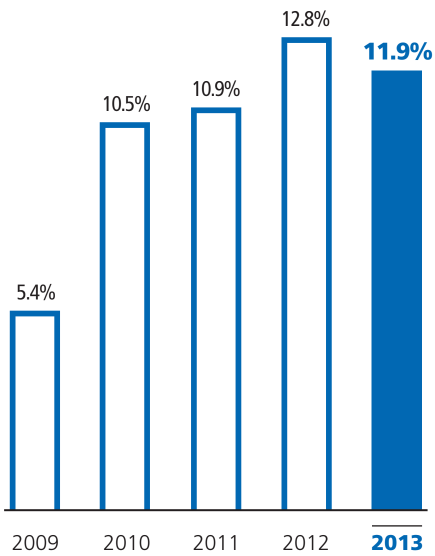
NET DEBT [1]-TO-EQUITY RATIO



NET DEBT [1]-TO-EBITDA [2] RATIO



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 3.6 of the present document.

3.7 CONSOLIDATED KEY FIGURES AND RATIOS

(in € million)	**2013**	**2012**	**2011**	**2010**	**2009**
Net sales	20,247	21,474	20,719	17,891	14,807
% change	-5.7%	+3.6%	+15.8%	+20.8%	-9.8%
Total employee benefit costs	5,292	5,377	5,021	4,836	4,515
as a % of sales	26.1%	25.0%	24.2%	27.0%	30.5%
Number of employees (full time equivalent)	105,700	107,300	108,300	105,100	102,700
Research and development expenses	643	622	592	545	506
as a % of sales	3.2%	2.9%	2.9%	3.0%	3.4%
EBITDA before non-recurring income and expenses [(1)]	3,285	3,445	2,878	2,660	1,802
Operating income before non-recurring income and expenses	2,234	2,423	1,945	1,695	862
Operating margin before non-recurring income and expenses	11.0%	11.3%	9.4%	9.5%	5.8%
Operating income	1,974	2,469	1,945	1,945	450
Operating margin	9.7%	11.5%	9.4%	9.5%	3.0%
Cost of net debt	94	155	206	236	262
Other financial income and expenses	(15)	(22)	236	10	10
Income before taxes	1,702	2,307	1,996	1,498	207
Income tax	575	736	534	449	103
Effective tax rate	33.8%	31.9%	26.8%	30.0%	49.8%
Net income	1,127	1,571	1,462	1,049	104
as a % of sales	5.6%	7.3%	7.1%	5.9%	0.7%
Dividends [(2)]	438	378	314	147	145
Cash flows from operating activities	3,089	2,926	1,196	1,322	2,123
as a % of sales	15.3%	13.6%	5.8%	7.4%	14.3%
Gross purchases of intangible assets and PP&E	1,980	1,996	1,711	1,100	672
as a % of sales	9.8%	9.3%	8.3%	6.1%	4.5%
Net debt [(3)]	142	1,053	1,814	1,629	2,931
Equity	9,256	8,501	8,101	8,127	5,495
Gearing	2%	12%	22%	20%	55%
Net debt [(3)]/EBITDA [(1)]	0.04	0.31	0.63	0.61	1.63
Cash flows from operating activities/Net debt [(3)]	NM	277.9%	65.9%	81.2%	72.4%
Net interest charge average rate [(4)]	NM	11.0%	9.6%	6.3%	6.2%
Operating income before non-recurring items/ Net interest charge [(4)]	15.7	14.2	9.2	9.1	3.5
Free cash flow [(5)]	1,154	1,075	(19)	426	1,507
ROE [(6)]	12.2%	18.5%	18.1%	12.9%	1.9%
ROCE [(7)]	11.9%	12.8%	10.9%	10.5%	5.4%

(in € million)	2013	2012	2011	2010	2009
Per share data *(in €)*					
Net assets per share (8)	49.8	46.6	45.9	46.0	37.2
Basic earnings per share (9)	6.08	8.62	8.14	6.78	0.69
Diluted earnings per share (9)	5.98	8.41	7.97	6.64	0.69
Price-earnings ratio (10)	12.7	8.3	5.6	7.9	77.7
Dividend for the year	2.50*	2.40	2.10	1.78	1.00
Pay-out ratio (11)	35.0%	28.7%	30.0%	30.0%	140.8%
Yield (12)	3.2%	3.4%	4.6%	3.3%	1.9%
Share turnover rate (13)	99%	129%	180%	188%	199%

(1) As defined in note 3.7.2 to the 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 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 3.4.8.

(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 3.6.

(8) Net assets per share: net assets/number of shares outstanding at the end of the period.

(9) 2009 earnings per share have been restated to take into account the impact of the October 2010 rights issue.

(10) P/E: Share price at the end of the period/basic earnings per share.

(11) Distribution rate: Dividend/Net income excluding non-recurring items.

(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.

** Dividend proposed to the Shareholders at the May 16, 2014 Annual General Meeting.*

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 5,222 shares owned as of December 31, 2013 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 SA. Joined Michelin in 2005 as Chief Financial Officer and member of the Executive Council, then Non-General Managing Partner in 2007. **Business address:** 23, place des Carmes Déchaux 63000 Clermont-Ferrand France	**Chief Executive Officer** **2009 – 2010 – 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* *(from May 2009)* **2012** Managing Partner of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM) Director of Groupe SEB* Director of Saint-Gobain* **2013** Managing Partner of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM) Director of Groupe SEB* *(until May 2013)* Director of Saint-Gobain*

* *Listed company.*

4.1.2 SUPERVISORY BODIES

4.1.2 a) Presentation

As of December 31, 2013, the Supervisory Board comprised 8 members (7 of whom were qualified as independent), who were elected for 4-year terms.

At the May 17, 2013 Annual Meeting, shareholders re-elected 2 of the Board's members (Barbara Dalibard and Louis Gallois) and elected 4 new members (Anne-Sophie de La Bigne, Olivier Bazil, Jean-Pierre Duprieu and Michel Rollier) for terms of between 2 and 4 years, to replace Éric Bourdais de Charbonnière (Board Chairman), François Grappotte, Benoît Potier and Pierre Michelin.

In addition, Louis Gallois tendered his resignation as Supervisory Board member to the Chairman of the Board on February 11, 2014.

Mr. Gallois indicated that the evolution of his activities resulted in a charge to the extent that he was no longer able to pursue his commitment to Michelin as intensely as he would like.

This decision does not call into question the findings of the 2013 review of his independence as a member of the Board.

The main roles and responsibilities of Michelin's Supervisory Board were extended and approved at the May 13, 2011 Annual Shareholders Meeting and are as follows:

- overseeing and assessing the quality of the Company's management;
- expressing an opinion on major projects concerning capital expenditure, commitments, acquisitions and asset disposals;
- expressing an opinion on the election, re-election or removal from office of Managing Partners and on the Chief Executive Officer's compensation.

The Board has 2 specialized committees – the Audit Committee and the Compensation and Appointments Committee.

A summary of the work carried out by the Supervisory Board and its Committees in 2013 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 below.

4.1.2 b) Terms of office of Supervisory Board members at December 31, 2013

In order to effectively stagger Supervisory Board members' terms of office, shareholders at the Annual Meeting of May 17, 2013 resolved to amend the Company's bylaws and elected 4 new Board members for terms of 2, 3 and 4 years.

Name	First elected/ re-elected (1)	Current term expires (2)	Independent (3)
Olivier Bazil	May 17, 2013	2017	Yes
Pat Cox	May 20, 2005	2010	
	May 7, 2010	2014	Yes
Barbara Dalibard	May 16, 2008	2013	
	May 17, 2013	2015	Yes
Anne-Sophie de La Bigne	May 17, 2013	2016	Yes
Jean-Pierre Duprieu	May 17, 2013	2016	Yes
Louis Gallois (4)	May 16, 2008	2013	
	May 17, 2013	2015 (4)	Yes
Laurence Parisot	May 20, 2005	2010	
	May 7, 2010	2014	Yes
Michel Rollier (Chairman)	May 17, 2013	2017	No

(1) Members were elected for 5-year terms prior to the Annual Shareholders Meeting of May 15, 2009, when the bylaws were amended in order to reduce the term to 4 years for members elected or re-elected after that date.

(2) The terms of Board members elected in 2013 range from 2 to 4 years (see the first, eighth, ninth, tenth, eleventh, twelfth and thirteenth resolutions of the May 17, 2013 Annual Shareholders Meeting).

(3) Based on the criteria set in the Supervisory Board's internal rules, which correspond to those prescribed in the AFEP/MEDEF Corporate Governance Code for listed companies.

(4) Resigned on February 11, 2014.

4.1.2 c) Members of the Supervisory Board since May 17, 2013

	Directorships and other positions held
OLIVIER BAZIL Born in 1946 – French national 1,010 shares owned as of December 31, 2013 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 Committee and Nominating and Compensation Committee. He is a graduate of HEC and holds an MBA from Harvard Business School. 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. **Business address:** Legrand 128, avenue de Lattre de Tassigny 87000 Limoges France	**Independent Member** **Chairman of the Audit Committee** **2009 – 2011** Vice-Chairman of the Board of Directors and Chief Operating Officer of Legrand **2012** Director of Firmenich International SA and Chairman of its Audit Committee Member of the Supervisory Board of La Société Civile du Château Palmer Chairman of Fritz SAS Director of Vallourec and Chairman of its Audit Committee **2013** Director of Legrand* and a Member of Legrand's Strategy Committee and Nominating and Compensation Committee Director of Firmenich International SA and Chairman of its Audit Committee Member of the Supervisory Board of La Société Civile du Château Palmer Chairman of Fritz SAS Director of Vallourec* and Chairman of its Audit Committee

** Listed company.*

	Directorships and other positions held
PAT COX Born in 1952 – Irish national 259 shares owned as of December 31, 2013 First elected: May 20, 2005 Current term expires: 2014 **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 the European Parliament Former Members Association and European Coordinator for the Scandinavian-Mediterranean Corridor transportation infrastructure project. **Business address:** 7 Maretimo Gardens East Blackrock County Dublin Ireland	**Independent Member** **Member of the Compensation and Appointments Committee** **2009** President of the European Movement International Member of the Board of Trustees of the International Crisis Group 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 Member of the Pfizer Europe Advisory Council Director of Tiger Developments Europe Member of the APCO Worldwide International Advisory Council **2010 – 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
BARBARA DALIBARD Born in 1958 – French national 485 shares owned as of December 31, 2013 First elected: May 16, 2008 Current term expires: 2015 **Experience:** Since January 2010 Barbara Dalibard is Chief Executive Officer of SNCF Voyages. Before joining SNCF Voyages, she was a Member of France Telecom's 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, bureaux du CNIT 2, place de La Défense 92800 Puteaux France	**Independent Member** **2009** Member of the France Télécom Group Management Committee Chairman and Chief Executive Officer of Equant Director of Globecast Holding Member of the Supervisory Board of Wolters Kluwer *(from April 21, 2009)* **2010 – 2011** Chief Executive Officer of SNCF Voyages Chairman of Voyages-SNCF.com SAS Chairman of VFe commerce SAS Chairman of SNCF Voyages Développement SAS Director of Nuovo Trasporto Viaggiatori SpA (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 SpA (NTV) Member of the Supervisory Board of Wolters Kluwer Director of Eurostar International Limited

	Directorships and other positions held
ANNE-SOPHIE DE LA BIGNE Born in 1960 – French national 903 shares owned as of December 31, 2013 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 (formerly EADS)* 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 GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales) and from 2006 to 2007, she was Head of Export Support – Senior Manager in EADS' Public Affairs Division, where she was responsible for EADS' international corporate relations. **Business address:** Airbus Group 37, boulevard de Montmorency 75016 Paris France	**Independent Member** **Member of the Audit Committee** **2009 – 2013** No other directorships
JEAN-PIERRE DUPRIEU Born in 1952 – French national 510 shares owned as of December 31, 2013 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 France	**Independent Member** **Member of the Audit Committee** **2009 – 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)*
LOUIS GALLOIS Born in 1944 – French national 311 shares owned as of December 31, 2013 First elected: May 16, 2008 Term of office theorically ends: 2015 Mr. Gallois resigned on February 11, 2014 **Experience:** Since June 2012, Louis Gallois has held the position of General Commissioner for Investment reporting to the French Prime Minister. Prior to this appointment he served as Chief Executive Officer of EADS and Chairman of SNCF and held various positions in the aeronautics industry as well as in France's Economy and Finance Ministry, Research and Industry Ministry and Defense Ministry. **Business address:** French General Commissioner for Investment Hôtel Cassini 32, rue de Babylone 75007 Paris France	**Independent Member** **2009 – 2012** Director of École Centrale des Arts et Manufactures Chairman of the Board of Directors of Universcience Partenaires Endowment Fund (formerly Fondation Villette-Entreprises) Chairman of the Association "La Fabrique de l'Industrie" *(since September 2011)* Executive Chairman of EADS NV* *(until May 31, 2012)* Member of the Executive Committee of EADS NV* Chairman of the Board of EADS Astrium NV *(until May 31, 2012)* Chairman of the Airbus Shareholders Committee *(until May 31, 2012)* **2013** Member of the Supervisory Board of Peugeot SA* (since February 2013) Director of École Centrale des Arts et Manufactures Chairman of the Board of Directors of Universcience Partenaires Endowment Fund Chairman of the Association "La Fabrique de l'Industrie"

* *Listed company.*

	Directorships and other positions held
LAURENCE PARISOT Born in 1959 – French national 521 shares owned as of December 31, 2013 First elected: May 20, 2005 Current term expires: 2014 **Experience:** Laurence Parisot was Chief Executive Officer of the Institut Louis Harris France polling organization from 1986 to 1990, and Chairman of Optimum from 1990 to March 2006. She has been Chairman and Chief Executive Officer of Institut français de l'opinion publique (IFOP) since 1990. Laurence Parisot was also President of France's Employers Federation (MEDEF) from July 2005 to July 2013. **Business address:** Groupe IFOP Immeuble Millénaire 2 35, rue de la Gare 75019 Paris France	**Independent Member** **Chairman of the Compensation and Appointments Committee** **2009 – 2012** Vice-Chairman of the Management Board of IFOP Director of BNP Paribas* Director of Coface SA* President of MEDEF **2013** Vice-Chairman of the Management Board of IFOP Director of BNP Paribas* Director of Coface SA* Honorary President of MEDEF *(since July 2013)* Member of the Supervisory Board of FIVES *(since June 2013)*
MICHEL ROLLIER Born in 1944 23,281 shares owned as of December 31, 2013 First elected: May 17, 2013 Current term expires: 2017 **Experience:** Michel Rollier is currently Chairman of the Plateforme de la Filière Automobile and a member of the AFEP/MEDEF High Committee on Corporate Governance. He began his career at Aussedat-Rey (a Member 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, non-executive member** **2009 – 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 SA **2013** Director of Lafarge* Chairman of the Board of Directors of Siparex Associés Chairman of the Supervisory Board of Somfy*

* *Listed company.*

4.1.2 d) Members of the Supervisory Board from January 1 to May 17, 2013

	Directorships and other positions held
ÉRIC BOURDAIS DE CHARBONNIÈRE Born in 1939 – French national **Experience:** After 25 years with JP Morgan, where he notably served as the bank's Chief Executive Officer for France, Éric Bourdais de Charbonnière became Michelin's Chief Financial Officer in 1990, a position he held until his retirement in 1999. He was Chairman of Michelin's Supervisory Board between 2000 and 2013. **Personal address:** 19, quai aux Fleurs 75004 Paris France	**Chairman of the Supervisory Board** **Independent Member** **Member of the Audit Committee** **2009** Member of the Supervisory Board of Oddo et Cie Member of the Board of Directors of Thomson SA Member of the Supervisory Board of ING Group *(until April 27)* **2010 – 2013** Member of the Supervisory Board of Oddo et Cie Director of Faurecia* *(from February 8, 2010)* Director of Associés en Finance
PAT COX	See section 4.1.2 c) above
BARBARA DALIBARD	See section 4.1.2 c) above
LOUIS GALLOIS	See section 4.1.2 c) above

* *Listed company.*

	Directorships and other positions held
FRANÇOIS GRAPPOTTE Born in 1936 – French national **Experience:** After serving for 20 years as Chief Executive Officer of Legrand, François Grappotte was appointed non-executive Chairman in 2004 and Honorary Chairman on March 17, 2006. **Business address:** Legrand 128, avenue de Lattre de Tassigny 87045 Limoges France	**Independent Member** **Chairman of the Audit Committee** **2008 – 2009** Honorary Chairman of Legrand Director of BNP Paribas **2010 – 2011** A Director and Honorary Chairman of Legrand Director of BNP Paribas **2012 – 2013** Director and Honorary Chairman of Legrand*
PIERRE MICHELIN Born in 1949 – French national **Experience:** After holding various positions within Philips' IT Department, Pierre Michelin moved to Groupe Bull, where he currently heads India Development. Since 2003, he has also lectured on information systems technology at the Reims Management School (RMS) in France. **Business address:** Bull rue Jean-Jaurès BP68 – 78340 Les Clayes-sous-Bois France	**Independent Member** **Member of the Audit Committee** **2009 – 2013** No other directorships
LAURENCE PARISOT	See section 4.1.2 c) above
BENOÎT POTIER Born in 1957 – French national **Experience:** During a 30-year career with Air Liquide, Benoît Potier has successively held the positions of Chief Executive Officer (from 1997 to November 2001), Chairman of the Executive Board (from November 2001 to May 2006) and Chairman and Chief Executive Officer (since May 2006). **Business address:** Air Liquide 75, quai d'Orsay 75321 Paris Cedex 07 France	**Independent Member** **Member of the Audit Committee** **2009** Chairman and Chief Executive Officer of Air Liquide, Air Liquide International, American Air Liquide, Inc. and Air Liquide International Corporation Chairman of American Air Liquide Holdings, Inc. Chairman of the Air Liquide Foundation Chairman of the Audit Committee and a Director of Groupe Danone Director of École Centrale des Arts et Manufactures Member of the French Council of Insead Director of ANSA Member of the Board of Directors of AFEP Director of Cercle de l'industrie **2010** Chairman and Chief Executive Officer of Air Liquide, Air Liquide International and Air Liquide International Corporation Director of American Air Liquide Holdings, Inc. Chairman of the Air Liquide Foundation Chairman of the Audit Committee and a Director of Groupe Danone Director of École Centrale des Arts et Manufactures Member of the French Council of Insead Director of ANSA Member of the Board of Directors of AFEP Director of Cercle de l'industrie Vice-President of the European Round Table of Industrialists *(since May 2010)* **2011 – 2013** Chairman and Chief Executive Officer of Air Liquide*, Air Liquide International and Air Liquide International Corporation Chairman of American Air Liquide Holdings, Inc. Chairman of the Air Liquide Foundation Director of Groupe Danone* Director of École Centrale des Arts et Manufactures Member of the French Council of Insead Director of ANSA Member of the Board of Directors of AFEP Director of Cercle de l'industrie Vice-President of the European Round Table of Industrialists Director of "La Fabrique de l'Industrie" *(since October 2011)*

* *Listed company.*

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. General Partners 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 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 falls vacant, SAGES will take on the Managing Partner's role for an interim period and will be responsible for calling an Extraordinary Shareholders Meeting to elect a new Managing Partner.

As well as taking on unlimited liability for the Company's debts, in its capacity as General Partner, SAGES' responsibilities include (i) making recommendations to Shareholders Meetings concerning the election of new Managing Partners of CGEM and (ii) re-appointing Managing Partners or removing them from office (with the sole endorsement 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 3 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.

The Chairman and sole executive officer of SAGES is Jacques d'Armand de Chateauvieux, whose biography is provided below.

JACQUES D'ARMAND DE CHATEAUVIEUX
Born February 13, 1951
No CGEM shares held directly
190,787 shares held by SAGES
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

2009
Chairman and Chief Executive Officer of Bourbon
Chairman of Cana Tera SAS
Chairman and Managing Director of Jaccar Holdings SA (Luxembourg)
Chairman of Sapmer SA
Chairman of the Supervisory Board of AXA
Director of Sinopacific Shipbuilding Group (China)
Director of Innodis Ltd (Mauritius)
Director of Financière du Pladen
Non-voting Director of CBo Territoria SA

2010
Chairman and Chief Executive Officer of Bourbon
Chairman of Cana Tera SAS
Chairman and Managing Director of Jaccar Holdings SA (Luxembourg)
Chairman of Sapmer SA
Director of AXA
Director of Sinopacific Shipbuilding Group (China)
Director of Sinopacific Offshore and Engineering (China)
Director of Innodis Ltd (Mauritius)
Director of Piriou SAS
Director of Eitzen Ethylene Carrier (Norway)
Non-voting Director of CBo Territoria SA

2011
Chairman of Bourbon
Chairman of Cana Tera SAS
Chairman and Managing Director of Jaccar Holdings SA (Luxembourg)
Chairman of Sapmer SA
Director of AXA
Director of Sinopacific Shipbuilding Group (China)
Director of Sinopacific Offshore and Engineering (China)
Director of Piriou SAS
Director of Evergas (Denmark)
Non-voting Director of CBo Territoria SA

2012
Chairman of Bourbon*
Chairman of Cana Tera SAS
Chairman and Managing Director of Jaccar Holdings SA (Luxembourg)
Chairman of Sapmer SA
Chairman and a Director of Greenship Holdings (Singapore)
Director of Sinopacific Shipbuilding Group (China)
Director of Piriou SAS
Non-voting Director of CBo Territoria SA

2013
Chairman of Bourbon*
Chairman of Cana Tera SAS
Chairman and Managing Director of Jaccar Holdings SA (Luxembourg)
Chairman of Sapmer SA
Chairman and a Director of Greenship Holdings (Singapore)
Director of Sinopacific Shipbuilding Group (China)

* *Listed company.*

4.1.5 STATEMENTS

There are no family relationships between any of the Supervisory Board members, Michelin's Chief Executive Officer 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 5 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 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 within a certain period of time of their Michelin shares, 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 (SCA).

This partnership model offers 3 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 2 partner categories:

The limited partners or shareholders, which 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, which 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 2 General Partners: Jean-Dominique Senard, 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, who, in accordance with the bylaws, holds the position of Chief Executive Officer. The current Chief Executive Officer is Jean-Dominique Senard whose biography is provided in section 4.1.1 above.

Candidates for election as Managing General Partner are proposed by the Non-Managing General Partner, SAGES (see section 4.1.4) based on the recommendation of the Supervisory Board. They are elected for a 4-year term by shareholders in an Extraordinary Meeting. Decisions to re-appoint Managing Partners for a further 4-year term or remove them from office may be taken directly by the Non-Managing General Partner, with the endorsement of the Supervisory Board.

As provided for in the bylaws, Supervisory Board members may only be elected by shareholders, without SAGES or the Chief Executive Officer taking part in the vote, even if they hold Michelin shares.

A Managing General Partner may resign provided that (i) the decision is announced at least 6 months before the next Annual Shareholders Meeting and (ii) shareholders adopt an extraordinary resolution at that Meeting accepting the resignation.

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

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 Chief Executive Officer is assisted by an 11-member Executive Committee currently comprising:

- **François Corbin,** Director of Geographic Zones.
- **Éric de Cromières,** Director of Commercial Performance. He supervises the dealership networks (Euromaster and TCI), Michelin Solutions and the Supply Chain and Logistics Performance Department.
- **Claire Dorland-Clauzel,** Director of Communication and Brands. She supervises the Group Public Affairs Department, Michelin Travel Partner and Michelin Lifestyle Limited.
- **Terry Gettys,** Director of Research and Development.
- **Jean-Christophe Guérin,** Director of the Materials Product Line. He supervises the Group Purchasing Department.
- **Jean-Michel Guillon,** Director of Personnel. He supervises the Group Quality and Security Departments.
- **Marc Henry,** Chief Financial Officer.
- **Serge Lafon,** Director of the Truck Product Line.
- **Florent Menegaux,** Director of the Passenger car and Light truck Product Line. He supervises Motorsports and operations managed by Jean-Christophe Guérin.
- **Laurent Noual,** Director of Corporate Development. He supervises the Group Information Systems and Group Standards and Regulations Departments.
- **Bernard Vasdeboncoeur,** Director of Specialty Product Lines: Agricultural, Two-Wheel, Earthmover, Aircraft. He supervises the Prevention and Industrial Performance Department and operations managed by Serge Lafon.

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- and long-term Interests, particularly during times of volatile markets or economic crisis. It also means that the Chief Executive Officer is especially vigilant in relation to the 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 a General Partner without the prior approval of an Extraordinary Shareholders 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

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 is presented in section 4.5 below.

Members

In accordance with applicable law and the Company's bylaws, the Supervisory Board may have no less than 3 and no more than 10 members elected by the Annual Shareholders Meeting for a term of 4 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.

The Supervisory Board currently has 7 members: Michel Rollier (Chairman), Barbara Dalibard, Anne-Sophie de La Bigne, Laurence Parisot, Olivier Bazil, Pat Cox and Jean-Pierre Duprieu (Louis Gallois resigned on February 11, 2014).

Supervisory Board member biographies can be found in sections 4.1.2 c) and 4.1.2 d) 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, 2013 were first elected and the expiration dates of their current terms are shown in the table in section 4.1.2 b).

At the Supervisory Board meeting held on February 6, 2014, the Board members – some of whom were newly elected at the Annual Shareholders Meeting of May 17, 2013 – decided to amend the internal rules of the Board and its Committees in order to (i) factor in the new organization structure of the Board and its Committees and (ii) to update the rules with the provisions of the June 2013 version of the Corporate Governance Code for listed companies published by the AFEP and MEDEF (the "AFEP/MEDEF Code").

The main provisions of these internal rules, which set out the roles and practices of the Supervisory Board and its Committees, are provided below. The principal amendments that were made in February 2014 are described in the Chairman's report on the Board's work in section 4.5.

(1) Except when shorter periods are proposed in order to effectively stagger the terms of office of Supervisory Board members, as was the case for the 4 members elected for terms of 2 and 3 years at the May 17, 2013 Annual Shareholders Meeting (see section 4.1.2 b).

_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 Board receives regular information about the Group's strategy and outlook.

In compliance with the Board's internal rules, the Chief Executive Officer must present to the Board, prior to any decision, information about significant projects concerning capital expenditure, commitments, acquisitions and asset disposals.

In addition, in accordance with the internal rules of both the Board and the Compensation and Appointments Committee as well as with the Company's bylaws, the Supervisory Board is required to approve or, depending on the case, issue an opinion on decisions concerning (i) the election, re-election or removal from office of any Managing Partner, including the Chief Executive Officer and (ii) the compensation paid to any Managing Partner, including the Chief Executive Officer.

_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).

A Supervisory Board member is qualified as independent when he or she:

- is not currently and has not been during the last 5 years an employee or executive officer of the Company or any of its subsidiaries;
- 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;
- is not a customer, supplier or banker that is material for the Company or that derives a significant portion of its business from the Company;
- does not have any close family ties with the Chief Executive Officer;
- has not been an auditor of the Company in any of the past 5 years; and
- has not been on the Supervisory Board for more than 12 years.

The last criterion concerning the length of time that a member has served on the Board has been included since 2013 in the Supervisory Board's independence criteria and has been incorporated into the new internal rules of the Compensation and Appointments Committee.

As a result, the independence criteria applied are now exactly the same as those prescribed in the AFEP/MEDEF Code.

Based on these criteria, during 2013 and at the date this Registration Document was filed, all of the Board's members were classified as independent except Michel Rollier as he has been an executive officer of the Company within the last 5 years. The table in section 4.1.2 b) above states whether or not each Supervisory Board member is considered as independent.

See the report of the Chairman of the Supervisory Board on the Board's work in section 4.5 below for further details on the independence review process.

_Supervisory Board practices

Regular presentations are made to the Supervisory Board by the Chief Executive Officer or by other executives or internal or external experts, to enable the Board to fulfill its oversight role. They include:

- analyses of the Group's results;
- reviews of strategic roadmaps and important projects;
- risk analyses, covering all types of risks;
- presentations of any other issues that are critical to understanding the Group's strategy, business and outlook, as well as its markets and competitive environment.

In order to afford the Supervisory Board optimum visibility on the Group's operations, 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.

_Supervisory Board self-assessments

The Chairman carries out an annual assessment of the Supervisory Board's practices, and an agenda item of one Board meeting each year is devoted to discussing the issue.

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

The Supervisory Board is assisted in its oversight role by 2 Committees.

4.2.2 b) Audit Committee

In February 2014 the Board updated the Audit Committee's internal rules, the main provisions of which are set out below.

_Members

The Audit Committee has at least 3 members appointed for their full term as Supervisory Board members. At least 2/3 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 Committee and Nominating and Compensation Committee. He is also a Director of Vallourec, Chairman of Vallourec's Audit Committee and a Member of its Strategy Committee.
  Mr. Bazil is a graduate of HEC and holds an MBA from Harvard Business School. 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.
- 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 SA 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 5 years based in Tokyo, Japan.
Mr. Duprieu holds a masters 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 (formerly EADS).
  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 GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales) and from 2006 to 2007, she was Head of Export Support – Senior Manager in EADS' Public Affairs Division, where she was responsible for EADS' international corporate relations.

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 3 members have a deep understanding of financial and accounting matters.

A description of the work conducted by the Audit Committee in 2013 is provided in the Chairman's report in section 4.5.1 j) below.

_Role and responsibilities

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 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 programs for the audits carried out by the Audit and Risk Management Department, 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.

_Committee practices

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

For the purpose of carrying out its work, the Committee is presented with the report of the Head of Audit and Risk Management, and can ask the Chief Financial Officer or other Group executives or unit heads to attend its meetings. It may also call on the services of independent experts.

The Committee's members meet 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

Up until the election and re-election of a significant number of Supervisory Board members at the Annual Shareholders Meeting on May 17, 2013, the Compensation Committee was led by the Chairman of the Supervisory Board and comprised all of the Board's members. The Compensation Committee also dealt with matters relating to appointments and nominations.

As part of the review of the Supervisory Board's duties that took place in the second half of 2013 (as described in the Chairman's report in section 4.5.1 d), the Board decided to set up a new committee called the Compensation and Appointments Committee.

The members of this newly formed Committee are Laurence Parisot (Committee Chairman and independent Member), Pat Cox (independent Member) and Michel Rollier (non-executive, non-independent Member).

- Laurence Parisot was born in 1959 and is a French national. She is Vice-Chairman of the Management Board of IFOP, a Director of BNP Paribas, a Director of Coface SA, and a Member of the Supervisory Board of FIVES.
  She was Chief Executive Officer of the Institut Louis Harris France polling organization from 1986 to 1990, and Chairman of Optimum from 1990 to March 2006. She has been Chairman and Chief Executive Officer of Institut français de l'opinion publique (IFOP) since 1990. Ms. Parisot was also President of France's Employers Federation (MEDEF) from July 2005 to July 2013.
- Pat Cox, was born in 1952 and is 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 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.

Mr. Rollier is a graduate of the Institut d'Études Politiques de Paris (IEP) and holds an MA in Law. He began his career at Aussedat-Rey (a Member 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.

The internal rules of the Compensation and Appointments Committee were unanimously approved by the members of the Supervisory Board at the Board meeting on February 6, 2014. The main provisions of these rules are set out below.

_Role and responsibilities

The Compensation and Appointments Committee's is responsible for overseeing:

- the 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.

The Committee is also tasked with examining the independent status of Supervisory Board members based on the criteria in the AFEP/MEDEF Code, in preparation for the Board meeting during which the independence of its members is formally assessed.

In addition, the Committee Chairman participates in the assessment of the Board's practices that is carried out annually by the Chairman of the Supervisory Board through individual meetings with each Board member.

Lastly, each year the Compensation and Appointments Committee reviews all of the amounts due, paid or payable for the previous year to the Chief Executive Officer, *i.e.* his fixed compensation, profit shares and fringe benefits. As part of this annual review, the Committee particularly verifies that all of the sums paid or allocated to the Chief Executive Officer are proportionate and consistent in terms of (i) the Group's performance, and (ii) industry and market practices. The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced, by (i) assessing the amount of the variable portion of his compensation (profit-share allocation) in relation to his fixed compensation, and (ii) ensuring that his profit shares never exceed a reasonable percentage of his fixed compensation.

In addition to working on this review process and issuing the corresponding recommendations for the Board, the Committee prepares and submits to the Board 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.

The Compensation and Appointments Committee's responsibilities also include making recommendations concerning nominations and appointments, executive career development plans and succession plans.

_Committee practices

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

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 on the work performed by the Compensation and Appointments Committee is provided in the Chairman's report in section 4.5.1 k) below.

4.2.3 A NON-MANAGING GENERAL PARTNER, GUARANTEEING THE COMPANY'S LONG-TERM VIABILITY – SAGES (1)

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. General Partners 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 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 falls vacant, SAGES will take on the Managing Partner's role for an interim period and will be responsible for calling an Extraordinary Shareholders Meeting to elect a new Managing Partner.

As well as taking on unlimited liability for the Company's debts, in its capacity as General Partner, SAGES' responsibilities include (i) making recommendations to Shareholders Meetings concerning the election of new Managing Partners and (ii) re-appointing Managing Partners or removing them from office (with the sole endorsement 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 3 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) See section 4.1.4 for a biography of SAGES' Chairman.

4.3 MANAGEMENT AND SUPERVISORY BOARD COMPENSATION

The data and tables in this section:

- have been prepared in accordance with the June 16, 2013 revised version of the AFEP/MEDEF Code;
- comply with AMF recommendations 2012-02, 2012-14 and 2013-15 contained in the AMF's 2012 and 2013 annual reports on corporate governance, executive compensation and internal control in listed companies, as well as with AMF recommendation 2009-16 as amended on December 17, 2013, 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	2012	2013
Compensation due for the year (see table 4.3.1.b for details)	2,106,856	2,106,881
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
TOTAL	**2,106,856**	**2,106,881**
Reference CGEM consolidated net income	*1,570,555,230*	*1,127,444,560*

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

Jean-Dominique Senard, Chief Executive Officer and General Partner with unlimited personal liability for the Company's debts	2012		2013	
	Due	Paid	Due	Paid
Fixed compensation (1)	900,000	900,000	900,000	900,000
Variable compensation	1,200,000 (2)	1,200,000 (3) (4)	1,200,000 (5)	1,200,000 (2)
Long-term incentive bonus	0	0 (4)	0	0
Exceptional compensation	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefit (car)	6,856	7,699	6,881	6,856
TOTAL	**2,106,856**	**2,107,699**	**2,106,881**	**2,106,856**
Reference CGEM consolidated net income	*1,570,555,230*	*1,462,140,000*	*1,127,444,560*	*1,570,555,230*

(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 €200,000 from CFM. These amounts – corresponding to profit shares allocated in accordance with the bylaws of CFM and CGEM – are entirely variable as they were contingent on the profit generated by CFM and CGEM in 2012.

(3) Entirely variable profit shares contingent on profit generated in 2011. Paid by CGEM following approval of the related resolution at the 2012 Annual Shareholders Meeting.

(4) Mr. Senard waived the variable compensation and long-term incentive bonus he was entitled to receive in 2012 as a Non-General Managing Partner of CGEM for the period from January 1, 2011 until the May 13, 2011 Annual Shareholders Meeting.

(5) This is an estimated amount, proportional to 2013 consolidated earnings, that is proposed with the endorsement of the Supervisory Board. It is subject to i) approval of the share of profits by CGEM shareholders at the next Annual Meeting on May 16, 2014, and ii) approval by the Company's other General Partner, SAGES. It includes the estimated €50,000 corresponding to the share of the 2013 profits of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM), a controlled entity, that is payable by CFM in accordance with its bylaws, subject to approval by its shareholders at the 2014 Annual Meeting. This profit share is entirely variable to the extent that it depends on CFM's profit for 2013.

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 2013 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 option (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	-	0	-

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 81,400 performance share rights granted on November 29, 2013 pursuant to the authorization given at the May 13, 2011 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 shares 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) [(2)]

	Plan No. and date	Number of performance shares whose sale restrictions were lifted during the year	Vesting conditions
Jean-Dominique Senard	-	0	-

(1) See also the Special Report and the details of current plans as presented in the table in section 5.5.4 concerning stock options.
(2) See also the Special Report and the details of current plans as presented in the table in section 5.5.5 concerning performance shares.

4.3.1 h) Past awards of stock options (based on Table 8 in the AFEP/MEDEF Code)

See the table in section 5.5.4 below.

4.3.1 i) Employment contracts, supplementary pension benefits and other benefits (based on Table 10 in the AFEP/MEDEF Code)

	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 clause consideration	
Executive officer	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 (1) Expiration of term of office: 2015		X	X (2)		X (3)		X (4)	

(1) Joined the Group in 2005; Non-General Managing Partner from 2007 to 2011; first elected as Managing General Partner at the 2011 Annual Shareholders Meeting.
(2) Defined benefit pension plan set up for senior executives of MFPM (see the paragraph entitled "Supplementary pension benefits" in section 4.3.2 below and the table on the Chief Executive Officer's compensation in section 4.3.3).
(3) Compensation for loss of office as 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 in the Company's strategy or control;*
- *representing a maximum amount of 2 years' worth of fixed and variable compensation (this cap includes any other benefits payable on termination of office such as non-compete clause consideration);*
- *subject to performance conditions defined by the Supervisory Board (See the paragraph entitled "Compensation for loss of office" in section 4.3.2 below and the table on the Chief Executive Officer's compensation in section 4.3.3).*

(4) Consideration 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;*
- *representing a maximum amount of 16 months' worth of his most recent aggregate compensation;*
- *capped, where appropriate, at the equivalent of 2 years' worth of 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).*
  (See the paragraph entitled "Non-compete clause" in section 4.3.2 below and the table on the Chief Executive Officer's compensation in section 4.3.3).

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 allocated to executive officers. Consequently, 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 2013, in accordance with the conditions provided for in the AFEP/MEDEF Code as well as in its implementation guidance published on January 12, 2014.

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.

Compensation

In the same way as it has done each year since 2007, the Compensation and Appointments Committee of CGEM's Supervisory Board has reviewed all of the components of the compensation due, paid or payable for 2013 to Mr. Senard, *i.e.* his fixed compensation awarded by MFPM, the profit shares allocated to him by CGEM and CFM as described above, and his fringe benefits (a company car). This process was incorporated into the bylaws as part of the amendments proposed by the Chief Executive Officer and approved at the Extraordinary Shareholders Meeting held on May 13, 2011. The purpose of the amendments was primarily to extend the powers of the Supervisory Board in reviewing the Managing Partners' compensation.

As part of this annual review, the Committee in particular verifies that all of the sums paid or allocated to the Chief Executive Officer are proportionate and consistent in terms of (i) the Group's performance, and (ii) industry and market practices.

The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced. To that end, the Committee (i) particularly assesses the variable portion of his compensation (profit-share allocation) in relation to his fixed compensation, and (ii) ensures that the aggregate amount of his profit shares does not exceed a reasonable percentage of his fixed compensation, in accordance with the recommendations in the AFEP/MEDEF Code.

The Compensation and Appointments Committee also factors into its assessment of the amounts of Mr. Senard's profit shares, (i) the intrinsic variability of earnings, (ii) earnings forecasts, and (iii) the very specific nature of the status of a General Partner who has unlimited joint and several personal liability for the Company's debts.

(1) At December 31, 2013, the Company had 2 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.

In early 2014, the Compensation and Appointments Committee and the Supervisory Board observed that in an environment shaped by uneven demand and stable sales volumes, Michelin performed very well in 2013, with:

- very strong free cash flow, at €1,154 million;
- the fourth straight year of value creation, with ROCE of 11.9%;
- structurally high operating income before non-recurring items, at €2,234 million, representing 11% of net sales and up €41 million at constant scope of consolidation and exchange rates;
- net debt scaled back to a historic low of €142 million, representing 2% of equity.

The Committee and the Board also reviewed the results of a comparative analysis performed by an independent firm based on a benchmark panel of comparable French industrial groups. This analysis showed that:

- Mr. Senard's compensation is significantly lower than that of the executive officers included in the benchmark panel;
- this difference is exacerbated by the fact that Mr. Senard does not have a long-term compensation component;
- Mr. Senard's entitlement under the group pension plan of which he is a member is considerably lower than market practices.

The Committee also noted that Mr. Senard's overall compensation had not increased since he was appointed as Managing General Partner in 2011 despite the fact that the Group recorded very good performances in both 2011 and 2012.

As a result, the Supervisory Board approved the recommendation put forward by the Compensation and Appointments Committee to offer Mr. Senard a significant increase in the fixed and variable components of his compensation as from 2013.

However, in light of the restructuring measures put in place within the Group in 2013, Mr. Senard refused to accept an increase in his compensation for 2013.

Based on the proposed allocation of profit shares between the 2 General Partners (Jean-Dominique Senard and SAGES), the compensation payable to Mr. Senard in 2014 for his duties as Chief Executive Officer and General Partner in 2013 would amount to €1,150,000.

Mr. Senard's compensation for 2013 would also include:

- the fixed compensation (€900,000) paid by MFPM for Mr. Senard's role as Non-General Managing Partner of that company in 2013 (see table in section 4.3.1 b), which was set on January 1, 2012 and has remained unchanged since that date;
- a share of the profits of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM) as provided for in that company's bylaws (and which has decreased to an estimated €50,000), due to Mr. Senard for 2013 for his duties as Managing General Partner of CFM (see the table in section 4.3.1 b).

Mr. Senard's total fixed and variable compensation due or paid for 2013 would therefore be on a par with that for 2012, at €2,100,000.

Based on the findings of the Compensation and Appointments Committee's analysis as described above, the Supervisory Board approved the aggregate amount of compensation due or paid to Jean-Dominique Senard for 2013.

Fringe benefit

Mr. Senard had the use of a company car in 2013 (see table in section 4.3.1 b).

In 2013, Mr. Senard did not receive any attendance fees 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.

Supplementary pension benefits

Mr. Senard is not a member of any pension plan set up specifically for Managing Partners. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard is a member of the supplementary pension plan set up for MFPM senior executives, determined by reference to the fixed compensation paid to him by that company (reference compensation). The cost of this supplementary plan, which is not restricted to Managing Partners, is recognized as a liability in the balance sheet in accordance with IAS 19 – Employee Benefits. Its main characteristics are as follows:

- participants must have served for at least 5 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 for the 3 best years of compensation out of the last 5 years preceding the beneficiary's retirement);
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%.

To be entitled to benefits under this plan, Mr. Senard must end his career with MFPM as an executive employee or corporate officer, in accordance with Article L. 137-11 of the French Social Security Code.

Based on the general actuarial assumptions used to measure the Group's obligation in accordance with IAS 19, Mr. Senard's total benefit entitlement under the plans would represent a gross replacement rate of 11% of his reference compensation.

As this reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2013 (fixed compensation and variable profit share as stipulated in the bylaws), his actual gross replacement rate would be around one half of the above-mentioned replacement rate, and therefore well below the 45% ceiling recommended in the AFEP/MEDEF Code.

Compensation for loss of office

In accordance with Article 13 of the bylaws, as amended by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard is 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 were not due to gross misconduct he may 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 compensation paid would not exceed the equivalent of Mr. Senard's total compensation for the 2 years preceding the year of his removal from office.

In accordance with the internal rules of both the Compensation and Appointments Committee and the Supervisory Board, the Committee would transmit to the Supervisory Board its proposal relating to the determination and assessment of the performance criteria to be used for calculating the amount of the compensation payable.

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 2 years' compensation, as recommended in the AFEP/MEDEF Code.

Following his election as Managing General Partner of CGEM by the Shareholders Meeting of May 13, 2011, Mr. Senard resigned as an employee of MFPM, leading to the termination of his 2005 employment contract that had been suspended since 2007, and also resigned as Non-General Managing Partner of CGEM.

He did not receive any compensation or benefits as a result of these resignations.

_Non-compete clause

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 Managing General Partner.

If the Company were to decide to apply this non-compete clause, for a 2-year period 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 consideration referred to above, did not exceed the equivalent of the aggregate of his last 2 years' compensation, as recommended in the AFEP/MEDEF Corporate Governance Code.

_Long-term incentive bonuses (plan 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	05.14.2011 to 05.14.2016	05.19.2012 to 05.18.2017	-	04.30.2015 to 04.29.2019	-
Units exercised or incentive bonuses paid in 2013	0	0	0	0	0
Units or incentive bonuses cancelled/expired	0	0	0	0	0
Units or incentive bonuses outstanding at December 31, 2013	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 to **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, 2013 can be analyzed as follows:

- €360,511 theoretically payable to Mr. Senard in respect to the 2008 ILT, corresponding to the number of units multiplied by difference between the Michelin share price at December 31, 2013 (€77.25) and the exercise price of the ILT 2008 unit (€59.85);
- €118,968 in payroll taxes due by the Company upon payment of the 2008 ILT, estimated in accordance with current legislation;
- no payment is due in respect to the 2007 ILT because the unit exercise price (€87.85) exceeded the Michelin share price at December 31, 2013 (€77.25). As a result, no cash-settled liability has been recognized in the financial statements for the year.

Long-term incentive bonuses awarded between 2009 and 2011

The long-term incentive bonus awarded in **2009** was calculated on the basis of Mr. Senard's 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 euros, 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 will be 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, 2013 may be analyzed as follows:

- €368,034 theoretically payable to Mr. Senard, corresponding to the average amount, in euros, of the variable compensation paid to him in respect to 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;
- €345,952 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.

The 2010 ILT is the only long-term incentive bonus due since 2009 for the following reasons:

- in 2012, Mr. Senard **waived** his rights to his 2011 long-term incentive, whose amount had been calculated on the same basis as the 2010 ILT (the average amount, in euros, of the variable compensation paid to him in respect to 2009, 2010 and 2011);
- the ILT program was closed in 2012 following Mr. Senard's election as Managing General Partner.

The Company does not have any specific commitments towards Mr. Senard other than those described above.

4.3.3 ADVISORY VOTE ON THE COMPONENTS OF THE COMPENSATION DUE OR PAID TO JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER, IN RESPECT TO 2013 AND SUBMITTED TO SHAREHOLDERS AT THE MAY 16, 2014 ANNUAL MEETING

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 2013 Registration Document.

Compensation due or paid for 2013	Amounts (or accounting value) submitted to shareholder approval *(in €)*	Presentation
Fixed compensation	900,000	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 Partners on April 24, 2012 based on the recommendation of CGEM's Compensation and Appointments Committee issued on February 6, 2012, and it remained unchanged in 2013.
Annual variable compensation	1,200,000 (1,150,000 + 50,000)	Based on the proposed profit-share allocation between the 2 General Partners, (SAGES and Mr. Senard) as provided for in the bylaws, Mr. Senard would receive a profit share from CGEM amounting to €1,150,000. This amount has been reviewed by the Compensation and Appointments Committee and approved by the Supervisory Board. **Provisions in the bylaws related to the share of profits** In accordance with the system defined in Article 30 of CGEM's bylaws (see the excerpt in section 5.1.2 e) of the 2013 Registration Document and the full version of the bylaws on Michelin's website at www.michelin.finance.com), and as has been the case since the system was put in place, the share of profits allocated to CGEM's General Partners (including the Chief Executive Officer) – must be approved by shareholders on an annual basis in the ordinary resolution related to the appropriation of net income. Article 30 states that the allocation between the 2 General Partners – *i.e.* Jean-Dominique Senard (Chief Executive Officer) and SAGES (Non-Managing General Partner) – shall be determined by the General Partners themselves, subject to the approval of the Supervisory Board concerning the amount allocated to Mr. Senard. The share of profit allocated to CGEM's General Partners corresponds to consideration for their unlimited joint and several personal liability for the Company's debts. Consequently, the share of CGEM's profits allocated to the General Partners for 2013 will be put to the vote at the Annual Shareholders Meeting of May 16, 2014 as part of the resolution concerning the appropriation of 2013 net income. Mr. Senard is Managing General Partner with unlimited personal liability of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM), which is the main holding company for the Michelin Group's international subsidiaries. A similar profit-share system is provided for in the bylaws of CFM, which is controlled by CGEM and is also a partnership limited by shares (*société en commandite par actions*). This system provides that in his capacity as Managing General Partner with unlimited personal liability for the debts of CFM, Mr. Senard should receive a profit share estimated at €50,000 based on CFM's earnings.

(1) In accordance with paragraph 24.3 of the AFEP/MEDEF Corporate Governance Code, pp. 31 and 32, and paragraph I of the Application Guide of the MEDEF High Committee on Corporate Governance, pp. 1 to 10.

Compensation due or paid for 2013	Amounts (or accounting value) submitted to shareholder approval *(in €)*	Presentation
Annual variable compensation		**Review by the Compensation and Appointments Committee** In the same way as it has done each year since 2007, the Compensation and Appointments Committee of CGEM's Supervisory Board has reviewed all of the components of the compensation due, paid or payable for 2013 to Mr. Senard, *i.e.* his fixed compensation awarded by MFPM, the share of profit allocated to him by CGEM and CFM as described above, and his fringe benefits (a company car). As part of this annual review, the Committee in particular verifies that all of the sums paid or allocated to the Chief Executive Officer are proportionate and consistent in terms of (i) the Group's performance, and (ii) industry and market practices. The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced. To that end, the Committee (i) particularly assesses the variable portion of his compensation (profit-share allocation) in relation to his fixed compensation, and (ii) ensures that the aggregate amount of his share of profit does not exceed a reasonable percentage of his fixed compensation, in accordance with the recommendations in the AFEP/MEDEF Code. The Compensation and Appointments Committee also factors into its assessment of the amounts of Mr. Senard's share of profit, (i) the intrinsic variability of earnings, (ii) earnings forecasts, and (iii) the very specific nature of the status of a General Partner who has unlimited joint and several personal liability for the Company's debts. In early 2014, the Compensation and Appointments Committee and the Supervisory Board observed that in an environment shaped by uneven demand and stable sales volumes, Michelin performed very well in 2013, with: ▶ very strong free cash flow, at €1,154 million; ▶ the fourth straight year of value creation, with ROCE of 11.9%; ▶ structurally high operating income before non-recurring items, at €2,234 million, representing 11% of net sales and up €41 million at constant scope of consolidation and exchange rates; ▶ net debt scaled back to a historic low of €142 million, representing 2% of equity. The Committee and the Board also reviewed the results of a comparative analysis performed by an independent firm based on a benchmark panel of comparable French industrial groups. This analysis showed that: ▶ Mr. Senard's compensation is significantly lower than that of the corporate officers included in the benchmark panel; ▶ this difference is exacerbated by the fact that Mr. Senard does not have a long-term compensation component; ▶ Mr. Senard's entitlement under the group pension plan of which he is a member is considerably lower than market practices. The Committee also noted that Mr. Senard's overall compensation had not increased since he was appointed as Managing General Partner in 2011 despite the fact that the Group recorded very good performances in both 2011 and 2012. As a result, the Supervisory Board approved the recommendation put forward by the Compensation and Appointments Committee to offer Mr. Senard a significant increase in the fixed and variable components of his compensation as from 2013. However, in light of the restructuring measures put in place within the Group in 2013, Mr. Senard refused to accept an increase in his compensation for 2013. Based on the proposed allocation of share of profit between the 2 General Partners (Jean-Dominique Senard and SAGES), the compensation payable to Mr. Senard in 2014 for his duties as Chief Executive Officer and General Partner in 2013 would amount to €1,150,000. Mr. Senard's compensation for 2013 would also include: ▶ the fixed compensation (€900,000) paid by MFPM for Mr. Senard's role as Non-General Managing Partner of that company in 2013 (see table in section 4.3.1 b), which was set on January 1, 2012 and has remained unchanged since that date; ▶ a share of the profits of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM) as provided for in that company's bylaws (and which has decreased to an estimated €50,000), due to Mr. Senard for 2013 for his duties as Managing General Partner of CFM (see the table in section 4.3.1 b). Mr. Senard's total fixed and variable compensation due or paid for 2013 would therefore be on a par with that for 2012, at €2,100,000.

Compensation due or paid for 2013	Amounts (or accounting value) submitted to shareholder approval *(in €)*	Presentation
Annual variable compensation		**Approval by the Supervisory Board** In view of the findings of the Compensation and Appointment Committee's analysis, on February 6, 2014 the Board approved the total compensation due, paid or payable to Mr. Senard for 2013 by all Michelin Group companies, as presented above.
Deferred variable compensation	N/A	No multi-year variable compensation
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
Valuation of fringe benefits	6,881	Company car
Benefits related to taking up office	N/A	No benefits paid for taking up office

Components of compensation due or paid for 2013 which have been submitted to 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	€0	In accordance with Article 13 of the bylaws, as amended by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard is 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 were not due to gross misconduct he may 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 compensation paid would not exceed the equivalent of Mr. Senard's total compensation (fixed and variable) for the 2 years preceding the year of his removal from office. This ceiling is also specified in Article 13 of the Company's bylaws. In accordance with the internal rules of both the Compensation and Appointments Committee and the Supervisory Board, the Committee would transmit to the Board its proposals relating to the determination and assessment of the performance criteria to be used for calculating the amount of the compensation payable. 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 2 years' compensation, as recommended in the AFEP/MEDEF Code. The key elements of this compensation for loss of office (*i.e.* its underlying principles and maximum amounts) were approved by shareholders at the Extraordinary Meeting on May 13, 2011 (eighth resolution).
Consideration for non-compete clause	€0	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 Managing General Partner. If the Company were to decide to apply this non-compete clause, for a 2-year period 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, as recommended in the AFEP/MEDEF Code, his aggregate severance package, including any non-compete consideration referred to above, did not exceed the equivalent of his last 2 years' aggregate compensation.
Supplementary pension benefits	€0	Mr. Senard is not a member of any pension plan set up specifically for corporate officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard is a member of the supplementary pension plan set up for MFPM senior executives, determined by reference to the fixed compensation paid to him by that company (reference compensation). The cost of this supplementary plan, which is not restricted to Non-General Managing Partners (corporate officers), is recognized as a liability in the balance sheet in accordance with IAS 19 – Employee Benefits. Its main characteristics are as follows: ▶ participants must have served for at least 5 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 for the 3 best years of compensation out of the last 5 years preceding Mr. Senard's retirement); ▶ the replacement rate including benefit entitlements under compulsory plans is capped at 35%. To be entitled to benefits under this plan, Mr. Senard must end his career with MFPM as an executive employee or corporate officer, in accordance with Article L. 137-11 of the French Social Security Code. Based on the general actuarial assumptions used to measure the Group's obligation in accordance with IAS 19, Mr. Senard's total benefit entitlement under the plans would represent a gross replacement rate of 11% of his reference compensation. As this reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2013 (fixed compensation and variable profit share as stipulated in the bylaws), his actual gross replacement rate would be around one half of the above-mentioned replacement rate, and therefore well below the 45% ceiling recommended in the AFEP/MEDEF Code.

* *Unlike for joint stock companies (sociétés anonymes, or SAs) 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 SCA) 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 SAs concerning related-party commitments does not apply to SCAs 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 corporate officers", whereas this information is compulsory for SAs 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 the rules concerning public disclosures of the amounts and underlying principles relating to the compensation of the Company's corporate officers.

Review of the Chief Executive Officer's compensation as from 2014

Following the analyses performed and observations made in late 2013 concerning Mr. Senard's situation (see summary in sections 4.3.2 and 4.3.3 of the 2013 Registration Document) and at the request of the Supervisory Board, at its January 31, 2014 meeting, the Compensation and Appointments Committee once again reviewed the overall structure of the Chief Executive Officer's compensation.

Based on its review, the Committee recommended that Mr. Senard's fixed compensation be brought more in line with market practices.

Concerning Mr. Senard's variable compensation, the profit share that he currently receives pursuant to the bylaws of the companies' concerned is based on earnings for the year and is therefore entirely contingent on the Group's annual financial performance. This means that the Chief Executive Officer's interests are already closely aligned with shareholders' short-term interests. However, in order to strengthen this link, the Committee recommended that the basis for calculating Mr. Senard's variable compensation be changed in 2 ways as from 2014.

First, it recommended that a portion of his profit share be restructured so that the amounts payable to him in his capacity as Managing General Partner take into account performance criteria other than earnings. These new criteria – which would be assessed annually – could include criteria related to business growth, market share gains, level of overheads and movements in free cash flow.

Second, the Committee would like to set up a performance based multi-annual remuneration upon the profit-share system, assessed over a period of at least 3 years and based on additional performance conditions correlated with the Group's long-term strategy as expressed in the Ambitions 2020 objectives. These additional conditions could relate to Michelin's business growth and share performance.

If these changes were put in place it would mean that substantially all of the share of profit allocated to the Chief Executive Officer would depend on both earnings for the year and the achievement of other applicable criteria.

The Chairman of the Compensation and Appointments Committee and the Supervisory Board Chairman will present the above-described new compensation policy to the Company's shareholders at the Annual Shareholders Meeting on May 16, 2014, once it has been adjusted by the Committee and approved by the Non-Managing General Partner (SAGES).

Lastly, in line with Michelin's decision to apply the recommendation in the AFEP/MEDEF Code concerning shareholders' "say-on-pay", the above compensation components will be submitted to an advisory vote at the Annual Shareholders Meeting to be called to approve the 2014 financial statements.

4.3.4 SUPERVISORY BOARD

The aggregate maximum amount of attendance fees payable to Supervisory Board members was set at €320,000 in the fifth resolution of the May 12, 2006 Annual Shareholders Meeting. 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.

ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED BY THE SUPERVISORY BOARD MEMBERS IN 2013 (BASED ON TABLE 3 IN THE AFEP/MEDEF CODE)

Supervisory Board Members	Amount paid in 2012 (for 2011)	Amount paid in 2013 (for 2012)
Olivier Bazil *(elected on May 17, 2013)*		
Attendance fees	0	0
Other compensation	0	0
Éric Bourdais de Charbonnière *(term expired on May 17, 2013)*		
Attendance fees	50,000	50,000
Other compensation	0	0
Pat Cox		
Attendance fees	30,000	30,000
Other compensation	0	0
Barbara Dalibard		
Attendance fees	30,000	30,000
Other compensation	0	0
Anne-Sophie de La Bigne *(elected on May 17, 2013)*		
Attendance fees	0	0
Other compensation	0	0
Jean-Pierre Duprieu *(elected on May 17, 2013)*		
Attendance fees	0	0
Other compensation	0	0
Louis Gallois *(resigned on February 11, 2014)*		
Attendance fees	30,000	30,000
Other compensation	0	0
François Grappotte *(term expired on May 17, 2013)*		
Attendance fees	45,000	45,000
Other compensation	0	0
Pierre Michelin *(term expired on May 17, 2013)*		
Attendance fees	40,000	40,000
Other compensation	0	0
Laurence Parisot		
Attendance fees	30,000	30,000
Other compensation	0	0
Benoît Potier *(term expired on May 17, 2013)*		
Attendance fees	40,000	40,000
Other compensation	0	0
Michel Rollier *(elected on May 17, 2013)*		
Attendance fees	0	0
Other compensation	0	0
TOTAL	**295,000**	**295,000**

At the Annual Shareholders Meeting of May 16, 2014 the Board will recommend that the overall amount of compensation paid to members of the Supervisory Board (attendance fees) be increased in order to reflect (i) the fact that this amount was set 8 years ago, (ii) the requirement for Board members to be increasingly specialized and involved, (iii) the 37.5% increase in the number of Board and Committee meetings between 2006 and 2013, and (iv) the Board's higher workload following the extension of its responsibilities voted at the 2011 Annual Shareholders Meeting.

The Board is asking for the aggregate amount of attendance fees to be increased from €320,000 to €420,000 as from 2014 (*i.e.* for the attendance fees that will be paid in 2015). In accordance with the Supervisory Board's internal rules (as amended in February 2014), a significant portion of the attendance fees allocated to its members will be contingent on their actual attendance at Board and Committee meetings.

4.3.5 GROUP EXECUTIVE COMMITTEE

In 2013, the members of the Group Executive Committee (see list in section 4.2.1 b) received aggregate gross compensation of €6,796,403 (including €2,152,097 corresponding to the variable component for 2012 which was paid during the second half of 2013). In 2012 the gross aggregate compensation received by Group Executive Committee members totaled €5,351,751 (including €1,279,008 corresponding to the variable component for 2011 which was paid during the second half of 2012).

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 2013

Chief Executive Officer

Jean-Dominique Senard

No transactions.

Supervisory Board members

Olivier Bazil

Purchase, on February 26, 2013, of 400 shares at a unit price of €66.54 per share.

Purchase, on June 11, 2013 of 10 shares at a unit price of €55.67 per share, corresponding to the reinvestment of dividends.

Purchase, on July 30, 2013, of 600 shares at a unit price of €76.17 per share.

Jean-Pierre Duprieu

Purchase, on February 22, 2013, of 400 shares at a unit price of €67.14 per share.

Purchase, on June 11, 2013, of 10 shares at a unit price of €55.67 per share, corresponding to the reinvestment of dividends.

Purchase, on October 29, 2013, of 100 shares at a unit price of €76.49 per share.

SAGES (Non-Managing General Partner)

Purchase, on October 31, 2013, of 45,450 shares at a unit price of €77.20 per 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 or 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

To the shareholders,

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, 2013 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 3 and no more than 10 members, elected by the Annual Shareholders Meeting for a term of 4 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 is currently made up of the following 7 members [(2)]:

- **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 and former member of the Irish Parliament;
- **Barbara Dalibard,** Chief Executive Officer of SNCF Voyages, a Director of Eurostar International Limited and member of the Supervisory Board of Wolters Kluwer;
- **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;
- **Laurence Parisot,** Vice-Chairman of the Management Board of IFOP;
- **Michel Rollier,** Chairman of Michelin's Supervisory Board, Chairman of the Plateforme de la Filière Automobile and a former Managing Partner of Michelin.

This membership structure complies 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.

4.5.1 b) Recent corporate governance developments

In conjunction with the Non-Managing General Partner (SAGES), Michelin's Supervisory Board and Management have introduced a continuous improvement process for the Group's corporate governance practices, with a view to ensuring that these evolve in line with the latest market developments while leveraging the benefits of the Company's legal form as a French partnership limited by shares, which clearly segregates management and supervisory powers.

In recent years, the Company has made significant changes to the practices of its corporate governance bodies as well as to its bylaws and the Supervisory Board's internal rules. These include:

- introducing a single 4-year term of office for Managing Partners, renewable by way of a joint decision taken by the Supervisory Board and the Non-Managing General Partner. Previously there was no set term of office for Managing General Partners;
- extending the oversight powers of the Supervisory Board to include analyzing investment strategies and reviewing significant projects concerning commitments, acquisitions and asset disposals;
- giving the Supervisory Board greater powers in relation to setting and overseeing the compensation of Managing Partners, including their aggregate compensation, termination benefits (compensation for loss of office) and consideration paid for non-compete clauses;
- introducing a clause in the bylaws enabling a Managing Partner to be removed from office by way of a joint decision by the Supervisory Board and the Non-Managing General Partner, whereas previously a Managing General Partner's term of office could not be terminated;
- restricting the potential entitlement to compensation for loss of office solely to cases where there is a change in control of Michelin's ownership structure or a change in strategy. Payment of this compensation is subject to the endorsement of the Supervisory Board, which sets the applicable performance criteria in advance and assesses whether they have been met at the time of the beneficiary's departure;

(1) 5 years for members elected prior to 2009 and 2, 3 or 4 years for members elected on May 17, 2013, for the purpose of staggering terms of office.

(2) Louis Gallois, French General Commissioner for Investment and Member of the Supervisory Board of Peugeot SA resigned on February 11, 2014.

- setting an overall ceiling on the benefits payable due to the termination of a Managing Partner's term of office at 2 years' worth of fixed and variable compensation. The final amounts of any such payments must be determined in agreement with the Supervisory Board;
- lowering the cap on the profit share payable to the General Partners in accordance with the Company's bylaws (including to the Chief Executive Officer) from 1% of consolidated net income to 0.6%;
- ensuring that at the time when half of the Supervisory Board's seats fell vacant (including that of the Chairman), the replacement process was performed in the best possible conditions;
- staggering the terms of Supervisory Board members standing for election or re-election to ensure a stable and balanced membership structure.
- renewing the membership structure of the Audit Committee;
- creating a separate Compensations and Appointments Committee.

These improvements were only possible thanks to the assertive actions led by the former Chairman of the Supervisory Board, Éric Bourdais de Charbonnière, who retired in May 2013, as well as to the dedicated work undertaken by the Managing Partners in office since 2006. The new Board that has been in place since May 2013 has continued firmly in this direction, as demonstrated by the results they have already achieved. Going forward it will pursue its strategy of shaping Michelin's corporate governance structure in line with best practices, particularly the recommendations contained in the AFEP/MEDEF Code.

4.5.1 c) Report on the Supervisory Board's work during 2013

_Role and responsibilities

In 2013, the Supervisory Board fulfilled its role of overseeing the Company's management, including:

- reviewing the annual and interim separate and consolidated financial statements as well as the quarterly financial information, as 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.

_Description of the work conducted by the Board during the year

The Supervisory Board met 6 times in 2013 – on February 7, April 26, May 17, July 22, November 28 and December 2 and 3 – with an average attendance rate of 91.6%.

At its meetings on February 7 and July 22 respectively, the Board reviewed (i) the separate and consolidated financial statements for the year ended December 31, 2012, and (ii) the interim financial statements for the 6 months ended June 30, 2013. 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 Managing Partner or by members of line management – were as follows:

- analyses of quarterly financial information and of interim and annual results;
- internal control and risk management;
- the Audit Committee report;
- competitor analyses;
- tire market forecasts;
- the Group's innovation strategy;
- the Group's "materials" strategy;
- compensation policies;
- preparations for the Annual Shareholders Meeting;
- the Supervisory Board's future membership structure;
- appointment of the Chairman of the Supervisory Board;
- appointment of members of the Audit Committee and Compensation and Appointments Committee;
- review of the organizational structure and practices of the Board Committees;
- annual assessment of the independent status of Supervisory Board members;
- annual self-assessment of the Board's work.

A number of these topics are discussed in further detail in this report.

_Training for Supervisory Board members

As part of its training policy for Supervisory Board members, and particularly in view of the election of 4 new members at the May 17, 2013 Annual Shareholders Meeting, during the year the Company organized a special training program on the Group's operations. The sessions were over several days and gave all of the members hands-on insight into how our various businesses are run in a number of different countries.

First, the members attended a presentation given at the Ladoux Technology Center in France, focused on our business strategy, innovation capabilities, and research and process engineering resources. They were also shown how some of our activities are carried out in practice, including track tests, digital simulations and process expertise, and were able to visit a number of units like the tire performance rating facility and motorsports shops. They then visited the Cataroux site, also in France, where they observed the manufacturing processes used in several of our product categories.

Lastly, the Board attended a 2-day seminar in North America where in particular they learnt more about Michelin's regional market presence and the strategy being deployed to support local operations and capital programs. They also visited 4 manufacturing facilities and met with many local line managers who explained exactly what their work involves.

_Preparing recommendations for electing/ re-electing Supervisory Board members at the 2013 Annual Shareholders Meeting

A major part of the Board's work in late 2012 and early 2013 entailed preparing for the expiration of Supervisory Board members' terms of office and introducing a system to ensure that in the future their terms will be effectively staggered. The terms of office of 6 of the 8 Supervisory Board members expired at the Annual Shareholders Meeting held on May 17, 2013 to approve the financial statements for the year ended December 31, 2012, namely Barbara Dalibard, Éric Bourdais de Charbonnière, Louis Gallois, François Grappotte, Pierre Michelin and Benoît Potier.

Éric Bourdais de Charbonnière (Chairman), François Grappotte (Board Member and Chairman of the Audit Committee) and Pierre Michelin and Benoît Potier (both members of the Board and the Audit Committee) informed the Board that they did not wish to stand for re-election due to personal reasons. The Chief Executive Officer thanked them all for their dedicated service on the Board and their extremely fruitful discussions with Management throughout their terms of office.

The former Chairman of the Supervisory Board, Éric Bourdais de Charbonnière, was in charge of reviewing the profile of nominees for the Board's new members and selecting the final candidates. Following this process the Board unanimously decided to ask the Chief Executive Officer to recommend at the Annual Meeting that shareholders re-elect 2 existing Supervisory Board members and elect 4 new members.

Acting in its capacity as the Compensation and Appointments Committee, and as part of its role in planning the succession of Supervisory Board members, the Board examined its future membership structure in order to put forward the most suitable candidates for election and re-election. The Chairman contacted several potential candidates for the upcoming vacant seats and met with a dozen of them before shortlisting those who most closely matched the selection criteria. The shortlisted candidates were each interviewed by at least 3 other Supervisory Board members and were then individually presented by the Chairman of the Board to the Chief Executive Officer. In view of the number of nominees concerned, when preparing its recommendations the Board looked carefully not only at the candidates' individual qualities, but also at how they would contribute to bringing a complementary mix of skills to the Board and achieving an overall balance in its future membership structure. The main selection criteria used by the Board are described below.

Skills and experience. The nominees were required to have (i) a broad range of experience in executive, manufacturing and operational management gained in both national and international environments, and (ii) complementary skills in the areas of internal control, accounting and finance, industrial strategy issues and institutional relations.

Independence and availability. The Board individually assessed the independent status of each nominee and expressed its findings in its report to the Annual Shareholders Meeting. In this regard, nearly 89% of the future members were considered to be independent based on the criteria in the AFEP/MEDEF Code.

In addition, the Board verified the number and importance of any other offices held by the candidates. With a view to ensuring that it maintains the high quality of its work and discussions, the Board focused on selecting candidates with sufficient time and availability to prepare for Board and Committee meetings and to actively participate in them.

Diversity. By having 3 women out of a total of 8 members, Michelin's Supervisory Board was seeking to comply, in advance of the compulsory timeframe, with Article 2-III of French Act 2011-103 dated January 27, 2011 on the balanced representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace.

At the same time, the percentage of non-French members on the new Supervisory Board would still be 15.5%.

Based on this overall analysis, the Supervisory Board unanimously recommended that shareholders at the May 17, 2013 Annual Meeting:

- re-elect Barbara Dalibard and Louis Gallois for 2-year terms;
- elect (i) Anne-Sophie de La Bigne and Jean-Pierre Duprieu for 3-year terms, and (ii) Olivier Bazil and Michel Rollier for 4-year terms, to replace the 4 outgoing Supervisory Board members.

The Board was able to propose these different durations for its members' terms of office because at the same Meeting it also asked shareholders to approve a resolution to amend the Company's bylaws for the purpose of staggering the dates on which the Board members' terms expire.

4.5.1 d) Review of the practices of the Supervisory Board and its Committees

Half of the Supervisory Board's members – including its Chairman – were replaced in 2013 following the election of 4 new members at the Annual Shareholders Meeting, as described above. The same day, the Board met just after the Shareholders Meeting to appoint its new Chairman, Michel Rollier, as well as the members of its entirely new Audit Committee. That evening, these appointments were announced in a press release.

Under the leadership of its new Chairman, in mid-2013, the Board undertook an in-depth review of its governance, focusing on the organization and practices of the Board and its Committees. The review process took into account the amendments made in June 2013 to the AFEP/MEDEF Code. Every Board meeting during the second half systematically included an agenda item on changes in the Board's governance structure.

The main changes made to the Board's governance structure are summarized below.

Redeployment of the Compensation and Appointments Committee

The Compensation Committee previously comprised all of the members of the Supervisory Board and was also responsible for defining Michelin's policy concerning the appointment of executive officers and senior managers.

In 2013, the Board decided to create a separate Compensation and Appointments Committee made up of 3 members, including a Chairman who is an independent member (Laurence Parisot), another independent member (Pat Cox) and a non-independent, non-executive member (Michel Rollier).

The Committee's roles and responsibilities – as set out in its internal rules – were extended to include making recommendations concerning nominations and appointments, executive career development plans and succession plans. The Committee was also tasked with assessing the independence of Board members based on the criteria in the AFEP/MEDEF Code, in preparation for the Supervisory Board's annual independence review. In addition, the Committee Chairman now participates in the assessment of the Board's practices, which is performed annually by the Chairman of the Board through individual meetings with each member.

As well as examining the fixed and variable components of the Chief Executive Officer's compensation and providing the Board with related recommendations, the Committee now prepares and submits to the Board 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 to prepare its report for the say-on-pay vote at the Annual Shareholders Meeting.

All of these changes have been incorporated into the new internal rules of the Compensation and Appointments Committee, which were unanimously approved by the Supervisory Board on February 6, 2014.

_Minimum required shareholding for Supervisory Board members

Each Board member is now required to hold at least 400 Michelin shares (600 in the Chairman's case) for the duration of his or her term of office.

This rule has been incorporated in the new internal rules of the Supervisory Board.

_Assessment of business relations between Michelin and members of the Supervisory Board

As part of its annual review of the independent status of its members, the Board is now required to assess, on a case-by-case basis, whether or not any business relations that exist between Michelin and any Board members can be considered material.

This rule has been incorporated in the new internal rules of the Supervisory Board.

_Variable component of Supervisory Board members' attendance fees

Attendance fees were previously allocated by the Board based on a portion divided equally among all of its members and an additional portion paid to the Chairman of the Board, members of the Board's Committees and Committee Chairmen. This allocation is now based on a fixed portion and a variable portion. The variable portion accounts for the majority of each member's fees and its payment is contingent on members' actual attendance at Board and Committee meetings.

This rule has been incorporated in the new internal rules of the Supervisory Board.

_Number of directorships and other positions held

In the event that a Supervisory Board member envisages taking up a new office or any other new professional responsibilities, he or she is now required to inform the Board thereof in advance. In particular, Board members must comply with the recommendations in the AFEP/MEDEF Code concerning the number of offices held.

This rule has been incorporated in the new internal rules of the Supervisory Board.

4.5.1 e) Review of the independent status of Supervisory Board members

Every year, the Supervisory Board reviews its members' independence based on specific criteria. In 2013, however, in view of the significant changes in the Board's membership structure and the working practices of its Committees, it decided to carry out a more formalized process than in the past, notably by referring to the full set of independence criteria in the AFEP/MEDEF Code. Consequently, the criterion that was not previously applied – *i.e.* that Board members must not have served on the Board for more than 12 years – has now been incorporated into the independence review.

The Compensation and Appointments Committee was tasked with performing the 2013 independence review and it subsequently put forward its recommendations to the Board, which discussed and approved them.

Highlights of the review were as follows. In December 2013, a specific, individual review of their independent status was performed for members who also work for a company or corporation likely to have a material business relationship with Michelin. For Board members who are also on the Compensation and Appointments Committee, the member concerned did not take part in the Committee's discussions and analysis and also abstained from the Supervisory Board's related vote.

The Committee therefore reviewed **Laurence Parisot**'s status taking into account any business relations that may exist between Michelin and IFOP, as Ms. Parisot is Vice-Chairman of IFOP's Management Board. The analysis showed that in 2013 the revenue generated by IFOP with Michelin did not represent a material amount for Michelin and likewise did not make up a significant proportion of IFOP's annual revenue. Consequently, the business relations between Michelin and IFOP were not deemed to be material.

Anne-Sophie de La Bigne's status was reviewed in light of her position in Airbus Group, where she is currently Vice-President, in charge of civil affairs in the Public Affairs Division, France. The Committee noted that Ms. de La Bigne does not hold an executive position in either the Purchasing or Sales Departments of Airbus Group and that her geographical remit mainly concerns France. However, it still decided to examine the volume of business carried out between Michelin and Airbus Group.

The analysis performed showed that some Airbus Group subsidiaries – notably Airbus itself – may buy Michelin products and/or services. In view of the structure of the aerospace markets in which Michelin operates and the market players involved, the Committee analyzed the revenue derived by Michelin in 2013 from the sale of products and services not only to all Airbus Group companies, but also to the customers of these companies, which are aircraft owners or lessees. This figure was then compared with Michelin's consolidated net sales for 2013, which showed that the revenue concerned accounted for well below 1% of the Group's total net sales for the year.

As a result, the Committee recommended that the Board consider as non-material the business relations that indirectly exist between Anne-Sophie de La Bigne and Michelin through her position at Airbus Group.

The Committee then analyzed the independent status of **Louis Gallois,** first in light of his role as France's General Commissioner for Investment and second with respect to his responsibilities as a Member of the Peugeot SA Supervisory Board.

The Committee began by examining the legal framework applicable to someone serving as the French State's General Commissioner for Investment while sitting on the Supervisory Board of a French corporation.

In addition, irrespective of the individual role that a General Commissioner for Investment may play in the French government's process of selecting investment projects, the Committee considered that government financing granted to Michelin by the French State only represents a very small amount compared with the Group's annual capital expenditure.

In view of the above, the Committee felt nothing prevented Louis Gallois from qualifying as an independent member of Michelin's Supervisory Board.

The Committee members then analyzed Mr. Gallois' situation with regard to his position as a Member of the Supervisory Board of Peugeot SA based on the information disclosed in the PSA Peugeot Citroën Group's 2012 registration document (particularly on pages 207 and 208). Louis Gallois is neither an employee nor executive officer of Peugeot SA. Instead, as a Supervisory Board Member – particularly in his capacity as the senior independent Member – and as a Member of the Strategy Committee and a Member of the Appointments, Compensation and Governance Committee he has purely an oversight role as far as PSA Peugeot Citroën's operations and corporate governance structure are concerned.

Despite Mr. Gallois' clear independence from Peugeot SA's executive management, Michelin's Compensation and Appointments Committee nevertheless decided to determine the proportion of the Group's total net sales derived from products and/or services sold to PSA Peugeot Citroën. In view of the structure of the automotive markets and the stakeholders involved, the Committee decided to exclude from its analysis revenue derived from the sale of replacement tires, particularly because vehicle owners and/or users have a wide range of choice when it comes to purchasing such tires. Total sales generated with PSA Peugeot Citroën were then compared with Michelin's consolidated net sales for 2013, which showed that the proportion was less than 1.5%. In view of this low percentage and the nature of Mr. Gallois' role within PSA Peugeot Citroën, the Committee concluded that there was nothing to prevent Mr. Gallois from qualifying as an independent member of Michelin's Supervisory Board.

The Committee accordingly recommended that the Board consider as non-material the business relations that indirectly exist between Mr. Gallois and Michelin, both with respect to his position as a General Commissioner for Investment and his role as a Member of the Supervisory Board of PSA Peugeot Citroën.

Louis Gallois tendered his resignation as Supervisory Board member to the Chairman of the Board on February 11, 2014.

Mr. Gallois indicated that the evolution of his activities resulted in a charge to the extent that he was no longer able to pursue his commitment to Michelin as intensely as he would like.

This decision does not call into question the findings of the 2013 review of his independence as a member of the Board.

Lastly, the Committee reviewed the independent status of **Michel Rollier,** Chairman of Michelin's Supervisory Board, Chairman of the Plateforme de la Filière Automobile and a Director of Lafarge.

When Mr. Rollier was put forward for election as a Supervisory Board Member at the May 17, 2013 Annual Shareholders Meeting, the Board felt he could not be formally considered as independent because it had not been 5 years since the end of his executive duties with Michelin, despite the fact that these duties had been gradually transferred to Jean-Dominique Senard as from early 2011, as announced by Mr. Rollier at the time.

The Board did not consider that this would affect Mr. Rollier's freedom of judgment as a Supervisory Board Member 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 an executive officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which Michelin's Chief Executive Officer has a seat on the Board;
- he is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin;
- he had not been an auditor of Michelin in any of the preceding 5 years;

The Supervisory Board at the time (chaired by a different person) based its review of Michel Rollier's candidature on 2 main factors. First, it took into account Mr. Rollier's personal qualities as well as his extensive executive management experience and deep knowledge of Michelin's markets and the automobile industry in general, which it considered would be major assets for the Board. Second, it noted that the significant changes in Michelin's governance structure that were necessary due to Édouard Michelin's tragic death in 2006 – when Mr. Rollier had been Managing Partner for just a year – were only achieved thanks to the excellent working relationship established between Mr. Rollier and the Supervisory Board throughout the entire duration of his term as Managing Partner.

Lastly, Mr. Rollier, as promised, disposed of his interests in SAGES, a Michelin General Partner.

Michelin's new Compensation and Appointments Committee – of which Michel Rollier has been a Member since October 28, 2013 – deemed that the findings reached by the previous Board concerning Mr. Rollier's independent status were still valid, stating that the only reason why he could not qualify as an independent member of the Board was that he had been an executive officer of Michelin within the past 5 years. Mr. Rollier did not take part in the Committee's discussions and did not contribute to its recommendations in relation to the assessment of his own independence.

Based on all of these analyses, the Supervisory Board concluded, on a case-by-case basis and without the relevant Supervisory Board Member being present, that apart from Michel Rollier, all of its members qualify as independent based on the criteria in the AFEP/MEDEF Code. Consequently, out of the Board's current 7 members, 6 are independent, representing 85.7%. This 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.

4.5.1 f) Assessment of the Supervisory Board's practices

At its meeting on February 6, 2014 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 he had carried out in conjunction with the Chairman of the Compensation and Appointments Committee based on individual interviews with each Board member. The main objectives of this self-assessment were as follows:

- to take stock of the Board's operating practices and procedures;
- to verify that important matters during the year were properly prepared in advance and appropriately addressed;
- to appraise the contribution of each member to the Board's work, based on their individual skills and expertise and their involvement in its discussions.

The Chairman emphasized the in-depth, constructive work performed by all of the current Board members during the year, particularly those elected at the May 17, 2013 Annual Shareholders Meeting. He said that the assessment revealed that the Board's members are satisfied with the quality of both the information they receive and the presentations given by the Chief Executive Officer, the members of the Executive Committee, and their colleagues. In addition, they appreciate the free and frank discussions that take place in Board meetings.

The Board members stressed the need to maintain the same, clear, high-quality presentations on the implementation of the Group's business strategy, and to ensure that these presentations include information on Michelin's corporate social responsibility policy. They also said that they would like to continue to be informed of developments related to risk management and succession planning.

In conclusion, all of the Board's members considered that the Board operates in a manner that enables it to fully perform its duties.

4.5.1 g) Implementation of the "comply or explain" rule

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 (SCA), which was adopted at the time of its formation in 1863.

4.5.1 h) Recommendations concerning the re-election of Supervisory Board members at the May 16, 2014 Annual Shareholders Meeting

As part of its preparatory work for the Annual Shareholders Meeting to be held on May 16, 2004, the Supervisory Board examined the individual situation of its members whose terms of office are due to expire at that Meeting. The Board notably considered:

- the advantages of re-electing them;
- the skills and experience that they bring to the Board;
- their availability and involvement in the work carried out by 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.

The Board members whose terms are due to expire at the close of the 2014 Annual Shareholders Meeting are Laurence Parisot and Pat Cox.

In addition, because the resignation came so soon before the May 16 Annual Meeting, the Compensation and Appointments Committee will review future candidates for replacement afterwards, so as to conduct the selection procedure in the best possible conditions and in line with best practices, notably the recommendations of the AFEP/MEDEF Corporate Governance Code.

Laurence Parisot and Pat Cox have informed the other Supervisory Board members that they wish to stand for re-election.

Following the reorganization of the Board's work and the complete restructuring of its Committees, Laurence Parisot and Pat Cox joined the Compensation and Appointments Committee in 2013. To avoid any conflicts of interest, the Board therefore decided to review the situation of these 2 Board members without the involvement of the Compensation and Appointments Committee.

The main criteria used for the Board's review were the members' skills, experience, independence, 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.

Laurence Parisot is Vice-Chairman of the Management Board of IFOP, a Director of BNP Paribas and Coface SA, and a Member of the Supervisory Board of FIVE. Until July 2013 she was also President of the French employers' federation, the MEDEF.

Ms. Parisot owns 511 Michelin shares and has been a Member of the Supervisory Board since 2005.

Following the latest review of the independence of its members, the Board classified Ms. Parisot as independent. On October 28, 2013, Laurence Parisot was appointed as Chairman of the Compensation and Appointments Committee as part of the overhaul of its organizational and membership structure. Ms. Parisot did not take part in the Supervisory Board's discussions or decision concerning her potential re-election.

The Board examined Ms. Parisot's candidature for re-election for a 4-year term based on the above-mentioned criteria, and particularly took into account:

- her in-depth expertise in marketing, brand management policies and brand reputation strategy;
- her major contribution to the Board's work on the Group's overall corporate strategy;
- her strong knowledge of the business environment both in France and abroad.

Following the assessment process described above, the Supervisory Board decided to recommend Ms. Parisot's re-election for a 4-year term (with Ms. Parisot abstaining from the related vote).

The Board also examined Pat Cox's candidature for re-election as a Supervisory Board Member for a 4-year term.

Mr. Cox is President of the European Parliament Former Members Association and European Coordinator for the Scandinavian-Mediterranean Corridor transportation infrastructure project. He was formerly a Member of the Irish Parliament, President of the European Parliament, President of the European Movement International and a Member of the European Advisory Councils of Pfizer and Microsoft.

Mr. Cox owns 259 Michelin shares.

As part of the overhaul of the organizational and membership structure of the Compensation and Appointments Committee carried out in 2013, Mr. Cox was appointed as a Member of the Committee at the meeting held on December 2 and 3, 2013. He did not take part in the Supervisory Board's discussions on decision concerning his potential re-election.

When assessing Mr. Cox's candidature for re-election for a 4-year term the Board particularly took into account:

- his contribution to the work carried out by the Board;
- his knowledge of the international environment and his geopolitical skills;
- his experience in European affairs;
- his personal involvement in humanitarian causes.

In view of the above, the Supervisory Board decided to recommend that Mr. Cox be re-elected for a 4-year term (with Mr. Cox abstaining from the related vote).

As the new provisions of the Supervisory Board's internal rules state that Board members are required to hold a minimum of 400 Michelin shares, if he is re-elected Pat Cox will acquire the necessary remaining shares.

4.5.1 i) Proposal to elect an employee representative as the ninth member of the Supervisory Board

The French LSE Act

The French Act on Employment Security dated June 14, 2013 (the "LSE Act") introduced in application of a national inter-professional agreement dated January 11, 2013 – brought in new rules requiring companies to appoint employee representative members on their Boards of Directors or Supervisory Boards.

A summary of the rules relating to partnerships limited by shares is provided below.

Article 9 of the LSE Act introduces a new Article (L. 225-79-2) to the French Commercial Code which provides that companies with Supervisory Boards are required to appoint (without the involvement of the Ordinary Shareholders Meeting) one or more employee representative members on their Boards, and that said members must have voting rights.

Boards with up to 12 members are required to have at least one employee representative member and Boards with more than 12 members are required to have at least 2 such members. However, specific rules apply to current members not elected by shareholders, who are not included in the calculation of the 12-member threshold.

The Supervisory Board is required to select one of the following methods for appointing its employee representative member(s): (i) election by employees of the Company and its French subsidiaries, (ii) nomination by the group or company works council, (iii) nomination by the most representative trade unions, or (iv) when at least 2 members are being nominated, the nomination of one member using one of the methods described in (i) to (iii) above with the second member nominated by the European works council where such a works council exists.

An Extraordinary Shareholders Meeting must then be held before December 31, 2014 in order to amend the company's bylaws to incorporate provisions related to the selected appointment method. This Extraordinary Shareholders Meeting must be preceded by a consultation process with the employee representative bodies.

The actual appointment of the employee representative member(s) concerned must then take place within 6 months of the Extraordinary Shareholders Meeting.

CGEM does not fall within the scope of application of the LSE Act

Joint stock companies (*sociétés anonymes*), partnerships limited by shares (*sociétés en commandite par actions*) and European companies whose shares may or may not be listed only fall within the scope of application of the LSE Act when they meet all of the following conditions:

- at the close of 2 consecutive financial years, at least 5,000 people were employed by the company and its French subsidiaries, or at least 10,000 people were employed by the company and its French and non-French subsidiaries;
- the company is legally required to set up a works council, *i.e.* in practice companies with more than 50 employees;
- the Board does not already have one or more members nominated by employees using a different representative system.

Subsidiaries do not have to appoint employee representative members on their Board when their parent company is already subject to the requirement.

Concerning Michelin, for many years now CGEM has had very few employees and has therefore not been required to set up a works council. Consequently, CGEM does not meet one of the above-listed criteria and is therefore automatically excluded from the scope of application of the LSE Act.

A voluntary application of the procedure specified in the Act would not be legally possible for CGEM because it would be an exception – without any legitimate legal grounds – to the principle that members of the Supervisory Board must be elected by shareholders.

Proposal by the Supervisory Board for the election by shareholders of an employee representative Board member

The Supervisory Board discussed this issue during several of its meetings and reviewed the situation in light of the main factors described below.

First, the Board noted that due to CGEM's specific characteristics – particularly the level of employee share ownership and its extremely low number of employees – it is not legally required to appoint a Supervisory Board member to represent the employees of the Company and/or its subsidiaries.

Moreover it would not be possible to put in place the voluntary system for appointing employee representatives on the Board as provided for in Article L. 225-27 of the Commercial Code because this system only applies to joint stock companies.

However, the Board expressed a wish for one of its members to be an employee, as this could only help to further the Michelin Performance and Responsibility approach (focused on sustainable development and corporate social responsibility). The appointment of an employee representative would also be in line with the "Moving Forward Together" program and the commitment to employee well-being and development, which is one of the Ambitions 2020 objectives announced in 2013 by the Chief Executive Officer.

Lastly, in agreement with the Chief Executive Officer, the Board felt that it would be good practice to take voluntary and pro-active measures to achieve the objective set in the LSE Act and reiterated in the AFEP/MEDEF Code, which for Michelin would mean having a representative of the Group's employees on the Supervisory Board of CGEM, the Group's parent company.

This position adopted by the Board will not, however, result in an exemption from the LSE Act requirements for Manufacture Française des Pneumatiques Michelin, which is a subsidiary of CGEM and the Group's main manufacturing company in France. Manufacture Française des Pneumatiques Michelin falls within the scope of application of the LSE Act and will therefore appoint an employee representative member of its Supervisory Board.

In order to respect the essential role that CGEM's shareholders play in electing members of the Supervisory Board, the Board ultimately decided to put in place a voluntary alternative process. Consequently, the Board has resolved that at the Annual Shareholders Meeting of May 16, 2014 it will put forward a Group employee for election to the Board.

The Board considered that the fairest and most effective process for selecting such a candidate would be for Executive Management to contact Michelin's most significant employee representative body at Group level.

Therefore, the Chairman of the Board asked the Chief Executive Officer to request the secretary of Michelin's European Works Council, Cyrille Poughon, to stand for election as a Supervisory Board Member at the Annual Shareholders Meeting. Mr. Poughon agreed to this request.

Cyrille Poughon

MFPM – 23, place des Carmes Déchaux – 63000 Clermont-Ferrand

Cyrille Poughon, born in 1975 and French national, has 18 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 holds a higher-education diploma (BTS) in sales team management as well as a vocational diploma earned after successfully completing an internal training program within Michelin. He has also followed a number of other training courses, including in communications.

Mr. Poughon owns 24 Michelin shares.

Mr. Poughon's candidature has been examined by the Compensation and Appointments Committee, whose members interviewed him during the Committee meeting held on January 30, 2014. The criteria generally used for assessing candidates were, of course, adapted to the context of this particular situation and the main factors taken into account were:

- Mr. Poughon's international employee relations outlook, as evidenced by his numerous trips abroad and participation in several conferences in South America and Asia, notably on behalf of a trade union as part of international confederations;
- his knowledge of the manufacturing industry, thanks to his ongoing contacts with operations staff and his working relations with the Group's various employee representative bodies;
- his familiarity with the Group's organizational structure and committed involvement in his duties as secretary of Michelin's European Works Council.

The Chairman of the Compensation and Appointments Committee reported back to the Supervisory Board on its assessment process and recommended that Cyrille Poughon be put forward at the Annual Shareholders Meeting on May 16, 2014 for election as a new member of the Supervisory Board.

If he is elected, the attendance fees payable to Mr. Poughon will be determined proportionately to the date from which he takes up his seat on the Board. He will also gradually acquire the minimum number of Michelin shares he would be required to hold as a Member of the Supervisory Board in accordance with the Board's internal rules.

At its meeting on February 6, 2014, the Supervisory Board decided to recommend that Cyrille Poughon stand for election as a new Supervisory Board member, and that Laurence Parisot and Pat Cox be re-elected.

4.5.1 j) Report on the Audit Committee's work during 2013

The significant changes to the Supervisory Board's membership structure that took place due to 6 of the 8 members' terms of office expiring at the May 17, 2013 Annual Shareholders Meeting resulted in an entirely new Audit Committee. Until that date, the Committee had exercised its responsibilities with 4 members, François Grappotte, Éric Bourdais de Charbonnière, Pierre Michelin and Benoît Potier. Immediately following the Annual Meeting, however, the Board met and appointed 3 new members, including the new Committee Chairman. These new members, all of whom are independent, are as follows:

- Olivier Bazil (Chairman), a Director of Legrand and a Member of its Strategy Committee and Nominating and Compensation Committee; also a Director of Vallourec, Chairman of its Audit Committee and a Member of its Strategy Committee;
- 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.

Due to extensive experience acquired during their careers, notably as part of the executive management and strategic advisory teams of large corporations, the Committee 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 Audit Committee met 5 times in 2013 – on February 7, April 26, June 26, July 22 and November 18 – with a 100% attendance rate. During its meetings, the Committee made inquiries of:

- the Chief Financial Officer;
- the Finance Director;
- the Accounting Director;
- the Head of Internal Control;
- the Head of Internal Audit and Risk Management;
- the Group Risk Manager;
- the Head of the OPE Business Process Management System;
- the Head of Tax Affairs;
- both Statutory Auditors.

The main purpose of the meetings held in 2013 was to review:

- The audited separate and consolidated financial statements for the year ended December 31, 2012. In particular, the Audit Committee analyzed consolidated net income, gross margin, net debt, changes in balance sheet and income statement items, income tax expense, cash flows and the main financial statement items related to long-term employee benefit obligations. It noted that the audit of the accounts had gone smoothly. The Statutory Auditors issued an unqualified opinion on both the separate and consolidated financial statements for 2012, with no observations.
- The interim separate and consolidated financial statements for the 6 months ended June 30, 2013. The Committee mainly analyzed changes in the consolidated income statement, consolidated cash flows and the main balance sheet items. The Statutory Auditors had no matters to report concerning their limited review of the 2013 interim consolidated financial statements, but issued a technical comment concerning the change in accounting method following application of IAS 19 revised. The Auditors also presented their audit plan for full-year 2013, to be carried out in 2014.
- The OPE Business Process Management System. On February 7, the Head of the OPE Business Process Management System presented the program's scope and underlying objectives, as well as a progress report on its rollout and a summary of the measurable improvements it is expected to achieve.
- The Group's income tax rate. On April 26, the Head of Tax Affairs explained how the Group's effective tax rate is calculated and which components are taken into account.
- The Group's transfer pricing policy. On November 18, the Head of Tax Affairs presented the principles and methods applied for determining the transfer prices used within the Group.
- The Group's business performance. At the November 18 meeting, the Chief Financial Officer recapped the principles underlying the analysis of the main external and internal factors, in particular the performance of the manufacturing units.
- The share buyback program. At the April 26 meeting, the Finance Director presented the context, objectives and principles of the 2013 Michelin share buyback program.
- The internal control system. On April 26, the Head of Internal Control reported on the results of the internal reviews performed in 2012 and presented the action plans for 2013. He also gave the Board further details about issues in the manufacturing units, with the success rates for the tests applied and information on the progress of a particular indicator.

- The Group's risk management system. As the Audit Committee's members were all replaced in May 2013 due to the former members' terms expiring at the Annual Shareholders Meeting, on June 26 and November 18 the Chief Executive Officer, Chief Financial Officer, Finance Director, Accounting Director, Head of Internal Control, Head of Internal Audit and Risk Management, and the Group Risk Manager gave the new members an overview of the Group's risk management system. The presentations focused on the Group's financial organization as well as its internal control processes, risk mapping procedure, systems for managing financial risks and employee benefits, and its internal audit and risk management processes.
- The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work at the Board meetings held on February 7, April 26 and July 22, 2013.

The main provisions of the Committee's internal rules, as amended by the Supervisory Board on February 6, 2014, are set out in section 4.2.2 c).

4.5.1 k) Report on the Compensation and Appointments Committee's work in 2013

Following the Supervisory Board's review in the second half of 2013 on the procedures for organizing its work and that of its Committees, the Board decided to make significant changes to the membership structure and practices of the Compensation and Appointments Committee. These changes are described in section 4.5.1 b) above.

_Work performed from January 1 through May 17, 2013

Prior to the above-mentioned changes, the Supervisory Board as a whole performed the duties generally assigned to a Compensation Committee and an Appointments Committee, in accordance with the Board's internal rules. All of the Board's members were independent in 2013, except for the new Supervisory Board Chairman elected during the year. The Committee met twice in this form in 2013 – on February 7 and April 26 – with a 100% attendance rate. During these meetings, it:

- approved the launch of a performance share plan in 2013, based on the recommendation of the Chief Executive Officer and the Director of Personnel. The Chief Executive Officer (the Company's sole executive officer) is not eligible for grants of performance shares under this plan;
- examined the indicators used to determine variable compensation paid in 2013 based on the Group's performance in 2012;
- reviewed proposed changes to the 2013 compensation packages of the members of the Group Executive Committee, as well as the criteria used for determining the variable portion of managers' compensation;
- gave recommendations concerning nominations and appointments, executive career development plans and succession plans.

In addition, in the same way as it has done each year since 2007, the Compensation and Appointments Committee reviewed all of the components of the compensation due, paid or payable for 2013 to Mr. Senard, *i.e.* his fixed compensation awarded by MFPM, the profit shares allocated to him by CGEM and CFM as described above, and his fringe benefits (a company car).

In order to ensure that its proposals and policies were appropriate, the Committee reviewed several benchmark surveys performed by external consultants.

Lastly, the Committee examined the amounts and allocation of the compensation due to the Chief Executive Officer and General Partner.

_Work performed after May 17, 2013

Since October 28, 2013, the Compensation and Appointments Committee has comprised the following members:

- Laurence Parisot (Committee Chairman and independent member), Vice-Chairman of the Management Board of IFOP;
- Pat Cox (independent member), member of the Board of Trustees of Friends of Europe, former President of the European Parliament and former member of the Irish Parliament;
- Michel Rollier (non-executive, non-independent member), Chairman of the Michelin Supervisory Board, Chairman of the Plateforme de la Filière Automobile and a former Managing Partner of Michelin.

The new Chairman of the Compensation and Appointments Committee worked on the preparation of the Board's self-assessment questionnaire in 2013.

Also during the year, the Committee performed an in-depth review of the independent status of the Supervisory Board's members, notably examining whether any business relations between them and Michelin could be considered material.

In order to avoid any risk of conflicts of interest concerning 2 of the Committee's members, on an exceptional basis the Board decided to carry out its own assessment of the candidates standing for re-election at the 2014 Annual Shareholders Meeting. However, the Committee reviewed the candidature of the Group employee who is standing for election as the ninth Board member. A description of the selection process and related recommendations is provided in sections 4.5.1 h) and 4.5.1 i) above.

In early 2014, the Committee prepared and submitted to the Board its recommendations concerning the report on the compensation due or paid by the Company to the Chief Executive Officer for 2013, to be presented for the purposes of the "say-on-pay" vote at the May 16, 2014 Annual Shareholders Meeting (see sections 4.3.2 and 4.3.3 for further details).

_Review of the Chief Executive Officer's compensation as from 2014

Following the analyses performed and observations made in late 2013 concerning Mr. Senard's situation (see summary in sections 4.3.2 and 4.3.3) and at the request of the Supervisory Board, at its January 31, 2014 meeting, the Compensation and Appointments Committee once again reviewed the overall structure of the Chief Executive Officer's compensation.

Based on its review, the Committee recommended that Mr. Senard's fixed compensation be brought more in line with market practices.

Concerning Mr. Senard's variable compensation, the profit share that he currently receives pursuant to the bylaws of the companies' concerned is based on earnings for the year and is therefore entirely contingent on the Group's annual financial performance. This means that the Chief Executive Officer's interests are already closely aligned with shareholders' short-term interests. However, in order to strengthen this link, the Committee recommended that the basis for calculating Mr. Senard's variable compensation be changed in 2 ways as from 2014.

First, it recommended that a portion of his profit share be restructured so that the amounts payable to him in his capacity as Chief Executive Officer take into account performance criteria other than earnings.

These new criteria – which would be assessed annually – could include criteria related to business growth, market share gains, level of overheads and movements in free cash flow.

Second, the Committee would like to set up a performance based multi annual remuneration assessed over a period of at least 3 years and based on additional performance conditions correlated with the Group's long-term strategy as expressed in the Ambitions 2020 objectives. These additional conditions could relate to Michelin's business growth and share performance.

If these changes were put in place it would mean that substantially all of the share of profit allocated to the Chief Executive Officer would depend on both earnings for the year and the achievement of other applicable criteria.

The Chairman of the Compensation and Appointments Committee and the Supervisory Board Chairman will present the above-described new compensation policy to the Company's shareholders at the Annual Shareholders Meeting on May 16, 2014, once it has been adjusted by the Committee and approved by the Non-Managing General Partner (SAGES).

Lastly, in line with Michelin's decision to apply the recommendation in the AFEP/MEDEF Code concerning shareholders' "say-on-pay", the above compensation components will be submitted to an advisory vote at the Annual Shareholders Meeting to be called to approve the 2014 financial statements.

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) below and in the 2013 Shareholders Guide, which can be downloaded from the website at www.michelin.com/corporate (in the section entitled "Shareholders' Corner").

4.5.3 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 Risk Management. The report was reviewed and validated by the Chief Executive Officer.

It was also examined by the Audit Committee and then reviewed and approved by the Supervisory Board on February 6, 2014, in accordance with the French Law of July 3, 2008.

Risk management and internal control processes

_Reference framework

Michelin 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 Michelin **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 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 an acceptable level.

This iterative, integrated and optimized process comprises four key phases:

1. **Identifying risks,** which is a prerequisite for successful risk management. This phase involves identifying any internal and external event that could have an adverse effect on Michelin's objectives, earnings or reputation. The information is summarized in the form of risk maps at both the corporate level and in each of the following units: Corporate Departments, Performance Divisions, the Technology Center, Product Lines, Tactical Operational Units and Geographic Zones.

Risks are identified based on the risk maps prepared and updated by the various units. In addition to these regular updates, the units are requested every three years to perform a new comprehensive risk mapping exercise.

This process is overseen by the Group Audit and Risk Management Department, which consolidates all of the various risk maps on an annual basis. The consolidated risk maps are then used to diagnose the Group's risks and help to identify critical risks that require action plans. These plans are then implemented by the operating units, supervised by the Risk Manager.

2. **Defining the Group's risk tolerance,** i.e. deciding, on a fully informed basis, how much risk the Group is prepared to accept in pursuing its objectives, taking into account the resources required 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.** Once the Group's risk tolerance has been defined, specific measures and processes are put in place to manage the identified risks. 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. **Monitoring and controlling risks,** with the goal of ensuring 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, monitoring 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 legal 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

Michelin ensures that risk management and internal control procedures are implemented in every unit.

As of end-2013, the system now covers almost 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 multiyear basis, in the five-year strategic 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 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, page 202 below, for 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 environment 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.

Examples of this coordination are as follows:

- 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. These 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 assess the quality of the risk management process and to evaluate 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, Michelin'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 environment – comprising in particular the Group's unique risk and control culture and its ethical values – which serves as their shared foundation.

_Organization

Michelin 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 distribution networks, Euromaster in Europe and Tire Centers, Inc. (TCI) in North America. The Product Lines are backed by thirteen Corporate Departments that are responsible for support functions such as Purchasing, Legal Affairs, Personnel, Logistics and Finance. To leverage synergies and guarantee consistency across the Group, operations are organized geographically around eight Geographic Zones – Europe, Eastern Europe, North America, South America, ASEAN-Australia, China, Japan-South Korea, and 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 mandates, as well as the conditions applicable for exercising and delegating their authority.

_Corporate values

Michelin 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, employees, 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. It 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 2013, 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 Corporate 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 for 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 therefore 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. Consequently, 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 above [below], page 96.
2. The **Chief Executive Officer and the Group Executive Committee** meet monthly to oversee the risk management process as part of their management duties. In this role, they approve the Group risk map, determine risk management priorities, validate risk tolerance levels, 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, assets and equipment 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, they can request that their specialized experts perform internal reviews.

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, Performance Divisions 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 Audit and Risks 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, the control activities and related tests aimed at meeting the objective and thereby mitigate 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 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 thirteen families tracked by the Group are properly managed.

The Group Audit and Risk Management Department's remit covers all of the Group's processes and units.

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 department regularly assesses the procedures applied to manage priority risks.

This may involve analyzing a priority 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 Audit and Risk Management Department developed and deployed a process to verify that the priority risk management action plans were capable of mitigating the related risk (coverage, effectiveness, feasibility, management procedures). It also defined risk management indicators, which have now been deployed across the Group.

Based on the observations made during these assignments, the department makes recommendations to the audited units, which prepare action plans to address identified weaknesses. Internal Audit then tracks their implementation. 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.

Contractual 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 submitted 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. The action plans cover both operational aspects and improvement targets aimed at enhancing performance and quality of service.

Objectives are based on past performance and detailed diagnostics, as well as an understanding of the changing business environment.

Operational risk analysis forms an integral part of the planning process, during which critical success factors are identified 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 thirteen separate families:

- ethics violations;
- 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 with the support, in particular, of the Accounting, Consolidation, Budget Control and Investor Relations Departments.

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 legislation 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 Controlling 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 Information Systems 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 Financial Internal Control Department reports to the Corporate Finance Department. It is responsible for managing all of the internal control processes and for overseeing financial internal control assignments 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.

In 2009, the Group developed and deployed a worldwide application for monitoring the entire internal control process, which leveraged 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 sixteen 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;
- human resources 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 require longer timeframes and 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 also regularly 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 2013

In 2013, the 2012 risk map was updated to reflect the audits performed over the period, the outcomes of the action plans and any changes in the operating environment. No new risk issues were identified during the update, which in fact revealed a decline in residual risks.

The Group Audit and Risk Management Department also consolidated the risk analyses prepared by the operating units. By serving as the Group's risk audit diagnostics, these consolidated risk maps facilitate the identification of priority risks requiring action plans, which are implemented by the operating units under the supervision of the Risk Manager.

The Chief Executive Officer and the Group Executive Committee met nine times in 2013 to oversee the risk management process as part of their management duties. In this capacity, they particularly reviewed the diagnostics and action plans related to such risks as continuity of supply, the interruption in semi-finished products and contract management. They also reviewed and validated certain risk management process principles, such as the allocation of risk management roles within the Group, the definition of tolerance levels and the coordination between internal control and risk management. Lastly, they verified that the action plans addressing the priority risks identified during the risk mapping exercise are progressing as planned.

They also observed that the implementation of the various risk prevention, protection and control measures had reduced the Group's exposure to these priority risks.

Moreover, it was decided that the Group Quality Department would lead the entire internal control process, as part of the Group's quality commitment.

All of the Product Lines and Geographic Zones remain responsible within their remit for ensuring compliance with the recommendations and for implementing the action plans designed to remediate shortfalls.

_Outlook for 2014 as part of the continuous improvement process

Under the new organization introduced in 2013, a program to standardize all of the internal control systems will be deployed in 2014 under the supervision of the Group Quality Department.

It is designed to extend to the other families of operating risks the best internal control practices identified for the management of accounting and financial risks.

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, 2013

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 Établissements Michelin

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, 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, 2013.

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 of the Supervisory Board'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 of the Supervisory Board sets out the other information required by Article L.226-10-1 of the French Commercial Code.

Neuilly-sur-Seine, February 10, 2014

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Dominique Descours

The Statutory Auditors

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.

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/corporate).

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. This 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)

Except as otherwise provided for by law, a shareholder at the Meeting may exercise one vote for each share he or she owns or represents by proxy, without limitation.

However, 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;
- Traded in units of: 1.

Market capitalization

- €14.352 billion at December 31, 2013.

Average daily trading volume

- 719,464 shares in 2013.

Indices

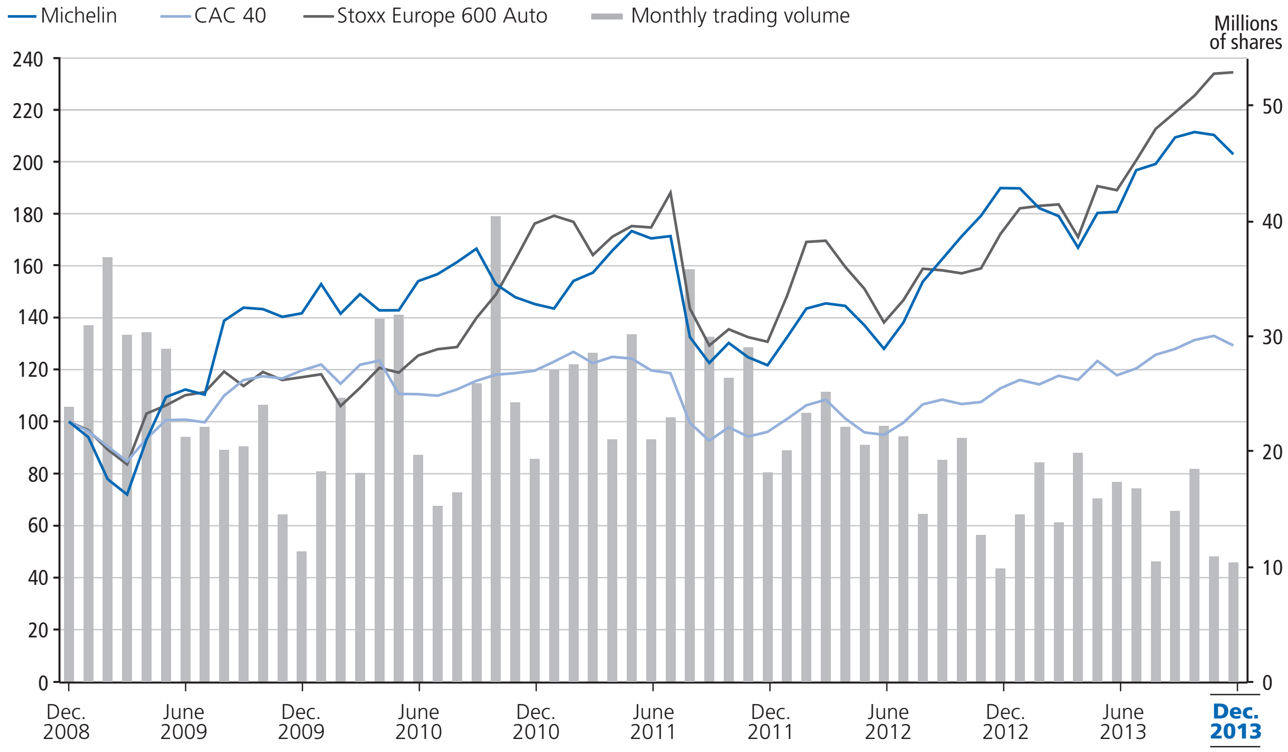
The Michelin share is included in 2 leading stock market indices. As of December 31, 2013, it represented:

- 1.70% of the CAC 40 index;
- 0.74% 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, 2013)



5.2.2 SHARE DATA

Share price *(in €)*	**2013**	**2012**	**2011**	**2010**	**2009**
High	84.71	72.58	68.54	64.51	58.67
Low	57.23	45.32	40.20	48.13	22.69
High/low ratio	1.48	1.60	1.70	1.34	2.59
Closing price, end of period	77.25	71.59	45.68	53.70	53.58
Change over the period	+7.91%	+56.7%	-14.9%	+0.2%	+42.6%
Change in the CAC 40 index over the period	*+18.0%*	*+15.2%*	*-20.5%*	*-3.3%*	*+22.3%*
Market value at end of period *(in € billion)*	**14.35**	**13.07**	**8.22**	**9.48**	**7.90**
Average daily trading volume over the period	719,464	913,167	1,246,389	1,116,722	1,138,691
Average shares outstanding	184,901,269	181,099,501	178,446,812	153,672,558	146,184,080
Volume of shares traded over the period	183,463,371	233,770,814	320,321,901	288,114,287	291,504,866
Share turnover ratio	**99%**	**129%**	**180%**	**187%**	**199%**

Sources: NYSE Euronext Paris, Michelin.

5.2.3 PER-SHARE DATA

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

(1) 2009 earnings per share have been restated to take into account the impact of the October 2010 rights issue.
(2) Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.
(3) Dividend/Share price at December 31.
** Dividend proposed to the Shareholders at the May 16, 2014 Annual General Meeting.*

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

5.2.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31 2013, Michelin's share capital amounted to €371,579,286.

	At December 31, 2013			At December 31, 2012		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors	3,523	26.0%	25.9%	3,600	26.2%	24.9%
Non-resident institutional investors		61.5%	58.2%		61.0%	56.9%
Individual shareholders	133,078	10.7%	13.4%	134,700	11.2%	15.4%
Employee Shareholder Plan	77,840	1.8%	2.5%	64,200	1.6%	2.8%
TOTAL	**214,441**	**185,789,643 SHARES***	**240,454,826 VOTING RIGHTS**	**202,500**	**182,556,713 SHARES***	**229,872,141 VOTING RIGHTS**

** All fully paid-up.*

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

5.3 SHAREHOLDER 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 and other publications, such as press releases, the Annual and Sustainable Development Report, the Registration Document, the Interim Financial Reports, 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/corporate in the Finance section and on request from the Investor Relations Department.

In addition, seven meetings with French shareholders were held in 2013, in Amiens, Bordeaux, Caen, Cannes, Paris, Pau and Strasbourg, and on November 22 and 23, 2013, Michelin attended the Actionaria retail investor fair in Paris to meet with individual shareholders and present the Group to prospective shareholders.

At the same time, close to 300 group and individual meetings were organized during the year with 980 institutional investors and financial analysts in 15 countries, offering valuable opportunities for face-to-face discussions. Analysts, investors and portfolio managers were also invited to a number of presentations on specific topics and plant visits.

Created in 2003, the Shareholder Consultative Committee is comprised of 14 members, including two employee shareholders. Through its input and recommendations, the Committee helps to improve the quality of our financial and/or image communication with individual shareholders. The Committee met twice in 2013 and actively participated in the Annual Shareholders' Meeting and the Actionaria investors fair.

Each year, shareholders and proxy solicitors are notified of the date of the Annual Shareholders' Meeting and of the voting procedures.

According to the Bylaws of the Company, 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 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/corporate (Finance section) or at the Company's registered office.

5.5 ADDITIONAL INFORMATION ABOUT THE CAPITAL

5.5.1 CHANGES IN SHARE CAPITAL

		Change in capital		
Year	**Transaction**	**Number of shares**	**Par value** *(in €)*	**Share premium** *(in €)*
2009	**At December 31, 2009**	**147,436,357**	**294,872,714**	
2010	Conversion of OCEANE bonds	346	692	33,176
	Dividend reinvestment	1,735,759	3,471,518	78,907,604
	Exercise of stock options	275,507	551,014	10,871,325
	Share issue with pre-emptive subscription rights	27,159,876	54,319,752	1,167,874,668
	At December 31, 2010	**176,607,845**	**353,215,690**	
2011	Conversion of OCEANE bonds	14	28	1,296
	Dividend reinvestment	3,128,066	6,256,132	170,479,597
	Exercise of stock options	282,972	565,944	11,523,396
	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**	

5.5.2 FINANCIAL AUTHORIZATIONS

5.5.2 a) Granted by the Annual Shareholders Meeting of May 13, 2011

Employee share issue

Corporate action	Resolution	Duration (expiry date)	Comments (1)	Utilization during the year
Grant of performance shares	15th	38 months (July 2014)	▶ Excluding the Chief Executive Officer ▶ Performance conditions over 3 years ▶ Capped at 0.5% of issued capital	Grant of up to 81,400 shares (2)

(1) Please refer to the Managing Partners' report, pages 257-258, in the 2010 Registration Document.
(2) Please refer to section 5.5.5.

5.5.2 b) Granted by the Annual Shareholders Meeting of May 11, 2012

Issuance of shares and share equivalents with pre-emptive subscription rights

Corporate action	Resolution	Duration (expiry date)	Maximum issue amount, based of a share price of €78 (1)	Maximum aggregate par value of shares	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	4th	26 months (July 2014)	▶ €4.91 billion (shares) ▶ €1 billion (4) (securities carrying rights to shares)	€126 million (2) (3) (or 35% of current issued capital)	None
Issuance of new shares by capitalizing reserves	8th	26 months (July 2014)	▶ €3.12 billion	€80 million	None

(1) CGEM share price at December 31, 2013, 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 €126 million, excluding any shares issued under the 8th and 10th resolutions (11th resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 4th, 5th and 6th resolutions (7th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 4th, 5th, 6th, 7th, 9th and 18th resolutions not to exceed €2 billion (11th resolution).

Issuance of shares and share equivalents without pre-emptive subscription rights

Corporate action	Resolution	Duration (expiry date)	Maximum issue amount, based of a share price of €78 (1)	Maximum aggregate par value of shares	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	5th	26 months (July 2014)	▶ €1.40 billion (shares) ▶ €700 million (4) (securities carrying rights to shares)	€36 million (2) (3) (or 10% of current 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	6th	26 months (July 2014)	▶ €1.40 billion (shares) ▶ €700 million (4) (securities carrying rights to shares)	€36 million (2) (3) (5) (or 10% of current issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	9th	26 months (July 2014)	▶ €1.40 billion	€36 million (5)	None

(1) CGEM share price at December 31, 2013, 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 €126 million, excluding any shares issued under the 8th and 10th resolutions (11th resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 4th, 5th and 6th resolutions (7th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 4th, 5th, 6th, 7th, 9th and 18th resolutions not to exceed €2 billion (11th resolution).
(5) Amount to be included in the maximum total capital increase authorized under the 5th resolution.

_Employee share issues

Corporate action	Resolution	Duration (expiry date)	Comments	Utilization during the year
Issuance of new shares	10th	26 months (July 2014)	Capped at 2% of current issued capital	None

_Debt securities without rights to shares/Other debt securities

Corporate action	Resolution	Duration (expiry date)	Maximum nominal amount authorized	Utilization during the year
Issuance of bonds	18th	26 months (July 2014)	€1 billion (1)	None

(1) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 4th, 5th, 6th, 7th, 9th and 18th resolutions not to exceed €2 billion (11th resolution).

_Share buyback program

Corporate action	Resolution	Duration (expiry date)	Ceilings	Utilization during the year
Share buybacks	17th	18 months (May 17, 2013)	▶ 10% of issued capital ▶ Maximum purchase price: €100	None
Capital reduction by canceling shares	12th	18 months (May 17, 2013)	10% of issued capital	None

5.5.2 c) Granted by the Annual Shareholders Meeting of May 17, 2013

_Share buyback program

Corporate action	Resolution	Duration (expiry date)	Ceilings	Utilization during the year
Share buybacks	7th	18 months (November 2014)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €100	Buyback of 2,685,194 shares (1)
Capital reduction by canceling shares	2nd	18 months (November 2014)	10% of issued capital	Cancellation of 1,809,260 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 (OCEANE). 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: NYSE 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, 2013: 5,863,674;
- 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);
- 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);
- A total of 367,006 bonds were bought back by the Company in 2013.

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, 2013

(in number of shares with a par value of €2)	Maximum number of potential new shares	Issued capital *(in €)*
ISSUED CAPITAL AT DECEMBER 31, 2013		**371,579,286**
OCEANE bonds Estimated number if all of the 5,863,674 bonds outstanding as of December 31, 2013 (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	**6,074,767**	**6,074,767**

(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 bonds were bought back, and 4 were converted in 2013 (6 new shares issued), when 367,006 were bought back.

Stock options outstanding as of December 31, 2013

Grant date	Adjusted exercise price *(in €)*	Vesting date	Expiry date	Number of options outstanding	
May 19, 2002	42.47	May 19, 2006	May 18, 2011	0	
May 19, 2003	31.13	May 19, 2007	May 18, 2012	0	
November 24, 2003	32.82	November 24, 2007	November 23, 2012	0	
May 17, 2004	38.61	May 17, 2008	May 16, 2013	0	
July 5, 2004	42.96	July 5, 2008	July 4, 2013	0	
May 23, 2005	46.34	May 23, 2009	May 22, 2014	33,088	
November 7, 2005	46.34	November 7, 2009	November 6, 2014	254,775	
May 15, 2006	55.99	May 15, 2010	May 14, 2015	84,663	
May 14, 2007	87.85	May 14, 2011	May 13, 2016	1,130,347	
May 19, 2008	59.85	May 19, 2012	May 18, 2017	243,878	
November 23, 2009	51.16	November 23, 2013	November 22, 2018	1,233,251	
May 12, 2010	52.13	May 12, 2014	May 11, 2019	260,138	
May 19, 2011	66.00	May 19, 2015	May 18, 2020	252,900	
June 25, 2012	51.16	June 25, 2016	June 24, 2021	142,076	
TOTAL STOCK OPTIONS OUTSTANDING				**3,635,116**	**3,635,116**

Performance shares

Grant date	Vesting period ends	Performance shares outstanding	
November 28, 2011	November 28, 2014 (1) November 28, 2015 (2)	282,632	
November 28, 2012	November 28, 2015 (1) November 28, 2016 (2)	369,680	
November 29, 2013	November 29, 2017	81,400	
TOTAL PERFORMANCE SHARES OUTSTANDING		**733,712**	**733,712**
MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2013 (+2.81%)			**382,022,881**

(1) French subsidiaries.
(2) Non-French subsidiaries.

5.5.4 STOCK OPTIONS

5.5.4 a) Stock option plans in effect at December 31, 2013 (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, 2013	647,332	239,847	207,064	182,088	117,189	190,469	626,589	54,000	0	75,217	171,144	0	0	0
Number of options cancelled or expired	75,303	5,200	23,322	2,000	15,583	2,500	60,851	2,800	99,976	2,000	42,977	0	0	1,200
NUMBER OF OPTIONS OUTSTANDING AS OF DECEMBER 31, 2013	**0**	**0**	**0**	**0**	**0**	**33,088**	**254,775**	**84,663**	**1,130,347**	**243,878**	**1,233,251**	**260,138**	**252,900**	**142,076**

(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 10 grantees other than Managing Partners who received the greatest number of options and options exercised by the 10 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)	49,165	€38.61 €46.34 €55.99 €59.85 €51.16	05.16.2013 05.22.2014 05.14.2015 05.18.2017 11.22.2018	05.17.2004 05.23.2005 05.15.2006 05.19.2008 11.23.2009

(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 2013.

The 10 employees other than Managing Partners who exercised the greatest number of options exercised 49,165 options at a unit price of €38.61 for options granted on May 17, 2004, €55.99 for options granted on May 23, 2005, €59.85 for options granted on May 19, 2008 and €51.16 for options granted on November 23, 2009.

Clermont-Ferrand – February 6, 2014

Jean-Dominique Senard
Chief Executive Officer

5.5.5 PERFORMANCE SHARES

5.5.5 a) Performance share plans in effect at December 31, 2013 (Table 9 of the AFEP/MEDEF Corporate Governance Code)

Following on from the performance share plans of November 2011 and November 2012, a third plan was offered on November 29, 2013. The plan provides for a vesting period of 4 years ending on November 29, 2017 for all grantees, with no lock-up period.

	Plan 1	Plan 2	Plan 3
Date of the shareholder authorization	May 13, 2011	May 13, 2011	May 13, 2011
Date granted by the Managing Partners	November 28, 2011	November 28, 2012	November 29, 2013
Number of rights granted	287,944	371,936	81,400
O/w to Jean-Dominique Senard (Chief Executive Officer)	0	0	0
Vesting date	November 28, 2014 (France) November 28, 2015 (other countries)	November 28, 2015 (France) November 28, 2016 (other countries)	November 29, 2017
End of lock-up period	November 28, 2016 (France)	November 28, 2017 (France)	n/a
Performance conditions (1)	▶ At least 3% growth in sales volumes, on average per year, in 2011, 2012 and 2013 ▶ At least €1.4 billion in consolidated operating income, on average per year, in 2011, 2012 and 2013	▶ At least 3% growth in sales value, on average per year, in 2012, 2013 and 2014 ▶ At least €2 billion in consolidated operating income, on average per year, in 2012, 2013 and 2014	▶ At least 3% growth in sales value, on average per year, in 2013, 2014 and 2015 ▶ At least €2.4 billion in consolidated operating income, on average per year, in 2013, 2014 and 2015
Number of vested shares at December 31, 2013	872 (2)	416 (2)	0
Number of cancelled or voided shares	4,440	1,840	0
NUMBER OF PERFORMANCE SHARES OUTSTANDING AS OF DECEMBER 31, 2013	**282,632**	**369,680**	**81,400**

(1) On a like-for-like consolidated basis.
(2) Transferred to designated beneficiaries before the vesting date due to the death of the grantees concerned.

5.5.5 b) Performance shares granted during the year

Rights to 81,400 performance shares were granted during the year.

	Number of shares granted	Grant date
Performance shares granted by CGEM to the 10 grantees other than Managing Partners who received the greatest number of shares	32,104	November 29, 2013

5.5.5 c) Special report of the Chief Executive Officer

_November 29, 2013 Plan

The Annual Shareholders Meeting of May 13, 2011 authorized the grant of shares without consideration to employees of the Company (except Managing Partners) 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 2013 to grant 81,400 rights to one new share of common stock to 78 grantees.

The shares will vest subject to the grantee's continued employment with the Group as well as his/her fulfillment of the following 2 performance conditions:

- like-for-like growth in consolidated net sales value of at least an average 3% a year in 2013, 2014 and 2015;
- like-for-like consolidated operating income, before non-recurring income and expenses, of at least an average €2.4 billion a year in 2013, 2014 and 2015.

One half of the granted performance shares will vest if either of these performance criteria is fulfilled.

_Fulfillment of performance conditions under performance share plans currently in effect

Fulfillment of performance conditions under the November 28, 2011 performance share plan

The first condition was to achieve like-for-like growth in CGEM 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 3 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 2 performance conditions was not met, not all of the 282,632 performance shares outstanding at December 31, 2013 will vest.

Note that the vesting period, after which the definitive number of vested shares can be calculated, will end:

- in November 2014 for grantees employed by French companies, with a lock-up period ending in November 2016; and
- in November 2015 for grantees employed by non-French companies.

Interim fulfillment of performance conditions under the November 28, 2012 performance share plan

The first condition was to achieve like-for-like, consolidated growth in CGEM sales value of at least an average 3% a year over the 2012-2014 period. The growth rates observed to date were as follows: a 3.64% increase in 2012 and a 5.71% decline in 2013. Based on these 2 years alone, the target has not been met.

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 to date were as follows: €2.423 billion for 2012 and €2.234 billion for 2013. Based on these 2 years alone, the target has been exceeded.

Interim fulfillment of performance conditions under the November 29, 2013 performance share plane

The first condition under this plan is to achieve like-for-like, consolidated growth in CGEM sales value of at least an average 3% a year over the 2013 to 2015 period. The growth rate observed for 2013 was a 5.71% decline. Based on this first year alone, the target rate has not been met.

The second condition is 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 to 2015 period. The amount observed for 2013 was €2.234 billion. Based on this first year alone, the target has not been met.

_Performance shares vested and delivered

Note that during 2013:

- no Managing Partner of the Company received any performance shares;
- the 10 employees other than Managing Partners who were granted the greatest number of share rights:
  - received 32,104 rights to one share (3 grantees received 3,508, 1 grantee received 2,632),
  - did not receive any vested shares.

Clermont-Ferrand – February 6, 2014

Jean-Dominique Senard
Chief Executive Officer

5.5.6 EMPLOYEE SHARE OWNERSHIP

At the Annual Shareholders Meeting of May 17, 2013, shareholders approved the Chief Executive Officer's motion to authorize the Company to buy back its own shares, in particular for the purpose of issuing them to Group employees as part of an Employee Shareholder Plan, in accordance with the terms and conditions provided by law.

As a result, a new Employee Shareholder Plan open to more than 95,000 employees was announced in early summer 2013.

At the end of the offer period, which ran from November 4 to 18, a total 54.4% of eligible employees in 49 countries worldwide had invested in this fourth plan. A corporate mutual fund was created for this purpose for employees in Hungary.

Note that the participation rate was particularly high (at nearly 80%) in the Group's growth regions, especially in Asia.

Michelin is very pleased that the plan proved so popular, despite a relatively high offer price compared with that of previous plans and a still uncertain stock market and economic environment.

Its success attests to employees' confidence in the Group's strength and growth prospects.

A total of 845,934 existing shares held in treasury were issued to employees under the plan.

Upon completion of the plan (and given the possibility for investors in the 2008 plan to sell their shares since July 1, 2013), the Company and its subsidiaries had nearly 78,000 employee shareholders in 49 countries.

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

At the Annual Meeting of May 11, 2012, shareholders 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 €100 per share, with the requirement that it not hold more than 10% of its own share capital at any time.

The authorization was not used before it was replaced at the Annual Shareholders Meeting of May 17, 2013.

At the May 17, 2013 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. This new authorization replaced the similar authorization granted by shareholders at the May 11, 2012 Meeting.

The Company used the authorization granted in 2013 to sign a share buyback agreement with Natixis on June 14, 2013 to take effect between June 17 and December 13, 2013. The agreement was terminated by the Company on November 30, 2013.

At the Annual Meeting on May 16, 2014, 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 Meeting of May 16, 2014".

5.5.7 b) Transactions in the Company's shares in 2013

The following transactions were carried out under the share buyback program authorized by shareholders at the May 17, 2013 Annual Meeting.

The Company held 30,000 shares, or 0.0080% of the capital, in treasury at December 31, 2013, compared with no shares at January 1, 2013. A total of 2,685,194 shares were bought back by the Company during the year, net of shares sold, and were held for the following purposes:

a) To sell or grant shares to employees of the Company and its subsidiaries in accordance with the law, notably through performance share or stock option plans or employee share issues with or without a matching contribution from the Company (845,934 shares).

b) To cancel all or some of the bought back shares, subject to shareholder approval to reduce the Company's capital (1,809,260 shares).

5.5.7 c) Purpose of shares held in treasury at December 31, 2013

A total of 30,000 shares were held in treasury at December 31, 2013, representing 0.0080% of the Company's issued capital. All of these shares were held for the purpose of selling or granting shares to employees of the Company and its subsidiaries in accordance with the law, notably through performance share or stock option plans or employee share issues with or without a matching contribution from the Company.

5.5.7 d) Market value of treasury shares at December 31, 2013

The 30,000 shares held in treasury had a market value of €2,317,500 at December 31, 2013, based on the closing share price of €77.25.

	Treasury shares bought back and sold during the year	
	Buybacks	Sales/transfers [(1)]
Number of shares	2,685,194	845,934
Average transaction price per share *(in €)*	76.815 [(2)]	64.347
Average exercise price	n/a	n/a
Total cost of transactions *(in €)*	202,262,828 [(2)]	54,433,091

(1) Sales of shares to employees of the Company and its subsidiaries as part of the Employee Shareholder Plan.
(2) 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, 2013.

5.5.8 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL MEETING OF MAY 16, 2014

The following description has been prepared in accordance with Articles 241-1 *et seq.* of the General Regulations of the Autorité des marchés financiers and European Commission regulation No. 2273/2003/EC of December 22, 2003.

Date of the Shareholders Meeting at which the share buyback program is submitted for approval

May 16, 2014.

Purposes of the new share buyback program

- To sell or grant shares to employees of the Company and its subsidiaries in accordance with the law, notably through performance share or stock option plans or employee share issues with or without a matching contribution from the Company.
- To maintain a liquid market for the Company's shares under a liquidity contract that complies with a Code of Ethics recognized by the Autorité des marchés financiers.
- For allotment upon exercise of rights attached to securities convertible, exchangeable, redeemable or otherwise exercisable for shares.
- To purchase shares to be held and subsequently delivered (as consideration, in exchange or otherwise) in connection with external growth transactions.
- To implement any and all market practices that may be authorized in the future by legislation or the AMF.
- To cancel all or some of the bought back shares, subject to shareholder approval to reduce the Company's capital.

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.* 18,578,960 shares at the date of this report. Based on the maximum purchase price of €140 per share and the absence of any shares currently held in treasury, this would correspond to a maximum theoretical investment of €2,601,054,400.

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 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, 2013.

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 16, 2014 Annual Meeting, *i.e.* until the close of trading on November 17, 2015. Effective as from the Annual Meeting of May 16, 2014, this authorization would replace the similar authorization granted by shareholders at the Annual Meeting of May 17, 2013.

6

2013 EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION

(PUBLISHED IN COMPLIANCE WITH ARTICLE 225 OF FRANCE'S GRENELLE II ACT)

After celebrating 10 years of the Michelin Performance and Responsibility approach (PRM), the Group strengthened its sustainable development program in 2013 by defining 6 ambitious objectives for 2020. These objectives provide a framework for Michelin's role as an innovative, socially responsible company and a recognized leader in sustainable mobility.

Michelin's sustainable development strategy focuses on both performance and responsibility. By defining the way the Company wants to operate and guiding employees' actions, the Michelin Performance and Responsibility approach is helping to improve mobility while responding to the challenges of truly sustainable development. Every passing day further demonstrates the powerful nature of this approach.

In 2013, Michelin defined 6 major ambitions for 2020, with very specific targets that reflect the Group's financial, social and environmental commitments. Each ambition is firmly focused on measurable performance and aligned with Michelin's operating strategy. Deployed across the Group, these 6 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.

Details of the social, societal and environmental objectives are presented in this section.

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 – and with the application decree of April 24, 2012, which require all listed companies in France to publish information on the social and environmental impact of their activities and to set forth their commitment to sustainable development.

6.1 EMPLOYEE INFORMATION

Personnel orientations that foster the sustainable development of both employees and the Company

As part of its performance and responsibility ambitions for 2020, Michelin has set particularly ambitious employee-related objectives that fit perfectly with its personnel policies and comply fully with fundamental human rights principles and international labor conventions. The preparation of the employee data in this section was guided by a strong sense of diligence and a firm commitment to continuous improvement.

Employee-related issues were given considerable thought during the discussions in 2013 about the Group's performance and responsibility ambitions for 2020.

A FIRM COMMITMENT TO THE WELL-BEING AND DEVELOPMENT OF OUR EMPLOYEES

2 main goals have been defined in this area:

- Protect the health and safety of our employees and contractors and advance employee well-being in the Company.
- Create a work environment that fosters trust, cooperation and diversity and where all employees are empowered to learn, grow and engage in progress and innovation.

These goals were chosen by focusing on Michelin's fundamental characteristics – its culture, values and strengths as an employer – and by imagining the future in terms of the Group's long-standing commitment to respect for people and personal development.

The specific objectives stemming from these goals are presented throughout this section.

- In the area of health, safety and well-being, the primary indicator is the Total Case Incident Rate (TCIR), which is accompanied by 2 other indicators – the implementation of "well-being action plans" involving employees at Michelin sites and a specific well-being index.
- In the area of favorable working conditions, the 2 main indicators are the employee engagement rate and the percentage of management positions held by employees promoted from within the Company. Other indicators include the postive outcome of social dialogue, the percentage of women managers, the percentage of local managers in growth regions, the Empowering Organizations (OR) deployment rate and the number of progress and innovation ideas submitted by employees.

These objectives will gradually be deployed across the organization and join the list of key indicators already tracked by the Group.

The *Moving Forward Together: Your Voice for Action* survey confirmed employees' strong attachment to the Company, their pride in being a Michelin employee and their confidence in the future. The survey also provided the opportunity to gauge employees' feelings about their work environment and more particularly how well they think personnel orientations and policies are being implemented.

2013 was also shaped by further progress in the multi-faceted move toward greater dialogue and empowerment. This progress primarily concerned teams and individual employees, through such initiatives as the *Moving Forward Together* survey, the faster deployment and future planning of Empowering Organizations (OR), flexible employee benefits and employee participation in innovation. Employee relations were given new impetus as well, through broader, more diversified dialogue. The relationship between the Group Personnel Department and the zones is also changing, with more effective sharing of the Personnel function mission and goals and greater differentiation in implementing the associated objectives.

Michelin is a signatory to the United Nations Global Compact, pledging to uphold its 10 principles:

1. *Businesses should support and respect the protection of internationally proclaimed human rights; and*
2. *Make sure that they are not complicit in human rights abuses;*
3. *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
4. *The elimination of all forms of forced and compulsory labour;*
5. *The effective abolition of child labour;*
6. *The elimination of discrimination in respect of employment and occupation;*
7. *Businesses should support a precautionary approach to environmental challenges;*
8. *Undertake initiatives to promote greater environmental responsibility;*
9. *Encourage the development and diffusion of environmentally friendly technologies;*
10. *Businesses should work against corruption in all its forms, including extortion and bribery.*

Michelin also complies with the OECD Guidelines for Multinational Enterprises and actively promotes them wherever it operates. It recognizes the Universal Declaration of Human Rights and the conventions of the International Labour Organization, particularly in relation to freedom of association and protection of the right to organize convention (see section 6.1.5 a), 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 provided inspiration for the Group's internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Michelin Code of Ethics, *Moving Forward Together*, the Manager's Guide and the Michelin Purchasing Principles. Widely promoted and distributed among employees worldwide, all of these documents have been translated into the Group's main business languages and are permanently available for consultation on the country organization intranet sites.

6 major personnel policy topics are addressed in the employee information section:

1. **Being a responsible employer worldwide;**
2. **Creating a positive work environment;**
3. **Aiming for "100% Health and Safety";**
4. **Developing and empowering employees;**
5. **Fostering dialogue, communication and listening;**
6. **Enhancing diversity.**

Note on the methodology used for employee indicators

When the Grenelle II Act came into effect in 2012, Michelin revamped its employee reporting methods, optimizing reporting tools, simplifying job categories and extending the reporting scope.

Data collection tools and reporting scope

PeopleSoft/Oracle human resources management software, in 13 different languages, is used to manage employees in the Group's consolidated companies. Most of the employee information for 2013 was extracted from the Chorus database associated with this software.

The information provided in compliance with the Grenelle II Act — employee numbers, working hours, payroll and occupational accident data — relates to all Group entities. The other employee and societal information was collected directly from the companies.

Employees at Euromaster and TCi, the main European and North American dealership networks, have been included in some of the data presented below for the sake of completeness. In addition to the consolidated Group data, information has also been provided specifically for Manufacture Française des Pneumatiques Michelin (MFPM), which coordinates most of the manufacturing, sales and research operations based in France.

Sustainable development reporting is based on external references such as the guidelines published by the Global Reporting Initiative, which aims to provide a reporting framework that is standardized, reliable and credible. ISO 26000 has spurred the development of new corporate social responsibility policies, including the new Group Health Policy and the new Michelin Purchasing Code.

_Method for consolidating indicators

Data were supplied by the countries and companies in accordance with a guidance document issued by the Group. This guidance describes the process for compiling the social and societal indicators required by the Grenelle II Act for all Michelin host countries and companies as defined by law. It defines application procedures (implementation and external verification) to ensure that the process is managed efficiently and in a consistent manner across the Group. It also provides a list of reference documents in which the indicators are defined, or gives definitions directly. Each country is responsible for the fairness and accuracy of the data it provides. As part of a continuous improvement process, Group Personnel audits the data monthly to ensure overall accuracy and consistency.

_Sincere, verifiable data

For the eighth consecutive year, Michelin's corporate social responsibility data were reviewed by PricewaterhouseCoopers, the Statutory Auditors designated by the Group as an independent third party. In 2013, this review was conducted in accordance with Article 225 of the Grenelle II Act, with PricewaterhouseCoopers issuing a report attesting to the presence and fairness of the required information.

6.1.1 BEING A RESPONSIBLE EMPLOYER WORLDWIDE

Total employee numbers declined slightly in 2013 but the percentage of women increased, as in previous years. The workforce continued to grow in Asia, while Europe was particularly affected by retirements. Michelin's policy in all host countries is to provide employees with a fair pay package, protection against the uncertainties of life, and additional post-retirement income.

6.1.1 a) Employee numbers and breakdown by geographic zone and gender

In 2013, Michelin's workforce totaled 111,190 employees [(1)], of which 15.9% [(2)] were women.

_Number of employees at December 31, 2013

(employees on payroll, all types of work contracts)

	Europe	North America	South America	Asia (excluding India)	Africa, India, Middle East	Group Total
Number of employees*	66,147	22,274	5,518	15,458	1,793	111,190
MFPM France						*19,979*

Michelin's global workforce stood at 111,190 employees at December 31, 2013, a slight decline from 113,443 a year earlier. Employee numbers increased slightly in Asia and remained stable in North America but declined in Europe – particularly in France – and in South America and the Africa, India, Middle East zone.

In Europe, where continued improvements in productivity met with lackluster markets and low industrial output, the number of employees who left Michelin's manufacturing countries (around 1,300) was significantly higher than the number of new hires, particularly at production sites.

France experienced the same trend, with a shift toward the support functions and an overall slight decline in the workforce.

_Full-time equivalent employees at December 31, 2013

(all types of work contracts)

	Europe	North America	South America	Asia (excluding India)	Africa, India, Middle East	Group Total
Number of full-time equivalent employees	62,098	21,291	5,108	15,437	1,790	105,724
MFPM France						*19,059*

(1) Including dealership networks.
(2) Excluding dealership networks.

Employee distribution across the zones remained the same, with France accounting for 22% of the Group's full-time equivalent employees, as in 2012.

_Women as a percentage of employees at December 31, 2013

(employees on payroll, all types of work contracts, excluding temp agency workers)

Percentage of women by employee category and region	Production operators	Administrative and technical staff	Management including junior management (1)	Total
Europe	8.6%	36.5%	22.7%	15.7%
North America	13.5%	64.9%	21.7%	17.5%
South America	7.4%	30.6%	25.3%	14.8%
Asia, excluding India	8.2%	40.9%	24.3%	15.4%
Africa, India, Middle East	5.4%	24.5%	14.3%	12.6%
GROUP TOTAL	**9.5%**	**38.5%**	**22.5%**	**15.9%**

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

	MFPM
Production operators	4.5%
Administrative and technical staff	33.1%
Management including junior management (1)	23.3%
TOTAL	**15.4%**

(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
(2) Scope: Consolidated Group excluding dealership networks (85.7% of the workforce covered).

The percentage of women employees continued to increase in all job categories. However, progress was particularly challenging among production operators, because attracting women to manufacturing positions is even more difficult during periods of low recruitment.

Michelin's goal is to drive further progress and to reach 30% women among all management positions including junior management by 2020.

_Temporary contracts and temp agency workers

In 2013, employees on a temporary contract with the Company represented 3.9% of the Group's full-time equivalent employees (3.3% for MFPM).

Previously, the percentage of employees on temporary contracts was calculated using the payroll cost figures included in the Company's financial data. Now, employees on a temporary contract can be identified directly in the personnel database, providing a more accurate measurement. As a result, the new figure for 2012 is 3.7%, compared with 1.54% using the payroll costsbased calculation method.

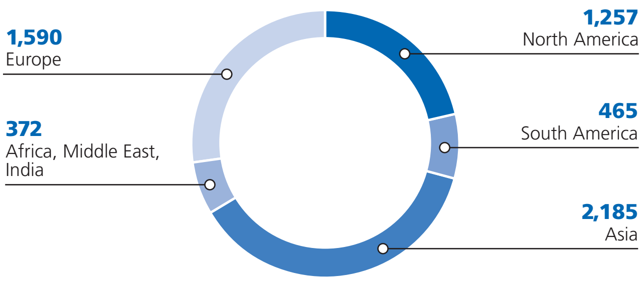
In relation to temp agency workers, the Group Purchasing Department has detailed, worldwide data for the 5 main agencies that have signed master contracts with Michelin at international or regional level. It also produces estimates for agencies that are used less frequently. Based on these data, temp agency workers represented an estimated 2,763 full-time equivalent employees in 2013.

6.1.1 b) Employee movements

In 2013, Asia took on the largest number of new hires and Michelin enhanced its appeal among young people worldwide.

_New hires in 2013 (work contracts with no set end date)

CONSOLIDATED GROUP (EXCLUDING DEALERSHIP NETWORKS)



TOTAL world **5,869**

Outside Asia, new hires were slightly down from 2012 and did not fully offset terminations. In the Africa, India, Middle East zone, the 43% year-on-year increase in new hires in India was not enough to fully offset the decline in employee numbers caused by the sale of the Algerian subsidiary.

In France, 588 people were hired in 2013 by MFPM.

Once again, many of the new hires across the world related to the new plants and their need for additional talent. In addition, Thailand experienced several spates of resignations from production operators, often still in their trial period, and had to recruit to replace them. Overall, Asia recorded the largest number of new hires, reflecting sales growth in its local markets. In Europe, where demand remained lackluster for several product lines and the Group achieved further improvements in productivity, plant recruitment was limited to critical needs and new hires only partially offset departures.

Michelin enhanced its appeal among young people in 2013 via its global recruitment website, launched in 2012, and its increased presence on social networks.

_Employee terminations by type (work contracts with no set end date)

Departures in 2013	Resignations	Dismissals	Retirement	Death	Total
Consolidated Group (excluding dealership networks)	2,452	2,658	2,332	116	7,558
MFPM	*112*	*185*	*1,070*	*33*	*1,400*

ATTRITION RATE (INCLUDING RETIREMENTS)

	2013	2012	2011	2010
Group	8.3%	6.8%	6.6%	7.8%
MFPM	*7.2%*	*5.5%*	*5.7%*	*8.6%*

As in 2012, terminations were fairly evenly distributed among the 3 main types – retirements, resignations and dismissals – although dismissals accounted for slightly more of the total than the other 2. The total number of terminations rose to 7,558 in 2013, from 6,393 in 2012. An increase was recorded in all types of terminations, but the biggest rise was in the number of retirements, with nearly 500 more than in 2012.

At MFPM in particular, retirement was the primary cause of departure and the number of retirements is expected to remain high for the next 5 years, with 800 to 1,000 retirements per year. Overall, 72% of the terminations in Europe were retirements.

In Asia, on the other hand, resignations accounted for 70% of employee departures. In South America, dismissals were the main termination type in 2013, reflecting the shut down of manufacturing operations in Colombia. In North America, where terminations are more evenly distributed among the 3 main types, retirement was the primary cause, accounting for 42% of all departures.

The voluntary turnover rate (resignations) was just over 2% worldwide and less than 1% in Europe and at MFPM.

_Redundancy plans, job retention initiatives and retraining, placement and support programs

Michelin's manufacturing strategy is to increase production capacity in the growth markets of Eastern Europe, Asia and South America while enhancing competitiveness in the developed, mature markets of Western Europe and North America.

Designed to drive growth and the Company's long-term sustainability, this strategy sometimes involves reorganizing the manufacturing base, which can lead to the elimination of jobs. In 2013, this occurred in Europe – particularly in France – and in Colombia and Algeria.

_Restructuring and employee support measures in 2013

After deploying a full range of resources to save jobs and maintain compensation to the extent possible with such solutions as training courses, vacation leave, maintenance shutdowns and employer-enhanced short-time compensation, Michelin was nonetheless forced to reorganize manufacturing operations in several Group companies.

In Algeria, production was discontinued in late 2013 at the Group's truck tire plant, which was too small to be sufficiently competitive and whose urban location prohibited any future expansion. Cevital, the company that has taken over Michelin's Algerian subsidiary (SMA), is the country's largest private sector employer and a fast growing market leader. It pledged to offer each of the plant's 600 employees a job in one of its other businesses in the country. When some of the affected employees rejected the offer, an employee support program was seamlessly implemented to address their needs. The agreement with Cevital will make it possible to increase sales of Michelin tires to all of the Group's customers, by maintaining at Cevital the 80 people working in the Michelin sales teams.

In Colombia, 2 plants were shut down during the year. In response to more than a decade of substantial annual losses in Colombia, which repeated investments have failed to stem, Michelin decided to discontinue the manufacturing operations of its local subsidiary Icollantas. Due to its insufficient size and to local economic factors, the unit has never managed to be competitive. Manufacturing operations at the Bogota truck tire plant, which employed around 220 people, and at the Cali plant, which made Michelin Passenger car tires and BF Goodrich tires with a workforce of around 240 people, were shut down in the summer of 2013. As a result, 323 production operators, 116 administrative and technical staff and 17 managers left the Company, benefiting from a support and compensation plan that the public authorities deemed particularly generous compared to local practices. 6 months after the decision was made to shut down these operations, 60% of the affected employees had already found stable employment, with the Company's help.

The sale and distribution of Michelin Group brands will be stepped up in Colombia by developing the existing sales force, which will comprise more than 60 people.

In France, the reorganization of truck tire operations will involve shutting down the Joué-les-Tours plant, as announced in June 2013, and increasing capacity at the Roche-sur-Yon plant, which will ultimately create 170 jobs.

At Joué-les-Tours, negotiations with union representatives have resulted in an agreement. When tire production is discontinued in late 2014, the plant will specialize in the production of calendared fabrics and rubber components for the Group's finished product plants. This activity will employ 200 people.

Among the workers who will not be able to stay at the plant in the long term, the 400 oldest employees will work reduced hours until their retirement and all of the other employees will be offered inplacement opportunities. Those who are unable to accept a transfer to another Michelin site in France will receive support to help them find a new career path.

Employee support will be based on the career transition workshops specifically designed by Michelin, which have proven their effectiveness in the past.

In addition, Michelin has decided to locate its Michelin Solutions fuel analyst teams in the Joué-les-Tours area, which will ultimately create between 150 and 200 jobs. A revitalization agreement will also be signed with the relevant authorities to further contribute to job creation.

Michelin feels a deep responsibility to its local host communities. It has therefore pledged, through its Michelin Développement subsidiary, to create 730 new jobs in the Tours area.

At a time when market volatility is constantly forcing companies to adapt quickly to new circumstances, Michelin has made continued employment one of its top priorities, offering individual support when in-placement is not possible.

6.1.1 c) Maintaining a fair compensation and benefits policy

Michelin is committed to offering all of its employees a fair pay package that reflects their contribution to the Group's performance and is aligned with the local conditions in their country. The Company also protects its employees from the financial consequences of an accident or illness and implements systems that offer employees additional post-retirement income. In addition, all employees receive supplementary compensation in forms that vary widely from one country to another.

	Total employee benefits expense in 2013 *(in € million)*	**Production operators** [1]	**Administrative, technical staff and Junior Management** [2]	**Management** [3]	**Fixed-term contracts**	**Provisions and provision reversals for pension obligations**	**Taxes, provisions and advances**
Group	5,292	2,020	2,106	783	70	5	308
MFPM	*1,308*	*405*	*416*	*369*	*21*	*(5)*	*102*

(1) Production operators: hourly employees.
(2) Administrative and technical staff: salaried employees.
(3) Managers: salaried employees with bonuses.

"Taxes, provisions and advances" includes taxes, provisions for pension obligations, variable compensation advances, stock-option advances and other long-term advances.

Compensation, payroll taxes and other employee benefits

Employee payroll cost amounted to €5,292 million or 26.1% of net sales in 2013, of which €1,096 million in employer payroll taxes.

The total may be analyzed as follows:

(in € million)	
Wages and salaries - Group	3,931
MFPM	*851*
Employer payroll taxes	1,096
MFPM	*360*
Benefit contributions, pensions, severance and retraining costs	254
MFPM	*97*
Share-based payments	11
MFPM	*0*
TOTAL	**5,292**
MFPM	***1,308***

Ensuring that compensation reflects each employee's performance and level of responsibility

Michelin offers competitive compensation and raises in every host country and seeks the best possible balance between employee satisfaction and financial performance.

The Group's policy is to offer everyone personalized, fair and competitive compensation that reflects each person's performance and level of responsibility. Compensation policies are implemented with a long-term view, taking into account people's career development, evolving market conditions and local practices.

A range of profit-sharing and bonus systems have been introduced, which vary by country and employee category, Employees above a certain level of responsibility may also receive individual bonuses based on the Group's results. Michelin intends to gradually extend this system to all managers and administrative and technical staff. These incentives encourage employees to deliver the results expected by the Company and to help Michelin achieve specific objectives.

Discretionary and non-discretionary profit-sharing systems are also deployed, in accordance with each country's practices and regulations. For the sake of consistency, these systems are all governed by similar rules and procedures. However, they are adapted in each host country to align them with local job markets and legislation and the pay-out levels are set so that Michelin remains competitive in the local market.

Starting in 2014, one of the 5 objectives that determine variable compensation for the Group's 600 executive managers will be tied to Michelin's sustainable development ambitions in the areas of social and environmental responsibility.

Because pay scales are pegged to criteria specific to each country, in particular to reflect local conditions, the average pay rise for the year would not be a meaningful indicator and is therefore not calculated by the Group.

MFPM: In France, where inflation [1] stood at 0.6%, pay increases in 2013 were as follows:

Production operators	2.5%
Administrative, technical and junior management	2.5%
Management	3.5%

Data for France.
(1) Excluding tobacco.

The Group's social responsibility commitment is reflected in its employee benefit policies, which primarily concern health care and insurance coverage and post-retirement benefits. Michelin supplements the national systems in these areas to ensure that employees enjoy a similar level of benefits in all host countries.

These insurance and benefit policies are continually adapted to reflect changes in the economic and legal environment and to take into account the results of the Moving Forward Together survey (see section 6.1.5 c) for details). Some countries are exploring the idea of adopting flexible benefit plans, based on a recommendation at Group level, and some are considering changes to the employee benefits on offer, based on the country's results in the 2013 Moving Forward Together survey.

Protecting employees from the consequences of an accident or illness

Michelin ensures that all employees, as well as their spouses and eligible children, are protected from 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.

The Group is also committed to conducting proactive workplace health and safety initiatives (see section 6.1.3) and actively relaying public health campaigns on such topics as nutrition and vaccinations.

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. Michelin therefore believes it has a responsibility to implement systems that provide its employees with additional post-retirement income, in accordance with the length of time they have spent with the Group.

At Michelin, 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. Group companies in certain host countries also have post-retirement benefit obligations relating to previous pension plans. At December 31, 2013, these obligations amounted to €1,902 million, of which €301 million for MFPM.

Total payments under defined benefit plans amounted to €331 million in 2013, of which €146 million in benefits paid directly to employees and €185 million in contributions to the funds.

Wherever the legislation allows, Michelin offers retirement savings plans with matching employer contributions. The funds are managed by a fund manager or insurance company that has been carefully selected for its solidity and financial performance. In 2012, a retirement savings plan was set up for all Group employees in China. A relatively new concept in the Chinese job market, the plan proved particularly popular, attracting 95% of the workforce.

As part of the project to upgrade the supplementary pension system, the PERCO retirement savings plan agreement, which covers all of the French companies, has been revised and the matching employer contribution has been increased to 100% of the employee investment. Another agreement has introduced a new supplementary pension plan to be co-financed by the Company (in an amount equal to 1% of gross salary) and the employee (0.2%). The plan has initially been deployed at Manufacture Française des Pneumatiques Michelin and Compagnie Générale des Etablissements Michelin, with the possibility of other French companies joining in the future.

Providing other appropriate benefits

The other employee benefits on offer are strongly influenced by job market customs and practices in each country. The aim is to enhance employees' quality of life by taking into account their local context and specific needs (see section 6.1.2).

_Offering supplementary compensation in various forms

In addition to salary, performance-based bonuses (for meeting individual 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 with matching employer contributions of up to 50%. 17 country organizations provide such programs, benefiting nearly 72,000 employees. The amounts awarded under these supplementary programs vary considerably from one country to another and can account for up to 30% of an individual's compensation.

At Manufacture Française des Pneumatiques Michelin, the 2011-2013 discretionary profit-sharing agreement signed with the trade unions uses various indicators to calculate profit shares – the total number and the implementation rate of Progress Ideas, the reduction in energy used, the frequency of occupational accidents and the achievement of production targets. The amount of the discretionary profit-share, which is paid in the first quarter of the following year, can account for up to 5% of salary.

In France, a non-discretionary profit-sharing agreement allows up to 15% of operating income to be paid out to employees of the companies concerned (Manufacture Française des Pneumatiques Michelin, Michelin Air Services, Société du Caoutchouc Synthétique Michelin, Michelin Travel Partner).

In 2013, a total of nearly €70 million were paid out to MFPM employees in the form of discretionary profit-shares, non-discretionary profit-shares and profit-sharing bonuses, representing just over 8% of payroll or an average of one month's salary per employee.

_A new employee share issue

BIB'Action 2013, the Group's fourth employee shareholder plan, gave nearly 96,000 employees working for 100 companies in 49 countries worldwide the opportunity to purchase Michelin shares under preferential terms.

At the end of the subscription period, 54% of employees had participated, purchasing on average 17 shares. As a result, the percentage of Michelin shares held by employees rose to 1.8% from 1.6%.

6.1.2 CREATING A POSITIVE WORK ENVIRONMENT

Working hours depend on local laws and regulations, with plant personnel generally working in shifts to optimize capacity utilization. Although it has a low level overall, absenteeism has been examined in more detail to determine the reasons behind certain geographical differences. To improve the work environment and personal lives of its employees, Michelin supports various activities and services that foster a healthy work-life balance and takes action to eliminate job-related stress.

Michelin is committed to providing working conditions that favor all 4 key aspects of personal balance and well-being — physical health, psychological balance, social fulfillment and a sense of personal achievement. It does this by undertaking projects to enhance the work environment, the organization of work schedules and communication methods, and by exploring solutions for a better work-life balance and promoting a good quality of life for everyone. Country and site organizations are responsible for making headway on local priorities, in accordance with the needs expressed by their employees. Progress made in this area will be tracked via the well-being indicator included in the new *Moving Forward Together* survey.

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

Create a working environment that fosters confidence, cooperation and diversity, where all employees have the opportunity to grow and to participate in driving progress and innovation

Ensure that each site has a plan for improving quality of life in the workplace that has been developed and implemented together with the employees or their representatives

6.1.2 a) Determining the best work schedules

Working hours in the manufacturing plants and the research, logistics, sales and administrative facilities are strictly organized in accordance with the local laws and regulations. For full-time, non-shift employees, the annual work time varies from 213 days in France and 223 days in Hungary to 250 days in China and Thailand and 260 days in the US and Mexico.

Working in shifts enables a plant to operate up to 360 days a year, thereby optimizing capacity utilization. If demand declines, adjusted working hours and temporary schedules can be implemented after consulting employee representatives. A large number of agreements have been signed for this purpose.

In 2013, a framework agreement was signed at MFPM to allow working hours to be adjusted in response to declines in demand, to limit the need for layoffs. Temporary adjustments to working hours and work organization were also implemented during the year, at the Montceau-les-Mines and Cholet plants for example (see section 6.1.5 on social dialogue for more details).

Group-wide, most people in production facilities work in shifts – primarily in three 8-hour shifts, but also in four 8-hour shifts, five 8-hour shifts, two 12-hour shifts and week-end shifts – that reflect different manufacturing requirements, prevailing legislation and local practices. Shift work and irregular hours are compensated via specific time-off systems that take into account travel time. In addition, adjustments such as a later start time or shorter shifts are made in accordance with the recommendations of health professionals. In France, a trial has been conducted to introduce a certain level of flexibility into the work schedule, to enable employees with health issues to keep up their social skills and remain in employment.

In non-production positions, working hours are usually flexible within defined limits.

Regular telecommuting is still gradually being deployed, following an agreement signed by MFPM and the trade unions on May 12, 2009, which will be renewed in 2014. Although its contribution to work-life balance has been demonstrated over a 4-year period, telecommuting is making slow progress at Michelin, with only 150 employees in France working regularly from home. They include both men and women and are more often managers than administrative, technical or junior management.

Since 2013, telecommuting is also being trialed at sites in Japan and Russia where employees face particularly long commutes.

6.1.2 b) Offering employees the opportunity to work part-time

In many of Michelin's host countries, employees can choose to work part-time to more effectively balance their personal and professional commitments. Across all job categories, part-time contracts represented 3.3% of the total workforce in 2013, up slightly from 2012.

At MFPM, the percentage of part-time employees in the workforce rose to 5.2% from 4.5% a year earlier, with a significant increase among administrative, technical and junior management.

PART-TIME EMPLOYEES BY GENDER AND JOB CATEGORY AS A PERCENTAGE OF TOTAL EMPLOYEES AT DECEMBER 31, 2013

Group *MFPM*	Women	Men	Total
Production operators	7.2%	2.8%	3.2%
MFPM	*10.1%*	*2.8%*	*3.1%*
Administrative, technical and junior management	8.8%	1.8%	3.8%
MFPM	*17.4%*	*4.6%*	*8.3%*
Managers	8.8%	0.8%	2.4%
MFPM	*16.8%*	*0.6%*	*3.7%*
GROUP TOTAL	**8.2%**	**2.4%**	**3.3%**
MFPM TOTAL	***16.3%***	***3.1%***	***5.2%***

Scope: Consolidated Group excluding dealership networks

6.1.2 c) Enhancing employee well-being through a variety of activities and services

In every host country, Michelin contributes financially to a wide range of activities and services that enhance the lives of employees and their families. Some of these benefits are mandated and defined by local legislation, while others are provided on a voluntary basis.

In addition to foodservices and transportation, Group companies are developing a growing number of cultural activities, exercise programs and health campaigns through works councils and similar local organizations. Michelin contributes several tens of millions of euros to financing these activities every year. Some countries, such as Sweden, Hungary and the United Kingdom, have introduced flexible benefit plans that allow employees to choose the activities and services that best suit their specific needs. Others have adopted an integrated approach, offering comprehensive health and well-being programs. Examples include *Choose Well-Live Well* in the United States, *Balance* in Germany, *De Bem com a Vida* in Brazil and *Oxygène* in France.

In 2013, the Group asked all sites – starting with production facilities – to check that their employee break rooms and changing rooms comply with existing internal guidelines and to develop corrective action plans where necessary. This objective will be tracked by a specific indicator starting in 2014.

Host countries also deploy various initiatives to improve work-life balance. Examples include telecommuting, access to daycare, financial assistance for childcare and education costs, employee assistance programs, tickets for external events, corporate concierge services, car-pooling and car-sharing schemes, and inter-site transportation systems. In 2013, Michelin conducted a full inventory of the work-life balance initiatives under way across the organization via 200 interviews in 11 countries.

6.1.2 d) Adapt psycho social risk prevention to local country cultures

2 types of initiatives have been undertaken by the Group to prevent and reduce workplace stress — the development of a program to improve quality of worklife and the formal definition of procedures for detecting, preventing and managing stress, with a variety of individual and collective measures adapted to each host country.

Stress-related initiatives undertaken locally

Program type/ Country	Assessment and prevention system	Training and awareness	Coaching, group support sessions	Relaxation	Medical or psychological assistance
France	X	X		X	X
Poland		X			X
Italy	X				
Spain	X				X
Germany			X	X	X
Hungary	X	X			X
United States	X		X	X	X
India					X
Brazil		X		X	
Thailand					X

France also created a network of site correspondents trained in psychosocial risk prevention in 2013, in association with the Committee on Health, Safety and Working Conditions (CHSCT). MFPM's agreement on preventing psychosocial risks was also renewed during the year.

6.1.2 e) Tracking and understanding absenteeism

A global, multidisciplinary project was launched in 2013 to standardize the methods for tracking absenteeism across the organization. With the help of internal and external experts, the Personnel Department wants to check the consistency of absenteeism calculation methods worldwide so that it can better understand geographical differences.

In the future, the Group will use a methodology for all job categories that integrates behavioral aspects, reflecting employees' feelings and level of commitment.

The data presented for 2013 concerns production operators – the Group's largest job category – in both Europe and North America, where a monthly tracking system was set up based on common guidelines.

Overall, absenteeism was stable compared to the previous year.

For MFPM, unforeseeable absences among production operators rose slightly in 2013 to 7.7%, versus 7.2% in 2012, with long-term leave accounting for a significant 35% of the total. In 2013, French plants began to deploy a program to systematically welcome absent employees back to work. Specific initiatives are planned for 2014 in this regard, in accordance with the working group's findings.

Production operator absenteeism	Sick leave and other short-term absences	Lost time due to occupational injury or illness	Long-term leave	Total 2013
Europe (excluding Russia)	3.6%	0.2%	1.5%	5.4%
United States and Canada	1.4%	0.2%	1.1%	2.6%
MFPM	*4.5%*	*0.5%*	*2.7%*	*7.7%*

6.1.3 AIMING FOR "100% HEALTH AND SAFETY"

The Group's main stakeholders work together to implement a pro-active health and safety policy aimed primarily at eliminating risks that could have a negative impact on employees' health, safety or ability to work. The policy also includes a well-being component designed to optimize working conditions and provide the resources necessary for employee fulfillment.

> **Ambition for 2020**
> **Demonstrate our commitment to the well being and development of our employees**
> Protect employees' health and safety and enhance their well-being

Throughout its history, Michelin has always placed a particular emphasis on the health and safety of its employees and contractors. The "100% Health and Safety" approach, adopted in early 2011, has further strengthened the Group's commitment in this area.

A uniform health policy that covers all of the health-related corporate social responsibility commitments in all of the Group's entities worldwide

Michelin's Environment and Risk Prevention Management System is based on OHSAS 18001 specifications, meets certification standards, and complies with the recommendations issued by the relevant international bodies, such as the World Health Organization, the United Nations Global Compact and the International Labour Organization (ILO). Formally defined in the Michelin Performance and Responsibility Charter, the Michelin Manufacturing Way Best Practices, Moving Forward Together and the Michelin Code of

Ethics, the principles underpinning Michelin's social responsibility commitment determine the Group's health and safety targets and objectives, which have been reaffirmed in the Michelin Health and Safety statement. Signed by the Chief Executive Officer, the Michelin Health and Safety Statement sets out the responsibilities and resources associated with each level of management in the various facilities. It is now displayed in most of the Group's common areas, including break rooms, changing areas and meeting rooms.

The deployment of a Group-wide health policy was initiated in 2013. The policy was developed in line with the Michelin Performance and Responsibility ambitions, on the basis of a survey of health practices within the Group, an analysis of best practices outside the Group and a review of both the recommendations issued by key international organizations, such as the UN, the ILO and the OECD, and the relevant standards, laws and regulations, including ISO 26000 and Grenelle II.

"In all its operations, Michelin is committed to protecting the health of its employees, subcontractors, visitors, customers and neighboring communities.

The Group pledges in particular to:

- *preserve employees' physical and psychological health and ability to work;*
- *foster employee well-being;*
- *manage the impact of Group products and operations on the health of its stakeholders."*

Excerpt from Michelin's 2013 health policy.

By defining the strategic avenues for safeguarding health, the policy aims to update and harmonize existing practices within the Group, in the areas of occupational health, quality of life, stress management, harassment and violence.

A network that coordinates health and safety initiatives for employees and suppliers

The number of employees needed to implement health and safety measures and the skills required for the task are defined by a demanding internal organization standard. Each site has access to the skills of risk prevention and health experts, in accordance with its size and type. These experts are organized into Group, zone and country networks, which are overseen by network coordinators. Their job is to help the networks manage their action plans, share best practices and leverage the experience acquired, as part of a continuous improvement process.

A project uniting all of the partners involved in risk prevention was launched in late 2013 to optimize the organization's efficiency and overall value added.

6.1.3 a) Taking action to improve occupational health

To optimize the success of individual and collective prevention measures, Michelin has redefined the duties and objectives of its workplace health services. The lines of communication among medical personnel have also been clarified to achieve greater consistency in health and safety practices.

To ensure the successful deployment of the Group's health policy, a document was issued in 2013 confirming the role of Michelin's workplace health services and clarifying their organization and operation.

Various zones and countries implemented action plans to align their services with the new Group rules. In some services, reporting lines and operating methods were modified and in others, such as in North America, projects were launched to improve their organization.

By the end of 2013, coordinated health services were already in place in South America, North America, France, Germany, Italy, Spain and China.

Systematically monitoring employee health

Employee health is monitored via check-ups conducted either by Michelin medical teams, which represent 45% of cases, or by outside health care providers coordinated by a Group physician. In 2013, 60% of employees were covered by systematic health monitoring, via check-ups and follow-up tests to enable the person to return to and stay in work. This monitoring is especially vigilant for people in positions associated with specific risks, such as exposure to noise or chemicals, physical strain or night-time work. Currently, 90% of these at-risk persons are tracked, with the goal of raising this figure to 100% by 2016/2017.

A multidisciplinary working group was set up in 2013 to improve and harmonize practices for monitoring the health of employees exposed to chemical hazards.

Host countries use diverse methods for keeping medical records, making it difficult to monitor employee health at Group level. The idea of setting up a Group-wide health data management system was deemed infeasible in 2013, due to both the technical complexity of the project and the significant differences in occupational medicine regulations worldwide. As a result, the Group decided to continue using systems that are adapted to the needs of each country and to track health-related data via common indicators.

Obtaining independent guidance from a medical advisory committee

Comprising 9 outside experts, the medical advisory committee was set up in 2011 to help identify and eliminate health risks by taking into account advances in science. The independent opinions issued by the Committee assist Group management in understanding and addressing the health risks specific to tire manufacturing. In 2013, the Committee focused on the risks associated with the nanoparticles and endocrine disruptors present in the tire industry and on measures for protecting employees from workplace noise. The Committee also validated the Group's new health policy.

Minimizing occupational illnesses through regular monitoring

Occupational illnesses are monitored in each country in accordance with the definitions provided by national regulations, which are too diverse to enable the data to be consolidated at Group level. A global survey was therefore conducted in 2013, covering 97% of the total workforce (excluding Euromaster and TCi). The survey was based on the International Labour Organization's list of occupational diseases, the only reference common to all countries. According to the data collected, the illnesses reported in recent years were primarily musculoskeletal disorders and, to a lesser degree, respiratory diseases and hearing problems.

Michelin conducts a wide range of initiatives to prevent and detect occupational illnesses, particularly those related to lifting, repetitive movements, physical exertion, noise exposure and chemical hazards. Chemical risks are assessed prior to implementing any new testing or production techniques and a program to improve workstation ergonomics is being deployed, to reduce the risk of occupational illnesses associated with physical activity. (Initiatives to manage workstation ergonomic risks and occupational hygiene risks are presented in section 6.1.3 b). To supplement collective protection measures, employees systematically wear personal protective equipment.

_Relaying public health campaigns among employees and their families

In every host country around the world, public health campaigns aligned with local needs and practices are conducted for Michelin employees and their families. Initiatives deployed as part of these campaigns include i) training in lifting heavy loads, preventing back and joint pain, and avoiding the risks associated with a sedentary lifestyle; ii) advice on healthy eating and wellness; iii) anti-smoking and anti-alcoholism courses; and iv) exercise programs.

In the United States, Michelin's fourth Family Health Center is scheduled to open in 2014. These centers provide easy access to high-quality, affordable medical check-ups and health care for both employees and their families. To encourage healthy living, the health care plans in the United Sates give employees and their spouses the opportunity to improve their medical coverage by having a check-up and either achieving normal results when tested for metabolic risk factors or improving their results in accordance with a target set by the physician.

At corporate headquarters in France, the *Oxygène* program enables employees to practice a variety of physical activities in the workplace (see section 6.1.2). A public health program is offered to personnel in Poland each year and check-ups are provided for employees in countries where access to health services is difficult or expensive, such as in South America, Thailand, China or India.

_Supporting local health care facilities

Michelin helps to improve local public health care facilities in emerging countries, whenever their quality is deemed inadequate.

In China, the Group continued to work with hospitals in Shanghai and Shenyang to improve care for local employees and expatriates, with a particular emphasis on preventing health care-associated infections. These measures were supplemented in 2013 by a contract with an English-speaking medical service, which aims to improve medical care for expatriates.

In Poland, a program has been implemented to provide employees with fast, convenient access to specialists in the private health care sector.

Michelin also has an agreement with International SOS to ensure that expatriates and employees traveling abroad have access to health care services wherever they are.

In 2013, the Group's corporate social responsibility program in India included initiatives to improve the health care facilities that serve local communities. For more details about Michelin's community engagement initiatives, see section 6.2.2 b).

6.1.3 b) Assessing and preventing risks

Michelin strengthens the workplace safety culture established across the Group by communicating daily, conducting training programs, sharing best practices and acting on the ideas submitted by its employees. To ensure the highest level of protection for employees, measures are also taken to improve working conditions, particularly in the areas of ergonomics and occupational hygiene.

Risk assessments have been conducted for all workstations in accordance with common, standardized methods. These include ARM for equipment risks, EVANE for ergonomic risks, CR for chemical risks and ASAR for asbestos risks. The assessment results are used to identify priority areas for annual and multi-year action plans and to monitor the impact of preventive measures. In France, the results are consolidated into a single document covering all risks.

_Enhancing workplace safety

To achieve "100% Health and Safety", Michelin takes preventive measures that target human, technical and organizational factors.

A workplace safety culture that has been embraced by employees at every level

Internal communication plays a critical role in deploying workplace safety policies and several campaigns have been conducted to support their deployment. Effectiveness is heightened by the synergies generated across the various communication systems, which include on-site CCTV networks, bulletin boards, team meeting presentations, the managerial intranet and dedicated support documents.

In 2013, 87% of the employees who participated in the Moving Forward Together survey said that safety was a top priority in their activity (for more details about the Moving Forward Together survey, see section 6.1.5 c) below). Best practice sharing among sites and the deployment of Group Safety Programs continued during the year, with more than 75% of all employees participating in the safety process.

Presented each year to consistently high-performing facilities, the Michelin Safety Award recognizes outstanding initiatives aimed at achieving "100% Health and Safety" and showcases the winners' best practices in articles, video reports and other internal communication media.

In 2013, Michelin Safety Awards were presented to 4 plants – the Laem Chabang mold production plant in Thailand, Ballymena in the United Kingdom, Covington in the United States and Nyiregyhaza in Hungary – as well as to the Almeria test center in Spain and to 2 logistics centers – Avelonea in Greece and Salon-de-Provence in France.

Employee involvement in the safety process is highlighted by the Progress Ideas system (see 6.1.4 f). Of the 20,285 Progress Ideas implemented by the Group in 2013, 31% related to safety and 28% to working conditions, reflecting a strong sense of ownership of these issues at all levels of the organization.

A major project is under way to provide detailed, standardized accident prevention instructions for all workstations. The project was pursued throughout 2013, with a focus on maintenance positions. In every plant, managers in the shopfloor are trained to prevent accidents at their team's workstations.

To reduce occurrences of the most serious accidents, prevention programs have been implemented for 6 specific risks – in-plant traffic, working at heights, power distribution, lockout procedures during maintenance work, entanglement hazards and rollers used in manufacturing and laboratory processes. The coexistence of forklifts and pedestrians, which can sometimes cause serious accidents, was significantly improved after specific recommendations were put into practice.

TRACKING OCCUPATIONAL ACCIDENTS

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees
Achieve a total case incident rate (TCIR) of less than 2 for the entire Group

In occupational accidents an effort to achieve "100% Health and Safety", a new indicator was introduced in all countries in 2013. Covering accidents, disorders, illnesses and temporary incapacity, the total case incident rate (TCIR) provides a more holistic view of how the workplace affects employee health so that prevention programs can be prioritized accordingly. The new indicator is the same as the OSHA rate that has been used by Michelin North America teams for several years. As with the OSHA rate, the TCIR is calculated on the basis of 200,000 hours worked and is therefore equivalent to the percentage of employees affected by an accident or health issue.

		2013	2012	2011
Group	LTIFR	3.46	2.80	2.40
(including dealership networks)	LTISR	0.23	0.19	0.17
MFPM	*LTIFR*	*8.00*	*6.19*	*3.1*
	LTISR	*0.46*	*0.31*	*0.22*

The lost-time incident frequency rate (LTIFR) corresponds to the number of incidents resulting in more than one day's lost time per million hours worked. The lost-time incident severity rate (LTISR) corresponds to the number of working days lost to accidents resulting in at least one day's lost time per thousand hours worked.

A Group-wide safety performance survey conducted in 2002 revealed an unsatisfactory situation on the whole, with significant discrepancies between sites and an overall LTIFR of 18.65.

Since then, the many and varied measures undertaken over more than 10 years have produced encouraging results. For example, 20 sites had no lost-time incidents in 2013, compared with only 8 sites in 2005.

Unfortunately 4 Michelin employees died in 2013, one at the Pirot plant in Serbia, one at the Bad Kreuznach plant in Germany, one from the sales team in Taiwan and one from the Euromaster dealership network in France. 3 subcontractors also died during the year, one at the Pirot plant in Serbia, one at the Rayong plant in Thailand and one from the sales team in Nigeria. Investigations have been carried out to analyze the causes of these accidents and protective measures have been taken to improve safety.

The progress achieved in 2012 in the Group's sales and marketing operations was confirmed in 2013 *via* an LTIFR of 1.48. The improvement was partly due to a dedicated occupational road safety program for sales personnel and the work carried out by technicians assigned to trucking companies.

The situation in France requires further explanation. Country management realized that the method of accounting for lost-time incidents varied depending on the facility. Clarifying these variances provided an opportunity to point out that, regardless of the indicator, the primary objective is obviously to ensure the overall safety of everyone in the workplace.

The resulting arithmetic increase in the lost-time incident frequency rate (LTIFR) was solely due to the harmonization of the calculation method and does not in any way reflect a deterioration in employee safety in France (and at MFPM in particular). This is reflected by the total recordable incident frequency rate (TRIFR), which was stable on a comparable basis for MFPM, at 19.6 in 2013 versus 20.6 in 2012 and 20.2 in 2011.

Involving employees in occupational road safety initiatives

Michelin has long been involved in initiatives to support road safety (see section 6.2.3 c), with a particular focus on meeting the challenges of work-related road safety. The risk of accidents while commuting or in work-related driving has also been addressed via internal awareness-building campaigns that encourage safer driving practices and more efficient travel management.

Monitoring occupational accidents among temp agency workers

Michelin is centralizing safety performance data relating to temp agency workers and subcontractors by creating a dedicated database known as GAIA. A best practices guide was also made available to all Group sites in 2013. The aim is to align the LTIFR and LTISR of temporary employment agencies with Michelin's own performance.

The action plan developed with the agencies involves:

- a workplace safety charter signed by Michelin and each temporary employment agency;
- self-assessments and action plans carried out in partnership with the local agencies on every site;
- best practices identified during on-site safety audits conducted in partnership with the local agencies;
- Annual Meetings between the Michelin manager and the managing directors of the temporary employment agencies, to track and supervise the process.

As a result, the lost-time incident frequency rate for temp agency workers was reduced to 6.5 in 2013.

Enhancing workstation ergonomics to improve production line working conditions

Comprising one expert for every 2,000 production operators, the ergonomics expert network has demonstrated its capacity to improve production line working conditions. Ergonomics is taken into account starting in the design phase, for both projects and equipment, and ergonomists work with local teams on site to identify and lead the deployment of measures to improve existing working conditions. The network makes it easier to identify issues, share experiences and rapidly deploy best practices across the organization.

Michelin's commitment to improving ergonomics has been confirmed by the allocation of a dedicated budget, which was used in 2013 to improve the working conditions of more than 1,000 employees in physically demanding positions. The ergonomics network focused during the year on reducing or eliminating physical stressors and environmental hazards, such as poor lighting and noise.

In 2013, physicians from 31 sites reviewed the 50 or so ergonomic solutions that have been developed, to ensure the effectiveness of the ergonomic prioritization strategy (associated with the EVANE assessment method) and its alignment with employee health data.

New ergonomic production prototypes were also finalized during the year and are now being deployed across the Group. The workstations concerned are post-curing inspection for Car tires and post-curing repair for Earthmover tires, as well as curing-membrane-changes for Agricultural tires, where ergonomic measures have reduced equipment handling by around 50 kilograms. Another example of improved ergonomics is the introduction of lift-assist equipment to help employees supply the internal mixer with bags of chemical products, which represent the equivalent of a total load of 6 tonnes over an 8-hour shift.

Reducing the arduousness of workstations aims to minimize the impact on employee health and make manufacturing positions accessible to a wider range of people.

Managing occupational hygiene risks to protect employee health

The corporate Occupational Health and Hygiene Department is supported by the network of Group Health Correspondents, Technology Center materials experts, toxicologists and occupational physicians. The network follows the guidelines for analyzing risks and monitors employee exposure. A program has been developed to manage risks in 2 main areas, workstation chemical risks and asbestos-related risks.

To safeguard the health of its employees, Michelin deploys a chemical risk management process at all its units involved in manufacturing or research and development. Only chemicals that meet internal acceptance criteria and local HSE regulations are authorized within the Group. Employee exposure is analyzed and the risk levels are strictly defined, with unacceptable risks eliminated by using alternative, less hazardous chemicals or by taking personal or collective protection measures. Michelin invests in risk reduction initiatives every year. In 2013, the Group used updated risk exposure analyses to identify high-priority positions and then confirmed the results with additional measurements. Priority action areas have therefore been determined for 2014.

Michelin tires have never contained asbestos and the Group does not use asbestos at any of its units worldwide.

As with many companies, Michelin used asbestos in the 1960s and 1970s for soundproofing and thermal insulation and in friction materials. The program to remove asbestos-containing materials has been completed for friable asbestos and focused in 2013 on bonded materials. In order to control the risk to people and the environment, all asbestos-removal operations are supervised by a manager at corporate headquarters.

Already deployed in Europe, the centralized occupational health and hygiene expert information system (Atrion and Basedoc) continued to be rolled out in 2013 in Asia and Brazil. Based on Group best practices, the system enables the generation of standardized safety documents for all the semi-finished and finished products used worldwide. These documents, which comply with both local legislation and Group standards, include safety data sheets and instructions for the safe use of products at the workstation. The risks associated with curing fumes were reassessed in 2013 and the risk analysis process will continue in 2014, focusing on fumes from preparation compounds.

Particularly applicable in the area of R&D, a standardized method for analyzing and managing the risks associated with nanoparticles has also been developed and was operational in 2013.

6.1.4 DEVELOPING AND EMPOWERING EMPLOYEES

Michelin places considerable importance on employee skills development and ranks in the top half of the world's largest companies for its training program. Reference jobs have been defined for each profession and a system for recognizing competency is also being rolled out. New employees are hired and integrated into the Group for a career, not just a job. They are supported right from the start, first via an induction program and then by their line and career managers. Employees are also encouraged to play an active role in innovation. In 2013, more than 35% of the eligible personnel submitted at least one progress idea. In addition, Michelin's "empowering organizations" (OR) approach aims to enhance the autonomy of all team members, in order to foster employee fulfillment and improve overall performance.

6.1.4 a) Deploying a competitive approach to training

Michelin is committed to taking a dynamic but balanced approach to training and development that gives all employees 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 remained stable in 2013 at 4.4%, unchanged from the previous year.

Around the world, Michelin continuously invests in training programs to enhance the skills of its teams. The training provided by Michelin worldwide each day represents the equivalent of 4,216 employees in full-time training. This enables the Group to meet the challenges of international growth, which demands the ability to deliver ever-greater technical performance and superior quality of service.

At MFPM, which has a stable workforce in a mature market, training hours represented 2.9% of total hours worked.

In India, plant construction continued in 2013, accompanied by training programs for the employees hired to work in the Group's semi-finished and truck tire operations. As part of this project, many employees were sent to train at Michelin facilities in various geographic zones in 2013, representing the equivalent of 80 employees in full-time training for one year. More than 250,606 training hours were also provided in India, bringing the country's percentage of training hours per hours worked to 12.1% in 2013.

Excluding Euromaster and TCi, total training hours amounted to 7.17 million in 2013, for an average of 76 hours per employee on payroll and 80 hours per trainee, compared to 75 and 78 respectively in 2012. As a result, Michelin once again ranked above average among the world's largest companies. The number of hours of training at MFPM was close to one million. Training outlays amounted to 5.3% of payroll in 2013 (4.9% in 2012), for an average training expenditure per trainee of €2,770 (€2,520 in 2012).

TRAINING HOURS BY EMPLOYEE CATEGORY

Group (excluding Euromaster and TCi)	Production operators	Administrative and technical stall and junior management	Management	Total 2013
Number of training hours	5,076,913	1,779,892	311,121	7,167,926
Percentage	71%	25%	4%	100%

Job-specific courses accounted for 88% of the training program in 2013, in line with the Group's commitment to helping develop people's skills and employability.

Management courses accounted for another 6% of the program, unchanged from 2012, reflecting ongoing initiatives by the Personnel Department to enhance the quality of management, as part of the Moving Forward Together approach. The remaining 6% were general training courses.

Environment and Prevention training for all employees (excluding training for E&P personnel) represented 3% of the overall program.

6.1.4 b) Offering a structured skills management process

A structured process is used to manage skills across the organization. In each profession (marketing, finance or logistics, for example), a Competency Director is responsible for deploying guidelines and assessment tools, with the help of employee experts in that profession and personnel officers.

A total of 700 reference jobs have been defined across the Group, covering all professions. The efforts made since 2011 to harmonize the associated job descriptions continued during the year, with more than 250 reference jobs reviewed between 2012 and 2013. Available via a shared database, the job descriptions include the expected accomplishments, main tasks and skill requirements associated with each job. To ensure global consistency of the job map, the reference jobs are placed on a common matrix using the same Hay Group method worldwide.

All positions are linked systematically to a reference job, giving employees clear information about what is expected of them. A standard training plan is defined for each job, with individual and collective skills development activities. In addition to describing the training required on taking up the position, it also sets out initiatives for maintaining and developing the skills required for the job.

All employees benefit from an annual process comprising 3 components – a performance appraisal, the definition of objectives for the year and a development action plan. They are also offered a more in-depth periodic development review every 3 years to discuss their development beyond their current position. In 2013, 67% of administrative, technical and junior management and managers had benefited from a development review within the previous 3 years, compared to 46% in 2011. In addition, the system used for their performance appraisals and the associated tools were reviewed during the year to maximize fairness and objectivity.

The deployment of a centralized human resources planning process continued in 2013. The aim is to ensure that the right skills are available at the right time and in the right place to meet the Group's future needs. In particular, a specific process has been introduced to identify the main potential risks in terms of employee numbers and skills and to suggest solutions to address those risks.

Thanks to this process, the Group has access, for the first time, to an overview of the main risks across the various geographic zones and professions. The results show that 4 professions require particular vigilance in several zones, across both mature and growth markets, to ensure that the necessary skills are available when needed. Appropriate action plans have been developed to remedy this situation.

6.1.4 c) Using a systematic approach to recognize competency

All Group professions have pursued their involvement in a global process for recognizing skills development and job competency at 3 levels — validation, qualification and certification. Formally defined systems are now in place for the 2 key stages in the process:

- validation, which means that the employee has completed the training required on taking up a new position;
- qualification, which means that the employee has demonstrated the ability to do their job independently.

When employees take up a new position, they are given a job description and an individualized training plan based on the standard training plan for the reference job. Their competency for the position is validated once they have completed their training plan, and then qualified by their manager once they have acquired the necessary level of independence.

Deployment of this process has progressed in pace with the optimization of standard training plans, which targets key jobs in each profession. More than 250 training plans were processed between 2012 and 2013, covering management, technical, maintenance and manufacturing positions. Resources have also been developed by the Competency Directors to deploy this process in the zones and countries.

The aim is to ensure that the right skills can be provided at the right time to meet the needs expressed by the operating units. This was a key success factor during ramp-up of the new plants in China, India and Brazil.

Michelin's policy on tutoring and mentoring was reviewed in 2012 and 2013 to take into account the fact that basic skills are better taught on-the-job than in the classroom in the areas of research, maintenance, industrial organization, production and sales. Deployment of the new guidelines for identifying, selecting, training, rewarding and managing tutors and mentors has already begun and will be stepped up in 2014. On-the-job training is currently provided by a network of 5,000 to 6,000 tutors and a total of 700 trained mentors.

6.1.4 d) Providing an induction program for every new employee

The Michelin Induction Program is provided to all new hires – which represented more than 5,600 people in 2013 – to help them become familiar with Michelin and guide them through their first days with the Group. This comprehensive program is designed for all employees and is gradually being deployed worldwide, starting with countries that have the highest recruitment volumes.

Every new employee is welcomed by their manager and a member of the Personnel Department, who walk them through their individual induction program and support them as they get started at Michelin. As part of this induction program, new employees move into their position, take part in an onsite introductory course and participate in an induction seminar during their first months with the Company. The seminar may take one of several forms:

- production operators attend a 2-day induction seminar at their plant when they first join the Company and a one-day follow-up seminar after a year on the job;
- administrative and technical staff and managers attend a 3-day "A Better Way to Start" seminar held in their host country;
- for employees above a certain level of responsibility, a 4-week program called "The Session" is organized 3 times a year at the Group's headquarters in Clermont-Ferrand. Around 250 employees from around the world participated in the program in 2013.

Once their induction has been completed, employees review the period with their induction monitor or career manager.

6.1.4 e) Offering career development opportunities within the Group

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

75% of all our management positions are held by people who are promoted from within the Company

Michelin has always put great emphasis on internal promotion, which is why 80% of the Group's 600 executive managers [(1)] today have been promoted from within. The goal is to reach a similarly high percentage across all levels of management, through a dynamic approach to career development that includes both transfers and promotions. All Michelin employees are hired to pursue a career over the long term, not just for a specific position. Once hired, ongoing skills development initiatives enable employees to realize their full potential.

Employees are supported through the various stages of their career by a global network of nearly 400 career managers.

Their role is to help employees build a personalized career path over the long term, in accordance with their individual career aspirations and the needs of the Company. In 2013, 55% of all employees had met with their career manager during the year. Out of the 2,549 employees surveyed in 2013 after they changed positions, 80% expressed their satisfaction with both the opportunities offered and the conditions under which the change took place.

Career managers also serve as a point of reference for employees, outside their reporting relationships. In 2013, 64% of employees said that they would turn to their career manager if they had any issues with their work situation.

Alongside career managers and the employees themselves, managers also play a key role in the career management process, by helping employees to improve their performance and supporting their professional development. In particular, managers are responsible for identifying employees' strengths, areas for improvement and medium-term opportunities for advancement, during periodic development reviews. They are also tasked with identifying employees with the potential to progress fast and/or far up the corporate ladder.

By the end of 2013, 75% of the high-potential employees identified in 2011 had been promoted to a position of greater responsibility. For employees who show particularly high potential, management teams conduct annual reviews and generate career development and succession plan hypotheses.

The Group's commitment to internal promotion applies to all levels of the organization. An analysis carried out in late 2013 showed that 39% of the front-line managers in French workshops – or more specifically 165 of the 421 station managers, workflow managers and technical section managers – began working their careers at Michelin as production operators.

6.1.4 f) Encouraging employees to share their ideas

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

Generate and collect 100,000 Progress and Innovation ideas/year

Michelin was one of the first companies in the world to tap into employees' imaginations when it introduced Progress Ideas back in 1927. The aim is to offer all employees — regardless of their position — the opportunity to play an active role in the Company's management and growth by suggesting ideas for resolving problems or improving working methods. In addition to encouraging their team members to make suggestions, managers are asked to help process the ideas submitted and to ensure appropriate recognition is given to employees whose ideas have been implemented.

The number of employees participating in the process increases steadily each year, with 21,243 employees submitting at least one idea in 2013, or 35.5% of the workforce that had access to the process.

For the first time, the total number of ideas submitted during the year exceeded 50,000, with certain countries making particularly significant progress. In Italy, for example, the number of participants virtually doubled, increasing from 1,028 to 2,032, for a total of 3,617 ideas, more than double the number submitted in 2012. Russia continued to perform well above average, with 748 employees generating more than 1,000 progress ideas during the year, for a participation rate of 82.5%.

Worldwide, a total of 50,462 ideas were submitted in 2013 and 20,285 of them were implemented. These ideas drove progress in a wide variety of areas, including safety, quality and working conditions. They also generated an annual net saving for the Group of an estimated €10 million and earned participants a total of €1.53 million in bonuses.

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

At MFPM in France, the participation rate continued to increase, reaching 45% in 2013, with 20,909 ideas submitted and 9,160 of them implemented.

Some were particularly effective, generating savings of more than €500,000. The biggest savings were achieved in logistics, through transportation and container optimization; in productivity, through the optimization of machine cycles and capacities; and in energy efficiency.

In 2013, 48 Progress Idea Facilitators from 12 different countries came together to talk about how to promote the process, what improvements could be made and how the concept could evolve in the future. Also during the year, employees in China, Thailand, Brazil and the United States were trained as facilitators, in preparation for start-up of the process in these countries in 2014.

6.1.4 g) Empowering employees to self-manage

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

Deploy People Empowerment approach, "OR" everywhere and at all levels

One of the main objectives of the Moving Forward Together initiative is to ensure that all employees — regardless of their level or role in the Company — have the opportunity to exercise their full range of skills and capabilities so that they find fulfillment in their jobs. Initially deployed across the production base as part of the Michelin Manufacturing Way, the "Empowering Organizations" approach is designed to achieve that objective, with positive impacts on financial performance, personal development and employee well-being.

2 steps to the empowerment process have been defined so far and are being deployed in all host countries. By step 2, the team must be multi-skilled, handle everyday issues and manage its own time sheets.

Deployment has been picking up speed since 2011, with all countries and sites appointing project coordinators and organizing training and team building sessions to facilitate deployment. In 2013, a total of 300,000 hours of training and team building were devoted to empowering and to develop production team members. The return on investment was clear; by end-2013, more than 104 of the 146 manufacturing operations had been validated at step 2, covering all levels of the manufacturing process – business unit, shop and plant.

An innovative approach was taken in 2013 when close to 1,500 employees – from 37 production and maintenance teams in 18 plants – were asked to design their own solutions for greater self-management. This time, instead of management developing plans for delegating responsibility, the production operators themselves were asked to determine how much they can do independently, in a reversal of the usual top-down approach. The teams were asked not only to develop innovative solutions but also to test them for one year and to assess their impact on manufacturing performance.

The results were so promising that the Group Executive Committee has decided to apply this approach to 6 entire plants, starting in 2014. The Group Executive Committee has also requested the launch of another major project – extending the empowering organizations approach to the Group's management and technical teams so that a uniform management model is eventually adopted across all segments of the organization.

6.1.5 FOSTERING DIALOGUE, COMMUNICATION AND LISTENING

Michelin is determined to give new impetus to the social dialogue process so that it becomes a key driver of sustainable performance. To foster discussion and facilitate access to information, the Group deploys a wide variety of internal communication channels and resources. In addition, a global opinion survey was introduced in 2013 to gather employees' perceptions and measure their level of engagement.

6.1.5 a) Giving new impetus to social dialogue

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

Demonstrate a trust – based and responsible approach to Employee/Labor relations – through the signature of national and international framework agreements on common topic of concern

A high level of social dialogue was maintained in 2013 through a large number of meetings and agreements with unions and other employee representatives. A total of 2,860 official meetings were held with union representatives and 65 collective agreements were signed across the entire Group, including the dealership networks.

The agreements primarily related to occupational health and safety, personal development, working hours, competitiveness and flexibility, and worklife quality. The new Group Health Policy will serve as a reference for future collective agreements and amendments to existing agreements.

The most active countries in this area were France, Germany, Poland, Spain and the United Kingdom – all countries with manufacturing operations, where agreements cover a large number of employees.

Progress was made during the year on the project launched in 2012 to prepare a Europe-wide framework agreement on corporate social responsibility and sustainable development, with all stakeholders contributing constructively through responsible dialogue. The wording of the agreement was finalized at the end of 2013 and is now being reviewed by the various countries covered by Michelin's European Works Council. It is expected to be signed in spring 2014. The project participants chose to focus on 3 priority issues in the initial agreement and to address other issues via addenda at a later date. The 3 issues addressed were:

- equal opportunity and non-discrimination;
- work organization;
- health and safety.

On July 1, 2013, a position was created at Group level for a director of employee relations, reporting directly to the Head of Michelin's Group Personnel Department. An employee relations policy has also been developed, in full compliance with the 10 principles of the United Nations Global Compact, the fundamental conventions of the International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises. In particular, the policy supports employee union membership, high-quality information for employee representatives, the signature of agreements on union rights in each country, and more active informal dialogue with employees, in addition to the official dialogue process with representative organizations. Scheduled for distribution in 2014, the policy will be accompanied by in-depth training sessions for the various people involved in employee relations within the Group.

The new employee relations policy is designed to offer real-world solutions to the problem faced by every multinational operating in countries that have not ratified all of the ILO's fundamental conventions. The aim is to guarantee independent representation for all employees, while complying with local laws and practices. The inclusion of employee representatives in working groups on topics of common concern has also been strongly recommended in these countries and will be reviewed annually from now on.

Preparation has begun for the development of the Group's first international framework agreement on corporate social responsibility, which is expected to be signed with the IndustriAll Global Union by the end of 2015.

In addition, even though at Group level Michelin is not subject to France's Employment Security Act of June 14, 2013, the decision has been made to appoint an employee representative to the CGEM Supervisory Board, whose term of office could begin at the next Annual Meeting.

At MFPM in France, the social dialogue process resulted in the signature of numerous agreements in 2013, primarily relating to the following topics:

- Employee and union relations: This agreement provides employee representative bodies with additional resources, defines the rules for managing employee representatives and sets out a schedule for onsite negotiations to drive improvements in each facility. The deployment process included joint training for managers and employee representatives.
- Psychosocial risk prevention: This agreement strengthens the existing process and gradually links it to improvements in worklife quality.
- Insurance for short or long-term disability or death: The agreement improved the situation for non-managers who have historically had less coverage than managers.
- Reducing the impact of declines in demand while avoiding layoffs.
- Health coverage, through an agreement with Mutuelle Prévoyance Santé.
- Agreements relating to the reorganization of truck tire manufacturing operations in France and the associated employee support programs.

6.1.5 b) Providing ample opportunity for information and dialogue

Michelin attaches great importance to its communications with employees and their representatives and uses a wide variety of resources to share information and encourage discussion at its facilities. Around 30 communication channels and a dozen different consultation processes are in use across the Group. On average, each country uses 20 of these media, including the Intranet; site, country and unit publications; daily, weekly and monthly team meetings; the Group's *Forward* TV news program; the print *Bibnews* magazine sent to all employees in several countries; the Letter to Shareholders; meetings with employee representatives; surveys and polls; roundtables; forums; bulletin boards; and Family Day events.

Launched in April 2013, Michelin's corporate social network BibSpace already has 8,500 employee members and 300 communities. Designed to encourage dialogue among employees and enhance the flow of ideas, BibSpace is often used for the Group's *Innov'Up* in-house innovation challenges. It also simplifies and speeds up cooperation, best-practice sharing and problem resolution.

In 2013, the Group Personnel Department, the Group Communication & Brands Department and the Prevention and Industrial Performance Division made a joint commitment to strengthen dialogue between managers and their teams by introducing monthly meetings in production units.

The decision is expected to generate benefits for production operators, station managers, management teams and the Company, starting in 2014.

In April 2013, the International Bib Forum brought together 3,000 Michelin employees from around the world to strengthen confidence in the Company, its executives and its strategy and foster employee motivation and buy-in. A deployment kit was also prepared to help share the messages expressed at the event with all Group employees. The 6 major Michelin Performance and Responsibility ambitions for 2020 were first presented to employees at the conclusion of the International Bib Forum and during the subsequent deployment sessions.

6.1.5 c) Listening to employees via a new annual engagement survey

Michelin decided in 2012 to measure employee engagement throughout the Group every year, starting in 2013.

The decision was made after various trials and pilot projects were undertaken over several years, initially in North America and then in all countries, ultimately covering 80% of the workforce between 2011 and 2012. These experiences demonstrated the value of employee surveys and gave Michelin teams the skills necessary for annual deployment.

The introduction of a global annual survey reflects Michelin's long-held conviction that employee engagement plays an important role in driving operational excellence and achieving the Company's global performance objectives over the long term. The new survey is called "Moving Forward Together: Your Voice for Action", in reference to the Group's *Moving Forward Together, the Trademark of Mutual Commitment* document, which describes Michelin's employer offer and the 7 areas chosen by the Group to drive employee engagement.

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

Achieve and maintain an 85% employee engagement rate

In 2013, the Group set itself the particularly ambitious objective of achieving an 85% employee engagement level by 2020 to become a world leader in this area.

The new Moving Forward Together survey will provide systematic feedback on how Michelin employees feel about their work. Conducted in 22 languages and 55 countries between July and September 2013, the first survey covered all Michelin employees except those in the dealership networks, while Euromaster carried out a similar survey with the same service provider. Employee participation was particularly high, with a Group-wide response rate of 80%.

Chosen service provider Kenexa conducts 5 million surveys a year worldwide, so the data it provides enables Michelin to compare its performance with other manufacturers, both locally and globally.

The employee engagement level revealed by the new survey reached 72% overall, which is 3 points higher than the global average for companies in the Kenexa database. The engagement rate was at 80% for managers and administrative and technical staff and 68% for production operators. The survey also revealed other areas in which Michelin excels, including pride in belonging to the Group, where 81% of the responses were positive; the importance of quality in Michelin products and services; the overriding commitment to safety; and employees' confidence in the future.

To track changes in employee perceptions and measure the impact of the initiatives undertaken, the survey will be carried out every year. A global communication plan has been developed to help host countries and managers deploy the survey, share the findings and prepare action plans for teams, facilities, countries and the Group. This simple, agile approach creates an annual cycle of continuous improvement and empowers employees at every level of the organization.

By the end of 2013, the survey was already stimulating discussion throughout the Group, with managers sharing the survey 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.

The employee engagement level will be added to the indicators included in the Group's scorecard in 2014.

6.1.6 LEVERAGING DIVERSITY TO SHOWCASE COMMITMENT AND DRIVE INNOVATION

Michelin sees diversity as both an indicator of its commitment to such core values as respect for people and a competitive strength in driving innovation. The Group uses a wide variety of awareness initiatives to minimize the risk of discrimination and make all positions accessible to women, with visible progress year after year. Michelin also takes a proactive approach to disabled employment, encourages the emergence of local managers, particularly in growth regions, supports employees nearing retirement and promotes inter-generational understanding.

Ambition for 2020
Demonstrate our commitment to the well being and development of our employees

30% of women in all management positions including junior management

80% of the senior management in high-growth countries come from the zone

6.1.6 a) Making diversity a real-world indicator of Michelin's respect for people

Respect for people has always been a core Michelin value and is deeply embedded into the corporate culture. Recognizing each employee as an individual and promoting diversity are 2 ways in which this respect is demonstrated on a day-to-day basis.

Michelin's approach is based on promoting diversity in 4 priority areas – gender, physical ability, ethnic origin and nationality, and age.

The diversity process is led by a Group-level manager 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. The Steering Committee defines the Group's diversity objectives and the Geographic Zone Directors set specific targets for their zone. The focus is on long-term initiatives, which are continuously monitored via clearly defined indicators with management's support.

Both managers and personnel department employees, including career managers, are responsible for promoting and enhancing diversity. They are supported by a network of 600 correspondents and liaison officers present across all of the Group's businesses.

Awareness campaigns and special training programs are used to instill an effective diversity culture throughout the organization and at every level of management. Host countries are also encouraged to develop their own awareness initiatives, adapted to suit the local context.

France, for example, organized shows in 2013 to change employee attitudes about diversity and disability. Custom-designed for this purpose, the shows were aimed at all employees and included an element of audience participation.

In the United States, 2 training programs are offered each year. Accelerating Performance Through Diversity educates senior managers about diversity through real-world case studies and invites them to suggest a diversity project to the management team. Championed by the Director of Personnel, North America, the project chosen in 2013 related to support measures for working parents. It will be followed up with a study in 2014 before preparation of a draft action plan. The Producing Performance Through Diversity program is deployed at Michelin plants.

Employees in all countries are encouraged to submit progress ideas that promote diversity, and more particularly gender diversity, through improvements in such areas as work organization, ergonomics and work-life balance. Employees whose ideas are chosen for implementation are rewarded with a bonus and recognized at an international event. As part of the global employee survey conducted in 2013, all employees were asked whether they agreed with 2 diversity-related statements – "Michelin has created an environment where people with diverse backgrounds can succeed." and "Employees are treated with respect, regardless of who they are or their position." The survey results will be presented by team in 2014 to identify pathways to improvement and determine action plans for each country.

6.1.6 b) Raising awareness to minimize the risk of discrimination

Before taking up their position, all line and career managers participate in a training program designed to raise awareness of discriminatory behaviors. Combining theory, practice, individual assignments and role-playing, these group training programs help managers avoid stereotyping, become familiar with the laws and regulations in this area, and anticipate high-risk situations. They also aim to encourage participants to take practical action to promote diversity within their departments. In France, discrimination fact sheets have been posted on the country intranet, with titles like "How to act in a non-discriminatory manner", "What is discrimination?" and "What to do if you witness or experience a discriminatory attitude or action."

In addition to training and awareness initiatives to improve attitudes and practices, audits are also conducted on a regular basis to ensure that personnel processes are non-discriminatory and that actions plans have been effectively implemented to address the risks identified.

6.1.6 c) Making all positions accessible to women and ensuring they receive equal pay

Mirroring the automotive industry as a whole, Michelin has always had few women among its production personnel. However, while women still accounted for just 9.5% of production operators in 2013 (excluding the dealership networks), they were better represented among administrative and technical staff (38.5%) and, to a lesser extent, in management including junior management (22.5% in 2013 versus 21.9% in 2012). In the more male-dominated European and North American dealership networks, women accounted for 11.6% of employees on payroll at Euromaster and 9% at TCi.

The percentage of women in the Michelin workforce increases every year. Women accounted for one-third of all administrative, technical and junior management and managers hired worldwide for the third year in a row in 2013. Recruit teams now include more women and are held accountable for hiring the target percentage of women.

A study conducted in 2013 by a team of top managers identified the main obstacles and drivers in achieving gender diversity in management. One of those obstacles was the way in which managers are perceived. In 2014, a project team in each country will recommend action plans to address 4 main topics – changing the way managers behave to improve their image; hiring and integrating women; attracting women with management potential; and motivating and equipping women for management positions.

_Enhancing manufacturing's appeal among women

Michelin is determined to make manufacturing more appealing to women. Plant managers are therefore encouraged to increase the percentage of women hires at all levels, starting with production operator positions. To help them meet the defined targets, new resources were introduced in 2010, including a map of jobs more suitable for women, new organizational arrangements and adjustments to workstation ergonomics. The improvements that have been made in workstation ergonomics means that more and more positions are becoming accessible to a wider range of people, including women. The goal is to make 50% of manufacturing positions accessible to all employee categories by 2020. In France, 80 measures have been initiated to minimize the most arduous tasks, representing a total investment of €4 million.

The process of attracting more women to traditionally male-dominated manufacturing jobs is now under way. Open days have been organized with educational institutions across Europe, and more specifically in Germany, France, the United Kingdom and Russia, to introduce young women to the Group's technical professions.

In France, various initiatives have been undertaken with the National Ministry of Education and other organizations involved in training and employment to encourage women to pursue technical or industrial careers. In partnership with the National Employment Office, Michelin organized 2 events where women could find out more about a manufacturing profession that might interest them. Several plants have organized guided tours for secondary school teachers, to show them that many jobs are accessible to women, and the Michelin technical school in Clermont-Ferrand organizes job presentations for students and their parents. In addition, women now account for 60% of the campus managers who present Michelin and its professions to students in business and engineering schools (versus 45% in 2011 and 31% in 2010).

In Germany, a Girls' Day is organized every year at Michelin plants to present manufacturing jobs to girls aged between 12 and 16. In 2013, Michelin showcased the career opportunities available to women in the area of research at the student fair organized by the Université Franco-Allemande (UFA) in Strasbourg, France.

Also in 2013, the United States and the Nordic countries increased the percentage of women in their sales teams, by encouraging applications from women and redefining their sales representatives' territories to improve working conditions.

Providing specific support for management positions

Diversity	2013	2012	2011
Percentage of women in management including junior management [1]	22.5%	21.9%	20.9%
MFPM	*23.3%*	*22.4%*	*21.9%*
Percentage of women among top managers [2]	14.9%	13.7%	12.5%
MFPM	*13.8%*	*12.7%*	*12.5%*
Percentage of women among executive managers [3]	8.6%	8.0%	7.4%
MFPM	*8.2%*	*7.5%*	*6.6%*

(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.

Firmly committed to increasing the percentage of women in management, Michelin has set up teams dedicated to this topic in each geographic zone. The method developed by the Group for identifying potential is clearly based on criteria that are not gender related. Particular attention was paid to the criteria defining potential and the examples provided, and managers have been made aware of the risk of associating high-potential employees with a particular gender.

Women identified as having development potential are offered a specific support program comprising a 6-month coaching phase followed by a year of mentoring. A 3-year trial in Europe showed that the program helps women adapt more easily and rapidly to high-level positions. It was introduced in China in 2013 and will be piloted in the United States in 2014.

Facilitating work-life balance

A wide variety of measures have been implemented to help employees balance their professional and family responsibilities, including additional parental leave, parent support programs, service vouchers that include an employer contribution, daycare facilities, and telecommuting agreements. Michelin has pledged to raise awareness of these measures among its employees and to facilitate access across the workforce. In France, 200 new daycare places have been created and a concierge service has been opened in Clermont-Ferrand (see section 6.1.2 for more details).

In the United Kingdom, female Michelin employees talk about their flexible work schedules in a video on the intranet and in the United States, a system has been implemented at all plants to allow working mothers to breastfeed their babies.

Ensuring pay equality worldwide

Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. The same audited method for calculating pay data has been used throughout the Group since 2012, enabling comparisons to be made between the pay levels of men and women in positions of equivalent responsibility. The analysis conducted in 2013 covered 28% of the total workforce and included the following countries – Brazil, Canada, France, Germany, Hungary, Italy, Japan, Mexico, Poland, Romania, Russia, Spain, Thailand, the United Kingdom and the United States. China and India were added in 2014. The job categories analyzed were managers and administrative, technical and junior management, for which a sufficient volume of data was available. The aim is to identify the reasons behind any existing pay gaps, so that individual pay adjustments can be made to close them.

In March 2013, the Group's Head of Compensation Management officially contacted the Personnel Department Heads in the countries where pay gaps were identified. A plan has been adopted to ensure more balanced compensation for female employees in Thailand, Germany, Romania, Canada and the United States.

In France, MFPM signed a framework agreement in 2013 with the French Minister for Women's Rights, pledging to promote gender equality in the workplace.

6.1.6 d) Promoting and supporting disabled employment

Defined in 2006, Group policies governing the employment of disabled people are designed to eliminate all forms of discrimination in hiring and to help retain people with disabilities throughout their career. Michelin is also committed to meeting or exceeding legally mandated quotas wherever they exist. In every country, programs are under way to fight stereotyping and promote the hiring of disabled people.

In France, a guide for supporting disabled employees has been published and a committee has been set up within MFPM to explore avenues for retaining disabled employees, with input from career managers and occupational medicine teams. A contact person with training in disability management is also available at each plant to process requests from employees.

From a legal standpoint, hiring the disabled is governed by standards that vary widely by country. Some countries, such as 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. Still others have imposed quotas, ranging from 0.5% of total employees in Thailand to 7% in Italy. These legal and cultural differences mean that almost every situation is unique, making it difficult to consolidate worldwide data on disabled employment. In 2013, the percentage of disabled employees in France was above the imposed quota.

6.1.6 e) Integrating cultural differences by nurturing local managers

	2013	2012	2011
Percentage of non-French people among top managers (1)	47.0%	45.7%	45.3%
MFPM	*14.9%*	*14.2%*	*12.9%*
Percentage of non-French people among executive managers (2)	36.5%	36.6%	36.5%
MFPM	*13.6%*	*13.1%*	*13.0%*

(1) Employees with a level of individual responsibility of A to I, according to the Hay method used by the Group.
(2) Employees with a level of individual responsibility of A to G, according to the Hay method used by the Group.

Diversity issues related to ethnic origins are amply addressed by programs under way in North America and in Europe, particularly as part of the hiring and induction process. In the United States, to ensure equal opportunity for all, the distribution of performance appraisal results is analyzed for each minority group – women, African Americans, Puerto Ricans, Asian Americans and Hispanics. Anomalies are systematically analyzed and appropriate corrective measures are taken when necessary.

Wherever possible, Michelin is committed to encouraging the emergence of a highly skilled corps of local managers, while respecting local cultures. The idea is not to practice affirmative action, but to hire and promote people on the basis of their capabilities and potential.

As a result, in 2013, nearly half (47%) of all top managers were non-French nationals. Worldwide, local managers are contributing their cultural capital and understanding of regional issues. Since 2013, management succession plans in all countries focus on the training and development of local managers to help them gain rapid access to positions of responsibility.

6.1.6 f) Creating opportunities for inter-generational knowledge transfer

In Western Europe and the United States, the average age of employees is trending upwards as the age pyramid shifts and people gradually have to work longer until retirement. Michelin is committed to pro-actively addressing this issue by improving workstation ergonomics, capitalizing on the experience acquired by older employees, and offering new job opportunities or temporary assignments in line with each person's situation. At the other end of the age pyramid, the Group supports the mentoring of new hires by more experienced employees, both to enable the transfer of skills and expertise and to facilitate intergenerational integration.

Since 2012, production facilities have access to a tool that can help them determine the distribution of workers by age, identify the risks associated with workstation ergonomics, gauge any loss of motivation among employees, and organize inter-generational knowledge transfer. The tool will also be helpful in implementing corrective and preventive measures. D-Generation, a tool that cross-references the age pyramid with workstation demands, is currently being used in Hungary, Italy, Romania, Russia and Thailand.

In 2013, a consultant was placed at every plant in France to help employees – particularly those nearing retirement – remain in the workforce. Their role is to provide advice to employees and to ensure the necessary improvements in workstation ergonomics.

Age was also chosen as a key area for discussion when the international diversity network met in Karlsruhe, Germany, in June 2013. Several results-oriented programs were presented to participants, including a mobile system that allows employees to carry out a personalized fitness program combining muscle and cardio exercises.

6.1.7 SUMMARY TABLE OF 2013 EMPLOYEE DATA

	2013	2012	2011	GRI 4
Employees on payroll at December 31 (including dealership networks, all types of work contracts, excluding temp agency workers)	**111,190**	**113,443**	**115,000**	**G4 LA1**
Full-time equivalent employees (including dealership networks, all types of work contracts, excluding temp agency workers)	105,724	107,302	108,340	
Europe	66,147	67,785	69,580	
MFPM	*19,979*	*20,805*	*20,731*	G4 LA1
North America	22,274	22,209	22,545	G4 LA1
South America	5,518	6,037	5,957	G4 LA1
Asia (excluding India)	15,458	15,307	15,332	G4 LA1
Africa, India, Middle East	1,793	2,105	1,586	G4 LA1
Employees by gender (excluding dealership networks)				
Men	84.0%	84.4%	84.8%	
MFPM	*84.4%*	*85.0%*	*84.7%*	G4 LA1
Women	16.0%	15.6%	15.2%	
MFPM	*15.6%*	*15.0%*	*15.3%*	G4 LA1
Employees by category (excluding dealership networks)				
Production operators	61.4%	63.1%	63.9%	
MFPM	*48.4%*	*51.0%*	*51.0%*	
Administrative, technical and junior management	30.9%	30.1%	29.7%	
MFPM	*38.1%*	*23.4%*	*24.0%*	
Management*	7.7%	6.8%	6.4%	
MFPM	*13.5%*	*25.8%*	*25.0%*	
Employees by age (excluding dealership networks)				
24 and under	5.5%	6.1%	6.7%	G4 LA1
MFPM	*5.2%*	*5.6%*	*6.2%*	G4 LA1
25-34	27.2%	27.3%	27.5%	G4 LA1
MFPM	*21.8%*	*21.0%*	*5.6%*	G4 LA1
35-44	27.4%	26.8%	26.1%	G4 LA1
MFPM	*23.3%*	*21.6%*	*20.5%*	G4 LA1
45-54	23.1%	23.4%	23.8%	G4 LA1
MFPM	*24.4%*	*26.6%*	*28.4%*	G4 LA1
55-64	16.4%	16.2%	15.7%	G4 LA1
MFPM	*25.3%*	*25.1%*	*23.9%*	G4 LA1
Over 65	0.4%	0.2%	0.3%	G4 LA1
MFPM	*0.1%*	*0.0%*	*0.0%*	G4 LA1
Employees by length of service (excluding dealership networks)				
Less than 2 years	19.7%	21.9%	20.5%	
MFPM	*15.4%*	*17.4%*	*11.3%*	
2-5 years	11.8%	10.3%	12.2%	
MFPM	*8.5%*	*6.5%*	*9.2%*	
5-10 years	16.5%	15.8%	16.5%	
MFPM	*13.1%*	*13.0%*	*14.0%*	
10-15 years	14.8%	14.9%	12.8%	
MFPM	*13.3%*	*11.9%*	*9.7%*	
15-20 years	7.8%	6.8%	6.3%	
MFPM	*5.6%*	*5.0%*	*4.1%*	
More than 20 years	29.3%	30.3%	31.6%	
MFPM	*44.0%*	*46.3%*	*51.7%*	

* *Employees with a level of individual responsibility of A to K, according to the Hay method used by the Group.*

	2013	2012	2011	GRI 4
Employee movements (work contracts with no set end date, excluding dealership networks)				G4 LA1
New hires	5,869	6,224	9,611	
MFPM	*588*	*934*	*1,394*	G4 LA1
Resignations	2,452	2,218	2,013	
MFPM	*112*	*114*	*159*	G4 LA1
Dismissals and terminations by mutual agreement	2,658	2,197	2,260	
MFPM	*185*	*197*	*262*	G4 LA1
Retirement	2,332	1,853	1,769	
MFPM	*1,070*	*757*	*661*	G4 LA1
Death	116	125	141	
MFPM	*33*	*32*	*37*	G4 LA1
Attrition rate including retirements	8.3%	6.8%	6.6%	
MFPM	*7.2%*	*5.5%*	*5.7%*	
Attrition rate excluding retirements	5.7%	4.8%	4.7%	
MFPM	*1.7%*	*1.7%*	*2.3%*	
Temporary contracts (excluding temp agency workers)	**3.9%**	**3.6%**	**4.7%**	
MFPM	*3.3%*	*3.3%*	*5.2%*	
Part-time contracts	3.3%	2.8%	2.5%	
Training (excluding dealership networks)				
Percentage of training hours per total hours worked	4.4%	4.4%	4.4%	
MFPM	*2.9%*	*3%*	*N/A*	G4 LA9
Percentage of employees who received training	94%	96%	94%	G4 LA9
Number of training hours per employee per year	76	75	74	G4 LA9
Training expenditure as a percentage of payroll	5.3%	4.9%	5.5%	G4 LA9
MFPM	*6.7%*	*5.1%*	*7.4%*	G4 LA9
Average training expenditure per person trained	€2,770	€2,520	€2,650	G4 LA9
MFPM	*€2,717*	*€1,850*	*N/A*	G4 LA9
Training hours (excluding dealership networks)	7,167,926	7,278,854	7,231,466	G4 LA9
MFPM	*987,773*	*1,096,736*	*N/A*	G4 LA9
Type of training (excluding dealership networks)				
Job-specific training	88%	90%	92%	LA11
Management training	6%	6%	4%	
General training	6%	4%	4%	
		100%	**100%**	
Environment and Prevention training (for all employees, excluding E&P personnel)	3%	3%	3%	
Language training	2%	2%	2%	
Production operator absenteeism (excluding dealership networks) Europe	5.4%	5.0%	5.0%	
MFPM	*7.7%*	*7.2%*	*7.0%*	G4 LA6
Sick leave and other unforeseeable short-term absences	3.6%	3.4%	3.3%	G4 LA6
MFPM	*4.5%*	*4.2%*	*4.1%*	G4 LA6
Injury leave	0.2%	0.2%	0.1%	G4 LA6
MFPM	*0.5%*	*0.4%*	*0.3%*	G4 LA6
Long-term leave	1.6%	1.5%	1.5%	G4 LA6
MFPM	*2.7%*	*2.6%*	*2.6%*	G4 LA6
Occupational accidents (including dealership networks)				G4 LA6
Number of lost-time incidents, Group-wide	659	529	456	G4 LA6
Lost-time incident frequency rate	3.46	2.80	2.40	G4 LA6
Lost-time incident severity rate	0.23	0.19	0.17	G4 LA6
Number of plants with zero recordable incidents	20	24	26	
Number of official meetings with employee representatives	2,860	1,724	1,616	

	2013	2012	2011	GRI 4
Number of collective bargaining agreements signed	65	61	49	
Diversity (excluding dealership networks)				
Percentage of women in management including junior management [(1)]	22.5%	21.9%	20.9%	
MFPM	*23.3%*	*22.4%*	*21.9%*	
Percentage of women among top managers [(2)]	14.9%	13.7%	12.5%	
MFPM	*13.8%*	*12.7%*	*12.5%*	
Percentage of women among executive managers [(3)]	8.6%	8.0%	7.4%	
MFPM	*8.2%*	*7.5%*	*6.6%*	
Percentage of non-French people among top managers [(2)]	47.0%	45.7%	45.3%	
MFPM	*14.9%*	*14.2%*	*12.9%*	
Percentage of non-French people among executive managers [(3)]	36.5%	36.6%	36.5%	
MFPM	*13.6%*	*13.1%*	*13.0%*	

(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

A societal commitment founded on respect for ethics and community well-being

Michelin attaches great importance to its relations with stakeholders, particularly the communities near its facilities, and invests heavily in employment, mobility and education. Employee compliance with ethical and anti-corruption guidelines is ensured through continuous information and training at every level of the organization. Michelin also plays a key role in road safety by conducting a wide variety of initiatives worldwide and maximizes the impact of its societal commitment by extending its sustainable development standards to all of its suppliers.

6.2.1 THE TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF JOB CREATION AND REGIONAL DEVELOPMENT ACTIVITIES

Ambition for 2020
Strengthen ties with host communities

Contribute to the employability of the local population

Michelin Development helps creates more than 2,000 jobs annually to support the emergence of local business

Providing expertise and financial support to local project champions

Michelin Development helps to deploy the Company's global corporate social responsibility commitment by supporting economic growth in host communities. The only organization of its kind, Michelin Development takes a highly flexible approach by assigning Group specialists on a case-by-case basis to provide local project champions with expertise and highly qualified technical support in a wide variety of areas. These include information systems, workplace safety, energy efficiency, quality management, sales and marketing, finance, hiring, international expansion, IT, industrial organization and product flow management.

This advice and expertise can be backed by financial support in the form of 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 2013 covered a diverse array of business segments. They included: (i) a production unit for manufacturing social habitat modules and machines for testing microchip wafers at the end of the manufacturing process in France; (ii) a waste recycling company and a training institute in the United States; and (iii) a company using wireless technology to reduce energy consumption in large buildings in the United Kingdom.

In all, over the past 20 or so years, Michelin Development has helped to create around 28,000 jobs in France and 8 other European countries, and 2,200 jobs in Canada and the United States. It has also initiated 1,800 technical assistance programs designed to support the emergence of local businesses. Michelin Development plays a particularly active role in the event of industrial reorganizations.

Supporting business development in employment catchment areas

Particularly active at sites undergoing industrial reorganization, Michelin Development has helped to create more than 20,000 jobs in France since 1990, amply exceeding compliance with French legislation requiring companies to help revitalize the local catchment area. In recent years, agreements have been signed with the French State and local authorities concerning the facilities in Bourges, Montceau, Seclin, Toul and Tours, in France. The agreement relating to the Seclin plant (North - France) ended in 2013 with the creation of 556 jobs, more than double the initial commitment of 276.

The results from the Montceau and Toul agreements, which will come to an end in 2014, will also be well in excess of the commitments made. A total of 80 new agreements were signed in France in 2013. Of the 1,077 jobs subsidized during the year, 606 related to low-interest loans and 471 to grants.

Applying a similar approach in many countries

Similar organizations have been set up in other European countries since 2012, so that Michelin Development was present at 27 facilities across Europe by 2013.

In Spain, where cooperation with the Valladolid municipal council was publicly recognized by the mayor in 2013, Michelin Development has signed 42 agreements with the city's authorities to support the creation of 181 jobs.

Since 2006, Michelin North America has invested more than $7.6 million in a wide variety of small local businesses as part of Michelin Development. Deployed in Ontario, Alabama and South Carolina, the program is dedicated to creating sustainable, high-quality jobs, while effectively contributing to the economic prosperity of host communities. It has already granted low-interest loans to 77 companies and helped to create 2,200 jobs.

6.2.2 RELATIONS WITH STAKEHOLDERS, PARTICULARLY LOCAL COMMUNITIES, SCHOOLS AND ASSOCIATIONS

Michelin deploys a wide variety of initiatives to help local communities in every host country, with a focus on mobility, education and humanitarian aid. A new program developed in 2013 aims to strengthen our involvement in community issues by encouraging employee participation. Steps are also being taken to enhance dialogue with stakeholders.

6.2.2 a) Revitalizing dialogue with stakeholders

Michelin is committed to engaging in constructive dialogue with all its stakeholders, whether local, national or international. With this in mind, in 2013 we began to strengthen and revitalize our relations with stakeholders, by learning more about them, listening more carefully to their needs, informing them about our developments and involving them more closely in our plans and projects. To drive this process forward, a new internal directive was prepared and a formal consultation schedule was introduced, which includes a meeting with European stakeholder representatives in May 2014 and another with Asian representatives in November 2014.

Particular attention was paid to relations with non-governmental organizations (NGOs), which play an increasingly significant role in every aspect of community life. An internal working group was set up to address the issue, leading to the publication of methodology guidelines aimed at fostering dialogue between Michelin entities and NGOs that show an interest in its operations, either locally or internationally.

To enhance dialogue and harmonize practices worldwide, a position was created at Group level in 2013 for a Director of Relations with NGOs. An in-house training program dedicated to managers is also under way, to help teams meet the needs of NGOs more effectively.

6.2.2 b) Participating harmoniously in the life of host communities and contributing to their sustainability

Michelin continued to nurture close ties with public authorities, schools, associations and other local organizations in 2013, by participating in their activities and contributing its expertise or financial support, when appropriate. This interaction tends to focus on 4 areas – the mobility of people and goods, education, cultural and sports activities, and charitable initiatives.

To increase the effectiveness of its community outreach, Michelin has renewed its collaboration with the LBG London Benchmarking Group, an association of 300 multinational companies that has developed a methodology for increasing the impact of community investments.

In 2013, employees devoted 16,482 days to community outreach activities.

The majority of Michelin's philanthropic investments are financial in nature, with a total of €14,816,469 allocated in 2013 to local initiatives for the communities neighboring its facilities. The annual budget for philanthropic investments is likely to change with the creation of the Michelin Corporate Foundation (see section 6.2.2 e).

The initiatives undertaken worldwide to support local communities are many and varied, making it difficult to provide a comprehensive overview. Nonetheless, some examples are given below, with a focus on outreach programs in India.

_Involvement in local schools in North America

The main Michelin facilities in North America each sponsor a nearby public primary school, as part of the Michelin Challenge Education program. A partnership is established between the site and the school thanks to the support of Michelin employees, who voluntarily give up their time to tutor students having difficulty in subjects such as reading, math and science.

Donations are also made to charity organizations, such as the United Way, and to local food banks, such as Meals on Wheels of Greenville in South Carolina.

In addition, the 24th Michelin Charity Golf Tournament was held in September 2013, raising $350,000 through the participation of numerous teams of Michelin suppliers and current and retired employees.

_Support for education at every level in South America

The *Ação Educativa* teaching initiative continued to be deployed in Brazil during the year, to improve the chances of academic achievement among young people living near Michelin plants in Campo Grande and Itatiaia in Rio de Janeiro State. Developed in partnership with National Industry Training Services (SENAI) and supported by Michelin employee volunteers, the program offers remedial courses for teenagers and classes for adults in such widely varying areas as mechanics, logistics, information technology and languages.

Other initiatives in Brazil include a family farming assistance program and support for biodiversity research in the State of Bahia, where the Group finances the upkeep of a 3,000-hectare primary forest reserve.

_Charities, sustainable mobility, promotion of technical jobs and personal growth through sport in Europe

Michelin leads a myriad of initiatives in Europe in a highly diverse array of areas, including training for young people to prepare them to enter the workforce and the economic and cultural development of host communities. This involvement in local communities includes a variety of charitable donations, such as grants to Caritas and to local Red Cross organizations to support the homeless; blood drives; financial partnerships with institutions for the disabled; funding for medical equipment such as defibrillators and hospital vehicles; donations to sports programs for the disabled; job-search training for the unemployed; donations to non-profit organizations for disadvantaged youth; tire donations to emergency services and charity organizations; donations of computers and projectors; and donations of bicycles and helmets to improve road safety.

Support is provided to a large number of road safety initiatives. For example, facilities across Europe relayed the "Golden Rules" campaign locally, as part of the Group's partnership with the International Automobile Federation's "FIA Action for Road Safety" program (see section 6.2.3 c).

A multitude of initiatives are also under way to encourage and support education and to attract young people to technical jobs. Examples include a week-long internship for French secondary school students; student career awareness outreach; support for schools by teaching classes, serving on examination boards and assisting struggling students; participation in a Girls' Day campaign to encourage young women to pursue technical careers; partnerships with several European universities and schools to promote science courses; events with leading engineering and business schools to present Michelin's professions; and funding for student scholarships.

Many programs encourage personal growth through sports, including support for sports clubs; assistance in the organization of sporting events; and the renovation of the playing field and playgrounds of a school. In Clermont Ferrand, Michelin supports the *Association Sportive Montferrandaise* (ASM) multi-sports club, both through funding and volunteers.

_Education and health in Russia

In 2013, a contest was held among school children in Davydovo, with prizes awarded for the best drawings illustrating the Year of Environmental Protection in Russia and a Russian hospital received grants to purchase specialized equipment.

_Solidarity, education and health in the Asia-Pacific region

In China, road safety classes were organized for especially vulnerable 6-to-8 year olds, whose parents had migrated from disadvantaged regions.

In India, an ambitious corporate social responsibility program is being deployed in the Thervoy Kandigai region, where the construction of a Michelin truck tire plant is nearing completion. A socio-economic survey was conducted in 2009, covering 5,700 families living near the site. Based on their responses, initiatives have been undertaken in 5 priority areas – health, education, vocational training, safety and the environment. The goal is to improve health care and education for local communities to enhance their long-term employability and to maintain or restore a healthy and sustainable environment.

- **In the area of health,** mobile medical clinics have been set up to provide a variety of services, including general health care, gynecology and ophthalmology. To date, 3,863 people have been examined, more than 1,596 have been fitted with glasses and 215 have undergone successful cataract operations.
- **In the area of education,** Michelin is helping to renovate school buildings and is also working with the AID India association to provide after-school classes, attended by hundreds of children from neighboring villages. In August 2011, the Group opened a French school in Chennai, in partnership with an Indian school.
- **In the area of training,** several vocational training centers offer local residents classes in such areas as English, mechanics, plumbing, carpentry, sewing, baking and cellphone repair. The classes do not necessarily relate directly to Michelin's needs but are designed to spur the creation of local jobs by facilitating the start-up of small businesses in surrounding communities, where many people live in extreme poverty. Michelin requires its subcontractors to develop local content by implementing training and internal promotion programs like those offered to its own employees. Administrative support is also provided to many villagers who are too destitute to defend their rights, through paralegal facilitation units set up with FORRAD, an Indian NGO. The units have already helped 310 people to claim the social benefits to which they are entitled.

- **In the area of road safety,** to reduce the risk of accidents related to increased mobility, an action plan was prepared in association with the State Highways Department to improve road safety with training and new highway equipment.
- **In the area of environment,** a natural resource management program has helped to renovate wells, water retention basins and 34 kilometers of crop irrigation canals, representing 4,000 person-days in all. Local teams have also been trained to ensure ongoing monitoring of water quality. To help meet energy needs while alleviating pressure on forest reserves, Michelin commissioned non-profit SKG Sangha to develop the Biogas program to drive renewable energy development, with 80 to 100 households equipped each year.

Another non-profit has been asked to revitalize interest in 77 traditional medicinal plants neglected by local residents.

With Care Earth's help, more than 6,000 trees have been planted, covering the full range of traditional local species. Another 6,000 or so are scheduled to be planted once work has finished on the site.

All of the initiatives being conducted with a total of 13 Indian NGOs are the subject of a continuous consultation process with the villagers, representatives of local communities and the 23 governing local, regional and national administrative authorities.

On a separate note, there has been an ongoing dispute since 2007 between a small group of residents from Thervoy, one of the 31 villages concerned by the creation of the industrial park where Michelin has set up operations, and the public corporation that is developing the park. After having their claims dismissed by the Madras High Court, the Supreme Court of India and the National Green Tribunal, the project opponents, the 2 French associations assisting them and France's CGT trade union filed a "specific instance" referral with the OECD's National Contact Point (NCP) for France in July 2012, accusing Michelin of violating the OECD Guidelines for Multinational Enterprises. After a year-long investigation, the NCP ruled on September 27, 2013 that Michelin had not violated the OECD Guidelines and had, on the contrary, made every effort to prevent and attenuate any adverse impact related to its operations in India. After noting that Michelin had adopted a highly cooperative and forthcoming approach, the NCP made recommendations for the future for improving the conditions surrounding the Group's presence. Michelin has pledged to implement the recommendations in full in the future and will report its progress to the NCP.

6.2.2 c) Fostering relations with environmental protection associations

Whenever appropriate, Michelin fosters close ties with environmental protection associations and other organizations working to safeguard the environment. Initiatives are primarily carried out by our plants or Technology Centers, together with local or national associations. A number of examples relating to biodiversity are presented in section 6.3.5.

6.2.2 d) Strengthening support for local communities through a new program developed in 2013

At a time of rising corporate social responsibility expectations, Michelin is committed to interacting even more harmoniously with host communities, in association with our employees who are often eager to get involved. In line with the Michelin and Performance Responsibility approach, the Group wants to contribute to the sustainable development of local communities through initiatives that are more effective, more systematic and better targeted. The guidelines prepared in 2004 have been enhanced and updated by the commitments announced in 2013, as part of the Michelin's ambitions for 2020.

Ambition for 2020
Strengthen ties with 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

A Steering Committee for each site and a global reporting process

Each site is responsible for defining and managing initiatives and integrating the viewpoints of interested people from outside the organization. These viewpoints may be gathered, for example, from regular meetings with local associations, economic development networks, citizens' groups, and regional and local authorities. On each site, a steering committee chaired by the site manager makes the final choice of the approved outreach actions and determines the resources to be allocated. Employees are encouraged to participate by suggesting appropriate initiatives.

Medium-term objectives

Preference is given to outreach actions with a medium-term objective, which are deployed over at least 2 to 3 years, in one of several focus areas:

- developing the local economy, by supporting the creation and sustainability of microenterprises and small – and medium – enterprises, the creation of sustainable jobs, etc.;
- fostering social development, by supporting skills enhancement or health and well-being programs, educational and training projects, job opportunities for young people, tutoring programs for seniors, etc.;
- enhancing the local environment, by improving the quality of life and/or sustainable mobility of local residents including by promoting road safety, providing financial aid for health care and educational infrastructures, such as schools, and hospitals, and supporting sustainable development and environmental protection projects.

6.2.2 e) Embarking on a new chapter in corporate philanthropy

Created in January 2014, the Michelin Corporate Foundation aims to strengthen our societal commitments by supporting projects, initiatives and non-profit organizations that foster personal development, stronger social ties, humanitarian aid and solidarity. The Foundation will be particularly active in 5 main areas – sustainable mobility, sport and health, community outreach, culture and heritage, and environmental stewardship. Its budget for the first year has been set at €12 million.

6.2.3 FAIR, HONEST BUSINESS PRACTICES

6.2.3 a) Establishing a global system to promote ethical behavior

The Michelin Code of Ethics is available in 13 languages and serves as a reference document for the entire organization. It has also inspired the publication of more practical guidelines that have been adapted to meet the needs of each zone or country. In addition, training is provided to ensure that employees comply with the guidelines.

The Michelin Code of Ethics was published in 2010 to expand on the Michelin Performance and Responsibility Charter and the Group's guidelines and policies. Reflecting a deep commitment to the values of respect and responsibility, it defines standards of behavior to help employees make the right decisions when confronted with an ethical issue. It covers 15 different areas: Compliance with Laws and Regulations; Conflicts of Interest; Gifts and Invitations; Government Relations and Anti-Corruption; 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.

Available in 13 languages, the Code has been sent to everyone at Michelin via the intranet and directly in hard copy to managers. A new version will be available via the intranet in the first quarter of 2014, with changes to some existing sections and the introduction of 2 new sections – one relating to human rights and our commitment to upholding the principles of the United Nations Global Compact and the other on political contributions and donations.

Ethics and Compliance Committees have been set up at corporate level, for each of the geographic zones and in certain countries. Their role is to monitor the Code's deployment worldwide and ensure its application and to determine what action needs to be taken in the area of ethics and compliance. The Committees include representatives from the Audit, Finance, Legal Affairs, Personnel, Security and Sustainable Development Departments, as well as the geographic zone managers, who ensure that the Code's general ethical principles are properly adapted to local conditions.

A training program and whistleblowing procedures

2 other initiatives have been implemented in the area of ethics. First, information and training sessions are organized onsite and/or online, depending on the country, to instill the Code of Ethics' principles in every employee's mindset. Second, whistleblowing procedures are in place to enable employees to anonymously and securely report potential violations of the Code of Ethics or the Michelin Performance and Responsibility Charter to their direct managers, local legal departments, career managers, occupational physicians or the ethics or employee hotlines that are available in every region. In 2013, a serious game was developed to ensure that every employee has internalized corporate ethics and compliance principles and values. The game uses scenarios in a virtual world to test employee reactions in situations that may or may not involve an ethical dilemma.

A risk map, a document library and a reporting process

To support these measures, the Group has also created:

- an ethical risks map showing the maximum potential impact for each ethical and compliance risk. By sharing this information, the map harmonizes the perception of these risks across the geographic zones and highlights their critical nature. The zones are encouraged to take action to improve their management of ethical risks where necessary, so that the Group can focus on the risks that have been identified as the most important;
- a shared library that facilitates the exchange of ethics and compliance documents between the Group and the zones, by bringing together all of the identified best practices, relevant articles and documents, and decisions made by the Group;
- a global reporting process for the ethics and compliance initiatives undertaken in the zones and the ethics violations reported each year, including information about the number of issues identified, the categories concerned and the action plans or disciplinary measures implemented.

Annual ethics objectives

When failures to observe ethical guidelines are reported, they are analyzed and corrective measures or disciplinary action are taken as necessary. At the end of 2013, 286 incidents of non-compliance had been reported Group-wide, either directly through the notification system or employee surveys, or indirectly via the ethics hotline. In some cases, the employees involved were dismissed for gross misconduct. For the second year in a row, compliance data was centralized for each geographic zone.

Annual ethics objectives have been set for the legal affairs network, which is primarily responsible for supervising compliance with the Code of Ethics. The degree to which these objectives are met is a factor in determining the bonuses of the employees involved in the process. Every year, the Ethics and Compliance Committees in the geographic zones receive a document outlining the actions to be taken during the year.

An internal control system

Internal control procedures are applied to the rules of conduct for each of the Code's issues or general principles, thereby further ensuring strict compliance with each one.

An internal control manual relating specifically to ethics was prepared in 2012 and a trial was carried out in 11 countries and 19 companies in 2013 to verify the manual's effectiveness in ensuring that Group ethics and compliance values are being put into practice. For each of the 21 internal control procedures, the relevance of the self-assessment and the test was validated by both the Head of Legal Affairs in the geographic zone or country and by the internal controller. The results were then consolidated and shared with the Group Ethics and Compliance Committee, so that decisions could be made about the actions necessary in 2014, in such areas as export control, corruption and the revision of the Code of Ethics.

An integral part of every employee's performance, compliance with demanding ethical standards helps to build trust in the Group and enhance its appeal.

6.2.3 b) Taking an active approach to corruption prevention

An anti-corruption process based on information, training, internal control and discipline is rigorously implemented across every department.

The principle underpinning Michelin's anti-corruption process was defined in 2002 in the Michelin Performance and Responsibility Charter as follows: "Wherever we operate, throughout the world, we are firmly against any and all forms of corruption, irrespective of the organizations and bodies concerned, whether public or private. We refuse any and all remuneration to third parties if such remuneration does not correspond to an actual service, for a justified amount, duly posted in our accounts."

_Ensuring that all employees are informed

The anti-corruption process involves initiatives in a variety of areas, including information, training, prevention, internal control and, where necessary, discipline. Every employee around the world is informed of this process and provided with the appropriate training. For example:

- Recommendations for sales representatives have been prepared concerning the approval and compensation of agents or intermediaries in Africa, Asia, Europe and the Middle East.
- Prior to initiating the approval process, companies may be audited to ensure that they engage in fair business practices.
- Compensation for agents and intermediaries is governed by strict guidelines.
- Anti-corruption clauses inspired by OECD principles are included in the standard contracts signed with agents or intermediaries.
- Due diligence may be performed on certain companies at Michelin's discretion before investing in a joint venture or forming a partnership. This process focuses in particular on the company's reputation.
- Contracts are negotiated with legal departments and may include appropriate anti-corruption clauses.
- Internal control procedures relating to corruption and government relations have been included in the internal control manual on ethics. The manual ensures that anti-corruption clauses are included in contracts signed with public and private agents and intermediaries and that the payment of commissions is undertaken in compliance with Group principles. This means that the amount must be coherent with the service provided and the payment must be recorded in the company's accounts.
- An internal audit on corruption was carried out in 2013.

_Paying particular attention to purchasing practices

The Purchasing Department is regularly audited as part of the internal control process (for more details about the department, see section 6.2.4 below). It has also taken specific measures to further prevent corruption.

- Ethical and anti-corruption guidelines are posted on the Purchasing Department website and sent to all of the department's employees and contacts.
- Suppliers can use the contact form available on the Purchasing Department's website to request mediation, after having failed to resolve an issue with their usual contacts, or to request information on the Michelin Purchasing Code's principles or implementation.
- A system has been deployed to report and centralize violations of anti-corruption guidelines, so as to identify suppliers with whom Michelin should terminate the business relationship.
- A process is in place to assess supplier performance, based on social responsibility audits performed by EcoVadis, an independent company. The findings are then consolidated in an application that combines such criteria as the environment, fair business practices, job principles and practices and supplier management. Following the audit, 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.

Since early 2013, the database is also used by Internal Control to monitor compliance with anti-corruption guidelines. The ethics and compliance manual includes several internal control procedures in the area of government relations and anti-corruption. These procedures relate to checking the amounts paid to intermediaries for services provided and inserting anti-corruption clauses in contracts with government agencies and third parties.

6.2.3 c) Stepping up initiatives to protect consumer health and safety

Ambition for 2020
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

In addition to applying a strict and unwavering quality process for every single product, Michelin actively supports the introduction of consumer and environmental protection laws in every country. We also invest heavily in road safety, through a wide variety of awareness and prevention programs.

_The Michelin Quality Approach

Expressed in the Michelin Performance and Responsibility Charter, our quality commitment is demonstrated in every aspect of our business through a customer-centric organization and a quality management system designed to drive continuous improvement in product and service quality and the way we do things.

The Michelin Quality Approach sets out a number of practices that are crucial for satisfying customers, gaining their trust, and improving the company's performance, image and development. These practices are integrated into employee training so that they are understood and diligently applied by everyone in his or her area of responsibility.

Each product or service is defined in specifications that include information concerning, at the least, all of the countries where marketed, all of the conditions of use, all of the applicable standards and regulations, and all of the customer requirements.

All managers are expected to promote and implement the Michelin Quality Approach. They are responsible for their unit's quality performance and have to guarantee that customers receive high-quality products and services that are safe, suitable for the intended use and compliant with applicable regulations.

Mandatory labeling to protect consumers and the environment

Since November 2012, all new car, van and truck tires sold in the European Union must display a consumer label. The European labeling system is the third to be adopted in the world, after Japan in 2010 and South Korea in 2011. In these 2 countries, voluntary tiremaker labels grade each tire on its fuel efficiency and wet grip, which is directly related to user safety. In addition, the EU label grades outside rolling noise.

The European label informs buyers of the tire's grade in 3 areas: its impact on fuel efficiency as measured by its rolling resistance (graded A to G), its braking on wet pavement (graded A to G) and its outside rolling noise (measured in decibels). The EU regulations also set minimum performance standards in each category and phase in a ban on the sale of any tire that fails to meet all three. In this way, the new labeling system is designed both to offer consumers objective tire performance information and to drive steady improvement in tire performance as a whole.

In the United States, the same type of tire labeling system has been passed by Congress and signed by the President. Scheduled to come into effect in 2014, it grades tires according to 3 criteria: rolling resistance, wet grip and treadlife.

Other countries considering the passage of similar legislation include Australia, Brazil, China, Russia and Thailand.

Actively supporting the deployment of consumer and environmental protection measures

These laws and regulations keep users better informed and help them to understand how their choice of tires impacts their personal safety and environmental footprint. In the United States, the independent International Council on Clean Transportation (ICCT) has estimated that choosing lower rolling resistance tires could avoid the release of some 100 million tonnes of CO_2 per year and that selecting the highest performance tires would reduce the world's fuel bill by €40 billion a year.

In France, Michelin is actively participating in the introduction of energy-savings certificates, one of the measures mandated by the Grenelle Environmental Summit, with the goal of helping to reduce carbon emissions by improving consumer information. The Group also distributes "Action Recommendations" concerning both tire use and such related services as outsourced tire management. Putting these recommendations into action has 2 benefits. First, it enables consumers, as well as trucking companies and other fleet operators, to save fuel by using more energy efficient tires and their related maintenance services. And second, it will deliver significant environmental benefits by making it possible to reduce a vehicle's overall fuel consumption by 6% to 8%.

Contributing significantly to road safety through a diverse range of initiatives worldwide

Ambition for 2020
Improve everyone's quality of life through sustainable mobility

Reinforce our advocacy of road safety, with a strong focus on new driver education in emerging countries

All of Michelin's plants will have earned ISO 39001 certification by 2020

Michelin is encouraging suppliers to deploy the ISO 39001 certification process

In line with the commitment made when it signed the European Road Safety Charter in 2004, Michelin is helping to improve road safety by communicating directly with road users.

Since then, awareness-building and educational campaigns have been undertaken in 16 European countries – Austria, Belgium, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Serbia, Spain, Sweden, Switzerland and the United Kingdom – as well as in Africa, America and Asia. Road safety initiatives are conducted both in cooperation with global organizations and independently.

In the European Union, Michelin initiated the Road Safety for Young People in Europe (ROSYPE) project to reach young road users. The goal is to protect young people, the leading victims of road accidents, while exercising a sustainable influence on future road safety by pro-actively raising awareness among the drivers of tomorrow. In 2013, Michelin decided to share the knowledge and experience acquired during the project's first 3 years by preparing 3 documents for road safety advocates – a summary of the key lessons learned from the ROSYPE project, a practical guide on the most effective types of action, and a technical report for the operational deployment of a road safety program in Europe. This has established Michelin as a key player in the campaign for road safety across Europe.

The Group is also a founding member and supports the activities of the non-governmental organization Youth for Road Safety (YOURS), created with the help of the World Health Organization in 2009. Based on a network of nearly 400 young people from 100 countries, YOURS organizes local road safety initiatives with the help of public and private partners.

The "Fill Up With Air" awareness campaign continued in several countries during the year, encouraging motorists to check tire pressure regularly by providing free tire inflation stations. In addition to reducing fuel consumption and thereby saving motorists money, maintaining the correct tire pressure also improves grip, which makes driving safer.

Targeting young people through prevention programs in many countries

Official partner to the International Automobile Federation's "FIA Action for Road Safety" program, Michelin created the international "Golden Rules" campaign. The campaign uses 10 visuals showing motorists in typical driving situations to illustrate the basic safety rules that everyone should know and to demonstrate that responsible driving can also be fun. The Golden Rules were also used, for example, in the "Crash Attack" campaign launched by Michelin in Spain in 2013. This campaign is designed to encourage university students to behave more responsibly, by raising their awareness of the risks and helping them to embrace shared values, rather than simply telling them what to do. The campaign is based on the idea of an "alien invasion" of crazy drivers who put their own lives and the lives of other road users at risk. The onsite event involves a series of workshops on the main road safety risks, including speed and alcohol. The campaign was conducted at 4 universities in 2013, covering close to 5,500 young people and influencing many more via social media. The aim is to reach 20,000 students over a 3-year period.

In India, an innovative partnership was established with local schools in 2013 to educate children about road safety issues through various forms of artistic expression. The program is being conducted at more than 100 schools over a period of 500 days, enabling close to 100,000 children to express their perception of the Golden Rules through art, dance, song or film, during workshops led by artists and film-makers. When the award ceremony takes place in early 2014, the 3 best films will be shown at partner cinemas throughout India.

Michelin also supports the Global Road Safety Partnership (GRSP) and participates in educational and prevention programs in China, India and a number of countries in North Africa and the Middle East, as well as Qatar and the United Arab Emirates.

Publishing recommendations from road safety experts

Michelin has led discussions on road safety issues with groups of international experts since 2012, helping to advance thinking in this area. The discussions take place in the wake of the Michelin Challenge Bibendum, an international event organized frequently to promote sustainable mobility solutions that are clean, safe and connected. As a result of these discussions, the "Road Safety Task Force" has published 2 white papers, the *White Paper for Safe Roads in 2050* in July 2010 and the *White Paper for Road Safety Investment* in July 2011, reviewing all the initiatives to be undertaken by the public and private sectors in this area. Widely distributed by international institutions and country organizations, the *White Paper for Safe Roads in 2050* inspired the World Health Organization's action plan for 2011-2020. In September 2013, Michelin launched a similar project entitled *Road Safety and Connected Mobility*, bringing together 15 international experts from various fields to discuss connected mobility's impact on road safety issues and how connectivity could be used to drive further progress. Their conclusions are expected in November 2014.

Recognized as a key player in the area of road safety, Michelin pursued its commitment in 2013, focusing more than ever on educating young road users through innovative, long-term initiatives.

6.2.4 SUBCONTRACTOR AND SUPPLIER RELATIONSHIPS

To ensure that subcontractors and suppliers live up to its corporate social responsibility standards, Michelin has adopted a structured approach based on conducting objective assessments of their CSR performance and integrating sustainable development criteria into its tender process.

6.2.4 a) Enhancing the sustainability of logistics operations

Ambition for 2020
Set the industry standard for responsible manufacturing

Responsible logistics

Reduce its CO_2 emissions by 10% (compared to 2010)

Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin and the action taken in this area must help enhance recognition of environmental issues. Significant results are already being achieved, for a modest investment, by optimizing existing resources. This involves generating new synergies between the shipper and the carriers by reviewing the actions being taken on both sides.

Identifying avenues for improvement in the Group's logistics decisions

Optimizing transportation distances: Ensure that plants and warehouses are close to the internal or end customer.

Increasing the load factor: Reduce empty miles. Monitor load factors and set a target for improvement. Use compression systems, such as VCM used in North America and currently being deployed in Thailand and Brazil, which increases the load factor by 15%, or the Atlas system adopted in Europe, which delivers an improvement of around 5%. Maximize vehicle load capacity, within the limits allowed by local legislation.

Favoring multimodal solutions (rail, sea, inland waterway) over air transportation: For regular deliveries, check with carriers about the technical and financial feasibility of a multimodal solution, such as road/rail, road/waterway or road/sea. Multimodal solutions significantly reduce greenhouse gas emissions and other negative impacts of transportation, including noise and air pollution, road accidents and traffic jams, and the deterioration of public infrastructure, such as roads and car parks. Reduce airfreight by only sending by air the volumes strictly necessary while waiting for the arrival of maritime shipping containers, because airfreight causes 47 times more pollution than sea freight.

Developing partnerships with trucking companies concerned about their energy efficiency: Optimize the equipment used 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 reduce fuel consumption.

Encourage eco-driving. When correctly monitored, 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 encouraging drivers to think ahead.

Energy efficiency has been chosen as the decisive environmental criteria for logistics purchases worldwide in 2014-2015. The indicator used will be fuel consumption by vehicle category, based on clearly defined targets. New environmental objectives will be addressed with suppliers in 2014. After 2015, measures will be taken in relation to fuel type, as alternatives to diesel vehicles – such as natural gas, biogas, electric and hybrid vehicles – will have been further developed in the interim.

_Taking action in every part of the world

The initiatives undertaken are specific to each geographic zone, even though some objectives are the same for several zones. The method for calculating Michelin's greenhouse gas emissions is based on the guide prepared by France's Agency for the Environment and Energy Management (ADEME). Wherever possible, emissions are calculated using well-to-wheel coefficients that take into account emissions from extraction, processing, transportation to the place of use and combustion.

In Europe

- Signature in April 2013 of a partnership with Carbologic©, a platform for sharing carbon emissions data between shippers and carriers.
- Monitoring and improvement of load factors. The frequency and route of certain runs is being reviewed, a load factor target has been set for export managers, and the increase in the authorized weight limit in France to 44 tonnes enables a 12% to 14% increase in the loads carried. As a result, 9,216 fewer tonnes of CO_2 were released in 2013, compared to 2012, which is equivalent to taking off the road 15,989 trucks traveling an average of 551 kilometers at a time.
- Increase in the use of multimodal solutions. Multimodal transportation solutions are used whenever possible: for short distances over sea between Nantes in France and Bilbao in Spain when room is available on a cargo ship; via the Alpine Express Freight Railway Service between Aiton in France and Orbrassano in Italy, used 700 times in 2013; and via the freight rail liaison between Dourges in France and Irun in Spain. The results of a rail transportation trial between Rouvignies in France and Saint Petersburg in Russia did not meet expectations, due to insufficient container size.

In North and Central America

- Increase in the number of SmartWay suppliers. Trucking companies participating in the SmartWay program, led by the US Environmental Protection Agency, have fitted their vehicles with accessories and devices that reduce their environmental impact. In 2012, SmartWay participants represented 66.34% of carriers, 91.85% of shipments and 74.24% of total weight carried.
- In 2013, the use of SmartWay suppliers increased to represent 72.04% of carriers, 93.21% of shipments and 82.76% of total weight carried.
- Increase in the use of multimodal solutions. In 2013, multimodal transportation represented 16% of the total distance traveled. This represents a saving of 19,000 tonnes of CO_2 emissions or the equivalent of 63 hectares of forest, the electricity used by 2,844 households in one year or the greenhouse gas emissions of 3,958 vehicles.
- Increase in full truckload (FTL) deliveries (long distance transportation, from plant to warehouse or between warehouses) and reduction in less than truckload (LTL) deliveries (short distance transportation, direct to customer). In 2013, FTL deliveries represented 42% of kilometers traveled and 15% of CO_2 emissions, while LTL deliveries represented 42% of kilometers traveled and 77% of CO_2 emissions.
- Increase in load factors. The use of the VCM tool in the United States and Canada removes around one in 7 trucks from the road. In 2013, the utilization rate was 82% for a saving of 1,546 tonnes of CO_2.Building energy efficiency. Energy-intensive halogen light bulbs were replaced in 2012 by T5 or T8 fluorescent tubes and the impact, measured for the first time in 2013, was a saving of 4,186 tonnes of CO_2.
- Action to be taken in 2014: Examine the feasibility of using a transportation solution fueled by natural gas (liquefied or compressed) for dedicated Michelin traffic. This would concern semi-finished products and certain customer deliveries. Increase the load rate at logistics warehouses. Grouping of tires and a zero-carbon initiative with UPS.

In South America

Action to be taken in 2014: The VCM compression tool will be used for maritime exports.

In South-East Asia

- Use of natural gas vehicles (NGVs). In Thailand, government subsidies mean that NGVs offer both environmental and financial benefits. They are primarily used for short distance deliveries around Bangkok and NongRee, and for the long-distance transportation of containers from plants to logistics platforms. All 5 NongRee vans and the last of the 18 Bangkok vans were converted to natural gas in 2013, representing a saving of 1,008 tonnes of CO_2.
- Increase in load factors. Measures were taken in several areas. The method used for loading products for export was changed (256 containers eliminated) and improvements were made in the loading of products both for export (46 containers) and for transportation from plant to logistics platform (6 containers). Altogether, this reduced emissions by 460 tonnes of CO_2. The cost savings were greater than the environmental gains in this instance, because most of these measures related to maritime shipping, which generates significantly fewer emissions than road transportation.
- Use of low-rolling resistance Michelin radial tires, avoiding the emission of 41 tonnes of CO_2.
- Action to be taken in 2014: In addition to pursuing the initiatives undertaken in 2013, the Maximizer compression system will be deployed, enabling a 15% increased in the load factor for certain types of tires.

In China

- Optimized sourcing and load factors, reducing kilometers traveled per tonne of freight carried by 6.89%.
- Use of multimodal transportation, primarily inland waterway and sea. Multimodal solutions accounted for 10% of total kilometers traveled.
- Increase in FTL deliveries and reduction in LTL deliveries.
- Action to be taken in 2014: Optimize the number of units carried per trip by improving load factors. Increase the use of barge transportation.

Across continents

- Launch of a sustainable development process with our 10 biggest maritime shipping companies – which together account for more than 70% of our shipments by sea. Michelin contacted the 10 companies to list their environmental initiatives and to ask that they fill in a carbon scorecard, providing a more detailed view of the greenhouse gas emissions related to maritime transportation. Carbon footprint will be included in the selection criteria for maritime shippers in 2014.

- 4 main initiatives undertaken by Logistics Europe in 2013 for exports of manufactured products, semi-finished products, machines and spare parts:

  Delivery dates challenged. Discussions were conducted with industry players to optimize deliveries of semi-finished products, so that only the most urgent portion of the order is sent by air to tide them over until the arrival of the remaining portion by maritime container.

  Merchant Haulage preferred over Carrier Haulage. Limiting the number of empty containers sent back to their owner by reusing those containers optimizes the overall load factor and reduces carbon emissions.

  Maritime groupage. The volumes ordered are not always enough to fill an entire container. Using a grouping service provider means that the container can be shared with cargo from other companies, maximizing the container load factor. The cost is calculated on a pro-rata basis.

  Transportation synergies. The aim is to improve coordination among the various export departments in order to share service providers and improve the load factor for containers heading to the same export destination.
- Action to be taken in 2014: Measures will be taken to minimize the use of airfreight, which is carbon-intensive and costly. Where possible, the environmental and financial gains achieved by the export services in Europe will be measured when the action is carried out.

6.2.4 b) Developing a sustainable purchasing governance system

Michelin extends its sustainable development process to its dealings with external parties, particularly suppliers. The importance of this initiative is reflected in the scale of the Group's purchases, which represent 65% of revenue.

The Purchasing Quality Unit, in charge of deploying the Michelin Performance and Responsibility approach across the Group Purchasing Department, has prepared a sustainable purchasing roadmap designed to make Michelin an industry benchmark by 2016. Program deployment is led and supported by the Purchasing Quality Director, who is a member of the Michelin Performance and Responsibility Operations Steering Committee.

Supported by the Purchasing management team and a global network, he ensures that the 2020 objectives set by the Michelin Performance and Responsibility Council are met.To enable the purchasing community to take the full measure of the social responsibility and sustainable development issues involved in their activities, a sustainable purchasing training module is offered as part of the training dedicated to the Purchasing process. The module is now mandatory for all buyers, technical specifiers and key internal customers. A total of 224 employees have completed the module since 2011.

6.2.4 c) Assessing suppliers' social and environmental performance

Ambition for 2020
Set the industry standard for responsible manufacturing

Responsible procurement

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

In 2012, the Purchasing Department issued the Michelin Purchasing Principles, a set of global guidelines built around our core values and such fundamental international commitments as the conventions of the International Labour Organization, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. The Principles provide a foundation for establishing the crucial relationships of trust that must exist between Michelin, its purchasing teams and its suppliers worldwide. As a core component of the contract binding the Group and its suppliers, the Principles clearly state the ethical guidelines for Purchasing teams and the rules of professional conduct in supplier relations; the supplier approval process; the Group's quality standards; and the environmental, social and ethical performance expected of Michelin suppliers.

Prior to the signature or renewal of any contract for an annual amount exceeding €250,000, the Group's buyers must assess the potential risk factors related to the supplier's social responsibility standards. This analysis takes into account the following factors: the impact of the product or service on the end-customer; revenue; business criticality; supplier dependence; the supplier relationship; the nature of operations; geographic location; and size.

Helping suppliers achieve Michelin standards

As a result of the risk analyses carried out since 2012, a desktop review of 195 suppliers has been conducted for Michelin by EcoVadis, resulting in 102 action plans whose deployment will continue in 2014. The effective implementation of these action plans is systematically validated by a second desktop review. This policy is designed to help key suppliers become confirmed as compliant with our standards, in line with the commitments made as part of our ambitions for 2020.

Of the 195 suppliers reviewed, those that fell short of Michelin's standards were either issued an improvement plan or removed from the supplier list. The decision to remove a supplier is made by consensus, after discussing all of the potential consequences, such as those relating to jobs and supply chain management.

Supporting the risk management process, 73% of raw-material supplier facilities representing more than 80% of purchasing volume have been certified to ISO 14001 standards, or 2% more than in 2012.

In addition, Michelin has been a signatory of France's Responsible Supplier Relationships Charter since 2012.

6.2.4 d) Integrating sustainable development criteria into tenders

To help meet the Group's environmental, ethical and social responsibility objectives, the Purchasing Department has mapped out opportunities for sustainable procurement. Prior to any purchase decision, total cost of ownership studies are conducted based on a variety of sustainable development criteria, including energy savings, a reduction in greenhouse gas emissions and waste, and improvements in working conditions. These same criteria are integrated into specifications and later into tenders submitted to suppliers. The resulting gains are divided into 2 categories: creation of financial value and creation of CSR value.

In 2013, these preliminary TCO studies enabled Michelin to:

- combine manufacturing and energy performance, by fitting variable speed drives on all electric motors, excluding in manufacturing processes (deployment planned at 70 facilities); and by insulating valves in 14 countries to avoid heat loss, for a saving of more than 11,000 MWh in 2013;
- more generally shrink its environmental footprint, by focusing on transportation providers committed to reducing their carbon emissions in Europe and North America; by optimizing raw material flows; by selecting suppliers that can help to optimize production waste recycling; by purchasing equipment to optimize printing (resulting in a 22% reduction in printing in Europe since 2011) and to store data on servers; and by providing electric vehicles for travel between sites in France;
- improve ergonomics and general working conditions, by providing molded earplugs and ergonomics masks to every employee who needs them; by including specific safety clauses in contracts governing the construction of new plants; by organizing road safety training for sales teams in Eastern Europe; and by optimizing raw materials packaging to limit manual handling;
- promote diversity, by integrating it into tenders in North America and into recruitment processes; and by organizing training to enhance the employability of people in India;
- introduce new vegetable-based plasticizers and monomers, such as isoprene.

6.2.4 e) Communicating results and listening to suppliers

In accordance with the Michelin Purchasing Principles, the results of the supplier CSR audits and other outcomes of the sustainable procurement policy are posted on the Purchasing website each year.

Since 2012, suppliers can also use the Purchasing website to contact the customer and supplier relations mediator in regard to any alleged or observed violation of the Michelin Purchasing Principles,

After having failed to resolve the issue with their usual contacts, the mediator was contacted 3 times in 2013. As a result, 2 issues were resolved immediately and the selection of a raw materials supplier was reviewed.

At the second Michelin Supplier Awards held in September 2013, 6 suppliers were recognized for supporting Michelin's growth and development while respecting its values. For the first time, a Michelin Performance and Responsibility Prize for outstanding CSR performance was awarded alongside the Quality and Innovation Prizes. The winner was Umicore, a Belgian performance materials manufacturer.

6.3 ENVIRONMENTAL INFORMATION

To reduce the environmental impact of its products, Michelin continuously improves the rolling resistance of its tires through new technological advances.

To limit the impact of its manufacturing operations, the Group uses an ISO 14001-certified environmental management system and deploys ambitious measures at its plants to prevent pollution and to reduce greenhouse gas and VOC emissions, water and energy use, the amount of waste generated and the percentage of non-recycled waste. Michelin is also committed to combating climate change and protecting biodiversity near its facilities.

6.3.1 A FIRM COMMITMENT TO ENVIRONMENTAL PROTECTION

Most of a tire's environmental impact occurs during use and is directly related to rolling resistance. That's why reducing rolling resistance is one of the key objectives targeted by Michelin researchers. Continuous progress over the past few years has resulted in significant improvements in this area. Michelin also deploys an environmental strategy at its manufacturing facilities that is based on an environmental management system, Group standards and a global indicator. Initiatives are regularly conducted to raise awareness of environmental issues among employees and significant resources are allocated to preventing environmental risks.

Respect for the environment is one of Michelin's 5 core values. Its environmental strategy is shaped by the results of impact studies conducted by independent organizations. Life cycle assessments incorporating health-related indicators were conducted in Europe in 2001 for Passenger car tires and in 2003 for Truck tires and were updated in 2009 and 2010 respectively.

Life cycle assessments show that most of a tire's environmental impact occurs during use, with the materials, manufacturing, logistics and end-of-life recovery phases having a much weaker impact, or even a positive impact in the case of resource recovery.

Improvement objectives have been defined worldwide in 2 areas – products and manufacturing operations. To enhance their visibility, these environmental objectives were reaffirmed in 2013 and expressed as 2 of the Group's Michelin Ambitions for 2020.

This section presents the outcomes of the environmental strategy deployed in Compagnie Générale des Établissements Michelin (hereinafter "the Group") in compliance with French Decree 2012-557 of April 24, 2012 specifying the disclosure obligations concerning a company's social and environmental information. The scope of reporting also includes Manufacture Française des Pneumatiques Michelin (hereinafter "MFPM"). The Group's other legal entities, which do not have any manufacturing operations and each have an estimated impact of less than 2% with regard to the leading environmental indicators (water consumption, energy use, CO_2 and VOC emissions and waste), are not covered in the section below.

Ambition 2020
Widen our lead in product performance

More performance with less material

Improve the overall performance of our products by at least 10% compared with 2010, while using fewer raw materials in their production

Life cycle assessments conducted in Europe have shown that, based on a standard 40,000 kilometers traveled, more than 92% of a car tire's health and environmental impact occurs during use, primarily as a result of its rolling resistance. This proportion rises to more than 95% for a truck tire, based on a standard tread-life of 600,000 kilometers. In normal conditions of use, tires account for a significant proportion of a vehicle's fuel consumption. The proportion is currently estimated at 20% for Passenger cars and more than 30% for Trucks. Michelin's primary objective is to increase the energy efficiency of tires while simultaneously improving the product's 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 harmful exhaust emissions, such as NO_x and VOCs, and CO_2 emissions during use. In addition, extending tread-life enables more intensive use of process raw materials and amortizes the energy used during the manufacturing process over a larger number of kilometers travelled.

Invented in 1992 and now on their fourth generation, Michelin's highly energy-efficient Energy™ Saver car tires are delivering further progress in the reduction of rolling resistance. Compared to the preceding generation, for example, they improve fuel consumption in an average European car by 0.2 liters/100 km, for an average 4g/km reduction in carbon emissions. Thanks to this performance, which has been widely recognized by the market, the Energy™ Saver tires have been certified as original equipment on hundreds of vehicles.

In Truck tires, the technological innovations collectively known as Michelin Durable Technologies offer a wide range of benefits, including a sustained improvement in fuel efficiency and therefore carbon emissions. These technologies also increase a truck tire's load capacity and total life-span, which has almost doubled since 1980. The millionth Michelin X One tire was sold in the United States in 2010. Since 2000, fleets equipped with X Ones have reported up to a 10% improvement in fuel efficiency. For 1,000 heavy trucks, this represents a potential saving of 17,000 tonnes of CO_2, which is equivalent to the average emissions generated by 3,400 American cars in a year. The MICHELIN X® LINE™ Energy™ range is fully in line with the expectations of long-haul truckers as it allows them to reduce their fuel consumption while also providing them with superior longevity. To design the new offer, the Truck Product Line leveraged the expertise acquired directly from trucking companies. In 2011, Group field experts carried out 320,000 visits to transport companies in more than 20 European countries, in order to identify and accurately define customer needs. With the MICHELIN X® LINE™ Energy™, truckers can save up to 515 liters of fuel over a distance of 130,000 km. This reduces their operating budget by €644 while lowering their CO_2 emissions by 1,371 kg.

All told, by the end of 2013, the Michelin fuel-efficient tires sold since 1992 had saved nearly 18 billion liters of fuel and avoided the emission of almost 500 million tonnes of CO_2.

Michelin researchers are still deeply committed to reducing tire rolling resistance, while maintaining or enhancing other performance factors, such as safety, grip and noise.

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 burning scrap tires as fuel in cement plants or steel mills.

Ambition 2020
Set the industry standard for responsible manufacturing

Responsible manufacturing

Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) by 40%, notably by improving our energy efficiency by 25% (compared to 2010)

Providing a solid foundation *via* the Michelin Environmental Management System, Group Environmental Standards and a network of experts

Michelin's strategy for managing the environmental footprint of its manufacturing facilities is underpinned by i) the Michelin Environmental Management System (MEMS), which is designed to enable each plant to manage both its day-to-day and long-term environmental impact, and ii) the Group Environmental Standards (EEG), which define the equipment and performance levels expected of a Michelin facility.

Based on ISO 14001, the MEMS comprises a process to verify compliance with legislation and Michelin standards, as well as an obligation to define and meet, every year, improvement targets aligned with local challenges and Group strategy. It also specifies procedures to prevent accidental pollution. Group guidelines dictate that every new facility must achieve ISO 14001 certification within 5 years of commencing operation. As a result, all Michelin plants and Technology Centers were ISO 14001 certified in 2013 and, by end-2013, 100% of Michelin-brand tires were made in ISO 14001 certified plants. Standardized deployment of the MEMS has led to overall certification in the main geographic zones of Europe and North America. The MEMS also serves as the basis for deploying the Environmental and Risk Prevention Management System (SMEP), which is designed to address the full range of health, safety and security issues in addition to the environment. The system has already been implemented in the logistics warehouses managed by Michelin and is now being extended to outsourced facilities.

Covering both ordinary operations and abnormal incidents and accidents, the Group Environmental Standards impose the use of equipment to prevent pollution, including accidental spills, leaks and air emissions, and to reduce the consumption of resources such as water and energy. They apply to all new and upgraded installations, driving further progress towards the goal of environmental excellence on every site. Other installations are regularly audited for shortfalls against the Standards and action plans are developed to achieve compliance.

To keep the risk analysis process robust and ensure that the resulting solutions are effective, a network has been tasked with addressing a full range of environmental, industrial hygiene, workplace safety and industrial risk prevention issues. The network has its own budget and the manager reports directly to the member of the expanded Group Executive Council in charge of industrial performance. The network comprises some one hundred environmental specialists based in the different country organizations and Product Lines, as well as at each site.

Reducing the environmental impact of manufacturing facilities *via* a performance indicator that includes the 6 most relevant environmental components

To drive continuous improvement, the environmental performance of Group facilities has to be measured. That's why the Michelin Environmental Footprint (MEF) indicator was defined in 2005. This composite indicator measures the 6 environmental performance criteria deemed to be the most relevant for meeting the medium-term challenges associated with the Group's manufacturing facilities – water and energy use, VOC and CO_2 emissions and the volume of waste generated and landfilled. The aim is to help enhance the environmental performance of the Group's manufacturing base by tracking these specific criteria per tonne of finished product. Each indicator is then compared with the actual Group-wide figure in 2005 (base 100) and each component is weighted according to its impact (see diagram below).

COMPONENTS AND WEIGHTING OF THE MICHELIN ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR

MEF site

Component		Weighting
Resource consumption	Energy	15
	Water	15
Air emissions	VOCs*	25
	CO_2	15
Waste	Total weight generated	15
	Total weight landfilled	15

** VOC: Volatil Organic Compounds.*

The networked GAIA application enables the standardized collection of data from each site. In addition to environmental criteria, GAIA also tracks data relating to such aspects as risk prevention and safety. The collected data are defined and standardized for use as benchmarks during internal audits and for the review by one of the Statutory Auditors.

Every year, the Annual Plan defines a target for improvement in the MEF indicator, which has been steadily and systematically deployed across the various production operations since 2005. Its effectiveness has been amply demonstrated by the results obtained over the years.

The initial target of a 20% reduction by 2011 compared with 2005 was met in 2008.

A second target of a 35% reduction in 2015 compared with 2005 was set in 2009. It will be achieved as well.

In 2013, following the 10th anniversary of the Michelin Performance and Responsibility approach, the ambitions for 2020 were defined for all of the areas covered. For the environmental component of the Group's ambition to be a leading responsible manufacturer, a target of a 40% reduction in the MEF was set for 2020, compared with 2010. This represents a 58% reduction compared to 2005. These ambitions relate directly to Michelin's dynamic growth strategy. Meeting these targets will enable the Group to carry out the planned increase in output while maintaining a stable environmental impact overall and even achieving improvements in certain areas.

To ensure that the ambitions for 2020 will be achieved, each production facility must prepare an environmental action plan adapted to the local context in 2014/2015.

A summary of these plans will be used to validate the target and the associated resources.

The following table shows the performance of the 6 MEF components since 2005.

The reference year for 2020 objectives is 2010.

PERFORMANCE OF THE MICHELIN ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR, 2005 TO 2013

	2020 objective compared with 2010	2005	2010	2012	2013	Change 2005-2013	Change 2010-2013	Change 2012-2013
MEF	-40%	100	70.0	67.2 (1)	66.5	-33.5%	- 5.0%	-1.0%

(1) Certain 2012 data (MEF, energy use, CO_2) are different from the 2012 Registration Document because an error affecting the consolidated results was identified during the data verification process for 2013 (a facility's energy use was counted twice). The correct data for 2012 is presented in this Registration Document.

Performance by MEF components – Group	Unit	2005	2010	2012	2013	2013 target	2014 target
Energy consumption	GJ/t TP	17.4	14.4	13.7 (1)	13.8	13.3	13.5
Water consumption	cu.m/t TP	15.0	11.8	11.9	11.7	11.3	11.0
VOC emissions	kg/t TP	4.27	2.89	2.67	2.63	2.60	2.60
CO_2 emissions	t/t TP	1.53	1.28	1.19 (1)	1.21	1.19	1.19
Waste generated	kg/t TP	140	109.5	110.9	112.6	111	108
Waste landfilled	kg/t TP	33	10.2	9.29	7.90	9	7.5

(1) Certain 2012 data (MEF, energy use, CO_2) are different from the 2012 Registration Document because an error affecting the consolidated results was identified during the data verification process for 2013 (a facility's energy use was counted twice). The correct data for 2012 is presented in this Registration Document.

Group	2013 ratio	Change 2010-2013	Unit	2013 Absolute value	Absolute annual change 2010-2013	Unit
Energy consumption	13.76	-4.4%	GJ/t TP	43,138	-2,444	x103 GJ
Water consumption	11.71	-0.8%	cu.m/t TP	36,694	-628	x103 cu.m
CO_2 emissions	2.63	-9.0%	kg/t TP	8,244	-911	t
CO_2 emissions	1.21	-5.5%	t/t TP	3,799	-269	x103 t
Waste generated	112.60	+2.8%	kg/t TP	352,972	+4,512	t
Waste landfilled	7.90	-22.6%	kg/t TP	24,778	-7,782	t
GROUP MEF	**66.5**	**-5.0%**				

PERFORMANCE OF THE MEF INDICATOR FOR MANUFACTURE FRANÇAISE DES PNEUMATIQUES MICHELIN

MFPM	2020 Group objective compared with 2010	2005	2010	2012	2013	Change 2005-2013	Change 2010-2013	Change 2012-2013
MEF	-40%	94.1	65.1	58.8 [1]	60.2	-36.0%	-7.5%	+2.5%

(1) *Certain 2012 data (MEF, energy use, CO_2) are different from the 2012 Registration Document because an error affecting the consolidated results was identified during the data verification process for 2013 (a facility's energy use was counted twice). The correct data for 2012 is presented in this Registration Document.*

Performance by MEF component – MFPM	Unit	2013	Change 2010-2013
Energy consumption	GJ/t TP	17.83	-9.4%
Water consumption	cu.m/t TP	10.33	13.6%
VOC emissions	kg/t TP	2.31	-7.0%
CO_2 emissions	t/t TP	0.67	-20.0%
Waste generated	kg/t TP	134.11	-8.4%
Waste landfilled	kg/t TP	0.17	-91.3%
MFPM MEF		**60.2**	**-7.5%**

FORMULA FOR CALCULATING THE MEF:

$$\text{MEF} = \frac{\text{Reporting year energy use (GJ/t)} \times 15}{\text{Group energy use 2005 (GJ/t)}} + \frac{\text{Reporting year water use (m}^3\text{/t)} \times 15}{\text{Group water use 2005 (m}^3\text{/t)}} + \frac{\text{Reporting year VOC emissions (kg/t)} \times 25}{\text{Group VOC emissions 2005 (kg/t)}} + \frac{\text{Reporting year CO}_2\text{ emissions (t/t)} \times 15}{\text{Group CO}_2\text{ emissions 2005 (t/t)}} + \frac{\text{Reporting year waste generated (kg/t)} \times 15}{\text{Group waste generated 2005 (kg/t)}} + \frac{\text{Reporting year waste landfilled (kg/t)} \times 15}{\text{Group waste landfilled 2005 (kg/t)}}$$

SUMMARY TABLE OF ENVIRONMENTAL DATA FOR THE GROUP AND MFPM

Group MFPM	2013	2012	2013/2012	2010	2005	GRI Indicator
Water consumption *(cu.m/t)*	11.7	11.9	-1.7%	11.8	15.0	
MFPM	*10.3*	*9.8*	*+5.1%*	*9.1*	*9.2*	EN8
Energy consumption *(GJ/t)*	13.8	13.7 (1)	+0.1%	14.4	17.4	
MFPM	*17.8*	*17.4 (1)*	*+2.5%*	*19.6*	*23.1*	EN3-EN4
Michelin stationary installations	7.6	7.6 (1)	+0.1%	8.0	10.6	
MFPM	*9.0*	*9.2 (1)*	*-2.3%*	*11.3*	*15*	EN3
Steam purchased	0.9	0.9 (1)	+5.8%	1.2	1.0	
MFPM	*0.9*	*0.9 (1)*	*+2.8%*	*0.1*	*0.3*	
Electricity purchased	5.2	5.2	-0.7%	5.2	5.7	
MFPM	*8.0*	*7.4*	*+8.3%*	*8.2*	*7.8*	EN4
Greenhouse gas emissions *(t/t)*	1.21	1.19 (1)	+1.6%	1.28	1.53	
MFPM	*0.67*	*0.71 (1)*	*-5.2%*	*0.83*	*1.04*	
of which:						
Direct emissions from Michelin stationary installations	0.55	0.55 (1)	+0.4%	0.58	0.75	
MFPM	*0.50*	*0.51 (1)*	*-2.4%*	*0.63*	*0.85*	
Indirect emissions, steam generation	0.09	0.09	+3.8%	0.12	0.11	
MFPM	*0.003*	*0.010 (1)*	*-135.1%*	*0.02*	*0.03*	
Indirect emissions, electricity generation	0.57	0.55	+2.4%	0.58	0.66	
MFPM	*0.17*	*0.18*	*-6.3%*	*0.18*	*0.16*	EN18
Total Michelin direct and indirect emissions avoided *(tonnes of CO_2)*	40,630	31,200	+30%	24,000		EN19
Sulfur dioxide emissions *(kg/t)*	0.86	0.97	-12.2%	0.96	1.65	
MFPM	*0.02*	*0.04*	*-53.5%*	*0.04*	*0.13*	
Nitrogen dioxide emissions *(kg/t)*	0.74	0.72	+2.8%	0.83	1.01	
MFPM	*0.54*	*0.52*	*+4.8%*	*0.57*	*0.75*	
Volatile organic compound emissions *(kg/t)*	2.63	2.67	-1.5%	2.89	4.27	
MFPM	*2.31*	*2.33*	*-1.1%*	*2.48*	*3.98*	EN21
Total weight of waste generated *(kg/t)*	112.6	110.9	+1.5%	109.5	140	
MFPM	*134.1*	*125.4*	*+6.9%*	*144*	*161*	
Total weight of waste landfilled *(kg/t)*	7.9	9.3	-15.1%	10	33	
MFPM	*0.2*	*0*	*NA*	*2*	*31*	
Total weight of hazardous waste *(kg/t)*	6.29					
MFPM	*15.4*					EN23
Number and total surface area of facilities located less than one kilometer from any protected areas	27 sites totaling 6,400 ha					
MFPM	*7 sites totaling 624 ha*					EN 11

(1) Certain 2012 data (MEF, energy use, CO_2) are different from the 2012 Registration Document because an error affecting the consolidated results was identified during the data verification process for 2013 (a facility's energy use was counted twice). The correct data for 2012 is presented in this Registration Document.

The MEF was 66.5 in 2013, representing a 1% improvement over 2012 for the same level of output. The target was set at 66 for a level of output nearly 8% higher than in 2012 and it would have been achieved if output had been in line with expectations. Compared with 2010, when output was virtually the same as in 2013, the MEF has improved by 5%.

The improvement from 2012 is mainly due to an increase in the percentage of waste recycled. In Europe, this reflects the recycling of boiler ash at the Pirot plant in Serbia and the improved recycling rate at Davydovo in Russia, where a stockpile of non-retreadable tires has now been cleared. In Asia and North America, it reflects the gradual deployment of the Group's waste management policy.

Continued efforts to reduce VOC emissions, particularly in Europe, Russia and Thailand, also contributed significantly to the reduction in environmental footprint.

Water consumption improved, mainly thanks to initiatives undertaken locally, following analysis of the composite MEF indicator at site level.

Energy consumption remained stable in 2013, with significant improvements in certain geographic zones and production segments offset by temporary increases elsewhere.

Carbon dioxide emissions increased slightly as a result of greater electricity consumption in zones where power generation is more carbon intensive.

The amount of waste generated also increased, primarily due to the temporary impact of ERP backbone projects starting up in Brazil and China.

Compared with 2010, the MEF has been reduced by 5%, with improvements in every component except waste generation, which was relatively stable overall. Energy use declined by 4.4%, water use by 0.8%, VOC emissions by 9.0%, landfilled waste by 22.6% and carbon dioxide emissions by 5.5%, while waste generated increased by 2.8%. On a full-year basis, this significant improvement from 2010 levels avoided:

- 2,444,000 gigajoules of energy, or the amount of energy used by the Group's largest plant in Europe, Olsztyn in Poland, or by nearly 24,000 inhabitants* (based on 103 GJ per person, as described in the 2011 energy statistics for France published by INSEE and the SOeS).
- 630,000 cubic meters of water, or the amount of water withdrawn by the tire plant in Shanghai, China or the drinking water consumed by 11,400 inhabitants* (source: Water statistics for 1998, 2001, 2004 and 2008 published by SOeS-SSP).
- 910 tonnes of VOC emissions, or the emissions released by the synthetic rubber production facilities at Bassens in France and Louisville in the United States or the emissions from more than a million cars (based on the Euro V standard for gasoline vehicles, which is a maximum of 68 mg of non-methane hydrocarbons per kilometer, and on 12,666 kilometers per vehicle per year from INSEE's 2012 statistics).
- 270,000 tonnes of CO_2 emissions, or the emissions generated by all of the facilities in Thailand or by 150,000 cars (based on a maximum of 140 g CO_2/km and 12,666 kilometers per vehicle per year from INSEE's 2012 statistics).
- 7,800 tonnes of landfilled waste, or the amount of waste generated by the truck tire retread facility in Avallon, France or the household waste generated by 21,000 inhabitants* (based on 373 kg of household waste per person per year in 2009, as published by ADEME in 2012).

Providing environmental protection training and information to every employee

Dedicated training courses to support MEMS deployment have raised environmental awareness among the more than 90,000 employees working on certified sites. 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

Nearly €32 million was committed in 2013 to projects to enhance the environmental performance of the production facilities. In the case of Manufacture Française des Pneumatiques Michelin, these outlays totaled €5.6 million for the year.

The details are analyzed in the 2 tables below. 4 categories have been added since 2012 to align expenditure information with the environmental information required by French Decree 2012-557 of April 24, 2012 and presented in this document.

The increase in Group expenditure compared to 2012 is due to (i) the inclusion of these new categories, which accounted for €11.6 million in 2013, of which 66% was spent on energy efficiency, and (ii) a 100% increase in outlays to prevent soil and subsurface water pollution.

These expenditure 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 € thousand)*	Total expenditure		
	2013	**2012**	**2011**
Air pollution prevention	5,321	6,372	4,760
Surface water pollution prevention	5,262	2,153	3,803
Soil and subsurface water pollution prevention	8,692	4,071	3,883
Waste reduction and recycling	1,820		
Sustainable use of water resources	1,937		
Sustainable use of energy resources	7,631		
Reduction of greenhouse gas emissions	209		
Other	1,479	3,814	9,660
TOTAL	**32,352**	**16,411**	**22,106**

* *French people.*

MFPM (in € thousand)	Total expenditure 2013	2012	2011
Air pollution prevention	722	547	312
Surface water pollution prevention	431	367	108
Soil and subsurface water pollution prevention	687	2,733	206
Waste reduction and recycling	0		
Sustainable use of water resources	408		
Sustainable use of energy resources	2,177		
Reduction of greenhouse gas emissions	182		
Other	956	1,785	3,107
TOTAL	**5,563**	**5,432**	**3,733**

Provisions and guarantees for environmental risks

As of December 31, 2013, aggregate provisions for environmental risk amounted to €13.3 million for the Group and zero for Manufacture Française des Pneumatiques Michelin.

6.3.2 MANAGING POLLUTION AND REDUCING WASTE

Measures are taken across the organization to manage air, water and soil pollution and to reduce the amount of landfilled waste. Pollution initiatives also take into account the odors and noise generated by the Group's facilities, which could affect the neighboring community.

Deploying measures to prevent, abate or remediate air, water and soil pollution

_Greenhouse gas emissions

A reduction in emissions for the Group

Total CO_2 emissions for the Group amounted to 1.21 tonnes per tonne of finished product in 2013, a decrease of 22% compared to 2005. Direct emissions from Group boilers stood at 0.55 tonnes per tonne of finished product, down 27% versus 2005. Indirect CO_2 emissions through the purchase of electricity and steam are estimated at 0.66 tonnes per tonne of finished product, down 14% from 2005.

Optimized operations management and deployment of the Group's best manufacturing practices drove a reduction in the use of energy, which declined by close to 4.4% in gigajoules per tonne of tire produced compared with 2010, when tire output was more or less the same.

In European Union countries, direct carbon emissions from sites that operate boilers rated over 20 MW (23 Michelin plants) are subject to allowances issued under the EU's ETS Emissions Trading Scheme. In 2013, the allowances allocated to Michelin were 34% lower than in 2012. As a result, the emissions from Michelin's 23 facilities in Europe will exceed the allocated allowances for the first time since the system's introduction in 2005. The emissions will nonetheless be covered by the credits accumulated between 2008 and 2012.

In China, carbon emissions trading schemes were introduced in 2013 in 7 cities and provinces. The scheme relevant to Michelin's plant in Shanghai has been launched for an initial period of 3 years (2013-2015) and covers both direct and indirect emissions.

A significant portion from plants for MFPM

A review of greenhouse gas emissions as of end-2012 demonstrated that the production plants accounted for almost all of MFPM's CO_2 emissions.

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY MFPM UNIT

Tire production facilities	Storage facilities, research center and headquarters	Vehicles and other mobile sources belonging to MFPM
90.60%	7.30%	2.10%

The review also showed that direct emissions from fuel use represented 80% of total MFPM greenhouse gas emissions, with indirect emissions from the purchase of electricity accounting for the rest.

_Other air emissions

A slight decline in VOC emissions

VOC emissions declined slightly in 2013 to 2.63 kg per tonne of finished product. A guide to best practices was distributed during the year and, by end-2013, 27 facilities or activities had analyzed their practices against the guide and implemented appropriate action plans. The deployment of innovative new production processes continued during the year, helping to reduce solvent use – and therefore VOC emissions – in such areas as the adhesive sub-layers of Passenger car tires.

An ambitious target has been set for reducing solvent-related VOC emissions as part of the Michelin Performance and Responsibility objectives for 2020. In 2013, VOC emissions were 38.4% lower than in 2005.

A mixed result for nitrogen oxide (NO_x) and sulfur oxide (SO_x) emissions

Specific NO_x emissions from Group boilers stood at 0.74 kg per tonne of finished product in 2013, compared with 0.72 kg per tonne in 2012 and 0.83 kg per tonne in 2010.

SO_x emissions amounted to 0.86 kg per tonne of finished product, versus 0.97 kg per tonne in 2012 and 0.96 kg per tonne in 2010.

These data can vary widely from year to year, because they are calculated based on the periodic (often quarterly) measurement of emission concentrations. In addition, given that purchased steam is not included in the calculation, the mix between produced and purchased steam can have a significant impact on the final figure.

_Discharges to water

The main substances likely to be released in process water discharged by the tire plants are total suspended solids (TSS) and residual hydrocarbons, which are inherent in most industrial processes and not specific to Michelin. The water used in processes to treat metal cords and produce synthetic elastomers may contain metals such as copper and zinc and residual hydrocarbons. Each of Michelin's plants is equipped with primary, secondary or tertiary wastewater treatment facilities, depending on the type of activities carried out. After proper treatment, water is discharged either to the environment or to local wastewater treatment plants.

In 2013, the Group set up its first zero-discharge wastewater treatment system at its new plant in Chennai, India. The treated wastewater is either recycled or used to water the landscaped grounds.

Various measures were taken at existing plants in 2013, particularly in Europe, South America and North America, to provide additional resources or improve the performance of primary or secondary wastewater treatment systems. At the Michelin plant in Dundee, Scotland, for example, a sustainable urban drainage system (SUDS) was installed to deliver filtered rainwater back to the natural environment in a controlled manner. The system stops large volumes of rainwater, often with high suspended solids content, from running directly into waterways.

_Ground water discharge

The Michelin Environmental Management System (MEMS) includes a dedicated process to prevent the risk of accidental spills. It comprises both physical systems, for soil protection and leak prevention, and standard operating procedures for activities at risk and in the event of an accident.

The Group Environmental Standards require that all new plant and equipment comply with the highest levels of soil protection. They were inspired by the strictest regulatory standards in this area, in particular the European ones, and often exceed local legislation.

Michelin has been developing a process for managing potential historic pollution since 2006. Whenever a change in activity occurs at a site, excavation work is carried out or historic pollution is observed, a study is conducted with the help of the Group's network of environmental experts. The pollution risks and potential impacts 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 work undertaken.

Investments have already been made to treat historic pollution, in particular at the Olsztyn plant in Poland, where the soil and groundwater were contaminated from industrial operations carried out before the Group's arrival. The technical innovation and thoroughness of the treatment process was applauded during a site visit by 50 representatives from the Polish government tasked with environmental protection.

Reducing the amount of waste generated per tonne of tire produced

Programs to reduce the total amount of generated and landfilled waste were continued in 2013. The gross weight of waste generated per tonne of tire produced rose slightly compared to 2012, to 112.6 kg, while the weight of landfilled waste declined to around 7.9 kg per tonne of tire produced, down around 15% from 2012. Around 6% of total waste is classified as hazardous according to the legislation applicable in the country where it is generated.

Since 2005, the weight of waste generated per tonne of tire produced has been reduced by around 20% to around 110 kg from 140 kg and the weight of landfilled waste has fallen by more than 75% to 7.9 kg from 33 kg.

The main initiatives undertaken in 2013 to reduce the amount of landfilled waste related to the Pirot plant in Serbia (boiler ash recycling) and several pilot plants in North America (treatment of metal layers).

With a waste management policy focused on reuse and the development of external recycling systems, Michelin is continuing to deploy initiatives to reduce the amount of waste generated and to meet its target of having 95% of generated waste recycled or used as fuel.

Taking into account odors and noise pollution

Although entirely innocuous, odors are nonetheless a concern for Michelin plants, some of which are located in urban areas. These odors are generated by the process used to produce certain types of natural rubber components indispensable for tire manufacturing.

A standard solution, based on the thermal oxidation of effluents, has now been adopted in 6 European plants and is applied to new plants when necessary. Research is continuing into new, even more environmentally friendly techniques.

The noise generated by the Group's manufacturing operations is not particularly significant. Each facility complies with the local regulations governing noise levels. When designing new facilities or extending existing ones, measures are taken to ensure that noisy pieces of equipment, such as fans, are located well away from the site's boundaries.

More generally, every on-site team works with experts at corporate level to limit odors, noise and other nuisances that manufacturing operations may cause local residents.

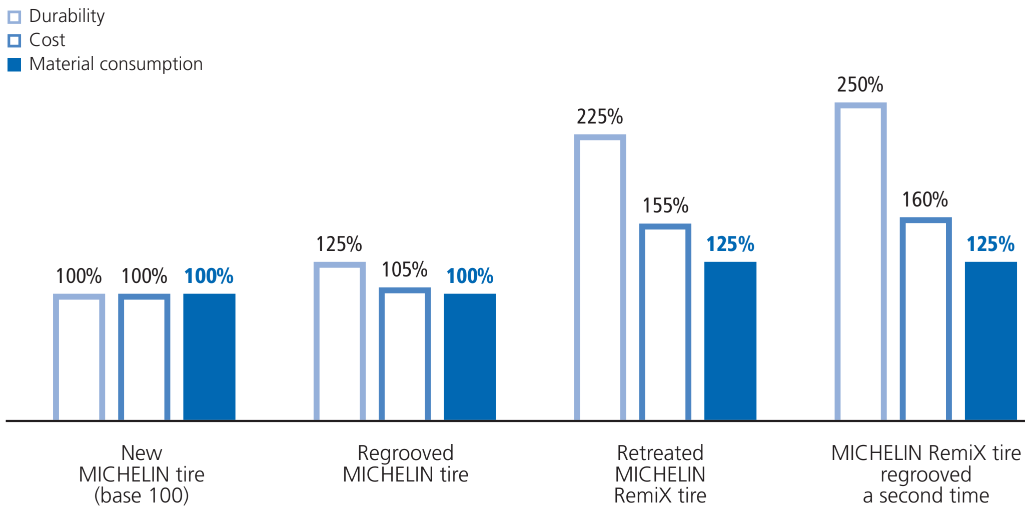
6.3.3 ENSURING SUSTAINABLE USE OF EVERY RESOURCE

Michelin constantly strives to optimize the performance of its tires, while using less raw material in their production and extending their useful life. It also mobilizes teams of experts to help its plants reduce their water and energy consumption.

Optimizing raw material use through regrooving and retreading solutions, which increase tire life by 2.5 times with only 25% more material

In designing tires, Michelin optimizes raw materials use by consistently seeking to deliver the same or better performance than previous generations, while using less material and without compromising on safety and quality standards. In Truck tires, for example, Michelin 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 more material; retreading then adds a further 100 units with 25 units in new material (or 4 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 2 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.

The following chart illustrates these benefits:



Reducing water consumption

Michelin plants mainly use water to cool installations and transfer heat. In 2013, water consumption amounted to 11.7 cubic meters per tonne of finished product, a 23% decrease on 2005. This primarily reflected the assertive programs deployed by the 3 facilities that use the most water. These plants have reduced their water consumption by more than 6% since 2005, for a 29% increase in output measured in tonnes of finished and semi-finished products.

Measures were taken to reduce water consumption at 15 facilities in 2013, with 9 projects aimed at optimizing heating and fluid systems and 10 projects aimed at reducing water use in certain processes. One of the biggest projects was the installation of a rainwater recovery and reuse system at the Chennai plant in India, which has a total water storage capacity of 47,000 cubic meters.

Production facilities are supplied with water in compliance with local legislation. When requested by authorities, the plants scale back their withdrawal to guarantee fair use of water resources. A Group-wide study was conducted in 2013 to identify the risks associated with water availability. The findings have initially been used to map the nature and level of vulnerability of water resources in areas where Michelin has production facilities. In 2014, the Group will continue to deploy a method for assessing the impact of manufacturing operations on water, with the ultimate goal of conducting initiatives to reduce consumption or use less vulnerable sources.

Enhancing energy efficiency *via* a cross-functional Energy organization

The Group's energy consumption per tonne of tires produced stood at 13.8 GJ in 2013. Energy efficiency has continued to improve at many facilities. The Passenger car and Light truck tire plants in Europe, for example, have reduced their energy consumption by 3%.

The progress has primarily been led by the development of comprehensive energy metering at production facilities and by the effectiveness of the cross-functional Energy organization. Action plans for improving energy efficiency are prepared by a Steering Committee comprising Group Energy managers and representatives from the Group's manufacturing divisions.

The Energy Expert in each geographic zone oversees the deployment of these actions plans, which are implemented by the Energy leaders at each plant. This organization was introduced in 2011 to drive faster on-site deployment of energy management tools, methods and best practices. In 2013, the Energy Experts conducted 34 audits and the on-site Energy leaders carried out 50 projects to optimize the energy consumption of production equipment. Innovation processes have been implemented in 5 areas of activity to generate energy efficiency gains of more than 15%. Since 2012, many facilities track the energy use of their production stations on a daily basis.

In a commitment to improving both environmental and financial performance, Michelin is continuing to deploy a variety of renewable energy projects (see section 6.3.4 "Combating Climate Change – Greenhouse gas emissions" below).

Optimizing land use

Michelin's production operations occupy much the same surface area as facilities in any other manufacturing industry. Its plants are generally located in pre-existing industrial parks and, when they are not, environmental impact studies are performed in order to obtain both the operating license and construction permit. In most cases, public hearings have been held as part of these permit applications.

The only activities that use a larger surface area are the rolling test tracks like those in Ladoux, France and Almeria, Spain. They do not conflict with any other land uses and may even have a beneficial impact on the environment, thanks to the programs undertaken by the Group to support biodiversity (see section 6.3.5 below).

6.3.4 COMBATING CLIMATE CHANGE

In addition to continuously optimizing energy efficiency, Michelin also works to combat climate change by reducing the carbon content of its energy mix to limit CO_2 emissions. This includes pursuing renewable energy projects, whose benefits cannot be measured exclusively in terms of emissions. A risk management process is also in place to take into account the potential consequences of climate change, both at Group level and for each of the facilities.

Reducing greenhouse gas emissions by enhancing energy efficiency and increasing the use of renewable energies

Michelin is assertively contributing to global efforts to reduce greenhouse gas emissions in the road transportation and manufacturing industries. For example, carbon emissions from all of the Group's manufacturing operations, per tonne of product, were 22% lower in 2013 than in 2005.

Energy efficiency initiatives are being pursued across the organization *via* action plans based on site energy audits, with the aim of reducing energy use per tonne of tire produced by 25% between 2010 and 2020.

Since 2008, renewable energy projects have been developed whenever they offer the possibility of improving a site's environmental and financial performance. Although these biomass, solar power and wind power projects have long maturity cycles, they are already helping to sustainably reduce our carbon footprint.

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 16.5 MWp in 2010 and 21.5 MWp at 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 around 20% of the electricity used by the Dundee plant in Scotland since 2007.

In 2013, the 2 wind turbines installed near the Ballymena plant in Northern Ireland in late 2012 provided 10% of the plant's electricity.

Commissioned in 2010, 2 biomass-fired boilers installed to replace natural gas-fired systems at the Bourges and Cholet plants in France avoided the emission of 12,500 tonnes of CO_2 in 2013.

Also in France, the rooftop solar power panels on the Puy-en-Velay plant began generating their first electricity in September 2011. Covering 3 hectares, or 3/4 of the roof's surface, the panels produced close to 3,500 MWh of power in 2013.

In Canada, a solar wall has replaced heavy fuel as a source of heat for the Waterville plant since late 2010.

In 2013, on-site renewable energy installations avoided the emission of more than 40,000 tonnes-equivalent of CO_2.

Facility	Technology	Tonnes of CO_2 emissions avoided in 2013 (1)
Bassens, France	Purchase of heat generated by a waste incinerator	9,500 (direct CO_2)
Cholet, France	Biomass-fired boiler	5,750 (direct CO_2)
Bourges, France	Biomass-fired boiler	6,750 (direct CO_2)
Vannes, France	Purchase of household waste methanation heat	250 (direct CO_2)
La Combaude, France	Purchase of heat from biomass fired facilities	2,500 (direct CO_2)
Waterville, Canada	Solar wall	80 (direct CO_2)
Dundee, Scotland	Wind turbines	3,250 (indirect CO_2)
Ballymena, United Kingdom	Wind turbines	3,000 (indirect CO_2)
Germany, 7 facilities	Photovoltaic panels	8,000 (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,300 (power sold back to the grid)
Le Puy, France	Photovoltaic panels	250 (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 2012 Edition.

Today, 17 facilities use renewable energy solutions, of which 3 came on stream in late 2012: 2 wind-turbine installations at Ballymena, Northern Ireland; the purchase of biomass heat from an outside provider at the La Combaude facility in Clermont-Ferrand, France; and the purchase of household waste methanation heat from an outside provider at Vannes, France. Feasibility studies are under way for several other projects: the purchase of steam from biomass at the Golbey facility, France; the installation of photovoltaic panels at the new Chennai plant, India; and the use of geothermal heat in Clermont-Ferrand, France.

Taking into account the consequences of climate change

Michelin's production plants are located in 17 countries. In line with recommendations issued by our risk managers, risks associated with climate change have been reviewed and business continuity plans in the event of extreme weather events have been assessed. A flood risk analysis led the Group to build dikes to protect a facility in Thailand that was particularly exposed to flooding. Over the last years, one Michelin plant has been damaged by a tornado in North America. This type of weather phenomena concerns only a few facilities and has been integrated into the appropriate business continuity plans.

An analysis of the Group's sensitivity to energy supply is also studied. Climate change is estimated to have only a moderate impact, because the Group's operations are well distributed, both geographically and by type of activity.

The studies undertaken during the project design process for new facilities also take into account the risks associated with climate change.

A large amount of natural rubber is required to manufacture Michelin tires. It is produced in a limited part of the planet, in a region with certain weather and soil characteristics. The changing climate could make these resources more difficult to access or use, or else endanger them by facilitating the emergence of new diseases. They could be countered by new, more resistant and more productive species being studied by Group agronomists.

In the case of sourced raw materials, certain suppliers deemed to be exposed to possible climate-related problems have been asked to take steps to protect their operations from any extreme weather events.

6.3.5 PROTECTING BIODIVERSITY NEAR MICHELIN SITES

Particularly committed to limiting the impact of its operations on biodiversity, Michelin undertakes numerous initiatives to preserve the local ecosystems near its sites. It has also developed a method for evaluating a production facility's dependence on its environment.

Protecting the local ecosystems near each site

To conduct their operations smoothly and sustainably, companies rely on the benefits provided by natural ecosystems and biodiversity, such as plant-based raw materials, water supply and climate regulation. Michelin is no exception.

The Group participates in efforts to maintain the efficiency of natural ecosystems in a variety of ways: by developing products that are more environmentally responsible, such as lighter tires made with less raw material and energy; by promoting the use of sustainable practices in rubber farming, which accounts for around 40% of the rubber used; and by protecting the local ecosystems near each of its sites.

A process initiated in 2007 aims to improve awareness of the interactions between production facilities and their local ecosystems by using various tools to measure them.

In 2008, the plant in Nyiregyhaza, Hungary conducted a pilot Ecosystem Services Review (ESR), a method developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) to reveal a facility's impact and dependence on its environment. The review showed that the plant could be at risk in certain situations not necessarily of its own making, such as air pollution. A smog alert system used in Hungary means that local authorities can force plants to stop operating if air pollution exceeds certain thresholds. The ESR provided a wealth of information but was deemed too time consuming and insufficiently differentiating to be carried out in every Group facility.

A different method was trialed in late 2010. Designed by an independent organization, this second method measures not only the facility's impact and dependence on the ecosystem but also its ecological vulnerability, determined by its proximity to areas of environmental concern.

Deploying a new indicator to monitor risks more effectively

Based on this experience, Michelin decided in 2012 to review 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 review was extended where necessary to include protected areas downstream.

By end-2013, the review had been carried out by 68 of the 73 sites concerned, in 18 countries, revealing the presence of a total of 369 protected areas.

When the data was analyzed with regard to the GRI-EN11 [(1)] indicator, the review also revealed that 27 facilities in 7 countries, representing a total surface area of around 6,400 hectares, are located less than one kilometer from one or more protected areas.

As a result of these findings, 2 specific changes will be made in 2014: (i) the ISO 14001 standards used to analyze a facility's environmental aspects and impacts will be modified so that the presence of local ecosystems and biodiversity is identified more consistently in the prioritization of environmental issues; and (ii) protected areas will be more systematically taken into account during impact studies on projects to build new facilities or expand existing ones.

Moreover, in the future, the review to compile the GRI 4 EN11 compliant indicator for all of the plants and research facilities will be updated every 5 years.

Michelin helps to limit the impact of its operations on biodiversity by conducting initiatives to protect the fragile environments near some of its facilities, such as Almeria in Spain, Bahia in Brazil, Louisville in the United States and Ladoux in France.

Achieving a balance between manufacturing operations and environmental stewardship in Almeria, Spain

Initiatives under way at the Almeria Test Center (CEMA) in Spain were presented by the World Business Council for Sustainable Development at the International Union for Conservation of Nature (IUCN) Congress devoted to preserving biodiversity and ecosystems, held in Jeju, South Korea, in September 2012.

Right from the beginning, 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 where therefore included in the center's day-to-day operating indicators. Later, 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.

Michelin's efforts on the Almeria site are regularly commended by the government and in academia. Working hand in hand with local authorities – even well before the official agreement was signed in 1995 – Michelin successfully achieved a balance between its manufacturing operations and its 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 actions 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: Size and location of operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.

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 the same 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 local 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. In addition, the Michelin Environmental Reference Center provides detailed information on the Atlantic Forest.

Earning Wildlife at Work certification at the Louisville, KY plant in the United States

At the Louisville, Kentucky facility in the United States, Michelin joined forces with a local firm of wildlife biologists to transform 2 closed landfills it co-owns into a 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 3-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 continental salt meadow located 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.

Involving employees and their families in environmental protection at Davydovo in Russia

To help replace the thousands of trees near Davydovo destroyed by forest fires in 2010, 167 Michelin employees and their families celebrated the Year of Environmental Protection in Russia in 2013 by planting around 1,000 trees on 4 hectares of land.

Participating in the Wildlife and Industry Together program 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.

Participation in sustainable development and social responsibility organizations

Michelin is a signatory to the United Nations Global Compact, pledging to uphold its 10 principles

World Business Council for Sustainable Development

The European Business Network for Corporate Social Responsibility (CSR Europe)

London Benchmarking Group

Michelin supports the **Global Road Safety Partnership** and is the official partner of the International Automobile Federation's "FIA Action for Road Safety" Program

Michelin is a member of France's Enterprises for the Environment association

Socially responsible investment indices

DJSI Europe since 2005 and DJSI World since 2006

Compagnie Générale des Établissements Michelin was awarded a Silver Class distinction in the Sustainability Yearbook 2014

Vigeo's indices are composed of the highest-ranking listed companies as evaluated by the agency in terms of their performance in corporate responsibility. Michelin is among the 120 most advanced European companies

Michelin was selected for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers on December 19, 2013. This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of corporate social responsibility (CSR)

6.4 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED ENVIRONMENTAL, LABOUR AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

For the year ended on December 31st, 2013

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 the Compagnie Générale des Établissements Michelin, appointed as an independent third party whose certification request has been approved by COFRAC, we hereby report to you on the consolidated environmental, labour and social information for the year ended on December 31st, 2013 presented in the management report, (hereinafter the "CSR Information") prepared in accordance with Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

The Managing Chairman is responsible for preparing the Company's management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code and with the referential used by the Company, (hereinafter the "Guidelines"), summarised in the management report and available on request at the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics governing the audit profession and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of 6 people between the September 2013 and February 2014 and took around 24 weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of 13 May 2013 determining the conditions in which the independent third party performs its engagement and for the reasoned opinion on fairness, with ISAE 3000 (1).

1. Statement of completeness of CSR Information

We conducted interviews with the relevant Heads of Department to familiarise ourselves with sustainable development policy, according to the impact of the Company's activity on labour and the environment, of its social commitments and any action or programmes related thereto.

We compared the CSR Information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R. 225-105, paragraph 3 of the French Commercial Code.

We ensured that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by Article L. 233-1 and the entities it controls as defined by Article L. 233-3 of the French Commercial Code.

Based on this work we attest to the completeness of the required CSR Information in the management report.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted around one hundred interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking good market practice into account when necessary;
- verify the implementation of a data-collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in the light of the nature of the Company, the social and environmental challenges of its activities, its sustainable development policy and good market practice.

With regard to the CSR Information that we considered to be the most important (1):

- at parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data and we verified their consistency and concordance with the other information in the management report;
- at the level of a representative sample of sites selected (2) by us by activity, contribution to the consolidated indicators, location and risk analysis, we conducted interviews to ensure that procedures are followed correctly, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 11% of the headcount and between 12% and 39% of quantitative environmental data.

For the other consolidated CSR information, we assessed consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part in the light of good professional standards set out in the Global Reporting Initiative Referential.

We believe that the sampling methods and sample sizes used, based on our professional judgement, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, February 10th, 2014

Éric Bulle	Sylvain Lambert
Partner	Partner
Statutory Auditor	of the Sustainable Development Department

(1) Quantitative information: total workforce and distribution by gender, age and geographical area; workplace accidents, and more specifically frequency and severity, and occupational diseases; the total amount of training hours; implemented policy and measures taken to promote equality between women and men; anti-discrimination policy; preventive, reduction or remedial measures against discharges to air, water and land use affecting severely the environment; measures implemented for waste prevention, recycling and disposal; water consumption, and water supply with respect to local 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 integration of social and environmental stakes in the purchasing policy; the importance of subcontracting and the consideration of suppliers' and subcontractors' responsibility.

(2) Bad Kreuznach; Karlsruhe; Fort Wayne ; Louisville; Spartenburg; Troyes; Montceau Les Mines; Fossano; Shenyang; Nongkae.

7

CONSOLIDATED FINANCIAL STATEMENTS

7.1 CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Year ended December 31, 2013	Year ended December 31, 2012 [(1)]
Net sales	5	20,247	21,474
Cost of sales		(13,841)	(14,764)
Gross income		**6,406**	**6,710**
Sales and marketing expenses		(1,968)	(2,068)
Research and development expenses		(643)	(622)
General and administrative expenses		(1,517)	(1,468)
Other operating income and expenses	8	(44)	(74)
Operating income before non-recurring income and expenses	**5**	**2,234**	**2,478**
Non-recurring income and expenses	9	(260)	46
Operating income/(loss)		**1,974**	**2,524**
Cost of net debt	10	(94)	(155)
Other financial income and expenses	10	(15)	(22)
Net interest on employee benefit obligations	27.1	(162)	(175)
Share of profit/(loss) from associates		(1)	15
Income/(loss) before taxes		**1,702**	**2,187**
Income tax	11	(575)	(696)
NET INCOME/(LOSS)		**1,127**	**1,491**
▶ Attributable to the shareholders of the Company		1,127	1,490
▶ Attributable to the non-controlling interests		-	1
Earnings per share *(in €)*			
▶ Basic	12	6.08	8.18
▶ Diluted		5.98	8.00

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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 COMPREHENSIVE INCOME

(in € million)	Note	Year ended December 31, 2013	Year ended December 31, 2012 (1)
Net income/(loss)		**1,127**	**1,491**
Post-employment benefits	27.1	573	(950)
Tax effect – Post-employment benefits	18	(294)	280
Other items of comprehensive income that will not be reclassified to income statement		**279**	**(670)**
Available-for-sale financial assets – change in fair values	15.1	(21)	(27)
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		(341)	(141)
Other		2	1
Other items of comprehensive income that may be reclassified to income statement		**(364)**	**(167)**
Other comprehensive income		**(85)**	**(837)**
COMPREHENSIVE INCOME		**1,042**	**654**
▶ Attributable to the shareholders of the Company		1,042	653
▶ Attributable to the non-controlling interests		-	1

(1) Figures have been adjusted as mentioned in note 2.3. "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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 BALANCE SHEET

(in € million)	Note	December 31, 2013	December 31, 2012 (1)
Goodwill	13	388	414
Other intangible assets	13	451	403
Property, plant and equipment (PP&E)	14	8,955	8,579
Non-current financial assets and other assets	15	309	298
Investments in associates	17	195	204
Deferred tax assets	18	1,054	1,508
Non-current assets		**11,352**	**11,406**
Inventories	19	3,979	4,417
Trade receivables	20	2,517	2,802
Current financial assets	21	564	371
Other current assets	22	707	706
Cash and cash equivalents	23	1,563	1,858
Current assets		**9,330**	**10,154**
TOTAL ASSETS		**20,682**	**21,560**
Share capital	24	372	365
Share premiums	24	3,641	3,508
Reserves	25	5,237	4,660
Non-controlling interests		6	2
Equity		**9,256**	**8,535**
Non-current financial liabilities	26	1,447	2,023
Employee benefit obligations	27.1	3,895	4,623
Provisions and other non-current liabilities	29	1,184	855
Deferred tax liabilities	18	43	87
Non-current liabilities		**6,569**	**7,588**
Current financial liabilities	26	856	1,274
Trade payables		1,970	1,991
Other current liabilities	30	2,031	2,172
Current liabilities		**4,857**	**5,437**
TOTAL EQUITY AND LIABILITIES		**20,682**	**21,560**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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, 2012 [(1)]	**360**	**3,396**	**4,388**	**2**	**8,146**
Net income/(loss)	-	-	1,490	1	1,491
Other comprehensive income	-	-	(837)	-	(837)
Comprehensive income	**-**	**-**	**653**	**1**	**654**
Issuance of shares	5	112	-	-	117
Dividends and other allocations	-	-	(388)	(1)	(389)
Share-based payments – cost of services rendered	-	-	7	-	7
Other	-	-	-	-	-
At December 31, 2012 [(1)]	**365**	**3,508**	**4,660**	**2**	**8,535**
Net income/(loss)	-	-	1,127	-	1,127
Other comprehensive income	-	-	(85)	-	(85)
Comprehensive income	**-**	**-**	**1,042**	**-**	**1,042**
Issuance of shares	10	266	-	-	276
Reduction in capital	(3)	(133)	-	-	(136)
Dividends and other allocations	-	-	(455)	-	(455)
Share-based payments – cost of services rendered	-	-	11	-	11
Transactions on treasury shares	-	-	(21)	-	(21)
Other	-	-	-	4	4
AT DECEMBER 31, 2013	**372**	**3,641**	**5,237**	**6**	**9,256**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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, 2013	Year ended December 31, 2012 [1]
Net income		1,127	1,491
Adjustments			
▶ Cost of net debt	10	94	155
▶ Other financial income and expenses	10	15	22
▶ Net interest on benefits	27	162	175
▶ Income tax	11	575	696
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,051	1,022
▶ Non-recurring income and expenses	9	260	(46)
▶ Share of loss/(profit) from associates		1	(15)
EBITDA before non-recurring income and expenses	**3.7.2**	**3,285**	**3,500**
Other non-cash income and expenses	31	(14)	4
Change in provisions, including employee benefit obligations	31	(322)	(272)
Cost of net debt and other financial income and expenses paid	31	(70)	(146)
Income tax paid	18.2	(516)	(703)
Change in working capital, net of impairments	31	726	543
Cash flows from operating activities		**3,089**	**2,926**
Purchases of intangible assets and PP&E	31	(1,966)	(1,920)
Proceeds from sale of intangible assets and PP&E		53	149
Equity investments in consolidated companies, net of cash acquired		1	(88)
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(20)	(5)
Proceeds from sale of available-for-sale financial assets		1	3
Cash flows from other financial assets	31	(176)	72
Cash flows from investing activities		**(2,107)**	**(1,789)**
Proceeds from issuances of shares	24	27	28
Reduction in capital	24	(136)	-
Dividends paid to the shareholders of the Company	24	(189)	(289)
Cash flows from financial liabilities	31	(921)	(587)
Other cash flows from financing activities		(43)	(20)
Cash flows from financing activities		**(1,262)**	**(868)**
Effect of changes in exchange rates		**(15)**	**(4)**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(295)**	**265**
Cash and cash equivalents at January 1		**1,858**	**1,593**
Cash and cash equivalents at December 31	**23**	**1,563**	**1,858**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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.

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 6, 2014.

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), with the exception of IFRS 9, 10, 11 and 12 which were not yet enforced within the European Union; 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, 2013

The new standards, major amendments and interpretations to existing standards, which are applicable for the accounting periods beginning on or after January 1, 2013 and which could have an impact for the Group, are described below.

IAS 1, "Presentation of financial statements" was amended in June 2011. It requires essentially the Group to change the presentation of its statement of comprehensive income in order to distinguish the items that will be reclassified subsequently to the income statement (when specific conditions are met) from the items that will not. The Group had however decided to anticipate its adoption in 2011.

IAS 19, "Employee benefits" was amended in June 2011. The impact for the Group is to immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Furthermore, the Group has elected to exclude the net interest from the operating income. The Group has adopted retroactively this amendment during the first half of the year 2013. The estimated impacts on the main comparative balance sheet and income statement indicators are presented below.

The effects of this change on the balance sheets as at January 1 and December 31, 2012 are summarized below.

	December 31, 2012			January 1, 2012		
(in € million)	As reported	Restatements	As restated	As reported	Restatements	As restated
Non-current assets	**11,428**	**(22)**	**11,406**	**10,570**	**(29)**	**10,541**
including deferred tax assets	*1,530*	*(22)*	*1,508*	*1,352*	*(29)*	*1,323*
Current assets	**10,154**	**-**	**10,154**	**10,318**	**-**	**10,318**
TOTAL ASSETS	**21,582**	**(22)**	**21,560**	**20,888**	**(29)**	**20,859**
Equity	**8,501**	**34**	**8,535**	**8,101**	**45**	**8,146**
Non-current liabilities	**7,644**	**(56)**	**7,588**	**7,186**	**(74)**	**7,112**
including employee benefit obligations	*4,679*	*(56)*	*4,623*	*3,825*	*(74)*	*3,751*
Current liabilities	**5,437**	**-**	**5,437**	**5,601**	**-**	**5,601**
TOTAL EQUITY AND LIABILITIES	**21,582**	**(22)**	**21,560**	**20,888**	**(29)**	**20,859**

The effects of this change on the 2012 income statement are summarized below.

(in € million)	As reported	Restatements	As restated
Net sales	21,474	-	21,474
Operating income before non-recurring income and expenses	2,423	55	2,478
Operating income	2,469	55	2,524
Income before taxes	2,307	(120)	2,187
Income tax	(736)	40	(696)
NET INCOME	**1,571**	**(80)**	**1,491**
Earnings per share *(in €)*			
▶ Basic	8.62		8.18
▶ Diluted	8.41		8.00

It is not possible to estimate the impact that the application of previous accounting policies would have had on these consolidated financial statements for the year ended December 31, 2013.

IFRS 13, "Fair value measurement", was issued in May 2011. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group adopted this new standard during the first half of the year 2013 with no significant measurement impact. In particular, the consideration of credit risks (own and counterparty) in the measurement of derivatives did not have a significant impact.

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

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is in the process of assessing IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on January 1, 2015, providing its adoption by the European Union. The Group will also assess the impact of the remaining phases of IFRS 9 upon issuance by the IASB.

IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is in the process of assessing IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on January 1, 2014.

IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is in the process of assessing IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on January 1, 2014.

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy that is not Income tax. The Interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Group is in the process of assessing IFRIC 21's full impact and intends to adopt IFRIC 21 no later than the accounting period beginning on January 1, 2014, providing its adoption by the European Union.

There are no other new standards, amendments and interpretations to existing standards, which have been published and which are applicable for the accounting periods beginning on or after January 1, 2014, that are expected to have a material impact on the Group operations.

2.5 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires that management should use assumptions and estimates reflected in the value of assets and liabilities at the balance sheet date 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 3.15 "Impairment of non-financial assets") are derived from the Group rolling ten-year business plan. The construction of the business plan 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 by Group management in charge of employee benefits 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. These rates are compared with other sources of information such as IBoxx, Reuters or Bloomberg and from the Group's actuaries own benchmarks. When unexplained large spreads exists between these sources, the rates indicated by the actuaries can be adjusted.

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 are determined using several sources of information to cross check data such as information from Central banks which publish their inflation target. They can also be determined 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.

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.

There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for tax positions which could be challenged during audits by the local authorities.

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 and associates of Compagnie Générale des Établissements Michelin.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Shareholdings in companies which are not subsidiaries or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.16 “Non derivative financial assets”).

3.1.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group investment in associates includes goodwill identified at acquisition date and are presented net of any accumulated impairment losses.

The Group share of its 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 equals or exceeds its interest in the associate, 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 associates are eliminated to the extent of the Group interest in the associates. 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 balance sheet date, 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 €:	2013	2012	2013	2012
US dollar (USD)	1.374	1.325	1.331	1.286
Canadian dollar (CAD)	1.473	1.317	1.373	1.285
Mexican peso (MXN)	17.958	17.188	17.013	16.905
Brazilian real (BRL)	3.213	2.707	2.876	2.501
British pound (GBP)	0.834	0.822	0.848	0.811
Chinese yuan (CNY)	8.329	8.255	8.176	8.113
Indian rupee (INR)	85.181	72.646	78.178	68.557
Thai baht (THB)	45.248	40.583	40.994	39.964

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 remains in other items of comprehensive income and is recognized in the income statement when the forecasted transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other items of comprehensive income is immediately transferred to 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 balance sheet date. 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 balance sheet date, 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).

The Group assesses the counterparty risk included in the fair value of its over-the-counter (OTC) derivatives. 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 is based on discounted cash flows using a rate including the counterparty credit risk.

3.7 Performance indicators

3.7.1 Net debt

Net debt is made up of current and non-current financial liabilities as they appear in the balance sheet less:

- cash and cash equivalents as they appear in the balance sheet;
- derivative instruments included in the captions Current financial assets and Non-current financial assets of the balance sheet;
- cash management financial assets included in the caption Current financial assets of the balance sheet (these assets are highly liquid, little affected by the interest rate risk and not affected at all by the foreign currency risk); and
- borrowing collaterals included in the captions Current financial assets and Non-current financial assets of the balance sheet.

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 balance sheet date, 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

In accordance with the recommendation No. 2009-R-03 of the French Accounting National Council, 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 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 Intangible assets

3.13.1 Goodwill

Goodwill is computed at acquisition date as the difference between:

- the sum of the consideration transferred (if need be, the previously held interests in the acquired entity); and
- the fair value of the identifiable acquired assets and liabilities.

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the acquisition in which the goodwill arose.

3.13.2 Other intangible assets

Other intangible assets are capitalized to the extent that the future economic benefit related to these assets will flow to the Group and their costs can be reliably identified.

They are amortized on a straight-line basis over their useful life which generally does not exceed seven years.

3.14 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 balance sheet. The payments related to operating leases are expensed on a straight line basis over the lives of the contracts.

3.15 Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (intangible assets and 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.

At individual asset level, such indications 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 ten-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.

3.16 Non derivative financial assets

3.16.1 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. Management 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 balance sheet date.
- 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 balance sheet date.
- 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 Management. 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 balance sheet date.

3.16.2 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.

3.16.3 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.

3.16.4 Impairment

The Group assesses at each balance sheet 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.

3.17 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 Group is currently under transition in order to move its inventory's measurement method from weighted-average cost to a standard cost.

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.

3.18 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.

3.19 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.

3.20 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 in other 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.

3.21 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 balance sheet 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.

3.22 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.

3.22.1 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 balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet 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.

3.22.2 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.

Employee share purchase plans

The Group may offer to most of its employees the opportunity to subscribe to a share purchase plan that allows them to purchase Company shares.

These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by the employees at a subscription price based on the market prices of the Company shares set with a discount. The benefit to the employees equals the difference between the fair value of the purchased shares (after allowing for the five-year lock-up cost) and the price paid by the employee, multiplied by the number of shares subscribed.

The benefit granted to the employees is immediately expensed by the Group, as no vesting period applies, and is booked under Employee benefit costs – Share-based payments.

3.23 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.

3.24 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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 majority of which has short term maturities of around 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 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.

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.

_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 geographic 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, 2013, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2014	2015	2016	2017	2018	2019	2020 and beyond
Bonds	620	11	11	824	11	410	-
Loans from financial institutions and other	246	78	80	6	6	7	147
Obligation under finance lease	14	31	12	7	9	7	16
Derivative instruments	(19)	(13)	4	(1)	(39)	(7)	(1)
Repayment schedule of financial debts	**861**	**107**	**107**	**836**	**(13)**	**417**	**162**
Long-term undrawn confirmed credit lines	**-**	**-**	**40**	**-**	**1,460**	**-**	**-**

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 (€1,563 million) as well the cash management financial assets (€486 million).

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, 2013						December 31, 2012					
(in € million)	USD	EUR	RON	MXN	BRL	Other	USD	EUR	RON	MXN	BRL	Other
Monetary assets	3,679	744	62	134	26	2,190	4,444	841	48	176	28	2,636
Monetary liabilities	(2,983)	(1,450)	(58)	(119)	(7)	(1,239)	(3,266)	(952)	(37)	(246)	(6)	(1,670)
Net position before hedging	**696**	**(706)**	**4**	**15**	**19**	**951**	**1,178**	**(111)**	**11**	**(70)**	**22**	**966**
Hedges	(674)	686	(16)	(24)	(26)	(951)	(1,163)	113	(19)	77	(28)	(968)
NET POSITION AFTER HEDGING	**22**	**(20)**	**(12)**	**(9)**	**(7)**	**-**	**15**	**2**	**(8)**	**7**	**(6)**	**(2)**

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 (2012: €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, 2013	December 31, 2012 [(1)]
EUR	5,638	5,041
BRL	824	911
USD	754	546
THB	479	414
CNY	433	498
CAD	368	158
INR	187	199
RSD	161	134
Other	412	634
TOTAL	**9,256**	**8,535**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

_4.2.3 Interest rate risk

Net debt at December 31, 2013 by type of hedges and currencies can be detailed as follows:

(in € million)	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
EUR	1,513	(1,627)	**(114)**	(1,765)	1,513	(3,392)	**(1,879)**	(804)	804	709	2,588	**(1,879)**
USD	-	160	**160**	461	-	621	**621**	364	(364)	364	257	**621**
CNY	-	(6)	**(6)**	600	-	594	**594**	337	(337)	337	257	**594**
THB	-	73	**73**	186	-	259	**259**	155	(155)	155	104	**259**
BRL	-	87	**87**	149	-	236	**236**	29	(29)	29	207	**236**
INR	-	(2)	**(2)**	113	-	111	**111**	-	-	-	111	**111**
Other currencies	-	20	**20**	256	-	276	**276**	-	-	-	276	**276**
Total before derivatives	**1,513**	**(1,295)**	**218**	**-**	**1,513**	**(1,295)**	**218**	**81**	**(81)**	**1,594**	**(1,376)**	**218**
Fair value of derivatives included in the net debt			**(76)**				**(76)**					**(76)**
NET DEBT (NOTE 26)			**142**				**142**					**142**

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2013:

(in € million)	Annualized cash impact booked in income statement	Fair value impact: Booked in income statement [(1)]	Booked in other comprehensive income [(2)]	Not booked [(3)]	Total
1-point downward shift	(14)	(19)	(3)	(21)	(43)
1-point upward shift	14	19	3	21	43

(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, 2013	December 31, 2012
Carrying amount (note 15.1)	174	181
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	**(11)**	**(14)**

_4.2.5 Counterparty risk

At December 31, 2013, 56% 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 with a credit rating equivalent or exceeding the credit rating of the Group.

Furthermore, most of the derivatives are contracted with the same banking groups.

_4.2.6 Credit risk

At December 31, 2013, net receivable balances from the ten largest customers amounted to €424 million (2012: €466 million). Six of these customers are located in Europe and four in North America. At the same date, 49 customers (2012: 50) have been granted credit limits in excess of €10 million. Out of these, 24 are located in Europe, 21 in North America, 2 in Asia, 1 in Middle-East and 1 in South America. There was no significant collateral received to limit credit risk. In 2013, credit losses represented 0.13% of sales (2012: 0.13%).

_4.2.7 Commodities derivatives

In 2013, 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.

The monitoring of the gearing ratio is essentially done through the optimization of the net debt as well as through occasional capital transactions such as the capital increase done in October 2010.

The gearing ratios are as follows:

(in € million)	December 31, 2013	December 31, 2012 (1)
Net debt (note 26)	142	1,053
Total equity	9,256	8,535
Gearing ratio	**0.02**	**0.12**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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, 2013 and 2012 by level of the fair value measurement hierarchy:

(in € million)	Level 1	Level 2	Level 3	Total 2013
Cash and cash equivalents	1,335	228	-	1,563
Cash management financial assets	-	486	-	486
Deposits borrowing collaterals	12	-	-	12
Derivatives (note 16.1)	-	100	-	100
Available-for-sales financial assets	64	-	110	174
TOTAL ASSETS	**1,411**	**814**	**110**	**2,335**
Derivatives (note 16.2)	-	24	-	24
TOTAL LIABILITIES	**-**	**24**	**-**	**24**

(in € million)	Level 1	Level 2	Level 3	Total 2012
Cash and cash equivalents	1,722	136	-	**1,858**
Cash management financial assets	-	292	-	**292**
Deposits borrowing collaterals	-	32	-	**32**
Derivatives (note 16.1)	-	62	-	**62**
Available-for-sales financial assets	95	-	86	**181**
TOTAL ASSETS	**1,817**	**522**	**86**	**2,425**
Derivatives (note 16.2)	-	53	-	**53**
TOTAL LIABILITIES	**-**	**53**	**-**	**53**

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, 2013:

(in € million)	
At January 1, 2013	**86**
Additions	20
Disposals	(4)
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	10
Others	(2)
AT DECEMBER 31, 2013	**110**

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 and other 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 other intangible assets.

No operating liabilities are allocated to the segments in the Group internal reporting.

The segment information is as follows:

	2013				2012 (1)			
(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	10,693	6,425	3,129	**20,247**	11,098	6,736	3,640	**21,474**
Operating income before non-recurring income and expenses	1,086	503	645	**2,234**	1,057	464	957	**2,478**
In percentage of net sales	*10.2%*	*7.8%*	*20.6%*	**11.0%**	*9.5%*	*6.9%*	*26.3%*	**11.5%**
Depreciation and amortization	(540)	(326)	(183)	**(1,049)**	(525)	(303)	(179)	**(1,007)**
Impairment	(1)	(1)	-	**(2)**	(4)	(9)	(2)	**(15)**
Segment assets								
Intangible assets and PP&E	4,887	3,056	1,851	**9,794**	4,895	2,882	1,619	**9,396**
Finished products inventories	1,214	887	425	**2,526**	1,374	973	479	**2,826**
Trade receivables	1,233	982	302	**2,517**	1,420	1,004	378	**2,802**
Total of segment assets	**7,334**	**4,925**	**2,578**	**14,837**	**7,689**	**4,859**	**2,476**	**15,024**
Other information								
Capital expenditure	977	525	478	**1,980**	1,033	618	345	**1,996**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

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

Segment reporting assets are reconciled to total Group assets as follows:

(in € million)	December 31, 2013	December 31, 2012 (1)
Segment assets	**14,837**	**15,024**
Non-current financial assets and other assets	309	298
Investments in associates and joint ventures	195	204
Deferred tax assets	1,054	1,508
Other net inventories (raw materials and supplies, work in progress)	1,453	1,591
Current financial assets	564	371
Other current assets	707	706
Cash and cash equivalents	1,563	1,858
TOTAL GROUP ASSETS	**20,682**	**21,560**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The geographic information is broken down by zone hereunder:

	2013				2012			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	8,193	7,032	5,022	**20,247**	8,499	7,745	5,230	**21,474**
Intangible assets and PP&E	4,922	2,091	2,781	**9,794**	4,834	1,832	2,730	**9,396**
Capital expenditure	750	624	606	**1,980**	743	482	771	**1,996**

Europe includes western and eastern European countries. North America comprises 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 €1,979 million (2012: €2,048 million). The intangible assets and PP&E located in France amounted to €1,971 million (2012: €1,970 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 2013 and 2012.

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, 2013	Year ended December 31, 2012 (1)
Raw materials and consumables used and changes in finished products inventories	(8,144)	(9,051)
Employee benefit costs (note 7)	(5,292)	(5,322)
Transportation of goods	(1,030)	(1,058)
Depreciation, amortization and impairment charges	(1,051)	(1,022)
Other expenses	(2,496)	(2,543)
EXPENSES BY NATURE	**(18,013)**	**(18,996)**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

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, 2013	Year ended December 31, 2012 [(1)]
Wages and salaries	(3,931)	(3,927)
Payroll taxes	(1,096)	(1,109)
Defined benefit plan costs (note 27.1)	(125)	(152)
Defined contribution plan costs (note 27.2)	(129)	(127)
Share-based payments – cost of services rendered (note 25)	(11)	(7)
EMPLOYEE BENEFIT COSTS	**(5,292)**	**(5,322)**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The average number of employees in 2013 is 112,199 (2012: 114,394).

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, 2013	Year ended December 31, 2012 [(1)]
Net restructuring costs	15	(15)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	(2)	(15)
Retiree benefit costs	(9)	(28)
Employee shareholder plan cost	(18)	-
Share-based payments – cost of services rendered (note 25)	(11)	(7)
Other operating income/(expenses)	(19)	(9)
OTHER OPERATING INCOME AND EXPENSES	**(44)**	**(74)**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

NOTE 9 NON-RECURRING INCOME AND EXPENSES

9.1 Year 2013

In a demanding international environment, the Group implemented several restructuring programs. The three main ones are described below.

9.1.1 France

The Group wants to strengthen its competitiveness within the industry and decided to consolidate its French truck tires production into a modernized single facility in La Roche-sur-Yon. The Joué-lès-Tours manufacturing plant, whose truck tires manufacturing activities will cease in 2015, will be refocused on the manufacturing of semi-finished products.

A provision amounting to €115 million, recognized in relation to the shutdown of the truck tire manufacturing site in Joué-lès-Tours, covers essentially the social costs, impairment of unusable equipment and costs to deploy a job revitalization plan for the affected region.

9.1.2 Colombia

The Group has decided to cease in 2013 the industrial activities of its Columbian subsidiary. This entity has never reached the standards of competitiveness due to its small size.

A provision amounting to €93 million covers primarily the social costs and the impairment of unusable equipment.

9.1.3 Algeria

Truck tire production at the Algeria plant, which is too small to be sufficiently competitive, will cease in late 2013.

This decision has led to the recognition of a provision amounting to €35 million covering mainly the social costs and the impairment of fixed assets of the subsidiary in Algeria.

The subsidiary disposal plan has been deferred.

9.2 Year 2012

9.2.1 Real estate disposal

In March 2012, the Group sold the property complexes at 46, 48 and 50, avenue de Breteuil in Paris' seventh arrondissement, at 3, 5 and 7, Villa de Ségur in Paris' seventh arrondissement as well as at 116, rue de la Tour in Paris' sixteenth arrondissement. The proceeds from the sale, amounting to €111 million, gave rise to a gain before tax of €97 million.

9.2.2 Impairment

The local government of Shenyang in China required Michelin to move its current factory to a nearby location because the land will be no longer eligible for industrial purposes. The Group expects to vacate the existing site by the end of 2015. Therefore, an impairment loss amounting to €51 million has been recorded based on management's best estimate of the recoverable amount of the property, plant, and equipment to be disposed.

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, 2013	Year ended December 31, 2012
Interest expenses	(153)	(193)
Interest income	11	22
Interest rate derivatives	18	2
Fees on credit lines	(9)	(12)
Capitalized borrowing costs	39	26
COST OF NET DEBT	**(94)**	**(155)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	11	15
Currency remeasurement (including currency derivatives)	(5)	1
Other	(21)	(38)
OTHER FINANCIAL INCOME AND EXPENSES	**(15)**	**(22)**

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 €19 million (2012: increase of €5 million) and is included in the line Interest rate derivatives (Cost of net debt).

10.2 Ineffective hedges

The ineffective portion of fair value hedges is an expense of €1 million (2012: expense of €3 million) is included in the line Interest rate derivatives (Cost of net debt). No cash flow hedge ineffectiveness has been recognized in the income statement (2012: nil).

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	Year ended December 31, 2013	Year ended December 31, 2012 (1)
Current tax expense (note 18.2)	(515)	(621)
Deferred tax income/(expense) (note 18.1)	(60)	(75)
INCOME TAX	**(575)**	**(696)**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

Current tax includes €35 million of withholding tax on royalties and distribution of retained earnings between Group companies (2012: €45 million).

Reconciliation of the Group effective income tax:

(in € million)	Year ended December 31, 2013	Year ended December 31, 2012 (1)
Income before tax	**1,702**	**2,187**
Tax calculated using domestic tax rates applicable to income in the respective countries	**(460)**	**(640)**
Tax effect from:		
▶ untaxed transactions	45	32
▶ deferred tax assets not recognized during the year	(109)	(79)
▶ previously unrecognized deferred tax assets	12	46
▶ changes in tax rates	(5)	(3)
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(5)	(58)
▶ other items	(53)	6
INCOME TAX	**(575)**	**(696)**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

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.

The difference between the Group's effective and theoretical tax rates can be explained in particular by the remeasurement of a portion of its deferred tax assets taking into account the tax rate to use within the French tax group. It results in a decrease of EUR 183 million in deferred tax assets with EUR 98 million increasing the deferred income tax charge and EUR 85 million decreasing the comprehensive income. The impact of this remeasurement is included in the line "Other items" above.

The Group has moreover reversed deferred tax liabilities of EUR 32 million related to investments in some of its subsidiaries. The impact of this reversal is included in "Other items" above.

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 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, 2013	Year ended December 31, 2012 (1)
Net income/(loss) *(in € million)*, excluding the non-controlling interests	1,127	1,490
▶ Less, estimated grants to the General Partners	(7)	(10)
Net income/(loss) attributable to the shareholders of the Company used in the calculation of basic earnings per share	**1,120**	**1,480**
▶ Plus, interest expenses on convertible bonds	27	29
Net income/(loss) attributable to the shareholders of the Company used in the calculation of diluted earnings per share	**1,147**	**1,509**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**184,179**	**181,009**
▶ Plus, adjustment for share option plans	775	349
▶ Plus, adjustment for convertible bonds	6,161	6,866
▶ Plus, adjustment for performance shares	664	319
Weighted average number of shares used in the calculation of diluted earnings per share	**191,779**	**188,543**
Earnings per share *(in €)*		
▶ Basic	6.08	8.18
▶ Diluted	5.98	8.00

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

Since the convertible bonds, as described in the note 26.1 "Bonds and commercial paper", are dilutive in 2013, they have been considered in the calculation of diluted earnings per share. Taking into account the evolution of the average share price in 2013, the stock option plan of May 2007 as described in the note 28.1 "Stock option plans" is antidilutive.

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 2013 reporting period.

NOTE 13 INTANGIBLE ASSETS

Changes in intangible assets are as follows:

(in € million)	Goodwill	Other intangibles	Total
Gross carrying amounts at January 1, 2012	**436**	**1,190**	**1,626**
Translation adjustments	(1)	(8)	(9)
Additions (including new emission rights: €5 million)	-	107	107
Disposals	-	(34)	(34)
Changes in scope of consolidation	-	1	1
Transfers and other	-	6	6
Gross carrying amounts at December 31, 2012	**435**	**1,262**	**1,697**
Translation adjustments	(19)	(16)	(35)
Additions (including new emission rights: €1 million)	-	139	139
Disposals	(7)	(9)	(16)
Changes in scope of consolidation	-	-	-
Transfers and other	-	6	6
Gross carrying amounts at December 31, 2013	**409**	**1,382**	**1,791**
Amortization and impairment at January 1, 2012	**(21)**	**(800)**	**(821)**
Translation adjustments	-	5	5
Amortization	-	(78)	(78)
Net impairment	-	-	-
Disposals	-	14	14
Changes in scope of consolidation	-	-	-
Transfers and other	-	-	-
Amortization and impairment at December 31, 2012	**(21)**	**(859)**	**(880)**
Translation adjustments	-	11	11
Amortization	-	(83)	(83)
Net impairment	-	-	-
Disposals	-	4	4
Changes in scope of consolidation	-	-	-
Transfers and other	-	(4)	(4)
Amortization and impairment at December 31, 2013	**(21)**	**(931)**	**(952)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2013	**388**	**451**	**839**
Net carrying amounts at December 31, 2012	**414**	**403**	**817**

13.1 Goodwill

The amounts allocated to the CGUs are as follows:

(in € million)	December 31, 2013	December 31, 2012
CGU Passenger car and Light truck tires Southeast Asia/Australia	104	116
CGU Passenger car and Light truck tires North America	103	106
CGU Passenger car and Light truck tires Europe	65	66
CGU Truck tires Europe	68	75
Other CGUs	48	51
GOODWILL	**388**	**414**

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, and a 3.0% annual growth rate for the CGUs located in emerging countries.
- 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 11.3% and 12.2% and include a specific premium risk for each country. The main market data used to calculate the WACC are: a beta of 1.1, a market premium of 6.9% and a risk free interest rate of 3.1%.

Since the amount of goodwill is low compared to its total balance sheet or to its net equity, the Group does not disclose any sensitivity analysis to the main key assumptions.

13.2 Other intangible assets

There are no other intangible assets with an indefinite useful life.

In 2013, additions to intangible assets, amounting to €139 million (2012: €107 million) break down into the following categories:

▶ Software	€112 million
▶ Emission rights – allowances granted	€1 million
▶ Other	€26 million

_13.2.1 Software

The net carrying amount of software at December 31, 2013 was €343 million (2012: €306 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 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. Due to delays in the free allocation of allowances by the European Union's Emission Trading Scheme, no rights had been granted to the Group at December 31, 2013. The balance of the rights granted at December 31, 2012 amounted to 1,7 million metric tons representing a value of €16 million. The liability related to actual emissions in 2013 amounts to 0.8 million metric tons (2012: 0.8 million metric tons) representing a value of €5 million (2012: €6 million). It will be offset by the delivery of the allowances granted.

_13.2.3 Development costs

In 2013 and 2012, 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 fulfill 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 intangible assets

Accumulated impairment losses on intangible assets at December 31, 2013 amounted to €35 million (2012: €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, 2012	**4,784**	**13,606**	**1,387**	**19,777**
Translation adjustments	(73)	(182)	(15)	(270)
Additions (including finance leases: €1 million)	438	1,353	104	1,895
Disposals	(118)	(285)	(49)	(452)
Changes in scope of consolidation	-	-	-	-
Transfers and other	20	(2)	(4)	14
Gross carrying amounts at December 31, 2012	**5,051**	**14,490**	**1,423**	**20,964**
Translation adjustments	(185)	(557)	(43)	(785)
Additions (including finance leases: nil)	397	1,360	85	1,842
Disposals	(79)	(256)	(52)	(387)
Changes in scope of consolidation	1	-	-	1
Transfers and other	(61)	49	10	(2)
Gross carrying amounts at December 31, 2013	**5,124**	**15,086**	**1,423**	**21,633**
Depreciation and impairment at January 1, 2012	**(2,238)**	**(8,619)**	**(1,031)**	**(11,888)**
Translation adjustments	20	83	9	112
Depreciation	(129)	(735)	(64)	(928)
Net impairment	(22)	(23)	-	(45)
Disposals	83	251	43	377
Changes in scope of consolidation	-	-	-	-
Transfers and other	(13)	(2)	2	(13)
Depreciation and impairment at December 31, 2012	**(2,299)**	**(9,045)**	**(1,041)**	**(12,385)**
Translation adjustments	66	309	30	405
Depreciation	(140)	(760)	(66)	(966)
Net impairment	(17)	(58)	(2)	(77)
Disposals	64	230	52	346
Changes in scope of consolidation	(1)	-	-	(1)
Transfers and other	1	(1)	-	-
Depreciation and impairment at December 31, 2013	**(2,326)**	**(9,325)**	**(1,027)**	**(12,678)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2013	**2,798**	**5,761**	**396**	**8,955**
Net carrying amounts at December 31, 2012	**2,752**	**5,445**	**382**	**8,579**

PP&E under construction amounted to €2,292 million (2012: €2,418 million).

Accumulated impairment losses amounted to €203 million (2012: €149 million).

The borrowing costs capitalized in 2013 in PP&E amounted to €39 million (2012: €26 million).

PP&E held under finance leases amounted to €76 million (2012: €82 million). The gross carrying amounts of these assets totaled €121 million (2012: €123 million).

The future minimum payments under finance leases by maturity are shown in the following table:

	December 31, 2013		December 31, 2012	
(in € million)	Present value	Undiscounted value	Present value	Undiscounted value
Within one year	10	12	11	13
Between one and five years	33	43	40	50
More than five years	16	26	21	33
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	**59**	**81**	**72**	**96**

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, 2013	December 31, 2012
Available-for-sale financial assets (note 15.1)	174	181
Loans and deposits (note 15.2)	66	71
Derivative instruments (note 16.1)	65	39
Other	4	7
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	**309**	**298**

15.1 Available-for-sale financial assets

Available-for-sale financial assets consist essentially of a portfolio of shares, which are mostly quoted on a stock exchange.

Movements in the portfolio during the year are broken down in the table below:

(in € million)	2013	2012
At January 1	**181**	**211**
Translation adjustments	(2)	(1)
Additions	20	5
Disposals	(4)	(7)
Fair value changes	(21)	(27)
AT DECEMBER 31	**174**	**181**

No significant available-for-sale financial asset has a book value below its historical cost.

15.2 Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(In € million)	December 31, 2013	December 31, 2012
Gross loans and deposits	106	111
Impairments	(40)	(40)
TOTAL	**66**	**71**

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, 2013		December 31, 2012	
(in € million)	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	5	400	38	915
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	2	50	1	10
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	57	515	-	-
▶ Interest-rate derivatives	1	168	-	-
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 15)	**65**	**1,133**	**39**	**925**
Interest-rate derivatives qualifying as fair value hedging instruments	10	404	3	60
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	2	27	1	34
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	23	1,437	19	2,184
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 21)	**35**	**1,868**	**23**	**2,278**
TOTAL ASSETS	**100**	**3,001**	**62**	**3,203**

The Group grants cash collaterals to mitigate its credit risk associated with its derivative assets. The amount of collaterals received is €12 million as of December 31, 2013 (2012: nil).

16.2 Derivatives recognized in liabilities

	December 31, 2013		December 31, 2012	
(in € million)	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	-	64	1	74
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	-	-	10	306
▶ Interest-rate derivatives	7	387	10	376
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	**7**	**451**	**21**	**756**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	1	9	1	18
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	15	1,306	20	739
▶ Interest-rate derivatives	1	291	11	663
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 26)	**17**	**1,606**	**32**	**1,420**
TOTAL LIABILITIES	**24**	**2,057**	**53**	**2,176**

The Group holds cash collaterals to guarantee its own credit risk associated with its derivatives liabilities. The amount of collaterals paid is €15 million as of December 31, 2013 (2012: €4 million).

16.3 Derivative contractual amounts

The contractual amounts of the currency derivatives are presented by currency in the table below. The maturity of these contracts does not generally exceed one year.

	December 31, 2013						December 31, 2012					
	Currencies purchased forward						Currencies purchased forward					
(in € million)	EUR	USD	CNY	THB	Other	Total	EUR	USD	CNY	THB	Other	Total
Currencies sold forward												
EUR	-	238	337	166	678	**1,419**	-	8	7	9	425	**449**
USD	291	-	-	147	82	**520**	745	-	-	140	129	**1,014**
CNY	150	90	-	-	26	**266**	163	73	-	-	1	**237**
THB	147	40	-	-	5	**192**	92	37	-	-	246	**375**
JPY	124	12	-	2	-	**138**	318	6	-	1	-	**325**
BRL	114	5	-	-	-	**119**	142	13	-	-	1	**156**
AUD	89	-	-	-	-	**89**	151	-	-	2	-	**153**
Other	606	57	-	-	2	**665**	556	98	-	-	2	**656**
TOTAL	**1,521**	**442**	**337**	**315**	**793**	**3,408**	**2,167**	**235**	**7**	**152**	**804**	**3,365**

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, 2013				December 31, 2012			
(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	404	-	400	**804**	60	515	400	**975**
▶ USD	291	255	146	**692**	491	302	-	**793**
▶ THB	-	88	66	**154**	172	74	-	**246**
Interest-rate derivatives	**695**	**343**	**612**	**1,650**	**723**	**891**	**400**	**2,014**
▶ EUR	-	-	-	-	-	-	-	-
▶ USD	-	-	-	-	-	-	-	-
▶ Other currencies	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
TOTAL	**695**	**343**	**612**	**1,650**	**723**	**891**	**400**	**2,014**

At December 31, 2013, the Group has outstanding short term futures contracts with a liability market value of €1 million (2012: asset of €3 million) which has been fully cashed in through the daily margin calls.

NOTE 17 INVESTMENTS IN ASSOCIATES

Investments in associates of €195 million (2012: €204 million) 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 associates' financial statements include the following amounts:

(in € million)	2013	2012
Assets	1,077	1,040
Liabilities	399	389
Net sales	1,154	1,072
Net income	(21)	51

NOTE 18 TAXES

18.1 Deferred taxes

Deferred taxes in the balance sheet are as follows:

(in € million)	December 31, 2013	December 31, 2012 (1)
Deferred tax assets	1,054	1,508
Deferred tax liabilities	(43)	(87)
NET DEFERRED TAX ASSET	**1,011**	**1,421**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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, 2013	December 31, 2012 (1)
Intangible assets	19	18
Financial instruments	122	115
Inventories	102	101
Receivables/payables	198	483
Employee benefits	939	1,131
Provisions	68	65
Unused tax losses	50	78
Unused tax credits	16	23
Deferred tax assets by type of temporary difference	**1,514**	**2,014**
Property, plant and equipment	(503)	(593)
Deferred tax liabilities by type of temporary difference	**(503)**	**(593)**
NET DEFERRED TAX ASSET	**1,011**	**1,421**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" 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)	2013	2012 (1)
At January 1	**1,421**	**1,244**
Translation adjustments	(52)	(28)
Deferred tax income/(expense) (note 11)	(60)	(75)
Tax recognized in comprehensive income	(298)	280
Other	-	-
AT DECEMBER 31	**1,011**	**1,421**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

Excluding the effect of tax recognized in comprehensive income, the reduction in deferred tax asset in 2013 comes essentially from the remeasurement of the deferred tax assets of one of the Group's tax group (note 11 "Income tax") and from the reversal of temporary differences in the USA.

The deferred income tax recognized in other items of comprehensive income is as follows:

(in € million)	December 31, 2013	December 31, 2012 (1)
Post-employment benefits	409	703
Available-for-sale financial assets	(19)	(15)
Compound financial instruments (convertible bond)	(14)	(15)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**376**	**673**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The detail of unrecognized deferred tax assets is as follows:

(in € million)	December 31, 2013	December 31, 2012
Deductible temporary difference	**103**	**60**
Tax losses:		
▶ of which expiring in less than one year	5	5
▶ of which expiring between one to five years	42	20
▶ of which expiring in more than five years	36	60
▶ of which no expiration	168	142
Total tax losses	**251**	**227**
Tax credits	**3**	**17**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**357**	**304**

18.2 Current taxes

Current taxes in the balance sheet are as follows:

(in € million)	2013	2012
Taxes receivables (note 22)	175	89
Taxes payables (note 30)	(97)	(91)
Net total at January 1	**78**	**(2)**
Current tax expense (note 11)	(515)	(621)
Income tax paid	516	703
Translation adjustments and other	(4)	(2)
Total changes	**(3)**	**80**
Taxes receivables (note 22)	162	175
Taxes payables (note 30)	(87)	(97)
NET TOTAL AT DECEMBER 31	**75**	**78**

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	December 31, 2013	December 31, 2012
Raw materials and supplies	1,145	1,257
Work in progress	355	370
Finished goods	2,572	2,882
Total gross inventory	**4,072**	**4,509**
Write-downs on raw materials and supplies	(46)	(34)
Write-downs on work in progress	(1)	(2)
Write-downs on finished goods	(46)	(56)
Total write-downs	**(93)**	**(92)**
NET INVENTORY	**3,979**	**4,417**

Movements in inventory write-downs were as follows:

(in € million)	2013	2012
At January 1	**(92)**	**(109)**
Translation adjustments and other	4	-
Write-downs of inventories recognized as an expense in the period	(73)	(112)
Reversals of write-downs	68	129
AT DECEMBER 31	**(93)**	**(92)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	December 31, 2013	December 31, 2012
Gross trade receivables	2,611	2,901
Impairment	(94)	(99)
TRADE RECEIVABLES	**2,517**	**2,802**

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2013:

(in € million)	Gross	Impairment	Net
Current trade receivables	**2,302**	**(26)**	**2,276**
Overdue			
▸ from less than three months	205	(6)	199
▸ between three and six months	29	(5)	24
▸ from more than six months	75	(57)	18
Overdue trade receivables	**309**	**(68)**	**241**
TRADE RECEIVABLES	**2,611**	**(94)**	**2,517**

Movements in impairment are broken down in the table below:

(in € million)	2013	2012
At January 1	**(99)**	**(101)**
Translation adjustments	2	-
Impairment charges	(39)	(44)
Impairment reversals	42	46
AT DECEMBER 31	**(94)**	**(99)**

Impairment reversals in 2013 include write-offs of €27 million (2012: €28 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, 2013	December 31, 2012
Loans and deposits	43	56
Cash management financial assets (note 26)	486	292
Derivative instruments (note 16.1)	35	23
CURRENT FINANCIAL ASSETS	**564**	**371**

The characteristics of the cash management financial assets, although being highly liquid, little affected by the interest rate risk and not affected at all by the foreign currency risk (fully invested in euros), do not strictly meet those of cash and cash equivalent (note 3.19 "Cash and cash equivalents"). They are therefore accounted for at fair value through profit or loss (note 3.16 "Non derivative financial assets").

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is broken down in the table below:

(in € million)	December 31, 2013	December 31, 2012
Suppliers – advances	127	108
Current tax – advance payments	162	175
Other taxes receivable	232	221
Other	196	213
Less impairment	(10)	(11)
OTHER CURRENT ASSETS	**707**	**706**

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, 2013	December 31, 2012
Cash at bank and in hand	200	226
Short-term bank deposits of less than three months and other cash equivalents (money market funds essentially)	1,363	1,632
CASH AND CASH EQUIVALENTS	**1,563**	**1,858**

The average effective interest rate on short-term bank deposits was 0.66% in 2013 (2012: 0.98%).

Cash and cash equivalents are essentially held in euros (2013: 92% and 2012: 89%) and in US dollars (2013: 3% and 2012: 6%).

Cash and cash equivalents as well as cash management financial assets and borrowing collaterals are essentially managed by the Group central treasury team. A portion (2013: €326 million, 2012: €394 million) is however managed directly by the Group companies and therefore less easily available to meet the needs of other Group companies. This can mainly be explained by:

- capital increases made in some companies to finance the capital investments planned in 2014 and/or constraints (foreign exchange control or others) in some countries preventing the immediate availability of the cash held (2013: €84 million, 2012: €107 million); and
- prudential rules in Ireland specific to captive insurance companies (2013: €109 million, 2012: €90 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2012: 180,018,897 shares outstanding	**360**	**3,396**	**3,756**
Issuance of 1,883,606 shares from the partial payment of dividend in shares	4	85	89
Issuance of 654,210 shares from the exercise of share options	1	27	28
Other	-	-	-
At December 31, 2012: 182,556,713 shares outstanding	**365**	**3,508**	**3,873**
Issuance of 4,467,601 shares from the partial payment of dividend in shares	9	240	249
Issuance of 574,583 shares from the exercise of share options and performance shares	1	26	27
Purchase of 30,000 shares assigned to remuneration plans	-	-	-
Cancellation of 1,809,260 shares	(3)	(133)	(136)
Other (issuance of 6 shares)	-	-	-
AT DECEMBER 31, 2013: 185,759,643 SHARES OUTSTANDING	**372**	**3,641**	**4,013**

The par value per share amounts to €2 (unchanged from 2012). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

In 2013, the dividend payable for the year 2012 to the shareholders was €2.40 per share (2012: €2.10 per share). The shareholders had the possibility to receive their dividend in cash or the equivalent value in shares. It was settled as follows:

- cash payment of €189 million (2012: €289 million);
- issuance of new shares for a net amount of €249 million (2012: €89 million).

The Managing Chairman will recommend to the shareholders the payment of a dividend of €2.50 per share in 2014 for the year 2013.

NOTE 25 RESERVES

(in € million)	Translation reserve	Other reserves	Retained earnings	Total
At January 1, 2012 [(1)]	**79**	**224**	**4,085**	**4,388**
Dividends and other allocations	-	-	(388)	(388)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	7	7
Other	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**(381)**	**(381)**
Net income/(loss) attributable to the shareholders of the Company	-	-	1,490	1,490
Post-employment benefits	-	-	*(950)*	*(950)*
Tax effect – Post-employment benefits	-	-	*280*	*280*
Other items of comprehensive income that will not be reclassified to income statement	-	-	(670)	(670)
Available-for-sale financial assets – change in fair values	-	*(27)*	-	*(27)*
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	*(141)*	-	-	*(141)*
Other	-	*(5)*	*6*	*1*
Other items of comprehensive income that may be reclassified to income statement	(141)	(32)	6	(167)
Comprehensive income	**(141)**	**(32)**	**826**	**653**
At December 31, 2012 [(1)]	**(62)**	**192**	**4,530**	**4,660**
Dividends and other allocations	-	-	(455)	(455)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	11	11
Transactions on treasury shares	-	(2)	(19)	(21)
Other	-	-	-	-
Transactions with the shareholders of the Company	**-**	**(2)**	**(463)**	**(465)**
Net income/(loss) attributable to the shareholders of the Company	-	-	1,127	1,127
Post-employment benefits	-	-	*573*	*573*
Tax effect – Post-employment benefits	-	-	*(294)*	*(294)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	279	279
Available-for-sale financial assets – change in fair values	-	*(21)*	-	*(21)*
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	*(341)*	-	-	*(341)*
Other	-	*(4)*	*6*	*2*
Other items of comprehensive income that may be reclassified to income statement	(341)	(29)	6	(364)
Comprehensive income	**(341)**	**(29)**	**1,412**	**1,042**
AT DECEMBER 31, 2013	**(403)**	**161**	**5,479**	**5,237**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

NOTE 26 FINANCIAL LIABILITIES

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

(in € million)	December 31, 2013	December 31, 2012
Bonds	1,118	1,744
Loans from financial institutions and other	273	197
Finance lease liabilities	49	61
Derivative instruments	7	21
Non-current financial liabilities	**1,447**	**2,023**
Bonds and commercial paper	598	391
Loans from financial institutions and other	231	840
Finance lease liabilities	10	11
Derivative instruments	17	32
Current financial liabilities	**856**	**1,274**
FINANCIAL LIABILITIES	**2,303**	**3,297**

The Group net debt is analyzed in the table below:

(in € million)	December 31, 2013	December 31, 2012
Financial liabilities	2,303	3,297
Derivatives recognized as assets (note 16.1)	(100)	(62)
Borrowing collaterals – non-current portion (note 32.3.2)	-	-
Borrowing collaterals – current portion (note 32.3.2)	(12)	(32)
Cash management financial assets (note 21)	(486)	(292)
Cash and cash equivalents (note 23)	(1,563)	(1,858)
NET DEBT	**142**	**1,053**

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, 2013	December 31, 2012
Bonds	1,127	1,918
Loans from financial institutions and other	273	197
Finance lease liabilities	49	61
Derivative instruments	7	21
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**1,456**	**2,197**

26.1 Bonds and commercial paper

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

	December 31, 2013		December 31, 2012	
(in € million)	**Current**	**Non-current**	**Current**	**Non-current**
Subordinated bonds issued by Compagnie Générale des Établissements Michelin ▶ redeemed early (2012: €79 million) ▶ issued in December 2003 and due in December 2033, unless the Group elects to redeem them earlier between December 2013 and maturity ▶ nominal interest rate of 6.375% until December 2013 and 3-month Euribor +2.95% thereafter ▶ option to defer coupon payments when the Company does not distribute dividends ▶ partially hedged through a €60 million interest rate swap (2012: €60 million) expiring in December 2013 (fair value hedge) (note 16)	-	-	-	82
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €400 million (2012: €400 million) ▶ issued in June 2012 and due in June 2019 ▶ nominal interest rate of 2.75% (0.48% after hedging) ▶ hedged through a €400 million interest rate swaps (2012: €400 million) expiring in June 2019 (fair value hedge) (note 16)	-	406	-	413
Liability component of zero-coupon convertible bonds (Océanes) 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% at December 31, 2013 ▶ 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: €830 million	-	712	-	722
Bonds issued by Michelin Luxembourg SCS ▶ nominal value of €404 million (2012: €515 million) ▶ issued in April 2009 and due in April 2014 ▶ nominal interest rate of 8.625% ▶ effective interest rate of 8.63% (6.22% after hedging) at December 31, 2013 ▶ step-up of 125bp if downgraded below investment grade by at least one rating agency ▶ hedged through a €404 million interest rate swaps (2012: €515 million) expiring in April 2014 (fair value hedge) (note 16)	404	-	-	527
Commercial paper issued by Compagnie Générale des Établissements Michelin ▶ nominal value of €25 million (2012: €200 million) ▶ effective interest rate of 0.12% at December 31, 2013	25	-	200	-
Commercial paper issued by Compagnie Générale des Établissements Michelin and Michelin Luxembourg SCS ▶ nominal value of $233 million (2012: $254 million) ▶ effective interest rate of 0.25% at December 31, 2013	169	-	191	-
TOTAL	**598**	**1,118**	**391**	**1,744**

At December 31, 2013, the weighted average effective interest rate for bonds and commercial paper is 4.69% (3.59% 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, 2013 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	BRL	THB	Other	Total
Fixed rates	-	-	-	-	-
Floating rates	216	89	76	123	504
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**216**	**89**	**76**	**123**	**504**
Average effective interest rate paid in 2013	**0.92%**	**5.79%**	**4.55%**	**5.40%**	**2.88%**

The contractual repricing of the interest rates of these loans is less than 6 months.

26.3 Rating

At December 31, 2013, 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	Baa1	Baa1
Outlook	Standard & Poor’s	Stable	Stable
	Moody’s	Stable	Stable

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 balance sheet 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 currently 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 different rates can be used depending on the duration of these plans.

The inflation assumptions are set using different methods. In most cases the target inflation set by the central banks are used. 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-2000 Fully Generational Combined Healthy Tables for Males and Females using Scale BB; (ii) Canada: 1994 UP projected 21 years to 2015; (iii) UK: Generational SAPS S1NA CMI 2009 with 1% underpin and (iv) Germany: Heubeck RT 2005 G.

	December 31, 2013				December 31, 2012			
	USA	Canada	UK	Germany	USA	Canada	UK	Germany
Life expectancy for males at 65 at the end of the reporting period	18.5	19.1	22.0	18.8	19.6	19.1	22.0	18.8
Life expectancy for males at 65 (15 years after the end of the reporting period)	20.8	21.6	24.3	22.8	21.5	21.6	24.3	22.8
Life expectancy for females at 65 at the end of the reporting period	20.1	19.1	22.6	20.7	19.6	19.1	22.6	20.7
Life expectancy for females at 65 (15 years after the end of the reporting period)	22.2	21.6	25.4	24.8	21.5	21.6	25.4	24.8

The financial position of the main defined benefit plans is summarized below:

(in € million)	Pension plans	Other plans	December 31, 2013	December 31, 2012 (1)
Present value of fully or partly funded obligations	6,323	-	6,323	6,790
Fair value of plan assets	(5,182)	-	(5,182)	(5,195)
Funded status deficit/(surplus)	**1,141**	**-**	**1,141**	**1,595**
Present value of unfunded obligations	756	1,993	2,749	3,024
Unrecognized asset due to application of asset ceiling	5	-	5	4
NET DEFINED BENEFIT OBLIGATION	**1,902**	**1,993**	**3,895**	**4,623**
Amounts recognized in the balance sheet:				
▶ As assets in Non-current financial assets and other assets (note 15)			-	-
▶ As liabilities in Employee benefit obligations			3,895	4,623
NET LIABILITY			**3,895**	**4,623**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

At December 31, 2013, the present value of the defined benefit obligation is made up of €4,018 million relating to active employees, €1,028 million relating to deferred members and €4,026 million relating to members in retirement (2012: respectively €4,058 million, €1,274 million and €4,450 million).

At December 31, 2013, the present value of the defined benefit obligation is made up of €6,917 million relating to vested benefits and €2,155 million relating to non-vested benefits (2012: respectively €7,428 million and €2,386 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 balance sheet are shown below:

(in € million)	Pension plans	Other plans	2013	2012 (1)
At January 1	**2,372**	**2,251**	**4,623**	**3,751**
Translation adjustments	(38)	(59)	(97)	(36)
Expenses recognized in the income statement (recurring items) (note 7)	44	81	125	152
Net interest of the net defined benefit liability (asset)	84	78	162	175
Contributions paid to the funds	(185)	-	(185)	(269)
Benefits paid directly to the beneficiaries	(28)	(118)	(146)	(100)
Portion of benefit expenses recognized within non-recurring restructuring costs	2	(16)	(14)	-
Actuarial (gains) or losses recognized in other comprehensive income	(350)	(224)	(574)	953
Unrecognized asset due to application of asset ceiling recognized in other comprehensive income	1	-	1	(3)
Changes in scope of consolidation	-	-	-	-
AT DECEMBER 31	**1,902**	**1,993**	**3,895**	**4,623**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

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	2013	2012 (1)
At January 1	**1,619**	**520**	**2,139**	**1,189**
Actuarial (gains) or losses recognized during the year related to demographic assumptions:				
▶ Due to change in assumptions	119	(17)	102	74
▶ Due to experience	36	(98)	(62)	(17)
Actuarial (gains) or losses recognized during the year related to financial assumptions:				
▶ Due to change in assumptions	(380)	(88)	(468)	960
▶ Due to experience	(159)	12	(147)	(64)
Unrecognized asset due to application of asset ceiling	1	-	1	(3)
AT DECEMBER 31	**1,236**	**329**	**1,565**	**2,139**
Of which actuarial gains or (losses)	*1,230*	*329*	*1,559*	*2,132*
Of which asset ceiling effect	*6*	*-*	*6*	*7*

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

In 2013, the net amount recognized in the consolidated income statement was an expense of €273 million (2012: expense of €327 million), broken down as follows:

(in € million)	Pension plans	Other plans	Year ended December 31, 2013	Year ended December 31, 2012 (1)
Cost of services rendered during the year	72	61	133	110
Net interest on the defined benefit liability (asset)	84	78	162	175
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(2)	(2)	18
Past service cost recognized during the year:				
▶ Due to the introduction of or modifications to defined benefit plans	(28)	22	(6)	-
▶ Due to curtailments of defined benefit plans	-	-	-	24
Effect of defined benefit plans settlements	-	-	-	-
Portion of defined benefit expenses recognized within non-recurring restructuring costs	2	(16)	(14)	-
TOTAL RECORDED IN THE INCOME STATEMENT	**130**	**143**	**273**	**327**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

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 balance sheet.

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). It covers several groups of beneficiaries who participated in inherited plans (Michelin employees, Former Uniroyal Salaried Employees, Former UGTC – BFG Salaried Employees, BFG Wage Employees, UGTC Wage Employees, ASRC Employee). Only the main plan, applicable to Michelin employees is described below. The smaller plans will be closed at the latest 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). There are three other minor defined benefit plans inherited from BFG which are closed to new entrants whose membership is mostly deferred or retired. These plans are 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 was not possible for new entrants therefore as from January 1, 2013, the threshold of 55% will decrease progressively until 2046 where it will be nil. In return, employees participates to a defined contribution plan (Article 83) and can also participate in other defined contribution plans.

The plan includes provision in case of post-retirement spouse's pensions and disability provisions.

Plan is insured for the retirees and covered by 2 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:

(in € million)	2013				2012 (1)			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	4,031	3,483	49	**7,563**	3,704	2,890	40	**6,634**
Translation adjustments	(227)	(33)	(5)	**(265)**	(59)	44	(3)	**(18)**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Current service cost	38	27	1	**66**	37	17	1	**55**
Interest cost on the defined benefit obligation	140	132	3	**275**	159	142	2	**303**
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	(26)	-	-	**(26)**	-	1	-	**1**
▶ Past service cost due to curtailments of defined benefit plans	-	-	-	**-**	-	-	-	**-**
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Benefits paid	(230)	(140)	1	**(369)**	(200)	(135)	-	**(335)**
Other items	-	2	2	**4**	-	-	1	**1**
Actuarial (gains) or losses generated during the year	(240)	82	(11)	**(169)**	390	524	8	**922**
Present value of the obligations at the end of the year	**3,486**	**3,553**	**40**	**7,079**	**4,031**	**3,483**	**49**	**7,563**
Fair value of plan assets at the beginning of the year	3,162	2,007	26	**5,195**	2,926	1,860	24	**4,810**
Translation adjustments	(181)	(27)	(4)	**(212)**	(43)	37	(2)	**(8)**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Interest income on plan assets	109	82	2	**193**	125	91	2	**218**
Contributions paid to the plans	83	102	1	**186**	184	77	1	**262**
Administration costs	-	(4)	-	**(4)**	-	(5)	-	**(5)**
Benefits paid by the plans	(230)	(114)	1	**(343)**	(200)	(109)	-	**(309)**
Other items	-	-	(1)	**(1)**	-	-	-	**-**
Actual return on plan assets excluding interest income	113	57	(2)	**168**	170	56	1	**227**
Fair value of plan assets at the end of the year	**3,056**	**2,103**	**23**	**5,182**	**3,162**	**2,007**	**26**	**5,195**
Deficit/(surplus) at the end of the year	**430**	**1,450**	**17**	**1,897**	**869**	**1,476**	**23**	**2,368**
Deferred items at the beginning of the year	(4)	-	-	**(4)**	(7)	-	-	**(7)**
Translation adjustments	-	-	-	**-**	-	-	-	**-**
Unrecognized asset due to application of the asset ceiling generated during the year	(1)	-	-	**(1)**	3	-	-	**3**
Deferred items at the end of the year	**(5)**	**-**	**-**	**(5)**	**(4)**	**-**	**-**	**(4)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**435**	**1,450**	**17**	**1,902**	**873**	**1,476**	**23**	**2,372**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The main pension plan regulation in Canada has been modified in 2013. Participants to the plan will no more be entitled to additional benefit rights from January 2016. This plan regulation change has generated a past service cost of €36 million (income).

The regulation of the pension plan in the USA has been amended in 2013 for union participants. The change of the plan benefit rights formula has generated a past service cost of €9 million (expense).

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 2013, the effect of the asset ceiling amounted to an expense of €1 million (2012: income of €3 million).

In 2013, the present value of defined benefit pension obligations decreased by €484 million. This increase was due to:

(in € million)	2013	2012 [1]
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	265	18
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	169	(922)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	28	(23)
Changes in plan regulations	26	(1)
Changes in the scope of consolidation	-	-
Other items	(4)	(1)

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The fair value of plan assets amounted to €5,182 million at December 31, 2013, showing an decrease of €13 million compared to December 31, 2012. The factors behind this increase were as follows:

(in € million)	2013	2012 [1]
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(212)	(8)
Difference between the contributions paid to the funds and the benefits paid by the funds	(162)	(52)
Actual return on plan assets	361	445
Changes in the scope of consolidation	-	-
Other items	-	-

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

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 2013 and the previous four periods:

(in € million)	2013	2012 [1]	2011	2010	2009
Defined benefit obligation	(7,079)	(7,563)	(6,634)	(5,981)	(5,488)
Plan assets	5,182	5,195	4,810	4,681	3,867
SURPLUS/(DEFICIT)	**(1,897)**	**(2,368)**	**(1,824)**	**(1,300)**	**(1,621)**
Experience adjustment to:					
▶ plan liabilities	(43)	(60)	8	86	(10)
▶ plan assets	166	227	(58)	191	219

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

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:

	2013	2012 (1)	2011	2010	2009
Experience adjustment to:					
▶ the plan liabilities in percentage of the present value of the obligation (DBO)	-0.61%	-0.79%	0.12%	1.44%	-0.18%
▶ to the plan assets in percentage of the fair value of the assets	3.20%	4.37%	-1.21%	4.08%	5.66%

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2013			December 31, 2012		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.57%	4.05%	11.30%	3.76%	3.90%	8.80%
Inflation rate	2.36%	2.77%	4.50%	2.35%	2.38%	4.50%
Rate of salary increases	2.87%	3.07%	6.73%	2.89%	3.01%	6.50%
Weighted average duration of the defined benefit obligation	13.5	15.2	14.0	14.1	15.4	17.7

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 2013 would have the following effect on:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-6.01%	7.46%
Discount rate on the aggregate of current service cost and interest cost on the obligation	2.79%	-2.16%
Inflation rate on the defined benefit obligation (DBO)	4.53%	-4.30%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	4.61%	-4.50%
Salary increase rate on the defined benefit obligation (DBO)	1.30%	-1.00%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	2.04%	-1.62%
Interest rates on the fair market value of plan assets	-3.66%	4.00%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

(in € million)	Year ended December 31, 2013				Year ended December 31, 2012 [(1)]			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	40	30	2	**72**	38	22	2	**62**
Interest cost on the defined benefit obligation	147	131	3	**281**	164	143	3	**310**
Interest income on plan assets	(114)	(80)	(3)	**(197)**	(129)	(92)	(2)	**(223)**
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	(28)	-	-	**(28)**	-	1	-	**1**
▶ Due to curtailments of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Effect of defined benefit plans settlements	-	-	-	**-**	-	-	-	**-**
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	-	2	**2**	-	-	-	**-**
TOTAL DEFINED PENSION BENEFIT EXPENSES	**45**	**81**	**4**	**130**	**73**	**74**	**3**	**150**
Actual return on plan assets	**221**	**139**	**(1)**	**359**	**295**	**147**	**3**	**445**

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2013					December 31, 2012				
	Canada	USA	UK	Other	Total	Canada	USA	UK	Other	Total
Quoted securities										
Local equities	7.5%	16.6%	6.1%	2.2%	**10.6%**	11.8%	24.0%	10.1%	3.0%	**16.0%**
Foreign and global equities	13.3%	12.0%	18.2%	0.0%	**14.0%**	20.8%	10.4%	29.7%	1.1%	**18.7%**
Alternative investments	7.9%	8.4%	23.4%	0.4%	**13.5%**	6.9%	8.1%	8.4%	0.4%	**7.7%**
Real estate	0.0%	0.0%	7.1%	0.2%	**2.6%**	0.0%	0.0%	6.9%	5.0%	**2.6%**
Indexed linked bonds	0.1%	0.0%	7.6%	0.0%	**2.8%**	0.0%	0.0%	8.8%	0.0%	**3.1%**
Fixed income government and agencies	33.3%	6.6%	8.0%	0.0%	**11.4%**	14.1%	14.7%	9.7%	0.0%	**12.2%**
Corporate bonds	9.7%	23.8%	8.6%	0.0%	**14.8%**	7.9%	16.0%	18.3%	2.2%	**14.7%**
Other fixed income, multi-asset credit, emerging market bonds	8.9%	20.3%	16.4%	8.0%	**16.4%**	19.5%	7.2%	4.1%	15.3%	**8.7%**
Cash & cash equivalent	2.5%	1.7%	3.1%	19.5%	**3.3%**	4.2%	8.9%	3.3%	2.4%	**5.8%**
Total quoted securities	**83.2%**	**89.4%**	**98.5%**	**30.3%**	**89.4%**	**85.2%**	**89.3%**	**99.3%**	**29.4%**	**89.5%**
Non-quoted securities										
Funds managed by insurance companies	0.0%	0.0%	0.0%	69.1%	**2.8%**	0.0%	0.0%	0.0%	69.7%	**2.9%**
Private placements [(1)]	8.8%	5.2%	1.5%	0.6%	**4.2%**	7.9%	6.3%	0.7%	0.9%	**4.4%**
Real estate	8.0%	5.4%	0.0%	0.0%	**3.6%**	6.9%	4.4%	0.0%	0.0%	**3.2%**
Total non-quoted securities	**16.8%**	**10.6%**	**1.5%**	**69.7%**	**10.6%**	**14.8%**	**10.7%**	**0.7%**	**70.6%**	**10.5%**
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	**19.2**	**17.3**	**16.8**	**N/A**	**16.7**	**15.0**	**12.1**	**15.0**	**N/A**	**13.2**

(1) *Private equity and private debt.*

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 as well as 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 2013 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				
2013	87	123	2	212
Estimates of contributions to be paid and benefits to be paid directly by the Group				
2014	37	66	-	103
2015	38	59	1	98
2016	96	73	-	169
2017	99	103	1	203
2018	60	96	-	156
2019-2023	246	505	1	752

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 MAP-21 legislation.

In Canada the contributions are determined on a tri-annual base and the funding plan is spread over five 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 2013, in addition to the ordinary contributions, it was decided to make an advanced contribution due or forecasted in 2014 and 2015: €83 million in the United Kingdom and €75 million in the United States.

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, 2013				December 31, 2012 (1)			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	1,222	999	31	**2,252**	1,156	738	27	**1,921**
Translation adjustments	(66)	-	(4)	**(70)**	(19)	-	(2)	**(21)**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Current service cost	14	42	2	**58**	13	28	2	**43**
Interest cost on the defined benefit obligation	43	32	2	**77**	49	37	2	**88**
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	(1)	23	-	**22**	-	23	-	**23**
▶ Past service cost due to curtailments of defined benefit plans	-	(16)	-	**(16)**	-	-	-	**-**
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Benefits paid	(57)	(56)	(1)	**(114)**	(52)	(19)	(1)	**(72)**
Other items	-	-	-	**-**	-	4	1	**5**
Actuarial (gains) or losses generated during the year	(209)	-	(7)	**(216)**	75	188	2	**265**
Present value of the obligations at the end of the year	**946**	**1,024**	**23**	**1,993**	**1,222**	**999**	**31**	**2,252**
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	**946**	**1,024**	**23**	**1,993**	**1,222**	**999**	**31**	**2,252**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**946**	**1,024**	**23**	**1,993**	**1,222**	**999**	**31**	**2,252**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

The company PNEU LAURENT (France) has been included in the scope of measuring its defined benefit plans according to IAS 19. The accumulated rights at January 1, 2013 have generated a past service cost of €12 million.

The end-career allowance plan for workers of the company MFPM (France) has been modified in 2013. Participants to the plan will no more be entitled to additional benefit rights from January 2014. This plan regulation change has generated a past service cost of €2 million.

A social legislation evolution in Spain increasing the rate of social contributions to be paid on the benefits provided by a "other long term benefit plan" has generated a past service cost of €9 million of euros.

Participants to the end-career allowance plan of the company MFPM (France) involved in the restructuring of the Joué-les-Tours site have seen their benefits rights removed. A curtailment gain has been recognized for an amount of €16 million.

In 2013 the present value of "other defined benefit plans decreased" by €259 million, due to:

	2013	2012
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	70	21
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	216	(265)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(21)	(59)
Changes in plan regulations	(6)	(23)
Changes in the scope of consolidation	-	-
Other items	-	(5)

The present value of the defined benefit obligation and experience adjustments are as follows for 2013 and the previous four periods:

(in € million)	2013	2012	2011	2010	2009
Defined benefit obligation	(1,993)	(2,252)	(1,920)	(1,662)	(1,491)
Experience adjustments to plan liabilities	86	5	3	27	33
Experience adjustments to plan liabilities (in % of present value of the obligation (DBO)	4.32%	0.22%	0.16%	1.62%	2.21%

The main actuarial weighted average assumptions used to measure obligations for "other defined benefit plans" are as follows:

	December 31, 2013			December 31, 2012		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.58%	3.34%	7.72%	3.75%	3.13%	6.95%
Weighted average duration of the defined benefit obligation	13.9	11.3	10.4	13.2	11.5	11.9

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2013		December 31, 2012	
	USA	Canada	USA	Canada
Expected growth in healthcare costs in the first year	7.50%	5.37%	8.00%	5.90%
Minimum long-term rate of annual growth in healthcare costs	5.00%	4.25%	5.00%	4.50%
Year in which the minimum growth rate will be achieved	2019	2023	2019	2016

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 2013 would have the following effect:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-5.26%	6.44%
Discount rate on the aggregate of current service cost and interest cost on the obligation	0.91%	0.29%
Healthcare cost trend on the healthcare defined benefit obligation	4.73%	-3.79%
Healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plan obligation	5.69%	-4.45%

Net income and expenses recognized in the income statement are as follows:

	Year ended December 31, 2013				Year ended December 31, 2012 (1)			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	15	44	2	**61**	13	31	3	**47**
Interest cost on the defined benefit obligation	44	32	2	**78**	50	37	2	**89**
Interest income on plan assets	-	-	-	**-**	-	-	-	**-**
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(2)	-	**(2)**	-	18	-	**18**
Past service cost recognized during the year:								
▶ Due to the introduction of or modifications to defined benefit plans	(1)	23	-	**22**	-	23	-	**23**
▶ Due to curtailments of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Effect of defined benefit plans settlements	-	-	-	**-**	-	-	-	**-**
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	(16)	-	**(16)**	-	-	-	**-**
TOTAL OTHER DEFINED BENEFIT EXPENSES	**58**	**81**	**4**	**143**	**63**	**109**	**5**	**177**

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.

Group payments made under "other defined benefit plans" in 2013 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Benefit payments made				
2013	59	58	2	119
Estimates of benefit payments to be made				
2014	52	40	4	96
2015	55	52	1	108
2016	56	78	1	135
2017	57	75	2	134
2018	58	64	2	124
2019-2023	288	463	10	761

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 2013, the contributions paid to defined contribution plans and expensed amounted to €129 million (2012: €127 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. and Participating Employers, and 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 are based on years of service and/or 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:

	2013		2012	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**62.04**	**4,254,190**	**59.83**	**4,791,478**
Granted	-	-	51.16	143,276
Forfeited	75.52	(45,779)	58.70	(26,354)
Exercised	48.61	(573,295)	43.65	(654,210)
AT DECEMBER 31	**63.98**	**3,635,116**	**62.04**	**4,254,190**

2,980,002 of the 3,635,116 options outstanding as at December 31, 2013 are exercisable (2012: 2,190,337 in total and 4,254,190 exercisable).

Stock option plans have the following exercise prices and expiry dates:

			December 31, 2013		December 31, 2012	
Grant dates	Vesting dates	Expiry dates	Exercise prices *(in € per option)*	Number of options outstanding	Exercise prices *(in € per option)*	Number of options outstanding
November 2003	November 2007	November 2012	32.82	-	32.82	1,244
May 2004	May 2008	May 2013	38.61	-	38.61	27,596
July 2004	July 2008	July 2013	42.96	-	42.96	38,222
May 2005	May 2009	May 2014	46.34	33,088	46.34	77,066
November 2005	November 2009	November 2014	46.34	254,775	46.34	484,437
May 2006	May 2010	May 2015	55.99	84,663	55.99	116,556
May 2007	May 2011	May 2016	87.85	1,130,347	87.85	1,161,826
May 2008	May 2012	May 2017	59.85	243,878	59.85	283,390
November 2009	November 2013	November 2018	51.16	1,233,251	51.16	1,408,389
May 2010	May 2014	May 2019	52.13	260,138	52.13	260,138
May 2011	May 2015	May 2020	66.00	252,900	66.00	252,900
June 2012	June 2016	June 2021	51.16	142,076	51.16	142,426
NUMBER OF STOCK OPTIONS OUTSTANDING				**3,635,116**		**4,254,190**

28.2 Performance share plans

Changes in the number of performance share rights are as follows:

	2013	2012
	Number of outstanding performance share rights	Number of outstanding performance share rights
At January 1	**657,784**	**287,944**
Granted	81,400	371,936
Forfeited	(4,184)	(2,096)
Shares delivered	(1,288)	-
AT DECEMBER 31	**733,712**	**657,784**

In November 2013, 81,400 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 2017 and are not subject to any lock-up period. The shares will vest providing that the performance conditions (Group sales growth percentage and amount of operating income) are met. The fair value of a right to a performance share is estimated at €69.43. 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 plan is estimated at €4 million.

The performance share plans have the following characteristics:

Grant dates	Vesting dates		Lock-up period		Fair value at grant date		December 31, 2013 Number of outstanding performance share rights	December 31, 2012 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	282,632	285,848
2012	2015	2016	2 years	None	61.87	59.46	369,680	371,936
2013	2017	2017	None	None	69.43	69.43	81,400	-
NUMBER OF OUTSTANDING PERFORMANCE SHARE RIGHTS							**733,712**	**657,784**

The expense recognized in 2013 for the performance share plans amounts to €7 million (2012: €3 million) and is included in Other operating income and expenses.

28.3 Employee share purchase plans

In 2013, the Group launched a share offer for all its employees located in countries where the legal and fiscal requirements are met. This share purchase plan (Bib'Action), carried out under the Company savings plan (*Plan d'Épargne Groupe*), is a standard plan which employees invest in Michelin shares at a discount price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

845,934 shares were purchased at a price including a discount to the reference price corresponding to the average over 20 trading days preceding the date the price is set.

The global expense recognized in income statement by the Group in relation with this plan amount to €18 million after deduction of the effect of the five-year restriction.

The main features of the plan and the assumptions used for the valuation of the cost linked to the shares acquired by the Group employees are as follows:

Maturity of the plan	5 years
Number of shares subscribed	845,934
Reference price *(in euro)*	80.05
Subscription price *(in euro)*	64.05
Five-year risk-free rate (1)	0.74%
Five-year market participant rate (2)	7.21%
Dividend yield	3.00%
Cost of the lock-up period *(in % of the reference price)*	26.75%
Cost recognized *(in euro per share)*	**20.48**

(1) The risk-free interest rate is based on the yield on the French government debt with the appropriate maturity.
(2) The five-year market participant rate is an average of non-affected 5-year individual loan rates.

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other long-term liabilities amount to €1,184 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, 2013	**151**	**172**	**80**	**403**
Additional provisions	180	133	17	330
Provisions utilized during the year	(120)	(92)	(27)	(239)
Unused provisions reversed during the year	(21)	(16)	(1)	(38)
Translation adjustments	(2)	(5)	(5)	(12)
Other effects	-	1	(1)	-
AT DECEMBER 31, 2013	**188**	**193**	**63**	**444**

29.1 Restructuring

At December 31, 2013, the remaining restructuring provisions were related to restructuring taking place in the following countries:

	December 31, 2013	December 31, 2012
Spain	30	57
France	113	51
Italy	6	24
Columbia	19	-
Other countries	20	19
RESTRUCTURING PROVISIONS	**188**	**151**

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, 2013	December 31, 2012
Customers – Deferred rebates	863	881
Employee benefits	439	453
Social security liabilities	240	301
Restructuring liabilities	18	22
Current income tax payable	87	97
Other taxes	156	168
Other	228	250
OTHER CURRENT LIABILITIES	**2,031**	**2,172**

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, 2013	Year ended December 31, 2012 (1)
(Gains)/losses on disposal of non-financial assets	(6)	9
Other	(8)	(5)
Other non-cash income and expenses	**(14)**	**4**
Change in employee benefit obligations	(206)	(217)
Change in restructuring provisions	(132)	(82)
Change in litigation and other provisions	16	27
Change in provisions, including employee benefit obligations	**(322)**	**(272)**
Interest and other financial expenses paid	(110)	(211)
Interest and other financial income received	22	32
Dividends received	18	33
Cost of net debt and other financial income and expenses paid	**(70)**	**(146)**
Change in inventories	269	140
Change in trade receivables and advances	536	409
Change in trade payables and advances	13	(145)
Change in other receivables and payables	(92)	139
Change in working capital, net of impairments	**726**	**543**
Purchases of intangible assets (note 13)	(138)	(102)
Purchases of PP&E (note 14)	(1,842)	(1,894)
Government grants received	14	5
Change in capital expenditure payables	-	71
Purchases of intangible assets and PP&E	**(1,966)**	**(1,920)**
Increase in other non-current financial assets	(8)	(8)
Decrease in other non-current financial assets	14	18
Net cash flows from cash management financial assets	(193)	42
Net cash flows from borrowing collaterals	20	20
Net cash flows from other current financial assets	(9)	-
Cash flows from other financial assets	**(176)**	**72**
Increase in non-current financial liabilities	84	498
Decrease in non-current financial liabilities	(163)	(336)
Repayment of finance lease liabilities	(11)	(13)
Net cash flows from current financial liabilities	(762)	(694)
Derivatives	(69)	(42)
Cash flows from financial liabilities	**(921)**	**(587)**
Details of non cash transactions:		
▶ New finance leases (note 14)	-	1
▶ Decrease of liabilities to minority shareholders	(5)	(5)
▶ New emission rights	1	5
▶ Dividends paid in shares (note 24)	249	89

(1) *Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2013" and may therefore be different from those presented in previously published financial statements.*

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

32.1.1 Operating lease commitments

Future minimum payments under non-cancelable operating leases by maturity are as follows (not discounted):

(in € million)	December 31, 2013	December 31, 2012
Within one year	202	174
Between one and five years	384	364
More than five years	101	78
TOTAL FUTURE MINIMUM PAYMENTS	**687**	**616**

Total operating lease rents recognized in the income statement in 2013 amounted to €335 million (2012: €335 million).

32.1.2 Capital commitments

PP&E capital expenditure on the main extension projects, which were contracted but not delivered before December 31, 2013, amounts to €254 million (of which €33 million is likely to be delivered from 2015).

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 2014. 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 10 years, the Group issued in 2007 a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make.

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 types of grievances. The Group estimated these claims in the following way:

- certain claims are accepted for an amount of €6 million;
- certain claims are not accepted but provided for an amount of €23 million;
- concerning the claims which are not accepted and not provided for and which representing an amount of €68 million, the Group is going to submit for out-of-court and/or legal settlements and, despite the uncertainties inherent to this type of procedures, believes it has good chances to make its point of view prevail.

32.2.3 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 €38 million (2012: €39 million).

32.3.2 Financial assets

Loans and deposits amounting to €12 million (2012: €32 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 €446 million (2012: €451 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, 2013 (2012: €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

There were no significant acquisitions or divestments in 2013.

NOTE 34 RELATED PARTY TRANSACTIONS

34.1 Subsidiaries and associates

The list of the major Group subsidiaries and associates 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)	2013	2012
Income statement		
Income for the sale of goods or supply of services	128	144
Expenses for the purchase of products or supply of services	(120)	(151)
Balance sheet		
Financial liabilities	(29)	(10)
Accounts payable	(6)	(5)
Accounts receivable	20	25

34.2 Senior Management and Supervisory Board

In 2013, Jean-Dominique Senard, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution based on 2012 net income and amounting to €1.2 million (2013: 1.2 million). Furthermore, he was entitled to a global compensation of €1.2 million (social charges included) as non-general Managing Partner of Manufacture Française des Pneumatiques Michelin (2012: €1.2 million). A provision of €1.9 million (social charges included) was recognized as at December 31, 2013 (2012: €1.8 million) based on the present value of the vested rights in a long term incentive bonus program and a post-employment benefit plan.

In 2013, Michel Rollier received a statutory distribution based on 2012 net income and amounting to €0.7 million (2012: €3.1 million). Michel Rollier left his duties as Managing Chairman and General Partner as of May 11, 2012.

The compensation paid in 2013 to the 11 members of the Group Executive Committee (2012: 11 members) was €12.9 million (2012: €9.7 million). This amount breaks down as follows:

(in € million)	Year ended December 31, 2013	Year ended December 31, 2012
Short term benefits	9.2	7.3
Post-employment benefits	2.5	1.5
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	1.2	0.9
COMPENSATION PAID TO MEMBERS OF THE GROUP EXECUTIVE COUNCIL	**12.9**	**9.7**

The attendance fees paid in 2013 to the Supervisory Board members for 2012 meetings were €0.3 million (2012: €0.3 million).

NOTE 35 EVENTS AFTER THE BALANCE SHEET DATE

The reported amounts of assets and liabilities at the balance sheet date were adjusted, if needed, up to the date when the Managing Chairman authorized for issue the 2013 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
Belgium			
Michelin Belux S.A.	Zellik	Commercial	100.00
Denmark			
Euromaster Danmark A/S	Viborg	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
Finland			
Suomen Euromaster Oy	Pori	Commercial	99.94
France			
Compagnie Générale des Établissements 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 Établissements Piot Pneu	Montbonnot Saint-Martin	Commercial	96.81
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
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

Companies	Registered office	Nature	% of interest
Serbia			
Tigar Tyres d.o.o.	Pirot	Manufacturing & commercial	100.00
Romania			
Michelin Romania S.A.	Bucharest	Commercial	99.85
United Kingdom			
Michelin Tyre Public Limited Company	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Harrow	Commercial	99.94
Sweden			
Euromaster AB	Varberg	Commercial	99.94
Michelin Nordic AB	Stockholm	Commercial	100.00
Switzerland			
Euromaster (Suisse) S.A.	Petit-Lancy	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
Turkey			
Michelin Lastikleri Ticaret A.S.	Istanbul	Commercial	100.00
Africa / India / Middle East			
South Africa			
Michelin Tyre Company South Africa Proprietary Limited	Johannesburg	Commercial	100.00
Algeria			
Michelin Algérie SPA	Algiers	Commercial	100.00
Nigeria			
Michelin Tyre Services Company Ltd.	Lagos	Commercial	60.28
India			
Michelin India TamilNadu Tyres Private Limited	Chennai	Manufacturing	100.00
Michelin India Tyres Private Limited	Faridabad	Commercial	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
Michelin Alberta ULC	Calgary	Financial	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
Michelin Mexico Properties, LLC	Wilmington	Miscellaneous	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
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00
Colombia			
Industria Colombiana de Llantas S.A.	Cali	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
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
Michelin Siam Group 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 Chun Shin Ltd.	Taipei	Commercial	100.00
Eastern Europe			
Russia			
LLC "Michelin Russian Tyre Manufacturing Company"	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, 2013

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 Établissements 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, 2013, on:

- the audit of the accompanying consolidated financial statements of Compagnie Générale des Établissements 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, 2013 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.

Without qualifying our opinion, we draw your attention to note 2.3 to the consolidated financial statements which outlines the change in accounting method relating to the application of the amendments to IAS19 "Employee Benefits", from January 1, 2013.

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 matters:

- Note 2.5 to the accounts 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 for the determination by the management 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 accounts.

These assessments were 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 10, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Dominique Descours

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 2 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 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 €303.0 million in 2013 versus €465.1 million in 2012.

8.1.1 a) Operating income

Operating income amounted to €147.3 million in 2013 compared with €169.1 million in 2012. Royalty revenue contracted by 3.8% during the year, reflecting a similar decline in net sales by Group companies, while operating expenses remained flat at €397.8 million versus €397.5 million in 2012, after taking into account the modest increase in research costs re-billed to CGEM.

8.1.1 b) Financial income

Net financial income amounted to €181.9 million in 2013 compared with €280.0 million the previous year, reflecting a fall in dividend income.

The cost of the discount granted to employees who participated in the October 2013 employee stock ownership plan was recorded in non-recurring expenses for €13.4 million.

8.1.2 BALANCE SHEET

Equity amounted to €6,516 million at December 31, 2013, compared with €6,521 million a year earlier.

The decrease primarily reflected the decline in net income, partly offset by the increase in share capital and paid-in capital in excess of par following the issue of shares on dividend reinvestment and the exercise of stock options.

8.2 FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (PARENT COMPANY)

BALANCE SHEET AT DECEMBER 31, 2013

ASSETS *(in € thousands)*	Note	December 31, 2013 Cost	December 31, 2013 Depreciation, amortization & provisions	December 31, 2013 Net	December 31, 2012 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		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	5,965,291	20,091	5,945,200	5,945,200
Loans and advances to subsidiaries and affiliates	5-7-9	1,154,177		1,154,177	1,261,214
Loans	5-6-7-9	198,112	16,191	181,921	202,421
Other equity interests	5-7-9-22	42,256	55	42,201	29,833
	5	**7,359,836**	**36,337**	**7,323,499**	**7,438,668**
(I)		**7,388,373**	**64,772**	**7,323,601**	**7,438,770**
Current assets					
Receivables (2)	7-9	307,196		307,196	259,148
Marketable securities	8	2,408	0	2,408	1
Cash		1,323		1,323	145,487
		310,927	**0**	**310,927**	**404,636**
Accruals					
Prepaid expenses (2)		34		34	119
(II)		**310,961**	**0**	**310,961**	**404,755**
Deferred charges and bond call **premiums (III)**		**0**		**0**	**0**
Conversion losses (IV)					
ASSETS (I)+(II)+(III)+(IV)		**7,699,334**	**64,772**	**7,634,562**	**7,843,525**
(1) of which: short-term				*825,052*	*1,262,825*
(2) of which: long-term				*0*	*0*

EQUITY AND LIABILITIES *(in € thousands)*		**Note**	**December 31, 2013**	**December 31, 2012**
Equity				
Share capital		11	371,579	365,113
Paid-in capital in excess of par		11	3,641,137	3,508,030
Revaluation reserves		12	624,772	624,772
Other reserves		12	1,284,549	1,284,044
Retained earnings		12	229,156	212,104
Net income for the year		12	302,985	465,119
Untaxed reserves		12	61,598	61,598
	(I)		**6,515,776**	**6,520,780**
Liabilities [(1)]				
Convertible bonds		10	747,445	770,582
Other bonds		10	12	12
Subordinated notes			0	79,833
Other borrowings		10	145,083	240,386
Other financial liabilities [(2)]		7-10	37	47,839
Accrued taxes and payroll costs		10	7,131	5,498
Other liabilities		7-10	219,078	178,595
			1,118,786	**1,322,745**
Accruals and other liabilities				
Deferred revenue				
	(II)		**1,118,786**	**1,322,745**
Conversion gains	**(III)**			
EQUITY AND LIABILITIES	**(I)+(II)+(III)**		**7,634,562**	**7,843,525**
(1) of which: long-term			*750,601*	*853,010*
of which: short-term			*368,185*	*469,735*
(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, 2013

(in € thousands)		Note	2013	2012
Revenue				
Royalties (of which, export revenues: €489,754)		14	545,071	566,610
Other revenue			50	34
Total revenue	**(I)**		**545,121**	**566,644**
Operating expenses				
External charges			369,221	366,391
Taxes other than on income			7,120	7,084
Wages and salaries		17-18	485	1,434
Payroll taxes			(119)	648
Other expenses			21,103	21,946
Total operating expenses	**(II)**		**397,810**	**397,503**
OPERATING INCOME	**(I)-(II)**		**147,311**	**169,141**
Financial income				
Dividends from subsidiaries and affiliates (1)			225,962	338,285
Interest income (1)			1,018	832
Exchange gains			7,617	5,251
Total financial income	**(III)**		**234,597**	**344,368**
Financial expense				
Amortization and provision expense			16,191	20,055
Interest expense (2)			28,616	38,135
Exchange losses			7,920	6,182
Total financial expenses	**(IV)**		**52,727**	**64,372**
NET FINANCIAL INCOME	**(III)-(IV)**		**181,870**	**279,996**
INCOME BEFORE NON-RECURRING ITEMS AND TAX	**(I-II+III-IV)**		**329,181**	**449,137**
Non-recurring income				
From revenue transactions			0	8,014
Total non-recurring income	**(V)**		**0**	**8,014**
Non-recurring expenses				
From revenue transactions			3	25
From capital transactions		13	13,452	0
Total non-recurring expenses	**(VI)**		**13,455**	**25**
NET NON-RECURRING (EXPENSE) INCOME	**(V-VI)**		**(13,455)**	**7,989**
INCOME TAX EXPENSE (BENEFIT)	**(VII)**	**15**	**12,741**	**(7,993)**
Total revenue	(I+III+V)		779,718	919,026
Total expenses	(II+IV+VI+VII)		476,733	453,907
NET INCOME			**302,985**	**465,119**
(1) of which: income from related parties			*226,511*	*338,140*
(2) of which: expenses paid to related parties			*484*	*952*

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 6, 2014 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 2013, Compagnie Générale des Établissements Michelin (the Company) decided to:

- cancel 1,809,260 shares bought back during the year;
- sell 845,934 shares in connection with the Group's 2013 employee stock ownership plan;
- repay its subordinated debt.

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 (1999 *Plan Comptable Général*). 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 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 canceled, 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.

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 both current taxes and deferred taxes. Deferred taxes are calculated using the liability method.

NOTE 5 NON-CURRENT ASSETS

Changes in intangible assets, property, plant and equipment and the corresponding depreciation/amortization can be analyzed as follows:

5.1 Changes in non-current assets

(in € thousands)	Cost at January 1, 2013	Additions, new loans, increases in accrued interest	Disposals, decommissioning, reduction in loans and accrued interest	Cost at December 31, 2013
Intangible assets	26,252			26,252
Property and equipment	2,285			2,285
	28,537			**28,537**
Shares in subsidiaries and affiliates	5,965,291			5,965,291
Loans and advances to subsidiaries and affiliates	1,261,214		107,037	1,154,177
Loans	202,421		4,309	198,112 (1)
Other equity interests	29,888	12,368		42,256
	7,458,814	**12,368**	**111,346**	**7,359,836**
TOTAL	**7,487,351**	**12,368**	**111,346**	**7,388,373**

(1) Loans are granted to related companies domiciled in France.

5.2 Depreciation and amortization

	At January 1, 2013	Increase for the year	Decrease for the year	At December 31, 2013
Accumulated amortization (intangible assets)	26,252		-	26,252
Accumulated depreciation (property and equipment)	2,183		-	2,183
TOTAL	**28,435**		**-**	**28,435**

NOTE 6 PROVISIONS

	At January 1, 2013	Increase for the year	Decrease for the year	At December 31, 2013
Provisions for impairment of shares in subsidiaries and affiliates and other equity interests	20,146		-	20,146
Provisions for impairment of loans		16 191	-	16,191
TOTAL	**20,146**	**16 191**	**-**	**36,337**

NOTE 7 ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS

	Transactions involving	
Balance sheet items	**Related companies**	**Other companies in which Michelin holds an equity interest**
Shares in subsidiaries and affiliates (net book value)	5,945,200	-
Loans and advances to subsidiaries and affiliates	1,154,177	-
Loans	181,921	-
Other equity interests	-	3,228
Receivables	184,859	-
Other financial liabilities	37	-
Other liabilities	218,168	-

NOTE 8 TREASURY STOCK

At December 31, 2013, the Company held 30,000 shares in treasury stock. These shares are available for allocation to employees in 2014 under the 2013 Group employee stock ownership plan.

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	1,154,177	624,177 (1)	530,000
Loans	198,112	178,112	20,000
Other equity interests	42,256	38,953	3,303
Current assets			
Receivables	307,196	307,196	
TOTAL	**1,701,741**	**1,148,438**	**553,303**

(1) Including current account advances of €553,329.

NOTE 10 MATURITIES OF PAYABLES AND LONG AND SHORT-TERM DEBT

	Total	Due within one year	Due in one to 5 years	Due in more than 5 years
Convertible bonds	747,445 (1)	-	747,445	-
Other bonds	12	12	-	-
Other borrowings	145,083 (2)	145,083	-	-
Other financial liabilities	37	37	-	-
Accrued taxes and payroll costs	7,131	3,975	3,156 (3)	-
Other liabilities	219,078 (4)	219,078	-	-
TOTAL	**1,118,786**	**368,185**	**750,601**	**-**

(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, 2013 standing at €25 million and USD165 million.
(3) An accrual was recorded for Non-General Managing Partners' rights to long-term incentive plan payments that vested in prior years.
(4) Including €218,168 thousand in liabilities towards related companies and €568 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, 2013: 182,556,713 shares	**365,113**	**3,508,030**	**3,873,143**
Issuance of 4,467,601 shares on reinvestment of dividends	8,935	239,276	248,211
Issuance of 574,589 shares on exercise of stock options	1,149	26,719	27,868
Cancellation of 1,809,260 shares	(3,618)	(132,888)	(136,506)
AT DECEMBER 31, 2013: 185,789,643 SHARES	**371,579**	**3,641,137**	**4,012,716**

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, 2013	**624,772**	**1,284,044**	**212,104**	**465,119**	**61,598**	**2,647,637**
Appropriation of 2012 net income		508	17,052	(465,119)		(447,559)
Deduction for performance share issuance		(3)				(3)
2013 net income				**302,985**		**302,985**
	624,772	**1,284,549**	**229,156**	**302,985**	**61,598**	**2,503,060**
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		36,512				
▶ special long-term capital gains reserve		881,419				
▶ other reserves		366,618				

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:

	2013		2012	
	Weighted average exercise price *(€ per option)*	Number of options	Weighted average exercise price *(€ per option)*	Number of options
At January 1	**62.04**	**4,254,190**	**59.83**	**4,791,478**
Granted	-	-	51.16	143,276
Cancelled	75.52	(45,779)	58.70	(26,354)
Exercised	48.61	(573,295)	43.65	(654,210)
AT DECEMBER 31	**63.98**	**3,635,116**	**62.04**	**4,254,190**

Of the 3,635,116 options outstanding at December 31, 2013, 2,980,002 were exercisable at that date (2012: 2,190,337 out of 4,254,190).

Stock option plans in effect at December 31, 2013:

			December 31, 2013		December 31, 2012	
Grant date	Start of exercise period	End of exercise period	Exercise price *(in €)*	Number of options outstanding	Exercise price *(in €)*	Number of options outstanding
November 2003	November 2007	November 2012	32.82	-	32.82	1,244
May 2004	May 2008	May 2013	38.61	-	38.61	27,596
July 2004	July 2008	July 2013	42.96	-	42.96	38,222
May 2005	May 2009	May 2014	46.34	33,088	46.34	77,066
November 2005	November 2009	November 2014	46.34	254,775	46.34	484,437
May 2006	May 2010	May 2015	55.99	84,663	55.99	116,556
May 2007	May 2011	May 2016	87.85	1,130,347	87.85	1,161,826
May 2008	May 2012	May 2017	59.85	243,878	59.85	283,390
November 2009	November 2013	November 2018	51.16	1,233,251	51.16	1,408,389
May 2010	May 2014	May 2019	52.12	260,138	52.13	260,138
May 2011	May 2015	May 2020	66.00	252,900	66.00	252,900
June 2012	June 2016	June 2021	51.16	142,076	51.16	142,426
NUMBER OF OPTIONS OUTSTANDING				**3,635,116**		**4,254,190**

Performance share plans

The number of performance share rights outstanding may be analyzed as follows:

	2013	2012
	Number of performance share rights outstanding	Number of performance share rights outstanding
At January 1	**657,784**	**287,944**
Granted	81,400	371,936
Cancelled	(4,184)	(2,096)
Delivered	(1,288)	-
AT DECEMBER 31	**733,712**	**657,784**

In November 2013, 81,400 rights to shares of Company stock, subject to certain performance conditions (performance shares) were granted to Group employees. The rights are subject to a four-year vesting period ending in November 2017 without any lock-up period. The shares will vest at the end of the vesting period if the performance objectives concerning growth in sales volumes and the amount of consolidated operating income have been met. The fair value of each performance share right is estimated at €69.43, 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, 2013 Number of performance share rights outstanding	December 31, 2012 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	282,632	285,848
2012	2015	2016	2 years	None	61.87	59.46	369,680	371,936
2013	2017	2017	None	None	69.43	69.43	81,400	-
NUMBER OF PERFORMANCE SHARE RIGHTS OUTSTANDING							**733,712**	**657,784**

Employee share issues

In 2013, the Group launched the Bib'Action employee share issue open to all employees resident in countries where the plan was authorized under local legal and tax rules. Carried out in connection with the Group Employee Stock Ownership Plan (PEG), Bib'Action gave employees an opportunity to purchase Michelin shares at a discount to their market price, subject to a five-year lock-up.

A total of 845,934 Michelin shares were purchased at a discount to the average of the prices quoted over the 20 trading days preceding the pricing date.

The cost corresponding to the difference between the price at which the shares were bought back on the market and the price at which they were sold to employees, in the amount of €13,452 thousand, was recorded in non-recurring expenses.

The following table presents the main features of the plan and the key assumptions used to determine the plan costs:

Lock-up period	5 years
Number of shares purchased	845,934
Reference price *(in €)*	80.05
Purchase price for employees *(in €)*	64.05

NOTE 14 REVENUE

Revenue for the year totaled €545,071 thousand, consisting entirely of royalties received from:

France	55,317
Outside France	489,754
TOTAL	**545,071**

NOTE 15 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises 11 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 11 subsidiaries if they were taxed on a stand-alone basis amounted to €23,223 thousand for 2013, before taking into account tax credits of €36,783 thousand.

Income tax recognized in the CGEM financial statements includes current taxes and deferred taxes.

Income tax reported in the income statement can be analyzed as follows:

Current tax due from CGEM alone	24,578
Deferred tax expense	130
Group relief	(15,965)
3% surtax on distributed income	5,960
Other	(1,962)
TOTAL	**12,741**

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, 2013, the Company had receivables corresponding to royalties with a net book value of €171 million. These receivables have been converted into euros at the year-end exchange rate. The 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 the lower of value in use and probable realizable value.

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 2012 profit allocated to the Managing General Partner and the Chief Executive Officer and Managing General Partner in 2013 amounted to €1.37 million (2012: €3.9 million in respect of 2011 profit).

NOTE 18 AVERAGE NUMBER OF EMPLOYEES

	Employees on the payroll
Managers	1
Employees	7
TOTAL	**8**

NOTE 19 RETIREMENT BENEFITS

The Company is liable for the payment of the 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, 2013 was approximately €0.8 million (2012: €0.7 million). No provision has been recorded for this amount.

NOTE 20 FEES PAID TO THE STATUTORY AUDITORS

Audit fees recognized in the 2013 financial statements amount to €530 thousand.

NOTE 21 SECURITIES PORTFOLIO AT DECEMBER 31, 2013

	Number of securities		Book value
Shares in subsidiaries and affiliates			
Compagnie Financière du groupe Michelin "Senard et Cie"	25,022,824	shares	4,324,989
Manufacture Française des Pneumatiques Michelin	13,263,056	shares	1,614,296
Spika S.A.	200,000	shares	5,915
			5,945,200
Other equity interests			
Siparex Croissance	43,222	shares	677
Siparex Associés	147,007	shares	2,271
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786	Shares	280
Marketable securities			38,953
Other			20
			42,201

NOTE 22 LIST OF SUBSIDIARIES AND AFFILIATES

Subsidiaries and affiliates *(in € thousands 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)]	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 (CHF thousands)	6,815,971 (CHF thousands)	99,99	4,324,989	4,324,989	553,406	-	-	1,125,664 (CHF thousands)	205,585
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand	504,000	1,092,647	99.99	1,614,296	1,614,296	580,740	-	5,446,379	75,887	-
Spika S.A. 23, rue Breschet, 63000 Clermont-Ferrand	3,000	2,482	100,00	25,915	5,915	20,032	-	-	(23,845)	-
B - Aggregate information about other subsidiaries and affiliates										
1 – Subsidiaries not listed under A:				-	-	-	-			-
▸ French companies										
▸ Foreign companies				-	-	-	-			
2 – Affiliates not listed under A:					-	-	-			-
▸ French companies										
▸ Foreign companies				91	-	-	-			-

(1) In local currency.

NOTE 23 FINANCIAL COMMITMENTS

23.1 Lines of credit

	2013	2012
Lines of credit granted by the Company to related companies	620,000	630,000
Drawdowns	(550,000)	(530,000)
AVAILABLE AT DECEMBER 31, 2013	**70,000**	**100,000**

These lines of credit expire in 2015 (€20,000 thousand) and 2016 (€600,000 thousand).

23.2 Currency futures

At December 31, 2013, the value in euros of the currency futures stood was as follows:

- currency to be received: 99 210
- currency to be delivered: 102 058

8.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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' Meeeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Compagnie Générale des Etablissements Michelin;
- 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, 2013 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 matters:

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.

These assessments were 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 verification 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 these 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 10, 2014

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Dominique Descours

The Statutory Auditors

8.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

For the year ended December 31, 2013

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 Établissements Michelin

Ladies and Gentlemen,

In our capacity as Statutory Auditors of your 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 which we or 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 the agreements and commitments already approved by the Shareholders' Meeting during the year.

We conducted the procedures we deemed necessary in accordance with professional standards applicable in France; those standards require that we check that the information provided to us agree with the relevant source documents.

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 10, 2014

PricewaterhouseCoopers Audit
Éric Bulle

Deloitte & Associés
Dominique Descours

The Statutory Auditors

8.5 STATEMENT OF CHANGES IN EQUITY

(in € thousands and € per share)	2013	2012
Net income		
Accounting profit		
Total: Net income/(loss)	302,985	465,119
Per share: Net income/(loss)	1.63	2.55
Recommended dividend		
Total	464,474	438,136
Per share	2.50	2.40

Statement of changes in equity *(in € thousands)*		2013	2012
A)	**1 - Equity at December 31, 2012**	**6,520,780**	**6,325,501**
	2 - Dividend approved by the Annual Shareholders Meeting	(447,559)	(386,812)
B)	**Equity at January 1, 2013**	**6,073,221**	**5,938,689**
C)	**Movements for the year:**		
	1 - Par value of shares issued during the year	6,466	5,075
	2 - Increase in paid-in capital in excess of par	133,107	111,897
	3 - Change in reserves	(3)	-
	4 - Net income for the year	302,985	465,119
	Equity at December 31, 2013 before dividends	**6,515,776**	**6,520,780**
E)	**TOTAL CHANGES IN EQUITY DURING THE YEAR**	**442,555**	**582,091**
F)	*Of which changes due to changes in Group structure*	-	-
G)	**TOTAL CHANGES IN EQUITY DURING THE YEAR EXCLUDING CHANGES IN GROUP STRUCTURE**	**442,555**	**582,091**

Notes:
C3 – Amounts transferred to the revaluation reserve during the year
C6 – Dividends on treasury shares credited to retained earnings

8.6 APPROPRIATION OF 2013 NET INCOME

(in € thousands)		
Amount to be appropriated		
Retained earnings brought forward from prior year		229,156
Net income for the year		302,985
Recommended appropriations		
Legal reserve	647	
Dividends	464,474 (1)	
Statutory share of income attributed to the General Partners	6,765 (1)	
Retained earnings	60,255	
TOTAL	**532,141**	**532,141**

(1) Subject to approval by shareholders at the Annual Meeting on May 16, 2014.

8.7 FIVE-YEAR FINANCIAL SUMMARY

(in € thousands and in € per share, unless otherwise specified)	2009	2010	2011	2012	2013
I - Capital at December 31					
a) Share capital	294,873	353,216	360,038	365,113	371,579
b) Number of common shares outstanding	147,436,357	176,607,845	180,018,897	182,556,713	185,789,643
II – Results of operations					
a) Net revenue	355,783	479,974	532,552	566,610	545,071
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	118,118	214,443	382,027	477,181	331,917
c) Income tax	974	29,187	21,646	(7,993)	12,741
d) Net income	115,592	184,932	360,146	465,119	302,985
III – Per share data					
a) Earnings per share after tax, before depreciation amortization and provision expenses (EBDA)	0.79	1.05	2.00	2.66	1.72
b) Basic earnings per share	0.78	1.05	2.00	2.55	1.63
c) Dividend per share	1.00	1.78	2.10	2.40	2.50 (1)
IV – Employee data					
a) Average number of employees	20	18	14	10	8
b) Total payroll	2,027	2,706	4,245	1,434	485
c) Total benefits	726	824	1,436	648	(119)

(1) Subject to approval by shareholders at the Annual Meeting on May 16, 2014.

9

ADDITIONAL INFORMATION

9.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND 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 (chapter 2 of this Registration Document) presents fairly the business and earnings performance and the financial position of the Company and the undertakings included 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, 2013 have been audited by the Statutory Auditors. Their report includes an observation on a technical matter. Their report is provided in section 7.2 of this Registration Document.

The consolidated financial statements for the year ended December 31, 2012, 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, 2011, 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 5, 2014.

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
92200 Neuilly-sur-Seine, France

Represented by Éric Bulle, Partner
Substitute Statutory Auditor, Pierre Coll, Partner, Pricewaterhouse Coopers 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 Dominique Descours, Partner
Substitute Statutory Auditor, BEAS,

195, avenue Charles-de-Gaulle,
92524 Neuilly-sur-Seine

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 2012 and 2013 by the Michelin Group to its Statutory Auditors.

2013 FEES TO THE STATUTORY AUDITORS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (CGEM)

	PricewaterhouseCoopers				Deloitte				Total			
	(in € thousand)		*(%)*		*(in € thousand)*		*(%)*		*(in € thousand)*		*(%)*	
Years 2013 and 2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Audit												
Statutory audits, opinions, reviews of standalone and consolidated financial statements												
▶ CGEM	285	214	7.2%	5.0%	245	214	7.9%	6.9%	530	428	7.5%	5.8%
▶ French subsidiaries	631	555	15.9%	12.8%	588	569	18.8%	18.4%	1,219	1,124	17.2%	15.2%
▶ Foreign subsidiaries	2,527	2,818	63.6%	65.2%	1,845	1,894	59.1%	61.2%	4,372	4,712	61.7%	63.6%
Other services directly linked to the statutory audit work												
▶ CGEM	-	-	0.0%	0.0%	-	-	0.0%	0.0%	-	-	0.0%	0.0%
▶ Subsidiaries	211	394	5.3%	9.2%	134	138	4.3%	4.5%	345	532	4.8%	7.1%
Sub-total Audit	**3,654**	**3,981**	**92.0%**	**92.2%**	**2,812**	**2,815**	**90.1%**	**91.0%**	**6,466**	**6,796**	**91.2%**	**91.7%**
Other services rendered by Auditors networks to subsidiaries												
Legal, tax and social	296	266	7.5%	6.2%	171	99	5.5%	3.2%	467	365	6.6%	4.9%
Others	21	73	0.5%	1.6%	137	180	4.4%	5.8%	158	253	2.2%	3.4%
Sub-total Others	**317**	**339**	**8.0%**	**7.8%**	**308**	**279**	**9.9%**	**9.0%**	**625**	**618**	**8.8%**	**8.3%**
TOTAL	**3,971**	**4,320**	**100.0%**	**100.0%**	**3,120**	**3,094**	**100.0%**	**100.0%**	**7,091**	**7,414**	**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.

9.3 2011 AND 2012 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, 2011 as well as the relevant Statutory Auditors' report contained in the Registration Document filed with AMF on March 1, 2012 (D.12-0124), pages 152 to 209 and 210 respectively.
- Consolidated financial statements for the period ended December 31, 2012 as well as the relevant Statutory Auditors' report contained in the Registration Document filed with AMF on March 1, 2013 (D.13-0094), pages 164 to 222 and 223 respectively.

10

ANNUAL SHAREHOLDERS MEETING OF MAY 16, 2014

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 entitled "Proposed resolutions submitted to the vote of shareholders of listed companies" (hereinafter referred to as the "MEDEF Guide" or the "Guide"), on which it worked in conjunction with the AFEP (French Association of Private Sector Companies), the ANSA (National Association of Joint Stock Companies) and various other parties.

This guide, which is currently available only in French, can be downloaded from the MEDEF website (www.medef.com/medef-corporate/publications).

Issued on December 19, 2013, the MEDEF Guide is specifically targeted at shareholders – especially individual shareholders and foreign institutional shareholders – with a view to helping them to understand the underlying issues in the resolutions presented for their approval and the related procedures as specified in French company law.

It covers all types of proposed resolutions that are typically included in the agendas for Annual Shareholders Meetings.

The Guide was prepared for use by joint stock companies (*sociétés anonymes*) governed by a Board of Directors. As Compagnie Générale des Établissements Michelin is a partnership limited by shares (*société en commandite par actions*), the Guide's recommendations must be adapted accordingly, in particular to reflect the existence of 2 distinct governance bodies, the Supervisory Board and Managing General Partners (the Company currently has one Managing General Partner, who is the Chief Executive Officer).

The Company considers the Guide's recommendations – as adapted to the Company's specific legal form – to be a useful supplement to the reports prepared by the Chief Executive Officer and the Supervisory Board on proposed shareholder resolutions, particularly those concerning authorizations to carry out corporate actions.

Consequently, for each such authorization to be submitted for approval at the May 16, 2014 Annual Shareholders Meeting, this report will refer 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

1st and 2nd resolutions

Approval of the Company financial statements for the year ended December 31, 2013

Appropriation of net income for the year ended December 31, 2013 and approval of the recommended dividend payment

The first and second resolutions concern approval of the Company's 2013 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 €302,984,561.29.

After (i) allocating €646,586.20 to the legal reserve to increase it to one tenth of the Company's capital and (ii) deducting €6,764,667.36 attributable to the General Partners in accordance with the bylaws, the balance of €295,573,307.73 plus €229,156,507.45 in retained earnings brought forward from prior years represents a total of €524,729,815.18 available for distribution to shareholders.

We are recommending paying a 2013 dividend of €2.50 per share.

Unlike last year, we are not proposing a dividend re-investment option in order to avoid the dilutive impact that results from allocating shares in payment of dividends.

In order to qualify for the dividend payment, beneficiaries must be shareholders of record at 12:00 pm on May 22, 2014 (the record date).

The ex-dividend date will be May 20, 2014.

The dividend will be paid as from May 23, 2014.

The amount of 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, 2013)

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, 2013 which show net income for the period of €302,984,561.29.

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, 2013 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 €302,984,561.29
- Amount appropriated to the legal reserve so that it represents one-tenth of the share capital €646,586.20
- Share of profits attributed to the General Partners in accordance with the bylaws €6,764 667.36
- Balance €295,573,307.73
- Plus retained earnings brought forward from prior years €229,156,507.45
- Total amount available for distribution €524,729,815.18

And resolves:

- To pay an aggregate dividend of €464,474,107.50 representing €2.50 per share
- To appropriate the balance of €60,255,707.68 to retained earnings

The dividend will be paid as from May 23, 2014.

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 progressive tax scale 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;
- 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 2012 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, 2013, 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 3 years were as follows:

Year	Total dividend payout *(in €)*	Dividend per share* *(in €)*
2010	314,361,964.10	1.78
2011	378,039,683.70	2.10
2012	438,136,111.20	2.40

* *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.*

3rd resolution

Approval of the consolidated financial statements for the year ended December 31, 2013

The purpose of the third resolution is to approve the consolidated financial statements for the year ended December 31, 2013, which show net income for the period of €1,127,445 thousand.

The Registration Document, the Annual and Sustainable Development Report and the Shareholders' Guide, which can be downloaded from the Corporate/Finance 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, 2013)

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, 2013 which show net income for the period of €1,127,445 thousand.

4th resolution

Related-party agreements

As no related-party agreements were entered into during 2013, 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 2013.

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, the Ordinary Shareholders Meeting approves said report and places on record that no such agreements requiring shareholder approval were entered into in 2013.

5th 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

In the fifth 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 represent less than 10% of the total shares outstanding at the time of the transaction(s). This authorization would supersede the previous authorization granted for the same purpose at the Annual Shareholders Meeting held on May 17, 2013 and would not be able to be used while a takeover bid is in progress. During 2013, the Company used the previous authorization to buy back 2,685,194 shares, of which 1,809,260 were cancelled in December, resulting in a corresponding capital reduction.

The increase in the maximum per-share purchase price compared with that authorized at the May 17, 2013 Meeting reflects the increase in the Company's share price during 2013.

This type of proposed resolution is explained in detail in Information Sheet 4 of the MEDEF Guide (*Share buybacks*), on page 42.

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 to buy back the Company's shares in accordance with Articles L. 225-209 *et seq*. of the French Commercial Code, 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 and the Company may not hold more than 10% of its own share capital at any time. The total number of shares 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.

The maximum amount that may be invested in the share buyback program, within the meaning of Article R. 225-151 of the French Commercial Code, is set at €2,601,054,400, corresponding to 18,578,960 shares bought back at the maximum purchase price per share of €140 and representing less than 10% of the Company's share capital at the date of this Meeting.

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) upon 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. 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 may 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 internalisers 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 internalisers 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 18 months from the date of this Meeting and supersedes the authorization granted for the same purpose in the seventeenth resolution of the Annual Shareholders Meeting held on May 17, 2013.

6th resolution

Advisory vote on the components of the compensation due or paid for 2013 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, as revised on June 16, 2013 (the AFEP/MEDEF Code).

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 paid for the 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;
- exceptional compensation;
- 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.

Consequently, on the recommendation of the Supervisory Board and with the approval of the Board and of the Non-Managing General Partner (SAGES), in the sixth resolution the Chief Executive Officer is asking shareholders to give a positive advisory vote on the components of the compensation due or paid for 2013 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 information shown is based on the standard tables provided in the AFEP/MEDEF Code which are set out in section 4.3.1 of the 2013 Registration Document).

Compensation due or paid for 2013	Amounts (or accounting value) submitted to shareholder approval *(in €)*	Presentation
Fixed compensation	900,000	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 Partners on April 24, 2012 based on the recommendation of CGEM's Compensation and Appointments Committee issued on February 6, 2012, and it remained unchanged in 2013.
Annual variable compensation	1,200,000 (1,150,000 + 50,000)	Based on the proposed profit-share allocation between the 2 General Partners, (SAGES and Mr. Senard) as provided for in the bylaws, Mr. Senard would receive a share of profit from CGEM amounting to €1,150,000. This amount has been reviewed by the Compensation and Appointments Committee and approved by the Supervisory Board. **Provisions in the bylaws related to the share of profits** In accordance with the system defined in Article 30 of CGEM's bylaws (see the excerpt in section 5.1.2 e) of the 2013 Registration Document and the full version of the bylaws on Michelin's website at www.michelin.com), and as has been the case since the system was put in place, the share of profits allocated to CGEM's General Partners (including the Chief Executive Officer) – must be approved by shareholders on an annual basis in the ordinary resolution related to the appropriation of net income. Article 30 states that the allocation between the 2 General Partners – *i.e.* Jean-Dominique Senard (Chief Executive Officer) and SAGES (Non-Managing General Partner) – shall be determined by the General Partners themselves, subject to the approval of the Supervisory Board concerning the amount allocated to Mr. Senard. The share of profit allocated to CGEM's General Partners corresponds to consideration for their unlimited joint and several personal liability for the Company's debts. Consequently, the share of CGEM's profits allocated to the General Partners for 2013 will be put to the vote at the Annual Shareholders Meeting of May 16, 2014 as part of the resolution concerning the appropriation of 2013 net income. Mr. Senard is Managing General Partner with unlimited personal liability of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM), which is the main holding company for the Michelin Group's international subsidiaries. A similar profit-share system is provided for in the bylaws of CFM, which is controlled by CGEM and is also a partnership limited by shares (*société en commandite par actions*). This system provides that in his capacity as Managing General Partner with unlimited personal liability for the debts of CFM, Mr. Senard should receive a share of profit estimated at €50,000 based on CFM's earnings. **Review by the Compensation and Appointments Committee** In the same way as it has done each year since 2007, the Compensation and Appointments Committee of CGEM's Supervisory Board has reviewed all of the components of the compensation due, paid or payable for 2013 to Mr. Senard, *i.e.* his fixed compensation awarded by MFPM, the share of profit allocated to him by CGEM and CFM as described above, and his fringe benefits (a company car). As part of this annual review, the Committee in particular verifies that all of the sums paid or allocated to the Chief Executive Officer are proportionate and consistent in terms of (i) the Group's performance, and (ii) industry and market practices. The Committee also ensures that the components of the Chief Executive Officer's compensation are balanced. To that end, the Committee (i) particularly assesses the variable portion of his compensation (profit-share allocation) in relation to his fixed compensation, and (ii) ensures that the aggregate amount of his share of profit does not exceed a reasonable percentage of his fixed compensation, in accordance with the recommendations in the AFEP/MEDEF Code. The Compensation and Appointments Committee also factors into its assessment of the amounts of Mr. Senard's share of profit, (i) the intrinsic variability of earnings, (ii) earnings forecasts, and (iii) the very specific nature of the status of a General Partner who has unlimited joint and several personal liability for the Company's debts.

Compensation due or paid for 2013	Amounts (or accounting value) submitted to shareholder approval *(in €)*	Presentation
Annual variable compensation		In early 2014, the Compensation and Appointments Committee and the Supervisory Board observed that in an environment shaped by uneven demand and stable sales volumes, Michelin performed very well in 2013, with: ▶ very strong free cash flow, at €1,154 million; ▶ the fourth straight year of value creation, with ROCE of 11.9%; ▶ structurally high operating income before non-recurring items, at €2,234 million, representing 11% of net sales and up €41 million at constant scope of consolidation and exchange rates; ▶ net debt scaled back to a historic low of €142 million, representing 2% of equity. The Committee and the Board also reviewed the results of a comparative analysis performed by an independent firm based on a benchmark panel of comparable French industrial groups. This analysis showed that: ▶ Mr. Senard's compensation is significantly lower than that of the corporate officers included in the benchmark panel; ▶ this difference is exacerbated by the fact that Mr. Senard does not have a long-term compensation component; ▶ Mr. Senard's entitlement under the group pension plan of which he is a member is considerably lower than market practices. The Committee also noted that Mr. Senard's overall compensation had not increased since he was appointed as Managing General Partner in 2011 despite the fact that the Group recorded very good performances in both 2011 and 2012. As a result, the Supervisory Board approved the recommendation put forward by the Compensation and Appointments Committee to offer Mr. Senard a significant increase in the fixed and variable components of his compensation as from 2013. However, in light of the restructuring measures put in place within the Group in 2013, Mr. Senard refused to accept an increase in his compensation for 2013. Based on the proposed allocation of share of profit between the 2 General Partners (Jean-Dominique Senard and SAGES), the compensation payable to Mr. Senard in 2014 for his duties as Chief Executive Officer and General Partner in 2013 would amount to €1,150,000. Mr. Senard's compensation for 2013 would also include: ▶ the fixed compensation (€900,000) paid by MFPM for Mr. Senard's role as Non-General Managing Partner of that company in 2013 (see table in section 4.3.1 b), which was set on January 1, 2012 and has remained unchanged since that date; ▶ a share of the profits of Compagnie Financière du Groupe Michelin "Senard et Cie" (CFM) as provided for in that company's bylaws (and which has decreased to an estimated €50,000), due to Mr. Senard for 2013 for his duties as Managing General Partner of CFM (see the table in section 4.3.1 b). Mr. Senard's total fixed and variable compensation due or paid for 2013 would therefore be on a par with that for 2012, at €2,100,000. **Approval by the Supervisory Board** In view of the findings of the Compensation and Appointment Committee's analysis, on February 6, 2014 the Board approved the total compensation due, paid or payable to Mr. Senard for 2013 by all Michelin group companies, as presented above.
Deferred variable compensation	N/A	No multi-year variable compensation
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
Valuation of fringe benefits	6,881	Company car
Benefits related to taking up office	N/A	No benefits paid for taking up office

Components of compensation due or paid for 2013 which have been submitted to 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	€0	In accordance with Article 13 of the bylaws, as amended by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard is 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 were not due to gross misconduct he may 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 compensation paid would not exceed the equivalent of Mr. Senard's total compensation (fixed and variable) for the 2 years preceding the year of his removal from office. This ceiling is also specified in Article 13 of the Company's bylaws. In accordance with the internal rules of both the Compensation and Appointments Committee and the Supervisory Board, the Committee would transmit to the Board its proposals relating to the determination and assessment of the performance criteria to be used for calculating the amount of the compensation payable. 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 2 years' compensation, as recommended in the AFEP/MEDEF Code. The key elements of this compensation for loss of office (*i.e.* its underlying principles and maximum amounts) were approved by shareholders at the Extraordinary Meeting on May 13, 2011 (eighth resolution).
Consideration for non-compete clause	€0	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 Managing General Partner. If the Company were to decide to apply this non-compete clause, for a 2-year period 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, as recommended in the AFEP/MEDEF Code, his aggregate severance package, including any non-compete consideration referred to above, did not exceed the equivalent of his last 2 years' aggregate compensation.
Supplementary pension benefits	€0	Mr. Senard is not a member of any pension plan set up specifically for corporate officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard is a member of the supplementary pension plan set up for MFPM senior executives, determined by reference to the fixed compensation paid to him by that company (reference compensation). The cost of this supplementary plan, which is not restricted to Non-General Managing Partners (corporate officers), is recognized as a liability in the balance sheet in accordance with IAS 19 – Employee Benefits. Its main characteristics are as follows: ▶ participants must have served for at least 5 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 for the 3 best years of compensation out of the last 5 years preceding Mr. Senard's retirement); ▶ the replacement rate including benefit entitlements under compulsory plans is capped at 35%. To be entitled to benefits under this plan, Mr. Senard must end his career with MFPM as an executive employee or corporate officer, in accordance with Article L. 137-11 of the French Social Security Code. Based on the general actuarial assumptions used to measure the Group's obligation in accordance with IAS 19, Mr. Senard's total benefit entitlement under the plans would represent a gross replacement rate of 11% of his reference compensation. As this reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2013 (fixed compensation and variable share of profit as stipulated in the bylaws), his actual gross replacement rate would be around one half of the above-mentioned replacement rate, and therefore well below the 45% ceiling recommended in the AFEP/MEDEF Code.

* *Unlike for joint stock companies (sociétés anonymes, or SAs) 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 SCA) 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 SAs concerning related-party commitments does not apply to SCAs 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 corporate officers", whereas this information is compulsory for SAs 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 the rules concerning public disclosures of the amounts and underlying principles relating to the compensation of the Company's corporate officers.

Review of the Chief Executive Officer's compensation as from 2014

Following the analyses performed and observations made in late 2013 concerning Mr. Senard's situation (see summary in sections 4.3.2 and 4.3.3 of the 2013 Registration Document) and at the request of the Supervisory Board, at its January 31, 2014 meeting, the Compensation and Appointments Committee once again reviewed the overall structure of the Chief Executive Officer's compensation.

Based on its review, the Committee recommended that Mr. Senard's fixed compensation be brought more in line with market practices.

Concerning Mr. Senard's variable compensation, the share of profit that he currently receives pursuant to the bylaws of the companies' concerned is based on earnings for the year and is therefore entirely contingent on the Group's annual financial performance. This means that the Chief Executive Officer's interests are already closely aligned with shareholders' short-term interests. However, in order to strengthen this link, the Committee recommended that the basis for calculating Mr. Senard's variable compensation be changed in 2 ways as from 2014.

First, it recommended that a portion of his share of profit be restructured so that the amounts payable to him in his capacity as Managing General Partner take into account performance criteria other than earnings. These new criteria – which would be assessed annually – could include criteria related to business growth, market share gains, level of overheads and movements in free cash flow.

Second, the Committee would like to set up a performance based multi-annual remuneration upon the profit-share system, assessed over a period of at least 3 years and based on additional performance conditions correlated with the Group's long-term strategy as expressed in the Ambitions 2020 objectives. These additional conditions could relate to Michelin's business growth and share performance.

If these changes were put in place it would mean that substantially all of the share of profit allocated to the Chief Executive Officer would depend on both earnings for the year and the achievement of other applicable criteria.

The Chairman of the Compensation and Appointments Committee and the Supervisory Board Chairman will present the above-described new compensation policy to the Company's shareholders at the Annual Shareholders Meeting on May 16, 2014, once it has been adjusted by the Committee and approved by the Non-Managing General Partner (SAGES).

Lastly, in line with Michelin's decision to apply the recommendation in the AFEP/MEDEF Code concerning shareholders' "say-on-pay", the above compensation components will be submitted to an advisory vote at the Annual Shareholders Meeting to be called to approve the 2014 financial statements.

Sixth resolution (Advisory vote on the components of the compensation due or paid for 2013 to Jean-Dominique Senard, Chief Executive Officer)

Having considered the report of the Supervisory Board and having noted the approval of the Non-Managing General Partner, the Ordinary Shareholders Meeting issues a positive advisory vote on the components of the compensation due or paid for 2013 to Jean-Dominique Senard, Chief Executive Officer, as presented in section 4.3.3 of the 2013 Registration Document.

7th, 8th and 9th resolutions: election and re-election of Supervisory Board members (including an employee representative member)

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, Laurence Parisot, Olivier Bazil, Pat Cox, Jean-Pierre Duprieu 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 2013 (91.6% 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 2013 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 2013 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 (almost all 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.

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 2013 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 2 Supervisory Board members and elect one new member to represent employees

The terms of office of 2 of the 8 current Supervisory Board members are due to expire at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ended December 31, 2013, namely Laurence Parisot and Pat Cox.

In addition, the Supervisory Board has decided to put forward a new candidate for election selected from among the Group's employees.

The Supervisory Board Chairman was in charge of reviewing the profiles of the Board nominees and selecting the final candidates.

The candidate selection process, the criteria applied by the Compensation and Appointments Committee and the Supervisory Board, and a presentation of each candidate are set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2014 Annual Shareholders Meeting and section 10.2 of the 2013 Registration Document) as well as in the Supervisory Board Chairman's report on the Board's work in 2013 (in section 4.5.1 of the 2013 Registration Document).

Following this process the Board unanimously decided to ask the Chief Executive Officer to recommend at the Annual Meeting that shareholders approve:

- the re-election of Laurence Parisot and Pat Cox (who did not take part in the Supervisory Board votes on their respective nominations);
- the election of Cyrille Poughon, a Group employee, as an additional member of the Board.

These Supervisory Board members would be elected/re-elected for a 4-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, 2017.

Seventh resolution (Re-election of Laurence Parisot as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting resolves to re-elect Laurence Parisot as a member of the Supervisory Board for a 4-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, 2017.

Eighth resolution (Re-election of Pat Cox as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting resolves to re-elect Pat Cox as a member of the Supervisory Board for a 4-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, 2017.

Ninth resolution (Election of Cyrille Poughon as a member of the Supervisory Board)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting resolves to elect Cyrille Poughon as a member of the Supervisory Board for a 4-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, 2017.

10th resolution

Supervisory Board compensation

Based on a recommendation by the Supervisory Board, and with the Board's approval, the Chief Executive Officer is asking shareholders to approve a resolution to increase the aggregate compensation allocated to Supervisory Board members (in the form of attendance fees) to an annual amount of €420,000.

The reasons for this recommended increase are set out in the Supervisory Board's report on the proposed resolutions (see the Notice of Meeting for the 2014 Annual Shareholders Meeting and section 10.2 of the 2013 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 €420,000 the aggregate annual amount of compensation allocated to Supervisory Board members, effective from January 1, 2014.

11th resolution

Authorization for the Chief Executive Officer to issue bonds

The purpose of the eleventh resolution is to authorize the Chief Executive Officer to issue up to €1 billion worth of bonds. This authorization would supersede the unused authorization granted for the same purpose and the same amount at the Annual Shareholders Meeting of May 11, 2012.

Eleventh resolution (Authorization for the Chief Executive Officer to issue bonds)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting:

- authorizes the issue(s) of bonds representing a maximum nominal amount of €1 billion or the foreign currency equivalent;
- grants the Chief Executive Officer full powers to carry out the issue(s) and to determine the related characteristics, amounts, terms and conditions;
- grants the Chief Executive Officer full powers, which may be delegated, to use this authorization, and notably to determine the characteristics, terms and dates of the issue(s).

This authorization shall be valid for a period of 26 months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

10.1.2 EXTRAORDINARY RESOLUTIONS

All of the proposed extraordinary resolutions relate to the renewal, on the same or similar terms, of the financial authorizations previously given by shareholders, which the Group requires in order to continue to implement its overall business strategy.

A general description of this type of resolution is provided in the Introductory Information Sheet of the MEDEF Guide entitled "*Authorizations granted by shareholders for the Board of Directors to carry out capital increases*", on page 44.

12th resolution

Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to the Company's shares, with pre-emptive subscription rights for existing shareholders

In the twelfth resolution, shareholders are invited 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.

The total nominal amount by which the Company's capital may be increased pursuant to this authorization would not exceed €130 million, representing less than 35% of the Company's current share capital, and the maximum aggregate nominal value of debt securities issued with immediate or deferred rights to the Company's shares would be €1.5 billion.

This percentage share capital ceiling is the same as that set in the unused authorization granted for the same purpose in the fourth resolution of the May 11, 2012 Annual Shareholders Meeting. The only change this year concerns the specific ceiling on the issuance of debt securities carrying rights to the Company's shares, which has been raised to €1.5 billion. The blanket ceiling on the issuance of all debt securities, with or without rights to the Company's shares, remains unchanged (see the nineteenth resolution).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.1 of the MEDEF Guide, entitled "*Authorizations to carry out capital increases with pre-emptive subscription rights for existing shareholders*", on page 47.

Twelfth resolution (Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to the Company's 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, 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*.– the Extraordinary Shareholders Meeting:

- authorizes the Chief Executive Officer to issue, on one or more occasions, shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares. 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;
- resolves 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 may not exceed €130 million, 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 in accordance with this authorization may notably consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, no preference shares or securities carrying rights to preference shares may be issued,
  - the aggregate nominal amount of debt securities issued under this authorization may not exceed €1.5 billion or the equivalent at the issue date in the case of securities denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - shareholders will 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 securities shall be non-transferable and non-tradable and that the corresponding securities 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 amount, price, timing and 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 where deemed appropriate by the Chief Executive Officer, (v) place on record the amount of the

capital increase(s) resulting from the subscription 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, 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 and supersedes any authorization previously granted for the same purpose.

13th resolution

Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to the Company's shares, through a public offer, without pre-emptive subscription rights for existing shareholders

In the thirteenth resolution, shareholders are invited to authorize the Chief Executive Officer to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders. 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 3 trading days preceding the issue pricing date, less a maximum discount of 5%.

The total nominal amount by which the Company's capital may be increased pursuant to this authorization would not exceed €37.15 million, representing less than 10% of the Company's current share capital, and the maximum aggregate nominal value of debt securities issued with immediate or deferred rights to the Company's shares would be €1 billion.

In the same way as in the twelfth resolution above, this percentage share capital ceiling is the same as that set in the unused authorization granted for the same purpose in the fifth resolution of the May 11, 2012 Annual Shareholders Meeting. The only change this year concerns the specific ceiling on the issuance of debt securities carrying rights to the Company's shares, which has been raised to €1 billion. However, the blanket ceiling on the issuance of all debt securities, with or without rights to the Company's shares, remains unchanged (see the nineteenth resolution).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.2 of the MEDEF Guide, entitled "*Authorizations to carry out capital increases without pre-emptive subscription rights for existing shareholders*", on page 50.

Thirteenth resolution (Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to the Company's 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, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135, L. 225-136 and L. 228-91 *et seq.*– the Extraordinary Shareholders Meeting:

- authorizes the Chief Executive Officer to issue, on one or more occasions, and through a public offer, shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares. 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;
- resolves:
  - 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 may not exceed €37.15 million, representing less than 10% of the Company's current share 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 the securities carrying rights to shares issued in accordance with this authorization may notably consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, no preference shares or securities carrying rights to preference shares may be issued,
  - that the aggregate nominal amount of debt securities issued under this authorization may not exceed €1 billion, or the equivalent in the case of securities denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - to waive shareholders' pre-emptive rights to subscribe any securities issued pursuant to this authorization,
  - that (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 NYSE Euronext Paris over the 3 trading days preceding the issue pricing date, less a maximum discount of 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,
  - 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) set the amount, timing, terms and conditions of the issue(s), which may be carried out on one or more occasions in France or abroad and/or in the international market, as well as the price in accordance with the above limits, (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 where deemed appropriate by the Chief Executive Officer, (v) place on record the amount of the capital increase(s) resulting from the subscription 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, 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 and supersedes any authorization previously granted for the same purpose.

14th 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 fourteenth resolution is to give the Chief Executive Officer a separate authorization to increase the Company's capital by issuing shares and/or securities carrying rights to shares through private placements.

This authorization would enable the Company to take advantage of the flexibility offered to rapidly raise funds from qualified investors within the meaning of the applicable regulations.

The securities would be placed exclusively with the categories of individuals and entities set out in Article L. 411-2-II of the French Monetary and Financial Code, *i.e.* (i) individuals or entities providing portfolio management services and (ii) qualified investors or a restricted group of investors, provided that they are acting on their own behalf.

Any capital increases carried out pursuant to this authorization would be included in the ceiling for issues without pre-emptive subscription rights for existing shareholders provided for in the thirteenth resolution.

This authorization would supersede the unused authorization granted for the same purpose and with the same share capital ceiling in the sixth resolution of the May 11, 2012 Annual Shareholders Meeting. The only change concerns the specific ceiling on the issuance of debt securities carrying rights to the Company's shares, which has been raised to €1 billion to align it with that set in the thirteenth resolution above. However, the blanket ceiling on the issuance of all debt securities, with or without rights to the Company's shares, remains unchanged (see the nineteenth resolution).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.3 of the MEDEF Guide, entitled "*Authorizations to carry out capital increases through private placements*", on page 53.

Fourteenth resolution (Authorization for the Chief Executive Officer to issue shares and/or securities carrying rights to the Company's 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, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135, L. 225-136 and L. 228-91 *et seq.* – as well as paragraph II of Article L. 411-2 of the French Monetary and Financial Code, the Extraordinary Shareholders Meeting:

- authorizes the Chief Executive Officer, to issue, on one or more occasions, 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. 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;
- resolves:
  - 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 may not exceed €37.15 million, 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,
  - that the securities carrying rights to shares issued in accordance with this authorization may notably consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, no preference shares or securities carrying rights to preference shares may be issued,
  - that the aggregate nominal amount of debt securities issued under this authorization may not exceed €1 billion, or the equivalent in the case of securities denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - that any issues of shares and/or securities carrying rights to shares carried out under this authorization shall be included in the ceilings set for such issues in the thirteenth resolution above,
  - to waive shareholders' pre-emptive rights to subscribe any securities issued pursuant to this authorization,
  - that (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 NYSE Euronext Paris over the 3 trading days preceding the issue pricing date, less a maximum discount of 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,
  - 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) set the amount, timing, terms and conditions of the issue(s), which may be carried out on one or more occasions in France or abroad and/or in the international market, as well as the price in accordance with the above limits, (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 where deemed appropriate by the Chief Executive Officer, (v) place on record the amount of the capital increase(s) resulting from the subscription 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, 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 and supersedes any authorization previously granted for the same purpose.

15th resolution

Authorization for the Chief Executive Officer to increase the number of securities to be issued in the event that an issue carried out either with or without pre-emptive subscription rights is oversubscribed

In the fifteenth resolution, shareholders are asked to authorize the Chief Executive Officer to increase the number of securities issued in the event that any issues carried out under the twelfth, thirteenth or fourteenth resolutions are oversubscribed.

The additional securities would not exceed 15% of the original issue amount and would be issued at the same price as for the original issue, subject to the ceilings set in the twelfth, thirteenth and fourteenth resolutions.

This authorization would supersede the unused authorization granted for the same purpose in the seventh resolution of the May 11, 2012 Annual Shareholders Meeting.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.6 of the MEDEF Guide, entitled "*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)*", on page 59.

Fifteenth resolution (Authorization for the Chief Executive Officer to increase the number of securities to be issued in the event that an issue carried out either 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, in accordance with Article L. 225-135-1 of the French Commercial Code, the Extraordinary Shareholders Meeting authorizes the Chief Executive Officer to increase the number of shares and/or other securities to be issued as part of a capital increase, carried out either with or without pre-emptive subscription rights under the twelfth, thirteenth or fourteenth resolutions. Any such additional shares and/or other securities (i) must be issued within 30 days of the end of the subscription period for the original issue, (ii) may not exceed 15% of the original issue and (iii) must be issued at the same price as for the original issue, subject to the ceilings set in the twelfth, thirteenth and fourteenth resolutions.

This authorization shall be valid for a period of 26 months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

16th 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 sixteenth resolution is to authorize the Chief Executive Officer to increase the Company's capital by up to €80 million by capitalizing reserves, income or additional paid-in capital.

This authorization would supersede the unused authorization granted for the same purpose in the eighth resolution of the May 11, 2012 Annual Shareholders Meeting.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.7 of the MEDEF Guide, entitled "*Authorizations to increase capital by capitalizing reserves*", on page 61.

Sixteenth 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, in accordance with Articles L. 225-129 and L. 225-130 of the French Commercial Code, the Extraordinary Shareholders Meeting:

- authorizes the Chief Executive Officer to increase the Company's capital, on one or more occasions, by a maximum of €80,000,000 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;
- resolves that if new shares are issued as part of a capital increase, 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;
- resolves 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 where deemed appropriate 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 and supersedes any authorization previously granted for the same purpose.

17th 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 for contributed assets

In the seventeenth resolution, shareholders are invited to authorize 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 for contributed assets.

The amount of any capital increase(s) carried out using this authorization would be included in the ceiling set in the thirteenth resolution and any shares issued in payment of contributed assets would be subject to an additional ceiling representing 10% of the Company's capital.

This authorization would supersede the unused authorization granted for the same purpose in the ninth resolution of the May 11, 2012 Annual Shareholders Meeting.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.5 of the MEDEF Guide, entitled "*Authorizations to increase capital in payment for contributed assets*", on page 57.

Seventeenth 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 for contributed assets)

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:

- authorizes the Chief Executive Officer to issue ordinary shares:
  - 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 will be based on the report of the appointed Transaction Appraiser (*Commissaire aux apports*) and may not exceed 10% of the Company's capital.

The amount of any capital increase(s) carried out using this authorization shall be included in the ceiling set in the thirteenth resolution above.

- resolves 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) set the terms and conditions of the issue(s), (ii) determine the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) place on record the valuation of the contributed assets, (iv) apply for the listing of the new shares where deemed appropriate by the Chief Executive Officer, (v) place on record the amount of the capital increase(s) resulting from the subscription of shares, (vi) carry out – directly or through a representative – all operations and formalities related to the issue(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.

This authorization shall be valid for a period of 26 months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

18th resolution

Authorization for the Chief Executive Officer to issue or sell shares to members of a Group Employee Shareholder Plan, without pre-emptive subscription rights for existing shareholders

The purpose of the eighteenth resolution is to authorize the Chief Executive Officer to issue or sell shares to members of a Group Employee Shareholder Plan. The aggregate par value of any shares issued would not exceed €7.4 million, representing approximately 2% of the Company's current share capital.

This authorization would supersede the unused authorization granted for the same purpose and subject to the same percentage share capital ceiling in the tenth resolution of the May 11, 2012 Annual Shareholders Meeting.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 6.3 of the MEDEF Guide, entitled "*Authorizations to carry out employee rights issues*", on page 75.

Eighteenth resolution (Authorization for the Chief Executive Officer to issue or sell shares to members of a Group Employee Shareholder Plan, 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:

- in accordance with 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, authorizes the Chief Executive Officer to issue shares, on one or more occasions, to members of an Employee Shareholder Plan of the Company or French or non-French entities related to the Company within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;

- resolves:
  - to waive the pre-emptive rights of existing shareholders to subscribe any shares to be issued under this authorization,
  - that the aggregate par value of the shares issued under this authorization may not exceed €7.4 million, 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,
  - that 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% on the average of the opening prices quoted for the Company's shares on NYSE 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 abolish this discount if he deems it appropriate, in order to take into account, *inter alia*, locally applicable tax, labor law or accounting restrictions,
  - that the Chief Executive Officer may also grant new or existing shares to employees free of consideration in place of the discount, in accordance with Article L. 3332-21 of the French Labor Code,
  - that the Chief Executive Officer may also grant to employees, free of consideration, new or existing shares and/or securities carrying rights to shares, in place of employer matching payments, subject to the limits set out in Article L. 3332-21 of the French Labor Code,
  - 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) set the amount, price and terms and conditions of the issue(s), (ii) determine whether the issue(s) may be subscribed directly by beneficiaries or through collective investment vehicles, (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 where deemed appropriate 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 subscription of shares, (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 and supersedes any authorization previously granted for the same purpose.

19th resolution

Blanket ceilings on issues of shares, securities carrying rights to shares, or debt securities

The purpose of the nineteenth resolution is to set a blanket ceiling of €130 million on capital increases to be carried out pursuant to the twelfth, thirteenth, fourteenth, fifteenth, sixteenth and seventeenth resolutions. This ceiling represents less than 35% of the Company's share capital, unchanged from the cap set in the unused authorization granted in the eleventh resolution of the May 11, 2012 Annual Shareholders Meeting.

The blanket ceiling for issues of debt securities, with or without rights to the Company's shares, that may be carried out under the eleventh, twelfth, thirteenth, fourteenth, fifteenth and seventeenth resolutions would be maintained at €2 billion, unchanged from the previous authorization.

An explanation of the ceilings set by shareholders for authorizations relating to corporate actions is provided in the Introductory Information Sheet of the MEDEF Guide, entitled "*Authorizations granted by shareholders for the Board of Directors to carry out capital increases*", on page 44.

Nineteenth resolution (Blanket ceilings on issues of shares, securities carrying rights to shares, or 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 the shares issued under the twelfth, thirteenth, fourteenth, fifteenth, sixteenth and seventeenth resolutions, either immediately or on conversion, exchange redemption or exercise of securities carrying rights to shares, may not exceed €130 million. However, 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 the Company's shares, issued under the eleventh, twelfth, thirteenth, fourteenth, fifteenth and seventeenth resolutions may not exceed €2 billion or the equivalent in the case of securities denominated 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 and supersedes any authorization previously granted for the same purpose.

20th resolution

Authorization for the Chief Executive Officer to reduce the Company's capital by canceling shares

In the twentieth 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 authorization Is being sought for a period of 18 months and would supersede the authorization granted for the same purpose in the second resolution of the May 17, 2013 Annual Shareholder Meeting, which was used to cancel 1,809,260 shares with a corresponding capital reduction (see the Company's press release issued on December 12, 2013 as well as section 5.5.7 b) of the 2013 Registration Document concerning the decision to cancel shares).

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.10 of the MEDEF Guide, entitled "*Authorizations to carry out capital reductions*", on page 67.

Twentieth resolution (Authorization for the Chief Executive Officer to reduce the Company's capital by canceling shares)

Having considered the reports 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 cancelled does not exceed 10% of the Company's capital,
  - charge the difference between the cost of the cancelled 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) following the cancellation(s) of shares 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 and supersedes any authorization previously granted for the same purpose.

21st resolution

Authorization for the Chief Executive Officer to grant new or existing shares to employees of the Company and other Group entities (excluding the Company's executive officers), subject to performance conditions and without pre-emptive subscription rights for existing shareholders

The authorization being sought in the twenty-first resolution would cover a period of 38 months and would supersede that given in the fifteenth resolution of the May 13, 2011 Annual Shareholders Meeting, which was used to carry out 3 performance share plans. As required by law, disclosures concerning these plans are provided in sections 5.5.5 a) and 5.5.5 b) of the 2013 Registration Document, including in the form of the table recommended in the AFEP/MEDEF Code.

In the same way as the resolution approved in 2011, the twenty-first resolution concerns the grant of new or existing shares, subject to performance conditions, to employees of the Company and of its French and non-French subsidiaries (other than the Company's corporate officers). The Chief Executive Officer would determine the list of grantees, the number of shares to be granted to each one and the grant criteria, based on the recommendation of the Compensation and Appointments Committee.

The Chief Executive Officer would not be eligible for any performance share grants carried out pursuant to this authorization.

The Chief Executive Officer would set the vesting period, which would be at least 3 years.

The performance criteria will be based on the Michelin objectives for 2020.

The number of performance conditions would be increased from 2 in previous plans, to 3, and even 4 for executives with the highest levels of responsibility, including members of the Executive Committee. The applicable conditions would be as follows:

- at least 2% average annual growth in consolidated net sales, based on like-for-like data, accounting standards and exchange rates. The average would be assessed over a rolling 3-year period from the year of grant (*e.g.* for performance shares granted in 2014 it would be calculated over 2014, 2015 and 2016);
- at least an average annual €150-million increase in consolidated operating income (before non-recurring items and based on like-for-like accounting standards and exchange rates). The average would be assessed over a rolling 3-year period from the year of grant (*e.g.* for performance shares granted in 2014 it would be calculated over 2014, 2015 and 2016);

- at least a 12% arithmetic average consolidated ROCE per year, based on like-for-like data and accounting standards. The average would be assessed over a 3-year rolling period as from the year of grant (*e.g.* for performance shares granted in 2014 it would be calculated for 2014, 2015 and 2016);
- at least an average annual 72% employee engagement level, determined on a consolidated, like-for-like basis. The average would be assessed over a 3-year rolling period as from the year of grant (*e.g.* for performance shares granted in 2014 it would be calculated for 2014, 2015 and 2016). Engagement levels, which reflect such factors as workplace satisfaction and employee determination to promote the Company, are measured by an annual satisfaction survey conducted by an independent firm.

The shares would only vest if the grantees were still with the Group at the vesting date, except in exceptional circumstances decided by the Chief Executive Officer or when early vesting is specifically permitted by law. The performance conditions would apply as follows:

- if the minimum performance condition is not met, no shares will vest;
- if the performance condition is met or if it is exceeded up to or beyond a predetermined ceiling, the shares will vest proportionally to the degree in which the condition was met or exceeded;
- for executives with the highest levels of responsibility, 25% of the shares granted would vest when each of the above 4 performance conditions are met;
- for other grantees, the ROCE performance condition would not apply. Between 25% and 75% of the shares granted would vest when the other 3 above-mentioned performance conditions are met, with the proportion increasing in line with the grantee's level of responsibility.

The number of shares granted under this authorization would not exceed 0.5% of the Company's capital at the date of this Meeting, *i.e.* 1,857,896 shares

A detailed explanation of this type of proposed resolution is provided in Information Sheet 6.2 of the MEDEF Guide, entitled "*Grants of free shares*", on page 72.

Twenty-first resolution (Authorization for the Chief Executive Officer to grant new or existing shares to employees of the Company and other Group entities (excluding the Company's corporate officers), subject to performance conditions and 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 new or existing 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 corporate officers, on the basis defined below, and whose vesting would be subject to the achievement of pre-defined performance conditions;
- that existing or new shares granted pursuant to this authorization may not represent more than an aggregate 0.5% 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 prepare the list of grantees, the number of shares granted and the grant criteria, and that the grants shall be subject to performance conditions set in agreement with the Supervisory Board;
- that the performance shares shall be subject to a vesting period set by the Chief Executive Officer, which must be at least 3 years and may be followed by a lock-up period set by the Chief Executive Officer for certain grantees;
- that the performance shares will vest before the end of the above vesting period and that all restrictions on their sale 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 issue new shares for the purpose of the performance share grant(s), the successive share issues carried out when the performance shares vest will be paid up by capitalizing reserves, income or additional paid-in capital, and that existing shareholders will waive their pre-emptive right to subscribe said shares;
- that the Chief Executive Officer shall have the broadest powers, within the above-defined limits and the limits set by 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 any applicable 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, and
  - 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 and supersedes any authorization previously granted for the same purpose.

22nd resolution

Powers to carry out formalities

The purpose of the twenty-second resolution is to give powers to carry out the formalities related to the Shareholders Meeting.

Twenty-second 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.

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 *(twelfth resolution)*	▶ shares: €130 million (less than 35% of current capital) ▶ other securities: €1.5 billion	26 months *(July 2016)*
Issuance of shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights *(thirteenth resolution)*	▶ shares: €37.15 million (less than 10% of current capital) ▶ other securities: €1 billion	26 months *(July 2016)*
Issue 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 *(fourteenth resolution)*	▶ shares: €37.15 million (1) ▶ other securities: €1 billion (1)	26 months *(July 2016)*
Increase in the number of securities to be issued under issues with or without pre-emptive subscription rights *(fifteenth resolution)*	15%, subject to the ceilings applicable for the issues concerned	26 months (July 2016)
Increase in the Company's capital by capitalizing reserves, income or additional paid-in capital *(sixteenth resolution)*	€80 million (less than 22% of current capital)	26 months *(July 2016)*
Issuance of shares for a stock-for-stock offer or in payment for contributed assets *(seventeenth resolution)*	€37.15 million (1)	26 months *(July 2016)*
Employee rights issue(s) *(eighteenth resolution)*	€7.4 million (less than 2% of current capital)	26 months *(July 2016)*
Blanket ceilings (2) *(nineteenth resolution)*	▶ shares: €130 million (less than 35% of current capital) ▶ other securities: €2 billion	26 months *(July 2016)*
Share cancellations *(twentieth resolution)*	10% of capital	18 months *(November 2015)*
Share buyback program *(fifth resolution)*	18.58 million shares at a maximum per-share purchase price of €140	18 months *(November 2015)*
Issuance of bonds *(eleventh resolution)*	€1 billion	26 months *(July 2016)*
Performance share grants *(twenty-first resolution)*	▶ 0.5% of capital ▶ Excluding the Chief Executive Officer ▶ Subject to performance conditions	38 months *(July 2017)*

(1) Included in the ceiling set in the thirteenth resolution (issuance through a public offer without pre-emptive subscription rights).
(2) These blanket ceilings apply to issues carried out pursuant to all of the authorizations sought except for share issues carried out under the sixteenth and eighteenth resolutions.

10.2 REPORT OF THE SUPERVISORY BOARD

To the shareholders,

You will find below our report to the 2014 Annual Shareholders Meeting, which primarily includes information concerning the election and re-election of members of the Supervisory Board.

10.2.1 RECOMMENDATIONS ON THE ELECTION AND RE-ELECTION OF SUPERVISORY BOARD MEMBERS

The terms of office of Laurence Parisot and Pat Cox are due to expire at the close of the May 16, 2014 Annual Shareholders Meeting.

As well as recommending the re-election of these 2 Supervisory Board members the Board is recommending that a Group employee be elected as an additional member.

In addition, Louis Gallois tendered his resignation as Supervisory Board member to the Chairman of the Board on February 11, 2014.

Mr. Gallois indicated that the evolution of his activities resulted in a charge to the extent that he was no longer able to pursue his commitment to Michelin as intensely as he would like.

This decision does not call into question the findings of the 2013 review of his independence as a member of the Board.

Because the resignation came so soon before the May 16, 2014 Annual Meeting, the Compensation and Appointments Committee will review future candidates for replacement afterwards, so as to conduct the selection procedure in the best possible conditions and in line with best practices, notably the recommendations of the AFEP/MEDEF Corporate Governance Code.

Re-elections

Laurence Parisot and Pat Cox have informed the other Supervisory Board members that they wish to stand for re-election.

Following a reorganization of the Board's work and a complete restructuring of its Committees, Laurence Parisot and Pat Cox joined the Compensation and Appointments Committee in 2013. To avoid any conflicts of interest, the Board therefore decided to review the situation of these 2 Board members without the involvement of the Compensation and Appointments Committee.

The main criteria used for the Board's review were the members' skills, experience, independence, 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 Laurence Parisot and Pat Cox, the Board notably considered:

- the advantages of re-electing them;
- the skills and experience that they bring to the Board;
- their availability and involvement in the work carried out by 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.

Laurence Parisot

Groupe Ifop Immeuble Millénaire 2 – 35, rue de la Gare 75019 Paris France

Laurence Parisot was born in 1959 and is a French national. She is Vice-Chairman of the Management Board of IFOP, a Director of BNP Paribas and Coface SA, and a member of the Supervisory Board of FIVE. Until July 2013 she was also President of the French employers' federation, the MEDEF.

Ms. Parisot owns 511 Michelin shares and has been a member of the Supervisory Board since 2005.

Following the latest review of the independence of its members, the Board classified Ms. Parisot 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 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 5 years;
- she is not a shareholder or a corporate officer of SAGES, which is one of Michelin's General Partners.

The Board examined Ms. Parisot's candidature for re-election for a 4-year term based on the above-mentioned criteria, and particularly took into account:

- her in-depth expertise in marketing, brand management policies and brand reputation strategy;
- her major contribution to the Board's work on the Group's overall corporate strategy;
- her strong knowledge of the business environment both in France and abroad.

On October 28, 2013, Laurence Parisot was appointed as Chairman of the Compensation and Appointments Committee as part of an overhaul of its organizational and membership structure. Ms. Parisot did not take part in the Supervisory Board's discussions or decision concerning her potential re-election.

Following the assessment process described above, the Supervisory Board decided to recommend Ms. Parisot's re-election for a 4-year term (with Ms. Parisot abstaining from the related vote).

Pat Cox

7 Maretimo Gardens East Blackrock County Dublin Ireland

Pat Cox was born in 1952 and is an Irish national. He is currently President of the European Parliament Former Members Association and European Coordinator for the Scandinavian-Mediterranean Corridor transportation infrastructure project.

He was formerly a Member of the Irish Parliament, President of the European Parliament, President of the European Movement International and a member of the European Advisory Councils of Pfizer and Microsoft.

Mr. Cox owns 259 Michelin shares and has been a member of the Supervisory Board since 2005.

The Board considers that Mr. Cox is an independent member. This is 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 5 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. Cox's candidature for re-election for a 4-year term based on the above-mentioned criteria, and particularly took into account:

- his contribution to the work carried out by the Board;
- his knowledge of the international environment and his geopolitical skills;
- his experience in European affairs;
- his personal involvement in humanitarian causes.

As part of the overhaul of the organizational and membership structure of the Compensation and Appointments Committee carried out in 2013, Mr. Cox was appointed as a member of the Committee at its meeting held on December 2 and 3, 2013. He did not participate in the decisions taken by the Supervisory Board in relation to his potential re-election.

In view of the above, the Supervisory Board decided to recommend that Mr. Cox be re-elected for a 4-year term (with Mr. Cox abstaining from the related vote).

As the new provisions of the Supervisory Board's internal rules state that Board members are required to hold a minimum of 400 Michelin shares, if he is re-elected Pat Cox will acquire the necessary remaining shares.

Election of an employee representative member of the Supervisory Board

_The French LSE Act

The French Act on Employment Security – Act 2013-504 of June 14, 2013 (the "LSE Act") introduced in application of a national inter-professional agreement dated January 11, 2013 – brought in new rules requiring companies to appoint employee representative members on their Boards of Directors or Supervisory Boards. A summary of the rules relating to partnerships limited by shares is provided below.

Article 9 of the LSE Act introduces a new Article (L. 225-79-2) to the French Commercial Code which provides that companies with Supervisory Boards are required to appoint (without the involvement of the Ordinary Shareholders Meeting) one or more employee representative members on their Boards, and that said members must have voting rights.

Boards with up to 12 members are required to have at least one employee representative member and Boards with more than 12 members are required to have at least 2 such members. However, specific rules apply to current members not elected by shareholders, who are not included in the calculation of the 12-member threshold.

The Supervisory Board is required to select one of the following methods for appointing its employee representative member(s): (i) election by employees of the Company and its French subsidiaries, (ii) nomination by the group or Company works council, (iii) nomination by the most representative trade unions, or (iv) when at least 2 members are being nominated, the nomination of one member using one of the methods described in (i) to (iii) above with the second member nominated by the European works council where such a works council exists.

An Extraordinary Shareholders Meeting must then be held before December 31, 2014 in order to amend the company's bylaws to incorporate provisions related to the selected appointment method. This Extraordinary Shareholders Meeting must be preceded by a consultation process with the employee representative bodies. The actual appointment of the employee representative member(s) concerned must then take place within 6 months of the Extraordinary Shareholders Meeting.

_Compagnie Générale des Établissements Michelin (CGEM) does not fall within the scope of application of the LSE Act

Joint stock companies (*sociétés anonymes*), partnerships limited by shares (*sociétés en commandite par actions*) and European companies whose shares may or may not be listed only fall within the scope of application of the LSE Act when they meet all of the following conditions:

- at the close of 2 consecutive financial years, at least 5,000 people were employed by the company and its French subsidiaries, or at least 10,000 people were employed by the company and its French and non-French subsidiaries;
- the company is legally required to set up a works council, *i.e.* in practice companies with more than 50 employees;
- the Board does not already have one or more members nominated by employees using a different representative system.

Subsidiaries do not have to appoint employee representative members on their Board when their parent company is already subject to the requirement.

Concerning Michelin, for many years now CGEM has had very few employees and has therefore not been required to set up a works council. Consequently, CGEM does not meet one of the above-listed criteria and is therefore automatically excluded from the scope of application of the LSE Act.

A voluntary application of the regime provided for in this Act would not be legally possible for CGEM because it would be an exception – without any legitimate legal grounds – to the principle that members of the Supervisory Board must be elected by shareholders.

Proposal by the Supervisory Board for the election by shareholders of an employee representative Board member

The Supervisory Board discussed this issue during several of its meetings and reviewed the situation in light of the main factors described below.

First, the Board noted that due to CGEM's specific characteristics – particularly the level of employee share ownership and its extremely low number of employees – it is not legally required to appoint a Supervisory Board member to represent the employees of the Company and/or its subsidiaries.

Moreover it would not be possible to put in place the voluntary system for appointing employee representatives on the Board as provided for in Article L. 225-27 of the Commercial Code because this system only applies to joint stock companies.

However, the Board expressed a wish for one of its members to be an employee, as this could only help to further the Michelin Performance and Responsibility approach (focused on sustainable development and corporate social responsibility). The appointment of an employee representative would also be in line with the "Moving Forward Together" program and the commitment to employee well-being and development, which is one of the Ambitions 2020 objectives announced in 2013 by the Chief Executive Officer.

Lastly, in agreement with the Chief Executive Officer, the Board felt that it would be good practice to take voluntary and pro-active measures to achieve the objective set in the LSE Act and reiterated in the AFEP/MEDEF Code, which for Michelin would mean having a representative of the Group's employees on the Supervisory Board of CGEM, the Group's parent company.

This position adopted by the Board will not, however, result in an exemption from the LSE Act requirements for Manufacture Française des Pneumatiques Michelin, which is a subsidiary of CGEM and the Group's main manufacturing company in France. Manufacture Française des Pneumatiques Michelin falls within the scope of application of the LSE Act and will therefore appoint an employee representative member of its Supervisory Board.

In order to respect the essential role that CGEM's shareholders play in electing members of the Supervisory Board, the Board ultimately decided to put in place a voluntary alternative process. Consequently, the Board has resolved that at the Annual Shareholders Meeting of May 16, 2014 it will put forward a Group employee for election to the Board.

The Board considered that the fairest and most effective process for selecting such a candidate would be for Executive Management to contact Michelin's most significant employee representative body at Group level. Therefore, the Chairman of the Board asked the Chief Executive Officer to request the secretary of Michelin's European Works Council, Cyrille Poughon, to stand for election as a Supervisory Board member at the Annual Shareholders Meeting. Mr. Poughon agreed to this request.

Cyrille Poughon

MFPM – 23, place des Carmes Déchaux - 63000 Clermont-Ferrand

Cyrille Poughon was born in 1975 and is a French national. He has 18 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 holds a higher-education diploma (BTS) in sales team management as well as a vocational diploma earned after successfully completing an internal training program within Michelin. He has also followed a number of other training courses, including in communications.

Mr. Poughon owns 24 Michelin shares.

Mr. Poughon's candidature has been examined by the Compensation and Appointments Committee, whose members interviewed him during the Committee meeting held on January 30, 2014. The criteria generally used for assessing candidates were, of course, adapted to the context of this particular situation and the main factors taken into account were:

- Mr. Poughon's international employee relations outlook, as evidenced by his numerous trips abroad and participation in several conferences in South America and Asia, notably on behalf of a trade union as part of international confederations;
- his knowledge of the manufacturing industry, thanks to his ongoing contacts with operations staff and his working relations with the Group's various employee representative bodies;
- his familiarity with the Group's organizational structure and committed involvement in his duties as secretary of Michelin's European Works Council.

The Chairman of the Compensation and Appointments Committee reported back to the Supervisory Board on its assessment process and recommended that Cyrille Poughon be put forward at the Annual Shareholders Meeting on May 16, 2014 for election as a new member of the Supervisory Board.

If he is elected, the attendance fees payable to Mr. Poughon will be determined proportionately to the date from which he takes up his seat on the Board. He will also gradually acquire the minimum number of Michelin shares he would be required to hold as a member of the Supervisory Board in accordance with the Board's internal rules.

At its meeting on February 6, 2014, the Supervisory Board decided to recommend that Cyrille Poughon stand for election as a new Supervisory Board member, and that Laurence Parisot and Pat Cox be re-elected.

Following 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

	2015	2016	2017	2018
Barbara Dalibard	X			
Anne-Sophie de La Bigne		X		
Jean-Pierre Duprieu		X		
Olivier Bazil			X	
Michel Rollier			X	
Laurence Parisot (standing for re-election at the 2014 Annual Shareholders Meeting)				X
Pat Cox (standing for re-election at the 2014 Annual Shareholders Meeting)				X
Cyrille Poughon (standing for election at the 2014 Annual Shareholders Meeting)				X
NUMBER OF EXPIRATIONS BY YEAR	**1**	**2**	**2**	**3**

10.2.2 OTHER RESOLUTIONS – APPROVAL OF THE FINANCIAL STATEMENTS, FINANCIAL AUTHORIZATIONS, INCREASE IN SUPERVISORY BOARD ATTENDANCE FEES

Concerning the other 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 2013.

We have no comments on the Statutory Auditors' report on the financial statements.

2013 was another year of progress for Michelin. Operating income excluding the currency effect rose to a record high, the Group created value for the fourth year in a row and, even more importantly, generated enough free cash flow to enable a historic reduction in debt.

This performance means that we can look to the future with a great deal of confidence.

Based on these results, the Supervisory Board approves the Chief Executive Officer's recommendation to set the dividend at €2.50 per share.

The Company wishes to renew its share buyback program based on a maximum purchase price of €140 per share, which is slightly higher than the price set under the current authorization in order to reflect the increase in the Michelin share price in 2013. An authorization to cancel shares bought back under the program is also being sought to replace the authorization granted in 2013 which was used by the Company during the year.

The Board is also recommending that the overall amount of compensation paid to members of the Supervisory Board (attendance fees) be increased in order to reflect:

- the fact that this amount was set 8 years ago;
- the requirement for Board members to be increasingly specialized and involved;
- the 37.5% increase in the number of Board and Committee meetings between 2006 and 2013; and
- the Board's higher workload following the extension of its responsibilities voted at the 2011 Annual Shareholders Meeting;

The Board is asking for the aggregate amount of attendance fees to be increased from €320,000 to €420,000 as from 2014 (*i.e.* for the attendance fees that will be paid in 2015).

In accordance with the Supervisory Board's internal rules (as amended in February 2014), a significant portion of the attendance fees allocated to its members will be contingent on their actual attendance at Board and Committee meetings.

The Board is also proposing a number of extraordinary resolutions which renew – on the same or very similar terms and with the same blanket percentage share capital ceilings – the financial authorizations granted at the May 11, 2012 Annual Shareholders Meeting, which continue to be required in order for the Group to implement its overall business strategy.

Lastly, shareholders will be asked to renew the authorization given at the May 13, 2011 Annual Shareholders Meeting to grant performance shares to Michelin employees (excluding corporate officers of the Company). These grants would be subject to new and supplementary performance conditions (see the presentation of the twenty-first resolution in the Chief Executive Officer's report), which have been reviewed and approved by the Compensation and Appointments Committee.

We recommend that shareholders adopt the proposals submitted for their approval by voting in favor of all of the ordinary and extraordinary resolutions.

February 6, 2014

Michel Rollier
Chairman of the Supervisory Board

10.3 STATUTORY AUDITORS' REPORTS

10.3.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR MARKETABLE SECURITIES WITH AND/OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

Combined Shareholders' Meeting of May 16, 2014 (12th, 13th, 14th, 15th and 17th 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 Partner to issue shares and/or marketable securities, which you will be asked to approve.

Your Managing Partner is seeking, on the basis described in their report, a 26-month authorization 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:

- issues of ordinary shares and/or marketable securities carrying rights, by any means, immediately or in the future, to existing shares or shares to be issued, with pre-emptive subscription rights for existing shareholders (12th resolution),
- issues of ordinary shares and/or marketable securities carrying rights, by any means, immediately or in the future, to existing shares or shares to be issued, with waiver of pre-emptive subscription rights for existing shareholders, through a public offer (13th resolution),
- issues of ordinary shares and/or marketable securities carrying rights, by any means, immediately or in the future, to existing shares or shares to be issued and/or debt securities, representing no more than 20% of the Company's capital per year, with waiver of pre-emptive subscription rights for existing shareholders, through an offer governed by paragraph II of Article L.411-2 of the French Monetary and Financial Code (14th resolution).
- issues of ordinary shares and/or marketable securities carrying rights to ordinary shares through an exchange offer for securities initiated by your Company or through contributions in kind made to your Company (17th resolution).

The aggregate nominal amount of shares likely to be issued immediately or in the future may not exceed € 130,000,000 under the 12th to 17th resolutions, bearing in mind that these issues shall be limited to € 130,000,000 under the 12th resolution and € 37,150,000 globally under the 13th and 14th resolutions.

The aggregate nominal amount of debt securities likely to be issued may not exceed €2,000,000,000 under the 11th, 12th, 13th, 14th, 15th and 17th resolutions, bearing in mind that these issues shall be limited to € 1 500,000,000 under the 12th resolution, and € 1 000,000,000 under each of the 13th and 14th resolutions.

These ceilings take into account the additional shares and/or marketable securities to be issued under the 12th, 13th and 14th resolutions in accordance with Article L.225-135-1 of the French Commercial Code, if shareholders also adopt the 15th resolution.

The Managing Partner is responsible for drawing up a report on the proposed issues in accordance with Articles R.225-113 *et seq.* of the French Commercial Code. Our responsibility 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 concerning the issues.

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 Partner'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 Partner, we have nothing to report concerning the proposed method of determining the issue price of the shares under the 13th and 14th resolutions, as described in the Managing Partner's report.

As the Managing Partner's report does not describe the method to be used to determine the issue price of shares under the 12th and 17th resolutions, we do not express a conclusion on the choice of calculation base.

As the final issue terms have not yet been set, we do not express a conclusion on the latter and, consequently, on the proposed waiver of shareholders' pre-emptive subscription rights under the 13th and 14th resolutions.

As required by Article R.225-116 of the French Commercial Code, we will issue a further report if and when the Managing Partner decides to use these authorizations to issue marketable and/or debt securities or to issue shares with waiver of pre-emptive subscription rights.

Neuilly-sur-Seine, February 10, 2014

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Dominique Descours

The Statutory Auditors

10.3.2 STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL INCREASE RESERVED FOR MEMBERS OF A COMPANY SAVING PLAN

Combined Shareholders' Meeting of May 16, 2014 (18th 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 Établissements 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 up to a maximum amount of €7,400,000, that is less than 2% of the current share capital, 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 (*Code du travail*).

Your Managing Chairman recommends that, based on his report and for a period of 26 months, 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 issuance 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 method 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 10, 2014

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Éric Bulle	Dominique Descours

The Statutory Auditors

10.3.3 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined shareholders' meeting of May 16, 2014 (20th 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 Établissements Michelin and pursuant to Article L. 225-209 of the French Commercial Code (*Code de Commerce*) concerning capital reductions carried out by canceling 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 powers 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 reasonable.

We have nothing to report concerning the reasons for and the terms of the proposed capital reduction.

Neuilly-sur-Seine, February 10, 2014

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Dominique Descours

The Statutory Auditors

10.3.4 STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT PERFORMANCE SHARES, EXISTING OR TO BE ISSUED

Combined Shareholders' Meeting of May 16, 2014 (21st 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 Établissements 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 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.

Your Managing Chairman recommends that, based on his report and for a period of 38 months, you authorize him to grant performance shares, existing or to be issued.

The Managing Chairman is responsible for preparing a report on the proposed transaction. Our role is to report to you on the information provided to you on the proposed transaction.

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 methods proposed and the information in the Managing Chairman's report comply with the applicable legal provisions.

We have nothing to report concerning the information in the Managing Chairman's report on the proposed authorization to grant performance shares.

Neuilly-sur-Seine, February 10, 2014

PricewaterhouseCoopers Audit
Éric Bulle

Deloitte & Associés
Dominique Descours

The Statutory Auditors

10.3.5 OTHER STATUTORY AUDITORS' REPORTS

The Statutory Auditors' reports to the Annual Shareholders Meeting of May 16, 2014 that are not presented below can be found in the following sections of this Registration Document:

- report on the Company financial statements: in section 8.3;
- special report on regulated agreements and commitments with third parties: in section 8.4;
- report on the consolidated financial statements: in section 7.2;
- report on the Chairman of the Supervisory Board's report on the Company's internal control and risk management procedures: in section 4.6.

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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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