2011
REGISTRATION DOCUMENT

MICHELIN
A better way forward

CONTENTS

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

2011 REGISTRATION DOCUMENT

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on March 1, 2012, 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 THE MANAGING PARTNERS

How was 2011?

Michel Rollier: In 2011, Michelin deployed its ambitious new 2011-2015 business plan, which is designed to drive a new phase of dramatic growth. We've completed its first year with a remarkable performance in an environment that varied widely as the months went by. Markets expanded in every region, but after a buoyant first half, car and light truck tire demand slipped back in line with its long-term trends. In the summer, the replacement truck tire market started a steep decline, particularly in Southern Europe. On the upside, demand for specialty tires was and remains very strong, notably in the mining and farm industries.

However, the most striking event of the year was the unprecedented run-up in commodity prices, especially natural rubber, which represented a record €1.75 billion in additional costs for Michelin. Nevertheless, our operating income exceeded €1.9 billion, or 9.4% of net sales, which topped €20 billion after gaining almost 16%. Our net income rose by 39% to a record high €1.46 billion, which has enabled us to recommend that shareholders at the May 11, 2012 Annual Meeting approve the payment of a dividend of €2.10 per share, compared with €1.78 last year.

Jean-Dominique Senard *Michel Rollier*

Jean-Dominique Senard: I'd like to emphasize that the robust sales growth was led by a solid marketing and sales performance, with a 6.7% increase in volumes, and a very firm, highly responsive pricing policy that brought in €2 billion. We successfully absorbed the massive upsurge in raw materials costs and improved our unit margin. Another highlight was the amount of our capital spending, which increased by 56% to €1.7 billion over the year. This was primarily due to faster commitment of our growth investments, which exceeded €1 billion. To finance them, we used the €526 million in free cash flow from operations and the €495 million in proceeds from the sale of our stake in Hankook. We therefore ended the year with a very solid balance sheet, which is a major advantage in the current environment. In three years, our net debt-to-equity ratio has been reduced from 84% to 22%.

What are your objectives for 2012 and beyond?

MR: Growth is expected to continue in 2012 in the new markets and in North America, but trends will be less favorable in Europe. We expect to see less of an impact from commodities, of around €300-350 million for Michelin. We will maintain our strong capital expenditure program, at around €1.9 billion. In this environment, we aim to hold sales volumes steady, while generating higher operating income and positive free cash flow. Volumes will return to growth in 2013.

JDS: In fact, we're aiming for at least a 25% increase in sales volumes over the 2011-2015 period, operating income of around €2.5 billion in 2015, positive free cash flow over the period and a return on capital employed of more than 9% each year. We'll invest around €2 billion a year. These are ambitious objectives, but we are confident in our ability to meet them.

What is your strategic vision?

JDS: At Michelin, we have chosen to work towards better mobility by delivering quality products and services, living our values and remaining masters of our fate thanks to our performance. Our strategic vision is built on four pillars that are supporting this better way forward.

The first pillar is our technological leadership, which we are going to maintain and reinforce. This will enable us to grow profitably despite two underlying trends in our business, which are the rising cost of raw materials and the application of increasingly strict safety and environmental legislation. The superior benefits we deliver in terms of safety, longevity and fuel efficiency are unanimously recognized and praised by carmakers and drivers alike. As regulations become stricter and raw materials and energy become more expensive, the quality of our products and services will become more valuable. We foresaw these developments and proactively introduced organizations that are boosting our innovative power by shortening development cycles and time-to-market.

The second pillar is growth. Every year, around 1.2 billion car and light truck tires are sold around the world, a figure that will rise to more than 2 billion in 2020. Over the same period, the number of truck tires sold will increase to 200 million from 120 million today. 70% of this growth will come from the new markets. To meet their strong demand, we're going to increase our production capacity by 50% by 2020, with three large plants already coming on stream in 2012 in Brazil, China and India and others to follow. We will also expand in mature markets, by driving further productivity gains, promoting the value of our products and enhancing our services. In every market, Michelin will capitalize on its close relationships with car and truck makers, dealers and motorists, on the development of its integrated and franchised dealer networks, and on its constantly enhanced range of customer services.

The third pillar is competitiveness. During the five years covered by the Horizon 2010 plan, we improved our productivity by 35%, while continuing to respect our values. This can be seen in our workplace safety performance, which today ranks us among the world's safest companies. We have to lock-in these gains, double in flexibility and further increase our productivity by more than 30% between 2010 and 2015 by deploying our continuous improvement process in every aspect of our business. With our new competitiveness program, we're once again aiming to generate €1 billion in gains over five years – €500-600 million in production, logistics and transportation, €200-300 million in overheads and information systems and around €200 million in raw materials used in production.

The fourth pillar is the commitment and the professionalism of our people. It is thanks to them that Michelin has become what it is today and it is with them that we will meet our objectives. Our Group's performance and each team member's professional success and development go hand in hand. Training, integrating and developing the many people who are joining us, especially in the new markets, and sharing our capabilities, expertise and values are challenges that are keeping us fully engaged.

What are your core strengths?

MR: Michelin has profoundly changed over the past six years, becoming not only more efficient and productive, but also more agile and offensive, capable of aligning itself very quickly around shared objectives. It has restored its margins and balance sheet, and is responding to emerging issues and challenges through the Michelin Performance and Responsibility process, which is celebrating its tenth anniversary in 2012 and still demonstrating its strength and vitality every day.

Among our many competitive strengths, I'd like to mention three.

First, the MICHELIN brand, which accounts for 70% of our sales. MICHELIN is the benchmark brand in the premium segment, which is growing faster than the overall market and in which we are growing faster still. MICHELIN is the preferred brand of upscale carbuyers, it delivers the technology carmakers want and its performance is recognized by specifiers. Our tires are excellent and we are positioned to keep them on the leading edge. These are solid advantages in nurturing sustainable leadership in a fast growing, profitable segment.

Another core strength is our leadership in every specialty radial market, with rankings of number one worldwide in earthmover and aircraft tires, number one in Europe in agricultural tires, with strong growth in the United States, and number one in mature markets in two-wheel tires. These businesses are very profitable, with an operating margin of more than 20% in 2011. They are providing us with sustainable growth and profitability over the very long term, particularly in the mining, energy and agricultural segments. In addition, the services we're developing for mining operators and airlines foreshadow emerging new business models.

Lastly, geographically, we enjoy an effective balance between the developed markets of Europe and North America, and we've launched an expansion dynamic in the growth regions, in line with trends in the global market. These markets accounted for 32% of consolidated net sales in 2011, a proportion that will continue to rise with the commissioning and ramp-up of major new capacity beginning in 2012. Michelin's exposure to growth is going to increase very significantly by 2015.

The handover of Michelin's leadership in February 2012 has been confirmed. What is the timetable?

MR: Jean-Dominique was elected Managing General Partner last May, and since then we've worked together to prepare my succession. The transition is now ensured. Michelin is geared up to meet the many challenges that are sure to arise in our new phase of dynamic growth. I will therefore recommend to shareholders at the May 11, 2012 Annual Meeting that I leave office at that date. If this recommendation is approved, from that day forward, Jean-Dominique will lead the Group alone, as Chairman, which I think is a good thing. In a company, there can be only one boss, and one boss alone.

This is especially the case now that our bylaws have been updated. Managing Partners now serve renewable four-year terms. The Supervisory Board must approve the re-election or removal of Managing Partners and the bylaws have been changed to formally recognize its responsibility for assessing the quality of their management. These changes will help to guarantee, now and in the future, the election and retention of competent leaders at Michelin's helm. In the eight years that Jean-Dominique has been working alongside me, I've come to appreciate his strategic qualities, ability to manage operations and natural team leadership. I know that he will be an excellent Chairman and that he will continue to proudly express Michelin's values and ambitions. He has my full and absolute confidence.

1

MICHELIN AT A GLANCE

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1.1. COMPANY PROFILE

Michelin holds forefront positions in every tire market [1] as well as in travel-related services.

Leveraging its technological lead, capacity for innovation, high-quality products and services, and powerful brands, the Group is pursuing a global expansion strategy and improving efficiency in every aspect of its business.

Its corporate mission is to secure its sustainable growth in order to help improve mobility and create value for customers, employees and shareholders.

- 115,000 employees (108,300 full-time equivalents).
- Net sales: €20.7 billion.
- 69 production facilities in 18 countries.
- Marketing operations in more than 170 countries.

1.1.1. A COMPREHENSIVE BRAND PORTFOLIO

- A global 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.
- Retread solutions.
- Product and service dealership networks.

MICHELIN			
BFGoodrich®	Kleber	Uniroyal	Warrior
Kormoran	RIKEN	TAURUS	TIGAR
MICHELIN Remix	RECAMIC	Michelin Retread Technologies	Pneu Laurent
Encore			
EUROMASTER	TCI Tire Centers	TYREPLUS	

1.1.2. PRODUCTS AND SERVICES YOU CAN TRUST

- **Tires** for cars, vans, trucks, farm machinery, handling, mining and construction equipment, motorcycles, scooters, bicycles, aircraft, subway trains, tramways and space shuttles, with innovative solutions tailored to widely varying expectations and conditions of use.

  184 million tires produced in 2011.
- **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 3,300 centers in 27 countries.
- **Car and truck driver assistance services** with Michelin OnWay and 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.

  10 million maps and guides published in 2011.

  950 million itineraries calculated by ViaMichelin.
- **Michelin Lifestyle products** developed in partnership with licensees: car and bike accessories, work, sport and leisure gear, and collectibles.

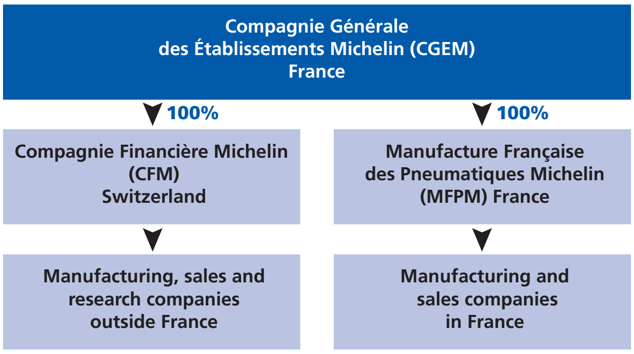
(1) With a 14.8% share of the global market by value according to Tire Business 2011 Global Tire Company Rankings.

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 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.

1.2. SUMMARY ORGANIZATION CHART

(At December 31, 2011)



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

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all of the Group's manufacturing, sales and research operations in France.
- Compagnie Financière Michelin (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 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.

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 Michelin (CFM), with its head office at Granges-Paccot, Canton of Fribourg (Switzerland). CFM is an intermediate holding company that also manages the Group's financing, sourced from banks and the financial markets.
1965	Inauguration of the Ladoux Testing and Research Center, north of Clermont-Ferrand.
1960s and 1970s	The Group's expansion gains new momentum with the construction of a large number of plants, first in France, then in other countries, and particularly in the Americas, beginning in the 1970s.
1980	The world's tenth largest tire manufacturer in 1960 and sixth largest in 1970, Michelin becomes the second largest, behind Goodyear, in 1980.
1981	Development of the Michelin X Air, the first radial aircraft tire. Start-up of operations in Brazil with two plants.
1984	Michelin develops the first radial motorcycle tire, which will be brought to market in 1987.
Beginning in 1985	Start-up of manufacturing operations in Asia through joint ventures.
1990	Acquisition of US tire manufacturer Uniroyal Goodrich, following Bridgestone's acquisition of Firestone in 1988.
1993	Michelin invents the new C3M tire manufacturing process.
1994	Launch of the fuel-efficient Energy tire lineup.
Beginning in 1995	Expansion in Eastern Europe.
2001	Positions strengthened in China with the creation of Shanghai Michelin Warrior Tire. Michelin develops the world's largest earthmover tire. Creation of the ViaMichelin travel assistance website.
2003	Introduction of the MICHELIN XeoBib, the first agricultural tire that operates at a constant low pressure.
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.

1.4. FACILITIES

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

1.4.1. 69 PRODUCTION FACILITIES IN 18 COUNTRIES

1.4.1.a) 58 Tire Production Facilities in 18 countries

— **Western Europe**

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES (1) (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
France	Avallon	Truck tires*	560	7,100
	Bourges	Aviation tires	517	3,100
	Cataroux (2)	Passenger car – Light truck tires	2,470	3,800
	Cholet	Passenger car – Light truck tires	1,319	63,700
	Combaude (2)	Truck tires*	1,042	12,800
	Gravanches (2)	Passenger car – Light truck tires	720	18,800
	La Roche-sur-Yon	Truck tires	644	69,700
	Le Puy-en-Velay	Earthmover tires	653	45,300
	Montceau-les-Mines	Earthmover tires	1,040	20,900
	Roanne	Passenger car – Light truck tires	939	40,300
	Tours	Truck tires	1,066	73,100
	Troyes	Agricultural tires	832	46,600
Germany	Bad-Kreuznach	Passenger car – Light truck tires	1,441	76,100
	Bamberg	Passenger car – Light truck tires	859	68,300
	Homburg	Truck tires	1,325	89,800
	Karlsruhe	Truck tires	798	52,500
	Oranienburg	Truck tires*	211	3,400
Spain	Aranda	Truck tires	1,203	145,400
	Lasarte	Two-wheel tires	579	9,000
	Valladolid	Passenger car – Light truck tires – Truck tires* – Agricultural tires	1,505	83,900
	Vitoria	Passenger car – Light truck tires – Earthmover tires	3,088	195,800
Italy	Alessandria	Truck tires	814	83,700
	Cuneo	Passenger car – Light truck tires	2,190	112,700
United Kingdom	Ballymena	Truck tires	911	79,200
	Dundee	Passenger car – Light truck tires	830	57,700
	Stoke on Trent	Truck tires*	1,015	5,100

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

Eastern Europe

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES (1) (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
Hungary	Budapest	Truck tires	484	37,900
	Nyiregyhaza	Passenger car – Light truck tires	947	13,200
Poland	Olsztyn	Passenger car – Light truck tires – Truck tires – Agricultural tires	4,349	181,700
Romania	Victoria	Passenger car – Light truck tires	1,104	32,700
	Zalau	Truck tires	1,194	34,400
Serbia	Pirot	Passenger car – Light truck tires – Two-wheel tires	2,116	55,300
Russia	Davydovo	Passenger car – Light truck tires – Truck tires*	796	12,800

North America

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES (1) (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
United States	Ardmore	Passenger car – Light truck tires	1,852	137,000
	Asheboro	Truck tires*	230	24,500
	Columbia-Lexington	Passenger car – Light truck tires – Earthmover tires	1,904	207,300
	Covington	Truck tires*	152	29,200
	Dothan	Passenger car – Light truck tires	534	45,400
	Fort Wayne	Passenger car – Light truck tires	1,622	117,100
	Greenville 1	Passenger car – Light truck tires	1,184	120,200
	Greenville 2	Passenger car – Light truck tires	373	17,900
	Norwood	Aviation tires	481	8,000
	Spartanburg	Truck tires	1,045	143,400
	Tuscaloosa	Passenger car – Light truck tires	1,449	89,400
Canada	Bridgewater	Passenger car – Light truck tires	1,187	58,200
	Pictou	Passenger car – Light truck tires	1,034	39,900
	Waterville	Truck tires	1,219	137,400
Mexico	Queretaro	Passenger car – Light truck tires	433	20,300

South America

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES (1) (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
Brazil	Campo Grande	Truck tires – Earthmover tires	2,750	119,700
	Resende	Passenger car – Light truck tires – Truck tires*	883	11,300
Colombia	Bogota	Truck tires	288	12,700
	Cali	Passenger car – Light truck tires	282	14,300

Asia (excluding India)

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES (1) (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
China	Shenyang	Passenger car – Light truck tires – Truck tires	2,835	67,800
	Shanghai	Passenger car – Light truck tires	2,426	53,900
Thailand	Laem Chabang	Passenger car – Light truck tires	1,808	69,900
	Nongkae	Truck tires – Aviation tires	1,810	63,900
	Phrapadaeng	Passenger car – Light truck tires – Truck tires – Two-wheel tires	1,441	43,000

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

— Africa India Middle East

COUNTRY	LOCATION	PRODUCTS	NUMBER OF EMPLOYEES [1] (AT DEC. 31, 2011)	MAXIMUM AVAILABLE CAPACITY (in tons/year)
Algeria	Hussein-Dey	Truck tires	741	9,400

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 DEC. 31, 2011)
France	Bassens	Synthetic rubber	367
	Golbey	Metal cables	546
	Vannes	Metal cables	544
Germany	Treves	Metal cables	91
Italy	Fossano	Metal cables	548
	Torino	Compounds	387
Romania	Zalau	Metal cables	1,195
United States	Anderson	Metal cables	913
	Louisville	Synthetic rubber	330
China	Shanghai	Metal cables	219
Thailand	Rayong	Metal cables	374

(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 Center

COUNTRY	LOCATION	TYPE
France	Carmes [1]	Headquarter
	Ladoux [1]	Research Center
	Paris Breteuil	*Free*
	Ota	Research Center
Spain	Almeria	Testing plant
United States	Greenville – HNA	American Headquarter
	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

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2.1. CHALLENGES AND STRATEGIC VISION

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. 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 1.6 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 (ICTs).

2.1.1.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.

2.1.1.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 used to overcome their rolling resistance. This is roughly the equivalent of one full tank out of every five for a car and one out of three for a truck. To limit the average increase in global temperatures to 2°C in 2100(1), 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.

2.1.1.c) More fuel-efficient 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 energy and non-renewable raw materials. In 2011, the cost of raw materials used in production represented 34% 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.

2.1.1.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 can also be used to transmit technical data that allow motorists to schedule servicing, drive more safely and use less fuel.

2.1.2. 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.

The MICHELIN brand has already demonstrated its power in Europe and North America, where we hold forefront positions, and its influence is growing in emerging markets, especially China. In the world, it accounted for 70% of the net sales in the Passenger Car and Light Truck Tire segment in 2011, 85% in Truck Tires and 95% in Specialty Tires.

2.1.2.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.

2.1.2.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.

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

What makes Michelin innovation different is its ability to deliver a balance of performance, that at once shortens braking distances, improves fuel efficiency (thereby shrinking the environmental impact) and increases tread-life. Maintaining this performance balance over time and simultaneously improving each aspect to offer the market's most competitive total cost of ownership represents the unique strength of MICHELIN tires, whose full value the Group intends to capture.

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.

2.1.2.c) A truly global player

Very early on, Michelin developed an exceptionally broad geographical presence, to the extent that today, we manufacture tires in 18 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 Western Europe, the United States and Canada, and the other markets. To fully leverage these strengths, extensive programs are underway to standardize processes and share best practices across the global organization.

2.1.2.d) A comprehensive range of tire solutions

Michelin is organized around three product lines – Passenger Cars 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 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.

2.1.2.e) A solid balance sheet

Following the successful €1.2-billion rights issue in October 2010 and the outstanding financial results in 2011, Michelin enjoys a robust balance sheet, with a net debt-to-equity ratio of 22% at December 31, 2011.This solid underpinning is crucial for the future, in order to guarantee our independence and to support our ambitious capital expenditure program.

2.1.3. 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

- Growth in sales volumes of at least 25% over the 2011- 2015 period.
- Operating income of around €2.5 billion in 2015.
- A more than 9% return on capital employed each year.
- Annual capital expenditure of around €2 billion.
- Positive free cash flow over the 2011-2015 period.
- A dividend payout rate of around 30% of consolidated net income, before exceptional items.

2.1.3.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 twenty years, our innovation programs have focused on delivering sustainable mobility solutions. Today, we are the world's leading manufacturer of fuel-efficient tires and are spearheading the move towards a product-service system, 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 innovative products and services.

With an annual R&D budget of nearly €600 million, 6,000 employees and a patent portfolio that has tripled in ten 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.

2.1.3.b) Driving faster growth

Michelin is investing more than ever in the MICHELIN brand, which expresses its commitment to quality and innovation, as evidenced by the worldwide advertising campaign deployed in 2010.

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.

The retread business is also being actively expanded in every market, both to encourage the market shift to radial tires (notably in India and China) and to demonstrate the value of the MICHELIN new tire casing, which in most cases is readily re-usable. To impel this growth, we are investing directly in retreading capacity in Europe, China and Russia, and partnering with franchisees (supplying the process and tread bands) in North America, Brazil, the Middle East and other geographies.

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. By 2015, we expect to have 1,000 Euromaster franchisees in Europe and 1,800 TYREPLUS Centers in fast-growing markets, building on the current TYREPLUS network of close to 1,200 outlets in ten countries.

2.1.3.c) Stepping up capital expenditure

With €1.7 billion invested in 2011, Michelin has returned to an active capital expenditure strategy. The program will be further expanded in the years ahead, with the commitment of nearly €2 billion a year from 2012 to 2015 on projects to:

- 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.

Three new high-capacity plants are currently under construction, to serve booming markets in South America, with the Pau Brasil car and light truck tire plant, in India, with the Chennai truck and earthmover tire plant, and in China, where car and truck tire capacity will be significantly boosted by the new Shenyang 2 plant. Built at a total cost of €2.8 billion, these three plants are scheduled for production start-up in 2012.

2.1.4. 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.

2.1.4.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.

2.1.4.b) A priority focus on supply chain and logistics projects

Backed by the powerful synergies between our supply chain, logistics, production and marketing teams, a transformation plan is underway to upgrade supply chains and logistics systems, in order to improve fulfillment rates, further reduce inventories and enhance manufacturing flexibility and responsiveness.

2.1.4.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 €500-600-million 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 the corporate support services are being closely tracked with the goal of reducing overheads by €200-300 million over the 2012-2016 period, thanks to the “Efficience” program.

Lastly, the cost of raw materials used in production is expected to decline by around €200 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.

2.1.4.d) An efficient manufacturing base

More than half of our passenger car and truck tires are manufactured in plants with annual capacity of at least 100,000 tonnes, or twice as many as in 2005.

Western Europe 32 plants 10 for car and light truck tires 12 for truck tires 7 for specialty tires 6 for components and semi-finished products	**North America** 17 plants 10 for car and light truck tires 4 for truck tires 2 for specialty tires 2 for components and semi-finished products	**Asia (excluding India)** 7 plants 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
Eastern Europe 8 plants 5 for car and light truck tires 3 for truck tires 2 for specialty tires 1 for components and semi-finished products	**South America** 4 plants 2 for car and light truck tires and 1 under construction 3 for truck tires 1 for specialty tires	**Africa India Middle East** 1 plant 1 for truck tires and 1 under construction

2.1.5. "MOVING FORWARD TOGETHER"

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

2.1.5.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 broad range 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.

2.1.5.b) Respect for people, the foundation of social cohesion

By making workplace safety a priority, 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.

2.1.5.c) Michelin Performance and Responsibility, a motivating process

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. The Michelin Performance and Responsibility process structures this corporate culture and coordinates our commitment to the principles of sustainable, balanced, responsible growth.

Integrated into every project and demonstrated in every aspect of the business by trained, highly involved teams, the process expresses our commitment to building growth on the long term and helping to address societal challenges by putting our values into practice.

The process is supported by the Michelin Performance and Responsibility Charter, a set of guidelines that is widely circulated within the organization. Following an internal diagnostic audit, ten major challenges were identified for priority action. Improvement targets were set for each one, managers were appointed and action plans were launched, backed by indicators to measure progress and performance. To maintain the improvement dynamic, the key areas for improvement and their indicators are constantly being adjusted and upgraded, depending on outcomes.

This structured, global approach has made it possible to deploy the Michelin Performance and Responsibility process in internal improvement initiatives and in our relations with partners and society as a whole. The commitment of 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 GLOBAL MARKET WORTH SOME $150 BILLION(1)

The global tire market totaled $152 billion(1) in 2010, with Light-vehicle tires accounting for 60% and Truck tires 30%(2). Worldwide volumes rose by slightly more than 4%(2) in 2011, representing more than 1.3 billion tires for cars and vans and 180 million for trucks and buses. Three out of four tires were sold in the replacement market.

New demand

Vibrant growth in the Asian and Latin American markets confirms that demand for mobility is accelerating in fast-growing economies. An estimated 76.1 million light vehicles(3) were produced in 2011, up from 69.9 million in 2010 and 57.5 million in 2009, with fast-growing markets out-producing mature markets for the first time. 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 new markets.

New expectations

In every market, climate issues and the end of cheap oil are forcing people to look for quick alternatives. Expectations are shifting and diversifying, driving an increase in demand in both the entry-level and premium segments.

In mature markets, where city cars account for a major portion of auto sales, the phase-out of scrapping subsidies drove an upturn in sales of premium models, as evidenced by the strong demand for SUVs in France and the 6% increase in the average weight of vehicles sold in Germany in 2011(3).

In developing markets, where cars symbolize success and freedom, demand is high for both affordable and luxury models.

Everywhere, consumer aspirations are converging on the importance of safety, low total cost of ownership and a small environmental footprint.

New standards

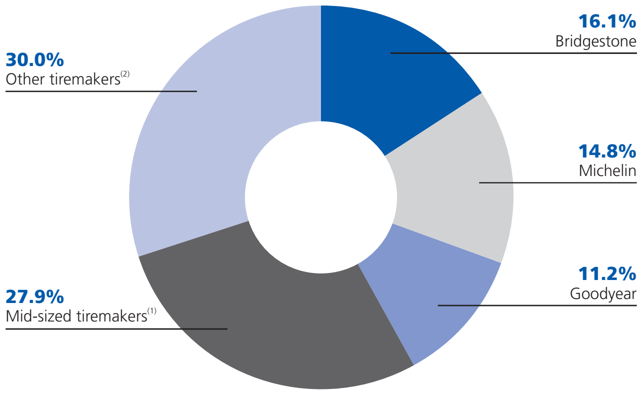
Carbon emissions standards are tightening for new vehicles in Europe, the United States and Asia. In the same way, tire standards are also becoming stricter. In Europe, tires will need to meet performance thresholds and carry a standardized label starting in November 2012. Similar regulations will be introduced in South Korea in late 2012, have been approved in the United States for 2013 and have been applied on a voluntary basis in Japan since 2010, before being extended to all tire segments during the year 2012.

These developments are good news for low rolling resistance tires, a segment in which Michelin is the global leader. Original equipment sales of these tires are expected to increase from 300 million units in 2010 to 500 million in 2020.

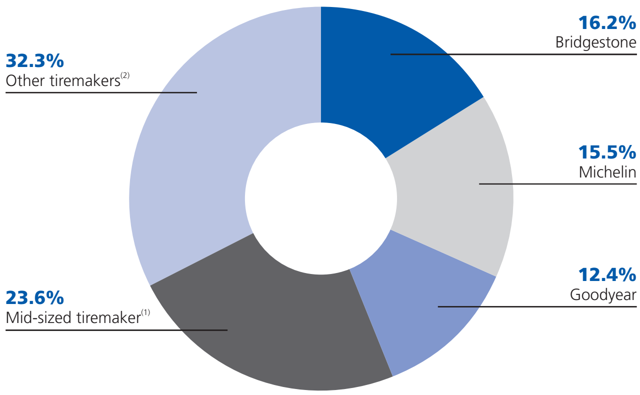
New approaches

The Michelin Challenge Bibendum, the global summit for sustainable mobility held in May 2011 in Berlin, brought together car and truck makers, academics, equipment manufacturers, energy suppliers, research institutes, public authorities and non-governmental organizations to forge a shared vision of tomorrow's safer, cleaner transportation. Tires play a key role in reducing fuel consumption and Michelin contributes directly to sustainable mobility by developing innovative solutions and breakthrough technologies, such as In-Wheel Motor assemblies.

THE GLOBAL TIRE MARKET BY MANUFACTURER



Source: 2010 sales in US dollars, published in Tire Business, August 2011.



Source: 2009 sales in US dollars, published in Tire Business, August 2010.

(1) Tiremakers with a 2-6% market share according to the Tire Business ranking.

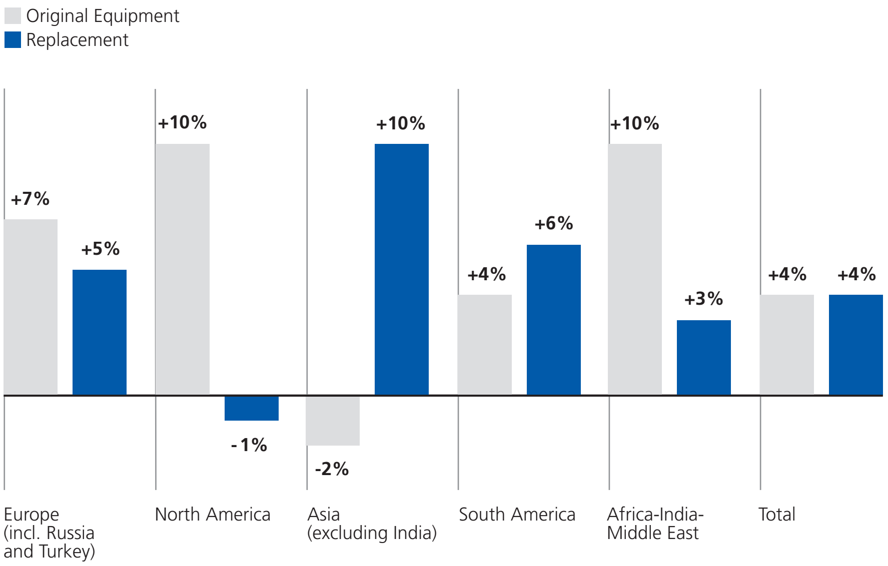
(2) Tiremakers with a less than 2% market share according to the Tire Business ranking.

(1) Source: Tire Business, August 2011.
(2) Michelin estimates.
(3) Source: PricewaterhouseCoopers.

In 2011, worldwide demand for tires generally remained strong in every region. After rising sharply in the first quarter, growth slowed to a pace more in line with long-term trends, with demand for truck tires turning downwards during the summer in a less favorable economic environment. Throughout the year, the market saw ongoing price increases by all tire manufacturers to offset sharply rising raw material costs.

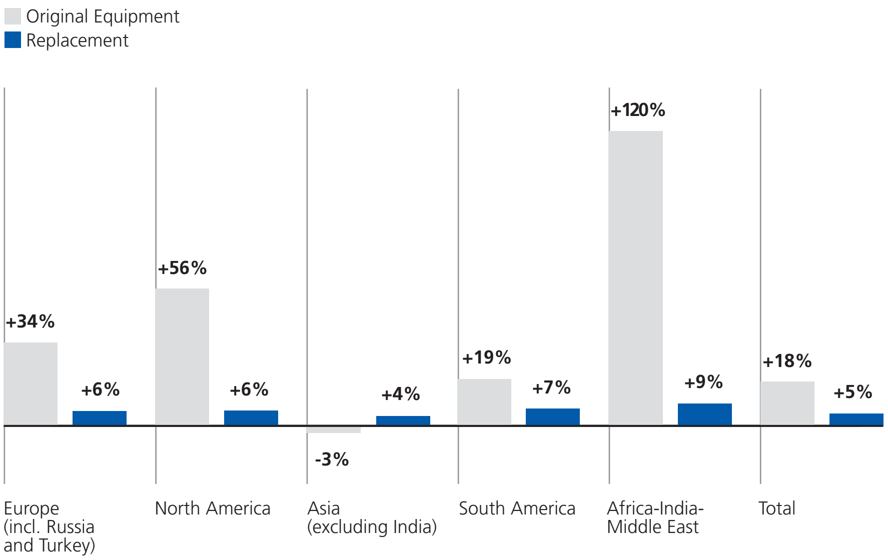
Methodological note: Tire market estimates reflect data published by local tiremaker associations, plus Michelin's own estimates of sales made by tire manufacturers that do not belong to any association, based on import-export statistics and expressed in the number of tires sold.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2011 VS. 2010



Source: Michelin estimates.

THE GLOBAL TRUCK TIRE MARKET, 2011 VS. 2010



Source: Michelin estimates – Radial tires.

2.2.2. PASSENGER CAR AND LIGHT TRUCK TIRES MARKETS

Passenger Car and Light Truck markets continued to grow in 2011, expanding by 4%. Excluding the impact of the natural disaster in Japan and of the flooding in Thaïland, original equipment demand remained robust throughout the year, but growth in the replacement segment began to slow after the summer.

2.2.2.a) Original equipment

PASSENGER CAR AND LIGHT TRUCK MARKETS ORIGINAL EQUIPMENT (in millions of tires)	2011	2010	2011/2010	2ND-HALF 2011/ 2ND-HALF 2010	1ST-HALF 2011/ 1ST-HALF 2010
Europe(1)	96.9	90.5	+7%	+6%	+8%
North America(2)	64.3	58.5	+10%	+15%	+5%
Asia (excluding India)	160.8	163.7	-2%	+1%	-5%
South America	21.6	20.7	+4%	+1%	+8%
Africa-India-Middle East	29.2	26.6	+10%	+7%	+13%
TOTAL	**372.8**	**360.0**	**+4%**	**+5%**	**+2%**

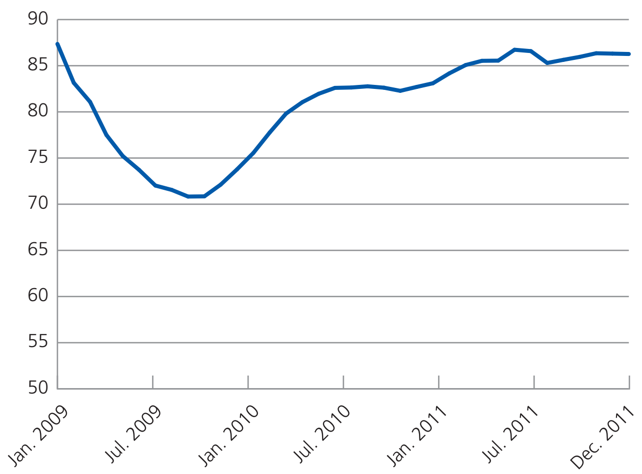
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.

Michelin estimates.

In Europe, tire demand slowed in the fourth quarter but ended the year up 7%, lifted by vehicle exports and the increased production of premium models.

THE EUROPEAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET

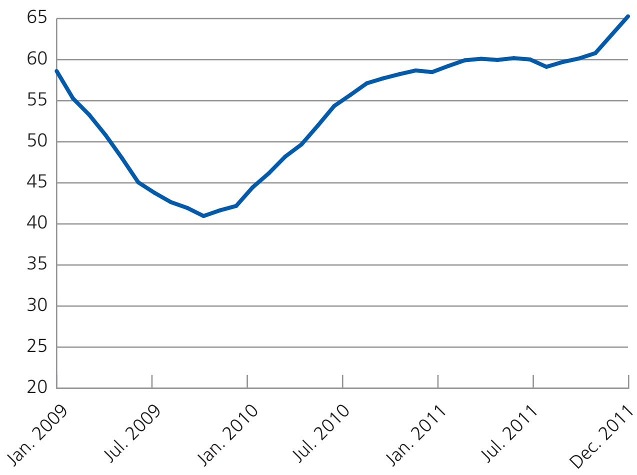
In millions of tires – moving 12 months – excluding Russia



Michelin estimates.

THE NORTH AMERICAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates.

Demand **in North America** rose by 10% for the year, despite the impact on car output of the shortfall in Japan-sourced parts and components in the second quarter.

In Asia (excluding India), demand retreated by 2% overall. It increased 2% in China but fell 14% in Japan, where the impact of the tsunami offset the relaunch of local automobile assembly plants, whose reramp-up was slowed by the flooding in Thailand in the fourth quarter.

South American markets were up 4%. Although the popularity of imports caused local automobile output to slow in mid-year, demand for cars and light utility vehicles is rebounding.

In the Africa-India-Middle East region, the original equipment market rose by 10%.

2.2.2.b) Replacement

PASSENGER CAR AND LIGHT TRUCK MARKETS REPLACEMENT (in millions of tires)	2011	2010	2011/2010	2ND-HALF 2011/ 2ND-HALF 2010	1ST-HALF 2011/ 1ST-HALF 2010
Europe(1)	338.2	321.0	+5%	+1%	+10%
North America(2)	263.1	266.3	-1%	-3%	+1%
Asia (excluding India)	213.0	194.4	+10%	+6%	+13%
South America	61.7	58.1	+6%	+5%	+8%
Africa-India-Middle East	90.7	88.1	+3%	+3%	+3%
TOTAL	**966.7**	**927.9**	**+4%**	**+1%**	**+7%**

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

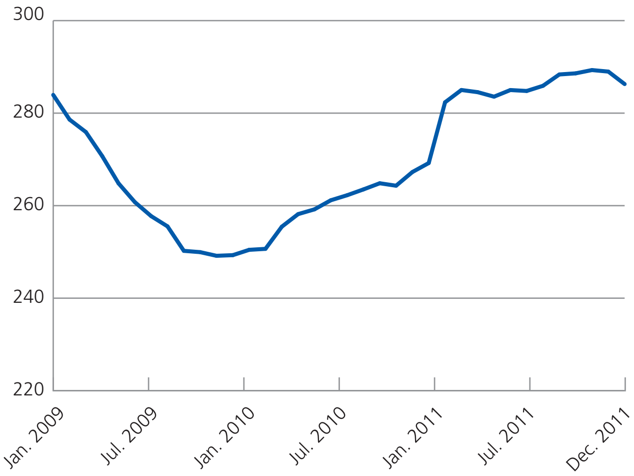
Michelin estimates.

Demand **in Europe** rose by 5%, lifted by partial dealer inventory buildup in first half ahead of announced price increases and by sustained winter tire sales. Despite the mild weather, demand for winter tires surged 18%, even though December volumes compared with a strong December 2010. The winter segment now accounts for 30% of the European market.

By country, the markets declined 5% in the United Kingdom, 9% in Spain and a smaller 1% in France, but rose 8% in Germany, 1% in Turkey and 2% in Italy. They remained very buoyant in the eastern EU countries (up 14% in Poland, 8% in Hungary and 28% in Romania) and in Eastern Europe (up 24%), including 27% growth in Russia, reflecting the favorable economic environment.

THE EUROPEAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months – excluding Russia

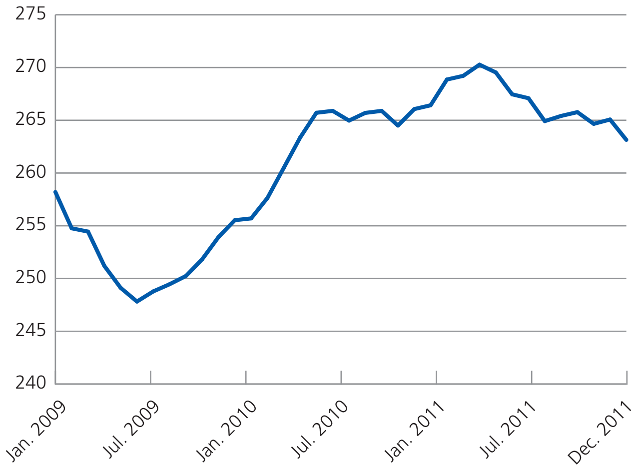


Michelin estimates.

In North America, demand contracted by 1% overall, dragged down by the decline in average miles driven, higher fuel costs and an uncertain economic environment. The market retreated 1% in the United States, 2% in Canada and 4% in Mexico. However, the winter, commercial and premium (V and Z speed rating) segments continued to expand.

THE NORTH AMERICAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates.

In Asia (excluding India), markets rose by 10% overall during the year. Demand in China rose by 19% despite government policies to manage growth. While slowing in the fourth quarter, the Japanese market ended the year up 7%, as dealers replaced inventory lost during the earthquake and tsunami. In South Korea, demand was dampened by the global economic uncertainty that is impacting the country's export-driven economy.

In South America, replacement markets continued to trend upwards, increasing by 6% overall during the year. The Brazilian market rose by 3%, led by the government's autumn initiatives to revitalize the economy and lower interest rates.

In the Africa-India-Middle East region the market grew 3% overall, lifted by a 9% increase in tire demand in India.

2.2.3. TRUCK TIRES MARKETS

In **Truck** markets, demand for radials was higher in every region, particularly in the OE segment (up 18%).

2.2.3.a) Original equipment

TRUCK MARKETS* ORIGINAL EQUIPMENT (in millions of tires)	2011	2010	2011/2010	2ND-HALF 2011/ 2ND-HALF 2010	1ST-HALF 2011/ 1ST-HALF 2010
Europe(1)	5.5	4.1	+35%	+15%	+61%
North America(2)	5.4	3.4	+56%	+50%	+64%
Asia (excluding India)	12.4	12.8	-3%	+7%	-11%
South America	2.9	2.4	+19%	+17%	+22%
Africa-India-Middle East	1.6	0.7	+120%	+125%	+115%
TOTAL	**27.8**	**23.4**	**+18%**	**+21%**	**+16%**

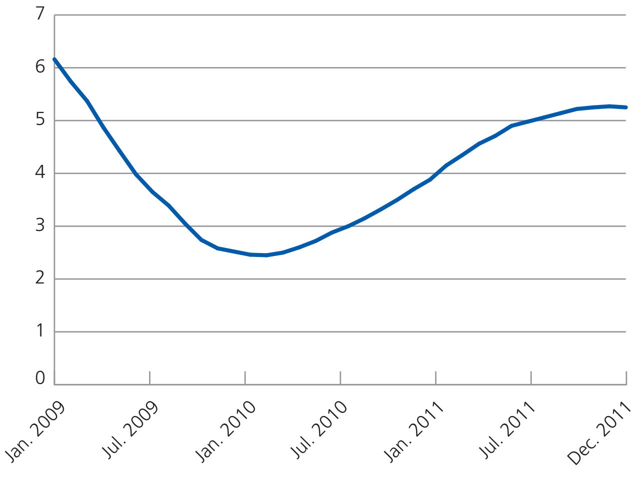
* Radial only.
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.

Michelin estimates.

In Europe, demand soared by a solid 35% in 2011, albeit against relatively weak prior-year comparatives, especially in the first half. Growth was supported by the manufacture of trucks for export. Note that prior-year comparatives gradually rose throughout the year.

THE EUROPEAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months – excluding Russia

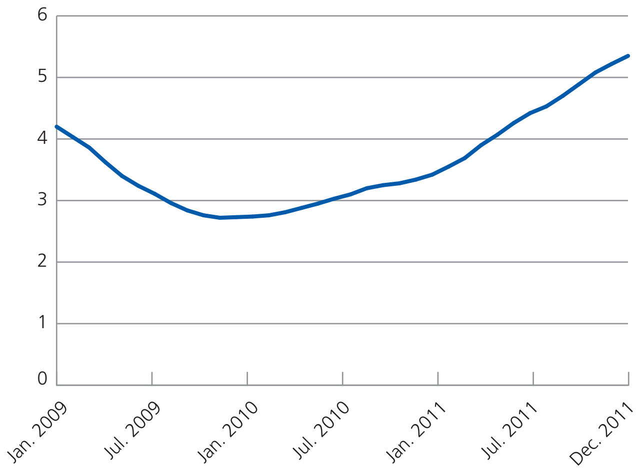


Michelin estimates.

The **North American** market enjoyed very robust 56% growth, which continued throughout the year, led by new truck sales to replace aging tractor units (averaging nine years old).

THE NORTH AMERICAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months



Michelin estimates.

In Asia (excluding India), demand fell by 3%, due mainly to a 5% contraction in the Chinese market that was triggered primarily by the slowdown in construction and by government measures to restrict the availability of credit. In Japan, the recovery from the tsunami was strong, enabling the market to post 12% growth for the year.

In South America, the OE market expanded by a strong 19%, led by truck purchases ahead of the planned change in heavy truck technical standards and by infrastructure projects in preparation for the 2014 FIFA World Cup and the 2016 Olympic Games, both of which will be hosted by Brazil.

In the Africa-India-Middle East region, the original equipment market surged by 120%, led mainly by India, but the gain should be kept in perspective given the market's still relatively small size.

2.2.3.b) Replacement

TRUCK MARKETS* REPLACEMENT (in millions of tires)	2011	2010	2011/2010	2ND-HALF 2011/ 2ND-HALF 2010	1ST-HALF 2011/ 1ST-HALF 2010
Europe[(1)]	17.4	16.5	+6%	-4%	+18%
North America[(2)]	19.5	18.4	+6%	-1%	+14%
Asia (excluding India)	43.2	41.7	+4%	+1%	+7%
South America	9.6	9.0	+7%	-1%	+17%
Africa-India-Middle East	11.9	11.0	+9%	+7%	+11%
TOTAL	**101.6**	**96.6**	**+5%**	**+0%**	**+12%**

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

Michelin estimates.

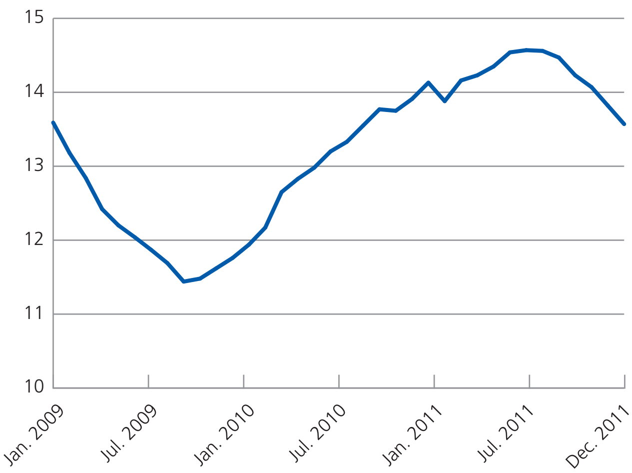
In Europe, the market ended the year up 6% overall, but while demand surged 18% in the first half, it slowed sharply in the second.

The first-half growth was led by dealer inventory rebuilding, in particular to beat announced price rises. As economic uncertainty increased in the second half, however, dealers cut back on purchases to keep inventory under control. In particular, the fall-off in demand in the final months of the year reflected a slowdown in freight transport as the economy cooled.

In Eastern Europe, tire markets, like the local economies, posted very strong gains in 2011, although growth slowed slightly in the fourth quarter. Overall, the markets expanded by 39% for the year, led by demand for radials.

THE EUROPEAN REPLACEMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months – excluding Russia

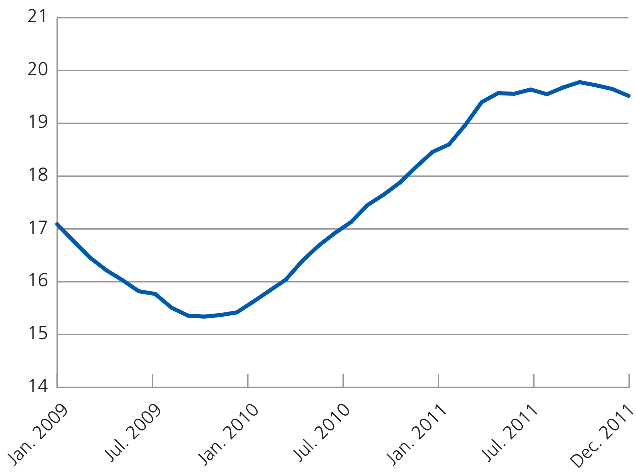


Michelin estimates.

In North America, demand increased by 6% overall on a very strong 25% rise in the first three months of the year. Growth then steadily slowed over the second and third quarters before finally turning down (by 6%) in the fourth. The freight market, however is continuing to trend upwards, and has now returned to its early 2008 record hights.

THE NORTH AMERICAN REPLACEMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months



Michelin estimates.

Markets **in Asia (excluding India)** continued to expand, increasing by 4% over the year.

In China demand rose by only 3%, held back by the slowdown in construction and government measures to tighten credit controls. After dipping slightly in mid-year, the market returned to growth in the fourth quarter.

In the ASEAN countries, growth held firm at a sustained 11%, despite the impact of flooding in Thailand. The run-up in natural rubber prices probably supported the market's shift to radial technology, which uses less rubber than cross-ply tires.

The Japanese market expanded by 6%, as dealers replaced inventory lost during the natural disaster. Demand was also stimulated by the government reconstruction plan.

Global economic uncertainties weighed on the highly export-driven South Korean economy, pushing the market down by 7% for the year.

In South America, demand expanded by a firm 7%, although the pace of growth declined quarter by quarter. The year also saw an increase in tire imports from Asia, as local currencies gained in strength.

While tire demand was up 5% overall, economic activity in Brazil slowed in the second half due to measures introduced to combat inflation and imports, as well as to the general worsening of the global economy. As a result of the second-half slowdown, dealer inventories ended the year slightly higher than usual. In Argentina, protectionist measures negatively impacted product availability, while in other countries in the region, markets trended upwards over the year.

Markets **in the Africa-India-Middle East region** expanded 9%, led by India (+54%) and the ongoing shift toward radials.

2.2.4. SPECIALTY TIRES MARKETS

Earthmover tires: The mining segment continued to enjoy sustained, double-digit growth in 2011, led by strong demand for ore, oil and gas in emerging economies. The market remains tight, especially for large tires, but the original equipment segment saw a sharp rebound and is close to its all-time highs. Global demand for tires used in infrastructure projects and quarries continued to trend upwards in both North America and Europe.

Agricultural tires: Global OE demand continued to recover, particularly in North America and Europe and especially in the high-powered farm machinery segment. The replacement market rose sharply in North America and continued to expand in Europe. Overall, the market expanded by 14%. Equipment manufacturers are reporting deep backlog in every region.

Two-Wheel tires: The motorized segments expanded during the year, particularly in North America. The only mature market to experience a decline was Japan, because of the tsunami. Demand in the emerging markets continued to grow, with a trend toward more powerful scooters and motorcycles.

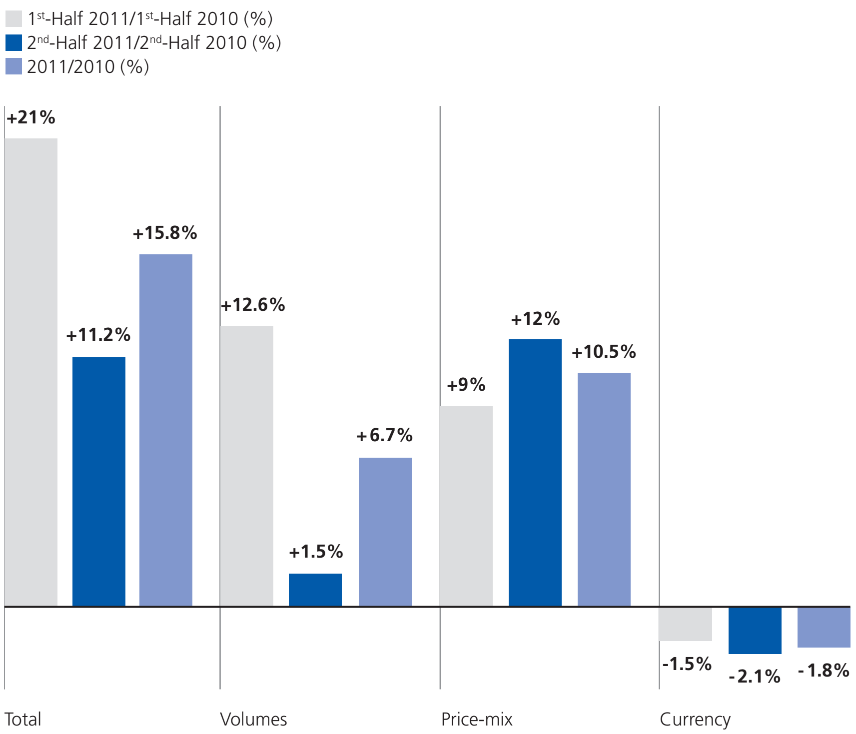
Aircraft tires: The commercial aviation market reflected continued growth in passenger numbers and improved load factors, particularly on long-haul flights. The freight market contracted in the second half of the year, while the military segment remained stable compared with 2010.

Note that markets for the other businesses, such as maps and guides, the ViaMichelin websites and the Michelin Lifestyle product range, are not described as they do not have a material impact on the Group's overall operations.

2.3. NET SALES

(in € million)	2011	2010	% CHANGE	2ND-HALF 2011	2ND-HALF 2010	% CHANGE	1ST-HALF 2011	1ST-HALF 2010	% CHANGE
Net sales	20,719	17,891	+15.8%	10,614	9,542	+11.2%	10,105	8,349	+21.0%

2.3.1. ANALYSIS OF NET SALES



In 2011, **consolidated net sales** amounted to €20,719 million, up 15.8% year-on-year at current exchange rates. Growth was led by the positive 10.5% impact from the price mix, which was entirely due to the sustained firm pricing policy and contractual price adjustments. The negative mix effect, which was barely material at €63 million, reflected the unfavorable impact of the steeper upturn in OE volumes while the segment mix continued to improve, especially in the Passenger Car and Light Truck segment.

The 6.7% increase from volume gains was primarily attributable to the Group's robust marketing performance, while demand remained generally strong throughout the year.

The 1.8% negative currency effect resulted from increases in the euro against nearly all of the operating currencies, especially the US dollar, the Turkish Lira and the Australian dollar.

(in € million and %)	2011/2010		2ND-HALF 2011/ 2ND-HALF 2010		4TH-QUARTER 2011/ 4TH-QUARTER 2010		3RD-QUARTER 2011/ 3RD-QUARTER 2010		1ST-HALF 2011/ 1ST-HALF 2010		2ND-QUARTER 2011/ 2ND-QUARTER 2010		1ST-QUARTER 2011/ 1ST-QUARTER 2010	
TOTAL CHANGE	**+2,828**	**+15.8%**	**+1,072**	**+11.2%**	**+580**	**+11.9%**	**+492**	**+23.8%**	**+1,756**	**+21.0%**	**+650**	**+14.7%**	**+1,106**	**+28.1%**
Volumes	+1,199	+6.7%	+143	+1.5%	-10	-0.2%	+153	+3.3%	+1,056	+12.6%	+406	+9.2%	+650	+16.5%
Price-mix	+2,012	+10.5%	+1,162	+12.0%	+594	+12.3%	+568	+11.9%	+850	+9.0%	+498	+10.3%	+352	+7.7%
Currency	-383	-1.8%	-233	-2.1%	-4	-0.1%	-229	-4.2%	-150	-1.5%	-254	-4.8%	+104	+2.1%

2.3.2. NET SALES BY REPORTING SEGMENT

(in € million)	2011	2011/2010	2ND-HALF 2011	2ND-HALF 2011/ 2ND-HALF 2010	1ST-HALF 2011	1ST-HALF 2011/ 1ST-HALF 2010
GROUP	**20,719**	**+15.8%**	**10,614**	**+11.2%**	**10,105**	**+21.0%**
Passenger car/Light truck and related distribution	10,780	+10.1%	5,528	+6.9%	5,252	+13.7%
Truck and related distribution	6,718	+18.3%	3,452	+10.9%	3,266	+27.3%
Specialty businesses[1]	3,221	+33.0%	1,634	+29.8%	1,587	+36.6%

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

In 2011, the responsive pricing strategy helped to drive growth in net sales across all reporting segments even as volumes slowed in the second half.

2.3.2.a) Passenger Car and Light-Truck Tires and Related Distribution – Analysis of net sales

In Europe, sales performance tracked the market in an environment that saw demand soften in the second half. Despite mild winter weather conditions, sales of winter tires ended the year sharply higher. The new MICHELIN Pilot Super Sport tire, engineered for sports sedans, was an immediate success.

In North America, total net sales (OE and replacement) reflected the strong performance by the MICHELIN brand. Sales were also up firmly **in South America,** led by the MICHELIN brand and despite tighter tire supply at the beginning of the year.

In Asia (excluding India), OE net sales were impacted by the sourcing problems experienced by certain carmakers after the Japanese earthquake. In the replacement segment, net sales reflected buoyant demand, the substantial price increases and the MICHELIN brand's market positions.

In the Africa-India-Middle East region, sales tracked the market.

In all, net sales in the Passenger Car and Light Truck Tires and Related Distribution segment stood at €10,780 million, up 10.1% on 2010.

The increase reflected the 3.9% rise in sales volumes, but more importantly the robust pricing dynamic maintained throughout the year. The MICHELIN Pilot Super Sport, MICHELIN Primacy HP and MICHELIN Alpin 4 tire ranges continued to enjoy strong sales.

In addition, the mix effect improved slightly, reflecting the impact of the relative growth in OE and Replacement sales and of the sustained improvement in the segment/speed rating mix.

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

In Europe, the primary focus was on offsetting the impact of higher raw material costs on operating income by gradually introducing price increases, which were generally tracked by the competition, albeit with a lag. Prices in the replacement segment were raised twice, while in the OE segment, contractual clauses allowed prices to be adjusted upwards.

In Eastern Europe, sales outpaced average market growth, lifted by the opening of the first retreading unit in the Davydovo plant, the quality of Michelin products and their brand reputation, and, above all, the shift in demand toward radials.

Sales **in North America** were tightly managed with a focus on margins, and more particularly on raising prices even at the risk of slightly eroding market positions.

Sales **in South America** ended the year sharply higher, nearly in line with the market, despite an increase in Asian imports and the introduction of customs barriers in a number of countries.

In Asia (excluding India), sales in China were in line with the market, reflecting the Group's ability to maintain market share. In Southeast Asia, product shortages and price increases slowed the strong momentum built up in the first half, while in Japan and South Korea, sales outperformed the market thanks to an upscale positioning and enhanced market access.

In the Africa-India-Middle East region, sales kept pace with the market. Market share in India is now large enough to attract the attention of dealers.

In all, net sales in the Truck Tires and Related Distribution segment amounted to €6,718 million, up 18.3% on 2010.

Sales volumes were resilient, ending the year up 5.8% after rising 15.6% in the first half thanks to purchases ahead of announced price increases. The Group successfully launched the MICHELIN X® MultiWay™ 3D, Europe and the X® MultiWay™ XZE Brazil ranges, which set the new benchmark in multi-purpose truck tires used by regional transporters. The year also saw the continued development of the Michelin Commercial Service Network for truck fleets in the United States and sustained demand for the MICHELIN X One tire.

The mix effect reflected the impact of faster growth in original equipment than in replacement sales.

2.3.2.c) Specialty Businesses – Analysis of net sales

Earthmover tires: Net sales in the earthmover market were sharply higher than in 2010, led by a solid increase in sales volumes. The application of contractual indexation clauses based on raw materials prices had a positive effect on Mining segment prices in the second half, while higher commodity prices were also passed in the Infrastructure and OE segments. Sales rose in all segments, reaching and sometimes exceeding 2008 levels, enabling Michelin to strengthen its positions on every continent.

Agricultural tires: Net sales of agricultural tires were substantially higher than in 2010, in line with the increase in volumes. Growth was especially robust in the OE segment, where the Group is keeping up with demand, in particular from North American manufacturers of powerful farm equipment. Replacement business was especially strong in South America, Russia and Ukraine.

Two-Wheel tires: Thanks to the outstanding success of the Pilot Road 3, the first motorcycle tire to integrate X Sipe Technology, which offers better grip in the wet, Michelin maintained its market positions and delivered higher net sales for the year. Inroads continued to be made in the North American, Southeast Asian and Brazilian markets, while sales operations have begun in India.

Aircraft tires: Although impacted by exchange rate fluctuations, net sales were slightly higher across every segment. The contract to supply tires to the US Air Force was renewed and Michelin was the only tire maker approved to supply tires for China's COMAC 919 narrow-body airliner.

The **ViaMichelin** websites set a new record with more than 400 million visits during the year. In a now-mature market, the Group further diversified its portfolio to meet fast-growing demand for map applications used by cellphones and onboard vehicle systems. Launched in 2010 with the travel.viamichelin website, the shift will continue in early 2012 with the Michelin Restaurants search portal and its corresponding smartphone application.

The **Maps & Guides** business is pursuing new developments in its roadmaps, tourist guides and MICHELIN Guide operations.

During the year, ViaMichelin and the Maps & Guides business were merged into a single organization, Michelin Travel Partner.

In all, net sales in the Specialty Businesses totaled €3,221 million, a 33.0% increase over 2010 that reflected both a 22.4% surge in volumes and the ability to pass on higher raw materials costs to customers.

2.3.3. CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales rose by 15.8% in 2011.

This reported growth included a €383 million negative currency effect, due mainly to fluctuations in the euro against the US dollar, the Turkish Lira and the Australian dollar.

AVERAGE EXCHANGE RATE	2011	2010	% CHANGE
Euro/USD	1.393	1.327	+5.0%
Euro/CAD	1.377	1.367	+0.7%
Euro/MXN	17.253	16.759	+2.9%
Euro/BRL	2.323	2.332	-0.4%
Euro/GBP	0.868	0.858	+1.2%
Euro/JPY	110.926	116.157	-4.5%
Euro/CNY	8.998	8.981	+0.2%
Euro/THB	42.451	42.021	+1.0%

2.3.4. NET SALES BY REGION

(in € million)	2011	2011/2010	2ND-HALF 2011	1ST-HALF 2011
GROUP	**20,719**	**+15.8%**	**10,614**	**10,105**
Europe	8,832	+15.0%	4,382	4,450
including France	*2,107*	+8.7%	1,016	1,091
North America (incl. Mexico)	6,942	+12.9%	3,713	3,229
Other	4,945	+21.8%	2,519	2,426

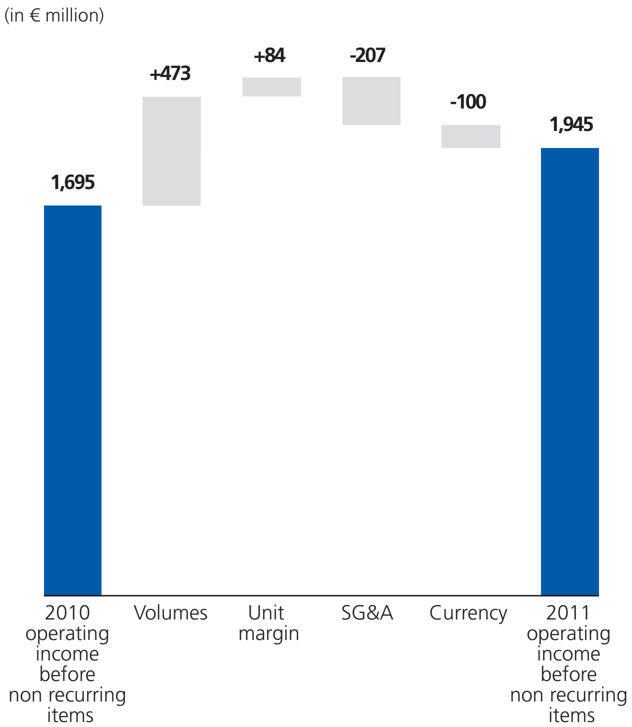
(in € million)	2011	% OF TOTAL	2010	% OF TOTAL
GROUP	**20,719**		**17,891**	
Europe	8,832	42.6%	7,682	42.9%
including France	*2,107*	*10.2%*	*1,939*	*10.8%*
North America (incl. Mexico)	6,942	33.5%	6,148	34.4%
Other	4,945	23.9%	4,061	22.7%

Consolidated net sales improved in every geography, but at a faster pace in new markets, which accounted for 34% of 2011 tonnages sold, *versus* 33% in 2010 and 27% in 2007.

2.4. CONSOLIDATED INCOME STATEMENT REVIEW

(in € million, except per share data)	2011	2010 REPORTED	2011/2010	2011 (% of net sales)	2010 (% of net sales)
Net sales	**20,719**	**17,891**	**+15.8%**		
Cost of sales	(14,821)	(12,403)	+19.5%	71.5%	69.3%
Gross income	**5,898**	**5,488**	**+7.5%**	**28.5%**	**30.7%**
Sales and marketing expenses	(1,942)	(1,847)	+5.1%	9.4%	10.3%
Research and development expenses	(592)	(545)	+8.6%	2.9%	3.0%
General and administrative expenses	(1,385)	(1,237)	+12.0%	6.7%	6.9%
Other operating income and expenses	(34)	(164)	-79.3%	0.2%	0.9%
Operating income before non-recurring income and expenses	**1,945**	**1,695**	**+14.7%**	**9.4%**	**9.5%**
Non-recurring income and expenses	-	-	-	-	-
Operating income	**1,945**	**1,695**	**+14.7%**	**9.4%**	**9.5%**
Cost of net debt	(206)	(236)	-12.7%	1.0%	1.3%
Other financial income and expenses	236	10	+2,260.0%	1.1%	0.1%
Share of profit from associates	21	29	-27.6%	0.1%	0.2%
Income before taxes	**1,996**	**1,498**	**+33.2%**	**9.6%**	**8.4%**
Income tax	(534)	(449)	+18.9%	2.6%	2.5%
Net income	**1,462**	**1,049**	**+39.4%**	**7.1%**	**5.9%**
• Attributable to the shareholders of the Company	1,462	1,048	+39.5%	7.1%	5.9%
• Attributable to non-controlling interests	-	1	NM		
Earnings per share (in €)					
• Basic	8.14	6.78	+20.1%		
• Diluted	7.97	6.64	+20.0%		

2.4.1. ANALYSIS OF CONSOLIDATED OPERATING INCOME BEFORE NON-RECURRING ITEMS



Consolidated operating income before non-recurring items amounted to €1,945 million or 9.4% of net sales in 2011, compared with €1,695 million and 9.5% in 2010. No non-recurring items were recognized during the year.

The €250 million improvement in operating income before non-recurring items included:

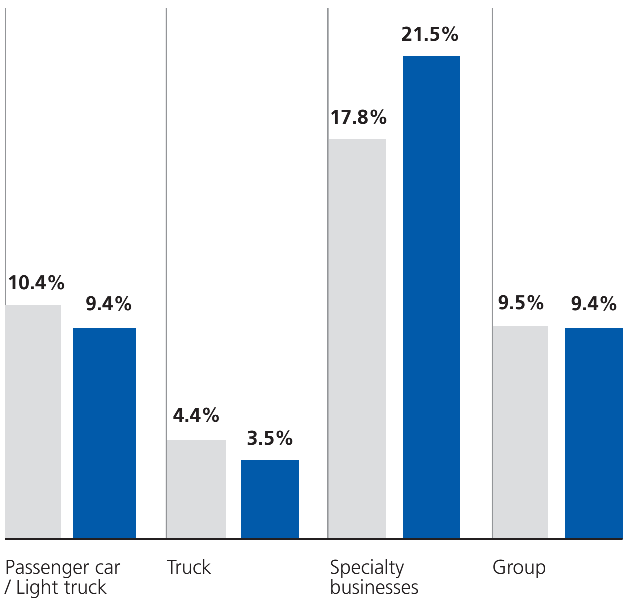
- a €473 million increase from the 6.7% growth in sales volumes;
- an €84 million increase from the improvement in unit margins that included:
  - the €2,012 million favorable impact of the price mix (including €2,075 million from higher prices), which offset the €1,748 million negative impact of higher raw materials costs. Note that the strategy of raising prices to maintain operating income diluted operating margin as a percentage of sales. For example, excluding the impact of this dilution since 2007, operating margin would have stood at 10.8% in 2011,
  - the €62 million favorable impact of productivity gains,
  - the €190 million negative impact of inflation on salaries, energy costs and other expenses,
  - the €56 million negative impact of start-up costs,
  - other favorable factors (€4 million);
- a €207 million negative impact related to costs that included:
  - the €105 million negative impact of research, development & process engineering, communication and other expenditures to drive growth in new markets.
  - the €69 million negative impact of inflation,
  - other unfavorable impacts totaling €33 million;
- a €100 million negative currency effect.

Note that by reducing employee benefits expense, the change in the method of accounting for actuarial gains and losses on pension obligations increased reported 2010 operating income by €56 million.

2.4.2. OPERATING INCOME BEFORE NON-RECURRING ITEMS BY REPORTING SEGMENT

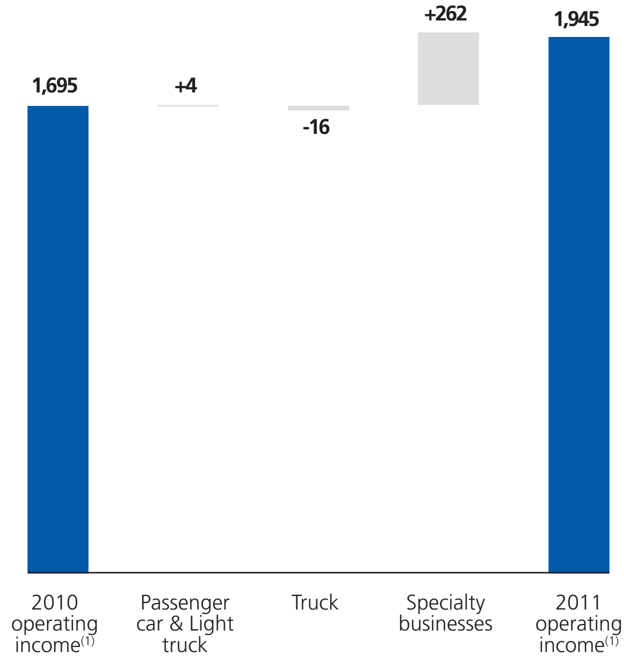
(in € million)	2011	2ND-HALF 2011	1ST-HALF 2011
Passenger car/Light truck and related distribution			
Net sales	10,780	5,528	5,252
Operating income before non-recurring items	1,018	483	535
Operating margin before non-recurring items	**9.4%**	**8.7%**	**10.2%**
Truck and related distribution			
Net sales	6,718	3,452	3,266
Operating income before non-recurring items	233	118	115
Operating margin before non-recurring items	**3.5%**	**3.4%**	**3.5%**
Specialty businesses			
Net sales	3,221	1,634	1,587
Operating income before non-recurring items	694	373	321
Operating margin before non-recurring items	**21.5%**	**22.8%**	**20.2%**
Group			
Net sales	20,719	10,614	10,105
Operating income before non-recurring items	1,945	974	971
Operating margin before non-recurring items	**9.4%**	**9.2%**	**9.6%**

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

(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)	2011	2010	2011/2010	2011 (% of Group total)	2010 (% of Group total)
Net sales	10,780	9,790	+10.1%	52%	55%
Operating income before non-recurring items	1,018	1,014	+0.4%	52%	60%
Operating margin before non-recurring items	9.4%	10.4%	-1pt		

Operating income from the Passenger Car and Light Truck Tires and Related Distribution business amounted to €1,018 million, unchanged from 2010, and 9.4% of net sales, reflecting the following factors:

- a 3.9% increase in sales volumes, led by the strong performance of the MICHELIN brand;
- the highly favorable impact of the price mix, supported by price increases introduced during the year and improvements in the segment, geographic and brand mixes, which together more than offset the unfavorable impact of higher raw materials costs;
- the negative impact of the increase in expenditures committed to drive future growth;
- the negative impact of the euro/dollar exchange rate.

2.4.2.c) Truck Tires and Related Distribution – Analysis of operating income before non-recurring items

TRUCK AND RELATED DISTRIBUTION (in € million)	2011	2010	2011/2010	2011 (% of Group total)	2010 (% of Group total)
Net sales	6,718	5,680	+18.3%	32%	32%
Operating income before non-recurring items	233	249	-6.4%	12%	15%
Operating margin before non-recurring items	3.5%	4.4%	-0.9pt		

Operating income before non-recurring items from the Truck Tires and Related Distribution business amounted to €233 million or 3.5% of net sales in 2011.

The decline compared with 2010 may be explained by:

- the favorable impact of successive price increases introduced during the year, which fully offset the increase in raw materials costs;
- higher sales volumes, which lifted operating income before non-recurring items by 5.8%;
- the negative mix effect resulting from faster growth in OE sales *versus* Replacement sales;
- the impact of production slowdowns in the autumn, especially in Europe;
- the increase in costs, especially start-up costs in China and India.

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

SPECIALTY BUSINESSES (in € million)	2011	2010	2011/2010	2011 (% of Group total)	2010 (% of Group total)
Net sales	3,221	2,421	+33.0%	16%	13%
Operating income before non-recurring items	694	432	+60.6%	36%	25%
Operating margin before non-recurring items	21.5%	17.8%	+3.7pt		

Operating income before non-recurring items from the Specialty Businesses remained structurally high in 2011, at €694 million or 21.5% of net sales, compared with €432 million and 17.8% in the previous year.

This growth primarily reflected the following factors:

- the 22.4% increase in sales volumes;
- the negative impact of higher raw materials costs, which was more than offset by the favorable impact of the second-half increase in indexed prices;
- the significant contribution from the Earthmover Tires business.

2.4.3. OTHER INCOME STATEMENT ITEMS

2.4.3.a) Raw materials

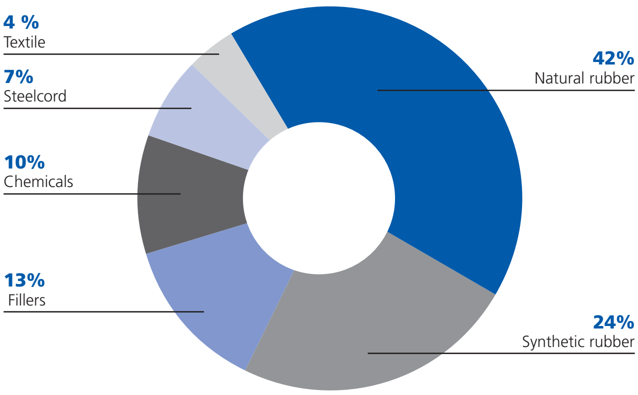
The cost of **raw materials** reported in the income statement under "cost of sales" (€7,019 million in 2011) is determined by valuing raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over 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 2011, the raw materials costs recognized in cost of sales included the €1,748 million effect of higher prices, as well as the volume and currency effects. Passenger Car and Light Truck Tires accounted for around 45% of the increase, Truck Tires for roughly 40% and the Specialty Businesses for the remaining 15% or so.

Changes in spot prices feed through to the income statement five to six months later for natural rubber and three months later for butadiene. The increase in raw material costs was mainly due to the run-up in natural rubber prices through the summer of 2011 and to the upsurge in butadiene prices, which remained high throughout the second half after peaking in July.

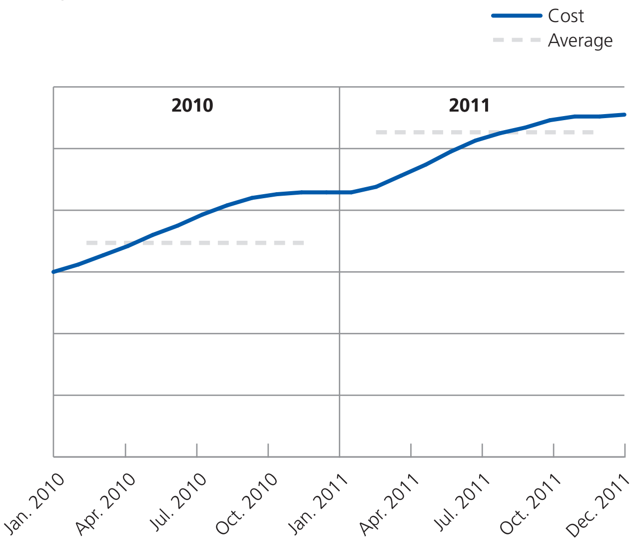
In 2011, the Group met its goal of fully offsetting higher raw material costs through price increases.

RAW MATERIALS RECOGNIZED IN 2011 COST OF SALES (€7.019 MILLION)



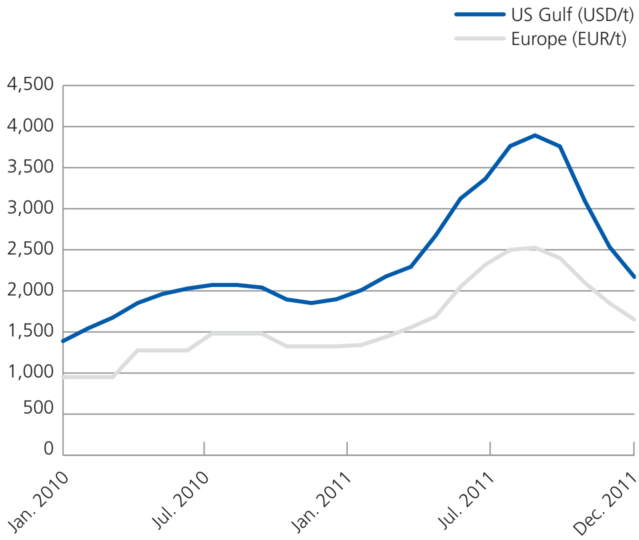
RAW MATERIALS COSTS RECOGNIZED IN 2011 COST OF SALES

(in €/kg)



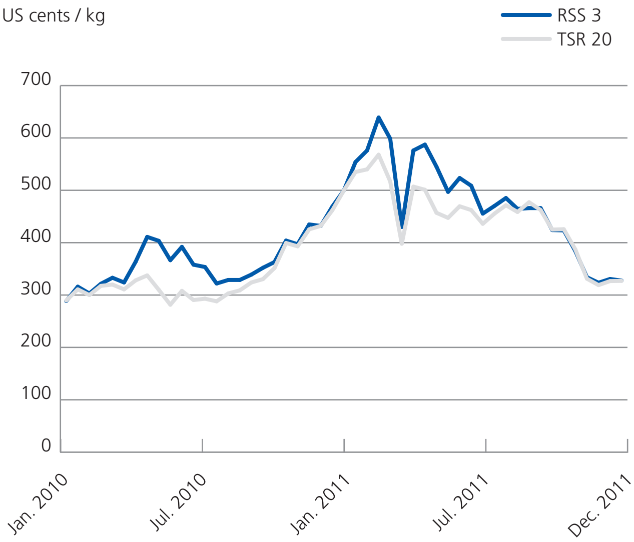
BUTADIENE PRICES

(US cents/kg))



NATURAL RUBBER PRICES (SICOM)

US cents / kg



2.4.3.b) Employee benefit costs and number of employees

(in € million and number of people)	2011	2010 REPORTED	% CHANGE
Employee benefit costs	5,021	4,836	+3.8%
As a % of net sales	*24.2%*	*27.0%*	*-2.8pt*
Total number of employees at December 31	115,000	111,100	+3.5%
Number of full time equivalent employees at December 31	108,300	105,100	+3.1%
Average number of full time equivalent employees	107,700	104,000	+3.5%

Note that the change in the method of accounting for actuarial gains and losses on pension obligations reduced reported 2010 employee benefits expense by €56 million.

Employee benefit costs declined to 24.2% of net sales in 2011, from 27.0% a year earlier, as these costs rose more slowly than net sales at a time of sharp price increases.

In absolute value and at current exchange rates, employee benefit costs rose by 5% over the year, with the increase in average headcount adding 3.5% and wage inflation 1.5%.

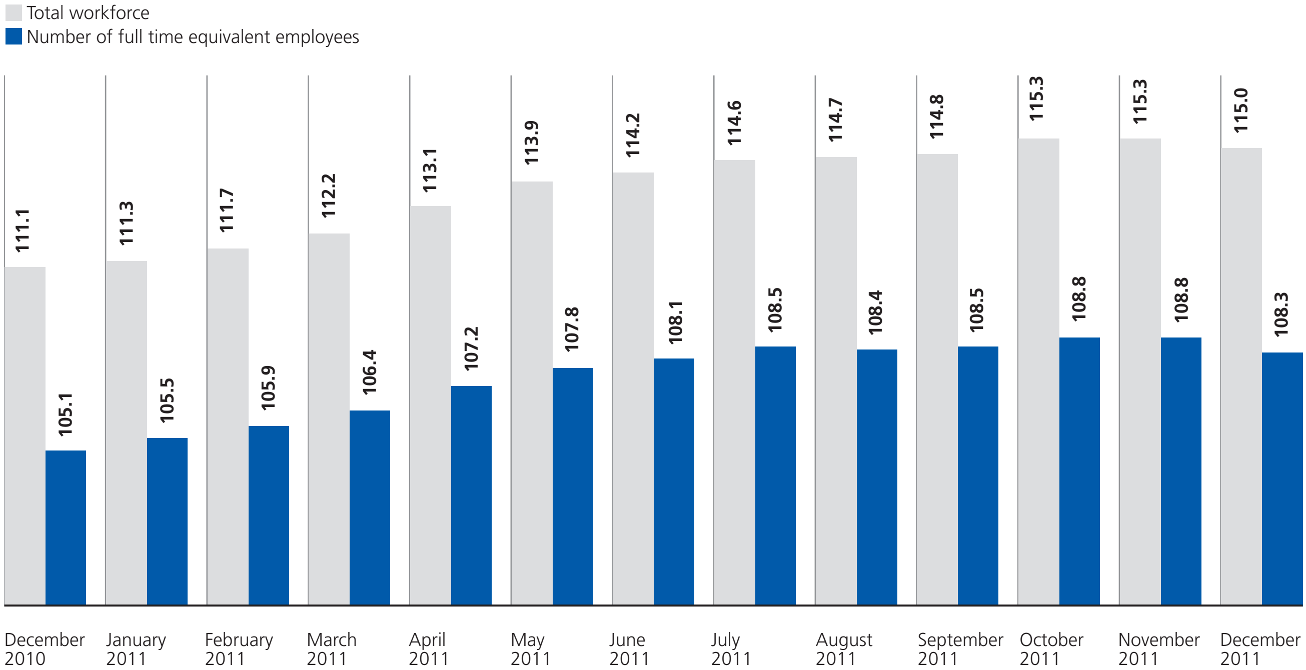
The growth in employee numbers was partly due to higher production output in the first half and the faster deployment of capital projects.

The latter are driving the recruitment of new capabilities in every host market, in both new and mature economies.

Rates of wage inflation varied widely depending on the geography, with wages going up much faster in new markets in Asia and South America than in mature ones.

NUMBER OF EMPLOYEES

(in thousands)

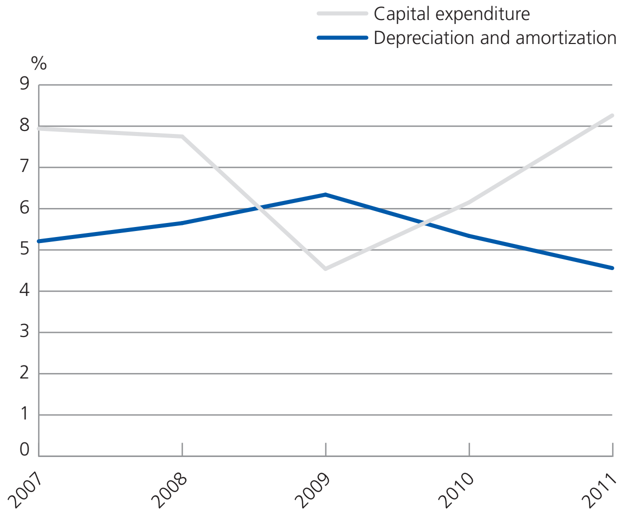


2.4.3.c) Depreciation and amortization

(in € million)	2011	2010	% CHANGE
Depreciation and amortization	944	955	-1.2%
As a % of capital expenditure	*55%*	*87%*	

After adjustment for exchange rates and early recognition of asset writedowns related to restructuring, **depreciation and amortization charges** remained at €944 million (-1.2%). This figure does not include any depreciation of new plants since the facilities are scheduled to come on stream only in 2012.

(as a % of net sales)



2.4.3.d) Transportation costs

(in € million)	2011	2010	% CHANGE
Transportation of goods	1,076	963	+11.7%
As a % of sales	*5.2%*	*5.4%*	

Transportation costs tracked the growth in business, rising by 11.7% to €1,076 million due to higher volumes and cost inflation.

As a result, these costs represented 5.2% of net sales, down slightly from 5.4% in 2010.

2.4.3.e) Sales and marketing expense

Sales and marketing expense represented 9.4% of net sales in 2011, *versus* 10.3% in 2010. In value, it rose by €95 million to €1,942 million, mainly due to new hirings to drive sales growth in the new markets and to ongoing investments in communications and advertising.

2.4.3.f) Research and development expense

Research and development expense stood at €592 million, a 8.6% year-on-year increase that reflected the Group's strategic decision to strengthen its technological leadership. R&D expense amounted €545 million in 2010 and €506 million in 2009.

The relative decline in research and development expense to 2.9% of net sales from 3.0% in 2010 was due solely to the increase in net sales in line with the price rises applied to offset higher raw materials costs.

2.4.3.g) General and administrative expense

At €1,385 million, **general and administrative expense** represented 6.7% of net sales, *versus* 6.9% in 2010, with higher increases in the new markets.

2.4.3.h) Non-recurring income and expenses

There was no non-recurring items recognized during the period.

2.4.3.i) Cost of net debt

(in € million)	2011	2010	VALUE CHANGE
Cost of net debt	206	236	-30

The **cost of net debt** declined by €30 million compared with 2010, mainly due to the following factors:

- stable net interest expense, reflecting:
  - a €40 million decrease due to the reduction in average net debt to €2.1 billion in 2011 from €2.8 billion in 2010,
  - a €17 million increase from the rise in the average gross interest rate on borrowings to 5.8% in 2011 from 5.2% in 2010,
  - a €24 million increase from the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost. In 2011, average invested cash and cash equivalents rose to €1,748 million from €1,297 million in 2010;
- a €31 million net decrease from other factors, including the mark-to-market adjustment of interest rate derivatives used by the Group to convert some of its foreign-currency-denominated debt into fixed-rate instruments.

2.4.3.j) Other financial income and expenses

(in € million)	2011	2010	VALUE CHANGE
Other financial income and expenses	236	10	+226

Other financial income and expenses (€236 million) mainly included currency gains and losses, dividends, interest income and proceeds from the sale of financial assets. The increase resulted from the €256 million in capital gains on the sale of shares in South Korean tire manufacturer Hankook, which were acquired between 2003 and 2008 as part of a plan to form a partnership, but which never materialized.

2.4.3.k) Income tax

(in € million)	2011	2010	VALUE CHANGE
Income before taxes	1,996	1498	+498
Income tax	**(534)**	**(449)**	**+85**
Current tax	(379)	(269)	+110
Withholding tax	(41)	(18)	+23
Deferred tax	(114)	(162)	-48

Income tax expense rose by €85 million to €534 million in 2011, corresponding to an effective tax rate of 26.8%, compared with 30.0% in 2010. The decline in the tax rate mainly reflects the use of previously unrecognized deferred tax assets and the tax rate applied to the capital gain on the sale of the Hankook shares.

2.4.3.l) Consolidated net income and earnings per share

(in € million)	2011	2010	VALUE CHANGE
Net income	1,462	1,049	+413
As a % of net sales	*7.1%*	*5.9%*	*+1.2pt*
• Attributable to the shareholders of the Company	1,462	1,048	+414
• Attributable to non-controlling interests	-	1	NM
Earnings per share (in €)			
• Basic	8.14	6.78	+1.36
• Diluted	7.97	6.64	+1.33

Net income came to €1,462 million, or 7.1% of net sales in 2011, compared with €1,049 million the year before. The 39% increase reflected the following factors:

- favorable factors (€506 million):
  - the €250 million increase in operating income before non-recurring items,
  - the €256 million improvement in financial income, mainly as a result of the capital gain on the sale of the Hankook shares;
- unfavorable factors (€93 million):
  - the €8 million decrease in the Group's share of profit from associates,
  - the €85 million increase in income tax expense.

2.5. CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 AS RESTATED	TOTAL CHANGE	CURRENCY EFFECT	MOVEMENT	DECEMBER 31, 2010 AS REPORTED
Goodwill	415	416	-1	-1	0	416
Other intangible assets	390	360	+30	+3	+27	360
Property, plant and equipment (PP&E)	7,889	7,193	+696	-4	+700	7,193
Non-current financial assets and other assets	404	677	-273	+2	-275	1,108
Investments in associates and joint ventures	120	93	+27	-0	+27	93
Deferred tax assets	1,352	1,175	+177	+19	+158	828
Non-current assets	**10,570**	**9,914**	**+656**	**+19**	**+637**	**9,998**
Inventories	4,602	3,770	+832	+26	+806	3,770
Trade receivables	3,075	2,770	+305	+19	+286	2,770
Current financial assets	366	882	-516	-1	-515	882
Other current assets	682	653	+29	-31	+60	653
Cash and cash equivalents	1,593	1,590	+3	+4	-1	1,590
Current assets	**10,318**	**9,665**	**+653**	**+17**	**+636**	**9,665**
TOTAL ASSETS	**20,888**	**19,579**	**+1,309**	**+36**	**+1,273**	**19,663**

LIABILITIES AND EQUITY

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 AS RESTATED	TOTAL CHANGE	CURRENCY EFFECT	MOVEMENT	DECEMBER 31, 2010 AS REPORTED
Share capital	360	353	+7	-	+7	353
Share premiums	3,396	3,215	+181	-	+181	3,215
Reserves	4,343	3,899	+444	-79	+523	4,556
Non-controlling interests	2	3	-1	+0	-1	3
Equity	**8,101**	**7,470**	**+631**	**-79**	**+710**	**8,127**
Non-current financial liabilities	2,478	3,251	-773	+30	-803	3,251
Employee benefit obligations	3,825	3,030	+795	+82	+713	2,457
Provisions and other non-current liabilities	804	938	-134	+11	-145	938
Deferred tax liabilities	79	45	+34	+1	+33	45
Non-current liabilities	**7,186**	**7,264**	**-78**	**+124**	**-202**	**6,691**
Current financial liabilities	1,361	896	+465	-30	+495	896
Trade payables	2,024	1,813	+211	+6	+205	1,813
Other current liabilities	2,216	2,136	+80	+19	+61	2,136
Current liabilities	**5,601**	**4,845**	**+756**	**-5**	**+761**	**4,845**
TOTAL EQUITY AND LIABILITIES	**20,888**	**19,579**	**+1,309**	**+40**	**+1,269**	**19,663**

2.5.1. GOODWILL

Other than the impact of translation adjustments, there was no change in **goodwill** at December 31, 2011 compared with December 31, 2010.

2.5.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment rose by €696 million to €7,889 million at December 31, 2011, reflecting faster deployment of the capital projects.

2.5.3. NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets decreased by €704 million, mainly due to:

- the disposal of the Hankook shares (-€403 million);
- fair value adjustments to available-for-sale financial assets (+€122 million);
- the effect of the change in accounting method for actuarial gains and losses (-€431 million);
- the impact of translation adjustments.

2.5.4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets increased by €524 million over the year, mainly as a result of translation adjustments, timing differences and the impact of the change in accounting method for actuarial gains and losses.

2.5.5. WORKING CAPITAL REQUIREMENT

(in € million)	2011	2010	VALUE CHANGE	2011 (as a % of sales)	2010 (as a % of sales)
Inventories	4,602	3,770	+832	22.2%	21.1%
Trade receivables	3,075	2,770	+305	14.8%	15.5%
Trade payables	(2,024)	(1,813)	-211	9.8%	10.1%
WORKING CAPITAL REQUIREMENT	**5,653**	**4,727**	**+926**	**27.3%**	**26.4%**

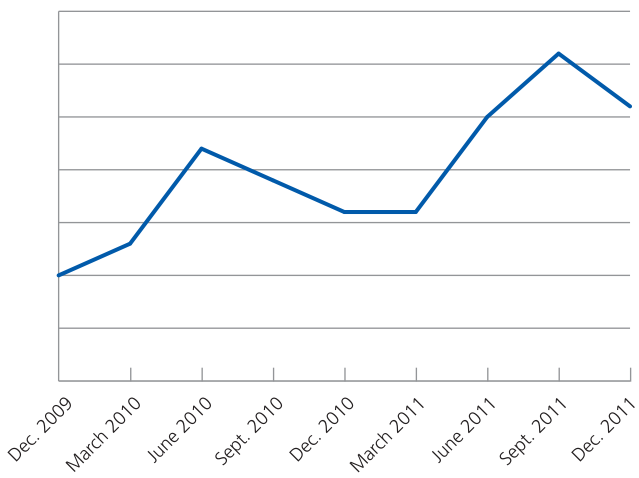
Working capital requirement increased by €926 million or 19.6% compared with 2010, chiefly due to higher raw materials prices (€739 million) and, to a lesser extent, increased sales volumes and a certain amount of inventory rebuilding. It represented 27.3% of net sales for the period.

Inventories rose by €832 million and represented 22.2% of net sales at December 31, 2011. The increase was led by the rise in the value of raw materials inventory and, to a lesser extent, growth in output and the rebuilding of inventory to normal levels.

Finished product inventories rose by 9% in volume over the year.

FINISHED PRODUCT INVENTORY

(quarterly change in volumes)



Trade receivables rose by €305 million to €3,075 million at year-end 2011. The increase was mainly attributable to the price increases introduced to offset higher raw material costs, while average payment terms were further reduced.

Trade payables were up by €211 million, as a result of business growth and, to a lesser extent, implementation of the capital expenditure plan.

2.5.6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents edged up a slight €3 million to €1,593 million, reflecting:

- negative free cash flow of €19 million generated during the period;
- the payment of cash distributions totaling €150 million;
- the net repayment of €343 million in debt;
- proceeds of €510 million from the sale of investments in cash management instruments.

2.5.7. EQUITY

Consolidated equity declined a slight €26 million to €8,101 million from €8,127 million reported at December 31, 2010.

To improve disclosures about Group-managed employee defined-benefit plans and enhance the comparability of accounting information, the method of accounting for actuarial gains and losses on pension obligation has been changed. This resulted in the immediate recognition of all previously unrecognized employee benefit obligations for an amount of €657 million net of related deferred tax assets, as a deduction from equity on the balance sheet at December 31, 2010 (see Note 2.3 to the Consolidated Financial Statements). Adjusted equity at December 31, 2010 came to €7,470 million.

After implementing the above accounting change, consolidated equity at December 31, 2011 was up €631 million from the previous year, primarily as a result of:

- Favorable factors:
  - comprehensive income for the period, in the amount of €763 million including:
    - net income of €1,462 million,
    - the €480 million negative net-of-tax impact of actuarial gains and losses generated for the year calculated according to the new method concerning pension obligations,
    - fair value adjustments to available-for-sale financial assets: +€122 million,
    - realized gains on available-for-sale financial assets: -€258 million,
    - negative differences on translating foreign operations for €79 million;
  - share issues for €188 million, including:
    - 3,128,066 new shares issued on the reinvestment of dividends (€177 million),
    - 282,972 shares issued on the exercise of stock options (€11 million).

    At December 31, 2011, the **share capital** of Compagnie Générale des Établissements Michelin stood at €360,037,794, comprising 180,018,897 shares corresponding to 230,108,052 voting rights.
- Unfavorable factors:
  - dividends and other distributions, in an amount of €327 million.

2.5.8. NET DEBT

Net debt[1] stood at €1,814 million at December 31, 2011, up €185 million from December 31, 2010, as a result of the following factors:

- Factors leading to an increase in debt:
  - cash outlays of €1,215 million for capital expenditure commitments;
  - cash dividends of €138 million.

    At the Annual Meeting, shareholders approved the payment of a 2010 dividend of €1.78 per share, with a reinvestment option. Some 78% of shareholders opted to reinvest their dividend, enabling the Group to save €177 million in cash;
  - the €34 million interest expense on the zero-coupon convertible bonds.
- Factors leading to a reduction in debt:
  - the €1,196 million in cash generated from operations;
  - a €4 million currency effect;
  - the €5 million impact of other factors.

(1) This indicator is defined in Note 3.7.1 and in Note 26 to the consolidated financial statements.

NET DEBT

(in € million)	2011	2010
At January 1	**1,629**	**2,931**
Free cash flow[(1)]	+19	-426
Share issues	+11	-1,204
Distributions	+150	+69
Commitments to purchase shares	-7	-7
New obligations under finance leases	+7	+3
Interest expense on the zero-coupon convertible bonds	+34	+32
Change in scope and other	-25	+40
Translation adjustment	-4	+191
AT DECEMBER 31	**1,814**	**1,629**
CHANGE	**+185**	**-1,302**

(1) Free cash flow equals cash flows from operating activities less cash flows used in investing activities (excluding cash flows from cash management financial assets and borrowing collaterals).

Gearing

Gearing stood at 22% at December 31, 2011, *versus* 20% at yearend 2010, reflecting the strength of the Group's balance sheet.

The modest increase reflected the faster deployment of the Group's capital projects.

Ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin (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	Baa2	Baa2
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Positive	Positive

- On July 24, 2008, to eliminate the rating gap between CFM and its parent company CGEM, Moody's revised CGEM's rating from Baa3/Prime-3/Stable to Baa2/Prime-2/Stable.
- On October 4, 2010, Standard & Poor's raised its outlook for Michelin from negative to stable and upgraded the short-term rating from A-3 to A-2, while maintaining the long-term rating of BBB.
- On January 12, 2011, Moody's upgraded the outlook on CGEM's Baa2 rating from stable to positive.

2.5.9. PROVISIONS

Provisions and other non-current liabilities amounted to €804 million, *versus* €938 million reported at December 31, 2010. Excluding the €11 million in translation adjustments, the decline was primarily due to payments under industrial and sales reorganization plans covered by provisions set up in prior periods, mainly in France and Spain. No material new restructuring provisions were recorded during the year.

2.5.10. EMPLOYEE BENEFITS

CHANGE IN FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	PENSION PLANS	OTHER PLANS	2011	2010[1]
Net amount at January 1	**1,303**	**1,727**	**3,030**	**3,182**
Translation adjustments	47	35	82	162
Expenses recognized in the income statement (recurring items)	33	113	146	190
Contributions paid to the funds	(48)	-	(48)	(335)
Benefits paid directly to the beneficiaries	(33)	(74)	(107)	(106)
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-
Actuarial (gains) or losses recognized in other comprehensive income	560	160	720	(64)
Unrecognized asset due to application of asset ceiling	2	-	2	1
Change in scope consolidation	(13)	13	-	-
NET AMOUNT AT DECEMBER 31	**1,851**	**1,974**	**3,825**	**3,030**

(1) Figures have been adjusted as mentioned in note 2.3. Change in accounting method of the 2011 financial statements and are therefore different from those presented in the 2010 financial statements.

In second-half 2011, the Group decided to change the accounting method used until 2010 to recognize actuarial gains and losses on post-employment defined benefit plan obligations by applying paragraphs 93 et seq. of IAS 19 – Employee Benefits.

Actuarial gains and losses on post-employment defined benefit plans and adjustments resulting from application of the asset ceiling are recognized in consolidated equity and reported in the consolidated statement of comprehensive income under "Other comprehensive income".

The net effect of this change of method (including the deferred tax effect) was a €657 million reduction in opening consolidated equity at January 1, 2011. The change of method also led to a €1,004 million increase in the net employee benefit obligation carried in the opening consolidated balance sheet at January 1, 2011. In addition, 2010 consolidated operating income was restated to reflect an €56 million reduction in reported defined benefit plan costs for the year.

The €722 million in actuarial losses generated in 2011 by the post-employment defined benefit plans led to an increase in the net employee benefit obligation to €3,825 million at December 31, 2011 (2010 restated: €3,030 million; 2010 reported: €2,026 million) and a €524 million net reduction in consolidated equity.

The net expense recognized in operating income in 2011 in respect of employee defined benefit plans amounted to €146 million, a decrease of €44 million from the prior year (2010 restated: €190 million; 2010 reported: €246 million) that was mainly due to the impact on plan costs of:

- the use of lower discount rates.
- the yield on prepaid 2009 and 2010 contributions to pension funds in North America and the United Kingdom.
- changes to a retirement plan in France.

Total Group contributions to these plans during the year declined by €286 million to €155 million, of which:

- contributions paid to fund management institutions for €48 million (2010: €335 million)
- benefits paid directly to employees for €107 million (2010: €106 million)

The significant reduction in contributions in 2011 was primarily due to the Group's decision to sharply scale back prepaid contributions to its North American pension funds.

2.6. CONSOLIDATED CASH FLOW STATEMENT REVIEW

2.6.1. CASH FLOW FROM OPERATING ACTIVITIES

(in € million)	2011	2010	VALUE CHANGE
EBITDA before non-recurring income and expenses	**2,878**	**2,660**	**+218**
Change in inventory	(806)	(584)	-222
Change in trade receivables	(258)	(246)	-12
Change in trade payables	152	369	-217
Restructuring cash costs	(145)	(229)	+84
Other changes in provisions	13	(194)	+207
Tax and interest paid	(632)	(474)	-158
Other operating working capital and other	(6)	20	-26
CASH FLOWS FROM OPERATING ACTIVITIES	**1,196**	**1,322**	**-126**

Lifted by the growth in operating income before non-recurring items, **EBITDA** before non-recurring income and expenses rose by 8% over the year, to €2,878 million from €2,660 million in 2010.

Cash flow from operating activities improved slightly to €1,828 million from €1,795 million, primarily as a result of:

- the €912 million increase in working capital requirement (of which €739 million due to higher raw materials costs), *versus* a €461 million increase in 2010. This reflected:
  - an €806 million increase in inventory, *versus* a €584 million increase in 2010, mainly as a result of higher unit values,
  - a €258 million increase in trade receivables, *versus* a €246 million increase in 2010, mainly due to price increases,
  - a €152 million increase in trade payables, *versus* a €369 million increase in 2010;
- the decline in restructuring cash costs, which fell to €145 million from €229 million in 2010;
- an increase in tax and interest paid to €632 million from €474 in 2010;
- a substantial reduction in additional contributions to pension plans (€20 million), which in 2010 amounted to €270 million.

2.6.2. CAPITAL EXPENDITURE

(in € million)	2011	2010	2011/2010	2011 (as a % of sales)	2010 (as a % of sales)
Gross purchases of intangible assets and PP&E	**1,711**	**1,100**	**+611**	**8.3%**	**6.1%**
Investment grants received and change in capital expenditures payables	(43)	(136)	+93	(0.2%)	(0.8%)
Proceeds from sale of intangible assets and PP&E	(49)	(61)	+12	(0.2%)	(0.3%)
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,619**	**903**	**+716**	**7.8%**	**5.0%**

Gross purchases of intangible assets and property, plant and equipment came to €1,711 million in 2011, compared to €1,100 million a year earlier and €672 million at 2009-end, following implementation of the Group's new phase of assertive growth. As a result, capital expenditure rose to nearly 8.3% of net sales, as opposed to 6.1% in 2010.

Growth investments amount to €1,040 million, of which more than €430 million related to the construction of new plants in Brazil, China and India.

The main capital projects by Product Line were as follows:

Passenger Car and Light Truck tires:

- Projects to increase capacity, improve productivity and refresh product lines, at:
  - Shenyang, China (construction of a new plant);
  - Itatiaia, Brazil (construction of a new plant);
  - Olsztyn, Poland;
  - Columbia, SC and Fort Wayne, IN in the United States;
  - Cuneo, Italy;
  - Laem Chabang, Thailand;
  - Etc.

Truck tires

- Projects to increase capacity, improve productivity and refresh product lines, at:
  - Shenyang, China (construction of a new plant);
  - Chennai, India (construction of a new plant);
  - Campo Grande, Brazil;
  - Etc.

Specialty products

- Projects to increase mining tire capacity at the Lexington, SC plant in the United States and the Vitoria plant in Spain;
- Projects to increase agricultural equipment tire capacity at the Troyes plant in France and the Olsztyn plant in Poland.

Note that the Group's financing depends on its ability to generate cash flow as well as on market opportunities. As a result, there is generally no direct link between financing sources and investment projects. PP&E capital expenditure on the main extension project are described in Note 32.1.2 to the consolidated financial statements.

2.6.3. AVAILABLE CASH FLOW AND FREE CASH FLOW

Available cash flow corresponds to cash flow from recurring operations, *i.e.* after recurring 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)	2011	2010
Cash flows from operating activities	**1,196**	**1,322**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(671)	(565)
AVAILABLE CASH FLOW	**526**	**757**
Growth investments	(1,040)	(535)
Other cash flows from investing activities	495	204
FREE CASH FLOW	**(19)**	**426**

After subtracting €671 million in routine capital expenditure, available cash flow remained structurally positive at €526 million in 2011.

Free cash flow was close to breakeven, at a negative €19 million, thanks to available cash flow and the disposal of the Hankook shares, which enabled the Group to double its growth investments.

2.7. RETURN ON CAPITAL EMPLOYED (ROCE)

Achieving an annual return on capital employed (ROCE) of more than 9% 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, 2011 WACC remained below the 9% target the Group uses to assess its value creation.

(in € million)	2011	2010
Operating income before non-recurring income and expenses	1,945	1,695
Average standard income tax rate used for ROCE calculation	31%	31%
Net Operating Profit before non-recurring items After Tax (NOPAT)	**1,342**	**1,170**
Intangible assets and property, plant and equipment	8,694	7,969
Loans and deposits	152	577
Investments in associates and joint ventures	120	93
Non-current financial assets	8,966	8,639
Working capital requirement	3,962	3,093
Economic assets (end of period)	12,928	11,732
Average economic assets	**12,331**	**11,132**
Return on capital employed	**10.9%**	**10.5%**

2.8. TREND INFORMATION

2.8.1. OUTLOOK FOR 2012

In deploying its strategy, Michelin is capitalizing on a number of unique competitive advantages, including forefront positions both in the premium tire segment and in all of its Specialty businesses, as well a balanced global footprint that will be further strengthened in 2012 with the start-up of the new plants in Brazil and China.

As a result, Michelin confirms its ambition to drive at least 25% growth and generate positive free cash flow over the 2011-2015 period, and has raised its 2015 operating income target to €2.5 billion.

As part of this process, Michelin has introduced a new program to improve the competitiveness of its manufacturing operations and services by around €1 billion over five years.

In 2012, Michelin aims to hold volumes steady as global tire markets experience varying degrees of growth, in an environment that will remain favorable in the new markets but be less buoyant in Europe. Based on projected average prices of €4.05/kg for natural rubber, $2.96/kg for US butadiene and €2.24/kg for European butadiene, the Group expects higher raw materials prices to reduce operating income by around €300-350 million over the year, with a more significant impact in the first half.

Growth in operating income and, given capital expenditure of around €1.9 billion for the year, the generation of free cash flow should both be in line with the Group's 2015 objectives.

2.8.2. PROFIT FORECASTS OR ESTIMATES

No precise earnings or operating margin forecasts or estimates were issued for 2012.

In light of trend information provided in section 2.8.1, any previously published targets for 2012 do not take into account the current economic environment and are not achievable this year.

2.8.3. RECENT EVENTS

On February 10, 2012, Michel Rollier, Managing General Partner and Chairman of Michelin, has announced that at the Annual Meeting on May 11, he will recommend that shareholders accept that he leave office effective that date.

If shareholders agree, Jean-Dominique Senard, who was elected Non-General Managing Partner in May 2007 and Managing General Partner last May, will succeed Mr. Rollier as the Group's Chairman as from May 11, 2012.

In February 2011, Mr. Rollier announced his intention not to complete his term of office, which according to the bylaws ends at age 72. At the 2011 Annual Meeting, he proposed that shareholders, who accepted, to elect Mr. Senard as Managing General Partner to succeed him. At that time, the Group's corporate governance system was also adjusted to provide for Mr. Rollier's succession.

Mr. Senard's current term of office, which began on May 13, 2011, will last four years and is renewable.

2.9. OPERATING HIGHLIGHTS

2.9.1. STRATEGY – PARTNERSHIPS – ACQUISITIONS

— Michelin at the 2011 Frankfurt International Motor Show

The Citroën Cubik concept car presented at the 64th Frankfurt International Motor Show was equipped with a 22-inch Michelin prototype tire, whose long diameter and relatively narrow width improve its aerodynamic qualities. Because the prototype requires fewer rotations to cover the same distance as a smaller tire, there is less heat build-up, which further improves energy efficiency. The longer diameter also means more rubber in the tread, thereby increasing total mileage and reducing overall operating costs.

— Future Mobility Showcased at the 2011 Detroit Motor Show

At the 23rd North American International Auto Show (NAIAS) in Detroit, Michelin unveiled the MICHELIN X-Ice Xi2 and MICHELIN Latitude X-Ice Xi2 winter tires, as well as the all-new high-performance MICHELIN Pilot Super Sport.

Michelin was the only tiremaker to participate in NAIAS, North America's most prestigious auto show.

— Tire Price Increases Announced in Every Market

In response to rising raw materials costs, Michelin has maintained its firm pricing policy and announced price increases in all of its tire ranges and in every market.

— Joint Venture Formed in China with Double Coin and Huayi to Produce Warrior Brand Tires for the Domestic Market

In April, the final agreement was signed with Double Coin Holdings Ltd. and Shanghai Huayi (Group) Company to create a joint venture in China to produce and market WARRIOR brand passenger car and light truck tires for the local market.

— Michelin Invests In North America

As demand for its passenger car tires in North America continues to grow, Michelin is investing another $200 million in its Lexington, SC facility to further expand its tirebuilding capacity. Michelin has already invested more than $1 billion at the plant since it was first opened in 1981. This latest project, whose equipment will be fully installed by the first half of 2013, will create 270 new jobs, phased in over the next two years.

Another $50 million is being committed to increase production capacity at the Fort Wayne plant in Indiana, which manufactures Passenger Car and Light Truck tires and employs 1,580 people.

These investments are part of the Group's strategy to enhance plant competitiveness in mature markets.

— Michelin signed a EUR 1.5bn Multicurrency Revolving Credit Facility

Compagnie Financière Michelin, a fully-owned Michelin subsidiary, signed on July 12 with a group of 21 banks a new EUR 1.5 billion multi-currency revolving credit facility ("the Facility"). The Facility, which is intended to replace the 2005-2012 EUR 1.5 billion syndicated line, will be used for general corporate purposes. This new Facility is in line with the Group's debt refinancing strategy.

The Facility has a five-year tenor and incorporates two 1-year extension options at each lender's discretion.

The syndication was successfully launched on 27 May 2011, and closed largely oversubscribed, thus demonstrating a very positive valuation of the Michelin Group's credit risk by the market.

— Compagnie Générale des Établissements Michelin Successfully Completes Private Placement by Compagnie Financière Michelin of its Entire Stake in Hankook Tire Co., Ltd.

Compagnie Générale des Établissements Michelin has successfully completed the private placement to institutional investors by Compagnie Financière Michelin of 15,195,587 shares of Hankook Tire, representing approximately 9.98% of the company's share capital, at a price of €26.64 per share. The estimated gross proceeds from the transaction amounted to €405 million[(1)], corresponding to a capital gain of approximately €255 million for the Michelin Group.

— Michelin Ranks among the World's 11 Most Innovative French Companies

Published in November, the Thomson Reuters 2011 *Top 100 Global Innovators*SM report lists eleven French companies, including Michelin, among the world's most innovative organizations. They were selected on the basis of four criteria – at least 100 "innovative" patents awarded in 2010, the ratio of published applications to granted patents, etc. – that determine their intellectual property performance.

(1) Based on a theoretical exchange rate of KRW 1,539.12 for €1.00 as of November 8, 2011 – Source: European Central Bank (foreign exchange reference rate).

2.9.2. PRODUCTS – SERVICES – INNOVATION

2.9.2.a) Passenger Car and Light Truck Tires and Related Distribution

— The New MICHELIN LATITUDE X-Ice North Offers the Market's Most Extensive Line of 4WD and SUV Winter Tires

The new studded tire for 4WD vehicles and SUVs, purpose-designed for Nordic winters, reduces braking distances on ice and snow by 6% thanks to its Durastud System(1), while its Full Active Tread increases traction in snow by 15%.(2) The more extensive line-up also means that it can be fitted on 90% of 4WD vehicles and SUVs on the market today(3).

— Launch of the MICHELIN ENERGY™ XM2, especially Designed for Use in Emerging Markets

When developing the all-new MICHELIN ENERGY™ XM2 tire, MICHELIN engineers specifically focused on how it would be used in emerging markets. Backed by the Group's €500 million annual R&D commitment, they developed innovative technologies (such as MICHELIN IRONFlex) that enable the MICHELIN ENERGY™ XM2 tire to deliver superior safety at the lowest total cost of ownership for the largest number of motorists.

The MICHELIN ENERGY™ XM2, which "lasts longer, with maximum safety", focuses first and foremost on the need for a damage-resistant tire on roads in China, Southeast Asia, Russia, India, South America, Africa and the Middle East. The heavy traffic and uneven road quality in these countries definitely put automobile tires to the test.

Intended for several categories of vehicles – including city cars, compacts and sedans – the new MICHELIN ENERGY™ XM2 is being marketed in the promising 14, 15 and 16-inch segment.

— The MICHELIN Primacy 3: Safety to the Power of 3

Michelin is premiering its new MICHELIN Primacy 3, which will be available in European replacement markets beginning in February 2012.

Compared with its four major-brand competitors, the MICHELIN Primacy 3 tire delivers superior grip when braking on dry or wet surfaces and when cornering on wet roads, as demonstrated in tests conducted by two independent organizations, TÜV SÜD Automotive and IDIADA.

And like all MICHELIN tires, the MICHELIN Primacy 3 also provides high total mileage, while reducing fuel consumption – in this case by 70 liters over the life of the tire(4).

2.9.2.b) Truck Tires and Related Distribution

— Michelin Commercial Service Network Launched in the US in 2011, February

Michelin has strengthened its dealership network in the United States by consolidating its leading MRT franchisees into a new network that will offer large, nationwide fleets consistent service across the US, highly responsive emergency road service (ERS) and a comprehensive reporting system to track and manage their tires. The MCSN will enable fleets to maximize their tire performance, retread dealers to retain their largest customers and Michelin to capture all of the value of the network's services. Introduced nationwide, the network is expected to act as a powerful driver of Michelin's differentiation and brand awareness among trucking fleets.

— New Sizes Introduced for the X One XDA Energy, the Most Fuel-Efficient Drive Tire Available for North American Long-Haul Trucks

Engineered to replace duals for weight savings of approximately 163 kg/tractor, the new X One XDA Energy tires feature:

- Innovative belt design and Advanced Technology compounds, which combine to deliver industry-leading fuel efficiency (additional fuel savings of up to 2.5% when compared to Michelin's fuel efficient dual drive tire offerings) and long tread life (19 mm tread depth).
- Michelin's Infini-Coil technology™, incorporating 400 meters of steel cable to help eliminate casing growth. Matrix Siping technology helps provide exceptional traction on dry and slippery surfaces. The 3D Matrix sipes lock together for the stability normally associated with solid tread blocks.
- Directional tread design, which offers protection against irregular wear while allowing for tire rotation later in life. Approved for use on EPA SmartWay℠ certified equipment and meets California's CARB requirements.

— X® Multiway 3D™ Tire Line Introduced in Europe

Michelin is offering European regional trucking customers a new multi-purpose tire in the leading market sizes for front and drive axles, that improves fuel economy while increasing mileage potential through optimized wear patterns. Nearly four different types of sipes deliver superior traction, even at 50% wear.

These tires are expected to account for most truck tire sales in Europe with the gradual phase-out of the XZE2+ line marketed since 2002.

(1) On average, compared with its predecessor. World 2011 test on 235/65 R17 T.
(2) Compared with its predecessor.
(3) MICHELIN's studded tire ranges cover more than 90% of the 4WD configurations sold in Europe in 2010 and 2011.
(4) Compared with four market-leading competitors. Tests conducted in 2011 by TÜV Süd Automotive and IDIADA on commercial 205/55 R 16V and 225/45 R 17W tires, purchased in February 2011.

— **MICHELIN X® Works™**

With a new tire range and a new service offer, Michelin is introducing a host of truck tire innovations with the goal of creating value for customers.

The system deployed is based on the all-new MICHELIN X® Works™, an all-terrain tire combining robustness and endurance, intended for use on streets and roads as well as in and around worksites and quarries. In addition to bringing to market a tire that delivers unrivalled performance in both of these areas, Michelin has further enhanced its offer with an accidental damage warranty.

The new MICHELIN X® Works™ embodies the Group's balanced performance strategy, which consists in simultaneously improving all areas of performance for enhanced safety, greater cost-effectiveness and increased environmental protection.

2.9.2.c) Specialty businesses

Earthmover Tires

— **XDR™2 Tire Introduced for Rigid Dump Trucks**

Michelin Earthmover has unveiled the MICHELIN® XDR™2 tire for severe mining and quarry applications. Designed for rigid dump trucks, it offers up to 20% longer treadlife than its predecessor, the MICHELIN XDR™ tire. Introduced at CONEXPO-CON/AGG, in Las Vegas, the MICHELIN® XDR™2 tire is available in 27.00R49, 33.00R51, 37.00R57, 40.00R57 and 53/80R63 sizes.

— **B^2 Technology Delivers Cost-Effective Benefits**

B^2 technology offers a new bead architecture with a 30% wider bead wire and a bigger rim contact area to attenuate tire rotation on the rim and improve bead-area endurance. As a result, the B^2 technology solution delivers such benefits as higher productivity, greater reliability and lower operating costs.

— **The Panama Canal, a Gigantic Project for Michelin**

Michelin is involved in the project to widen the Panama Canal, supplying 95% of the tires used on the site, or a total of 1,564 tires in 2011 alone. The project represents a strategic challenge for the Earthmover tire business in South America, which expects that the contract will considerably increase its market share in the infrastructure segment.

Agricultural Tires

— **Michelin Participates in the Agritechnica Trade Fair**

Held in November in Hannover, the world's leading international farm machinery trade fair offered Michelin the opportunity to present all of its MICHELIN UltraFlex technology-enabled tires, including AxioBib, XeoBib, SprayBib and CerexBib. Now available on tires used across the crop cycle, the technology reduces soil compaction, thereby raising per-hectare yields. The 415,000 visitors gained new insight into the important role played by tires, not only through the demonstrations conducted by Michelin exhibitors, but also by observing Michelin's leadership in equipping nearly 25% of the more than 400 farm machines presented at the fair.

Two-Wheel Tires

— **MICHELIN Pilot Road 3**

Michelin has opened a whole new era in the fast-expanding world of Sport Touring Radial tires with the new MICHELIN Pilot Road 3, designed for on-road use on Sportster, Roadster, Touring and GT bikes. The first tire to integrate X Sipe Technology (XST), the Michelin Pilot Road 3 delivers unprecedented performance, shortening wet braking distance by an average 2.5 meters compared with its predecessor(1), while offering superior total mileage(2).

Aircraft Tires

— **Michelin to Supply Tires for China's First Commercial Airliner**

Michelin has been chosen to develop and supply tires for the Comac C919, the first commercial airliner designed in China. This is the first time that Michelin will provide tires for a Chinese airliner.

A pioneer in radial aircraft tires since 1981, the Group will supply the Comac C919 with its Michelin Air X radials.

Michelin Travel Partner

— **Michelin Travel Partner**

The Cards, Guides and ViaMichelin operations have been consolidated into a new business unit, Michelin Travel Partner, with shared offices in Boulogne-Billancourt, outside Paris.

The new unit's mission is to develop integrated, multimedia (paper and digital) products and services for consumers and professionals.

— **App Store Rewind 2011: 3 Michelin Applications among the Year's Best Sellers**

Apple's App Store Rewind 2011's list of the best-selling French apps of the year included three Michelin applications – ViaMichelin Mobile, France – Les Restaurants du Guide MICHELIN and Carte MICHELIN France – which together totaled some 1,400,000 downloads.

Michelin Lifestyle

— **MICHELIN Wheel & Tire Cleaner Voted Product of the Year 2011 in France**

In January, the MICHELIN Wheel & Tire Cleaner won the prestigious "Product of the Year 2011" award in France, based on a polling of 10,000 representative households.

(1) Braking test of the MICHELIN Pilot Road 3 compared with the MICHELIN Pilot Road 2 performed on wet pavement at the DEKRA Test Center in January 2011 on 120/70 ZR 17 and 190/50 ZR 17 tires (comparative braking distances in a braking test conducted at 50 kph).

(2) Treadlife test of the MICHELIN Pilot Road 3 compared with the MICHELIN Pilot Road 2 performed at the DEKRA Test Center in 2010 on 120/70 ZR 17 and 180/55 ZR 17 tires.

2.9.3. MICHELIN PERFORMANCE AND RESPONSIBILITY

— A Record Turnout for Michelin Challenge Bibendum 2011 in Berlin

More than 16,000 visitors attended the 11th Michelin Challenge Bibendum in Berlin from May 18-22, 2011, with some 650 international journalists covering the event.

The Challenge Bibendum is a forum that seeks to address all the challenges facing sustainable road mobility. This international event combines technical tests and evaluations with demonstrations and test drives to assess improvements made in vehicles, energy and technologies. Public and private-sector decision makers and opinion leaders assess advances made as well as future paths to securing sustainable energy for enhanced mobility, while the general public can indulge their fancies in automobile solutions that are safer, cheaper and more "connected".

For the Berlin event, five booklets were published to stimulate new thinking and dialogue about sustainable mobility by discussing such issues as road safety, electric and hybrid vehicles, biofuels, connected vehicles and the reduction of road transport carbon emissions. They are available in hardcopy in English or may be downloaded in French, English or German from challengebibendum.com.

To find out more, please visit http://www.michelinchallengebibendum.com

— Environmental Ratings

Michelin is recognized by the Dow Jones Sustainability Index, ASPI Eurozone and Ethibel Excellence indices as a leader in the global tire industry for its commitment to environmental reporting.

— Collaboration with Amyris to Develop and Market Renewable Isoprene

Michelin and Amyris, Inc., a leading renewable chemicals and fuels company, have agreed to collaborate in the development and commercialization of Amyris No Compromise® renewable isoprene, the chemical building block in rubber tires and other products that use synthetic and natural rubbers.

— Global Road Safety Commitment

With the governments of 178 countries calling for action, the United Nations General Assembly adopted a resolution in March 2010 making 2011-2020 the Decade of Action for Road Safety and inviting governments, international organizations, NGOs and private businesses to actively contribute to improving the situation. Managing Partner Jean-Dominique Senard officially signed the global commitment on behalf of Michelin, thereby pledging the Group's active support for this international initiative to promote road safety.

Thanks to its steadfast commitment to promoting road safety, the Group has been recognized as an official partner to the Decade of Action.

2.9.4. MOTORSPORTS

— Michelin Takes the 2011 Le Mans 24 Hours

Michelin and Audi won the 2011 edition of the legendary Le Mans 24 Hours endurance race, racking up Michelin's 20th win, including 14 consecutive victories since 1998. Thanks to the performance, longevity and versatility of its tires, Michelin runners were first past the post in the LMP1 category, as well as in the LM GTE Pro class with No. 73 Corvette after a thrilling battle with AF Corse's No. 51 Ferrari 458 Italia and in the LM GTE Am with the No. 50 Corvette of the Larbre Compétition team.

Peugeot took the win in the MICHELIN GREEN X Challenge, which is especially organized to reward the most energy-efficient performance.

— Michelin Claims 19th World Rally Championship Title

In 2011, when Michelin returned to the World Rally Championship (WRC) after a five-year absence, Michelin Motorsports had every reason to be happy with the way its tires performed throughout the season.

It was a particularly successful comeback, with Michelin and its partners clinching both the Drivers' and Manufacturers' titles for the year.

2.9.5. CORPORATE GOVERNANCE

— In May, 2011 Michel Rollier Asked Shareholders at the Annual Meeting to Prepare for His Succession and Adjust the Group's Corporate Governance

The Joint Annual Meeting of Michelin shareholders was held on May 13, 2011 in Clermont-Ferrand. In light of Mr. Rollier's intention, announced last February, not to complete his term of office, he proposed that shareholders in Extraordinary Meeting elect Jean-Dominique Senard as Managing General Partner, to serve alongside Mr. Rollier and eventually succeed him when the time comes. Mr. Rollier also invited shareholders to approve an adjustment in the Group's corporate governance as part of the succession process.

Shareholders adopted all of the proposed resolutions and the Group's governance procedures have been strengthened, in particular by limiting the term of office of new Managing Partners to four years, clarifying the division of roles within the partnership and enhancing the Supervisory Board's oversight responsibilities.

Mr. Senard warmly thanked shareholders for their confidence. He pledged to remain true to the Group's values and, in exercising his new responsibilities, to fulfill its ambitious vision.

The presentations to shareholders, vote totals on the resolutions and a webcast of the entire Annual Meeting are available at www.michelin.com/corporate.

— 2010 Dividend Reinvestment Plan

At the Annual Meeting on May 13, 2011 shareholders approved the payment of a dividend of €1.78 a share, with a dividend reinvestment option. The dividend was paid or the shares settled on June 20.

Nearly 60% of the dividend was reinvested in new shares, after more than 78% of shareholders exercised their option between May 20 and June 7. This resulted in the creation of 3.1 million new shares (representing 1.7% of the capital), which were delivered on June 20 and started trading on the NYSE Euronext Paris stock exchange the same day.

The issued shares carry dividend rights from January 1, 2011 and rank *pari passu* with existing shares. Once the shares were settled, Michelin's share capital was comprised of 179,735,911 shares with a par value of €2.00 each.

The cash dividend was paid of June 20.

2.10. RISK FACTORS

2.10.1. EFFICIENTLY MANAGING RISK

Efficiently managing risks and commitments demands an increasingly disciplined approach. That's why Michelin has deployed an organization to coordinate its capabilities more effectively and implement improvement plans.

2.10.1.a) Operating risks

Organized in 14 classes, operating risks are managed at five different levels:

- Operating managers identify and manage risks in their units preparing prevention, protection, and business continuity plans in compliance with Group standards.
- Group Departments analyze risks in their fields of expertise, define prevention and protection standards and then manage and monitor their implementation.
- The process is defined, led and coordinated by the Group Risk Manager, who ensures that the units concerned have effectively controlled their exposure to major risks.
- Internal auditors review the effectiveness of the entire risk management process.
- The Corporate Risk Committee, which is comprised of the Managing Partners and the Executive Council, reviews the most significant risks, the prevention and protection systems in place to manage them and the related business continuity plans.

2.10.1.b) Mapping and oversight

Analyzing risks related to our business operations is a key process in preparing improvement plans, which include a review of both strategic and operating risks.

The risk map is updated regularly by the different units on the Group Risk Manager's instructions and is consolidated every two years. As the Group's risk audit tool, it facilitates identification of critical risks that may require specific action plans. The action plans are all implemented by the operating units, supervised by the Group Risk Manager. The internal auditors perform regular audits of the procedures for managing the most critical risks.

In 2011, Michelin continued to deploy its Environmental and Risk Prevention Management System in every production facility. It also continued to devise business continuity plans, as well as to set up, train and drill the crisis management units.

2.10.1.c) Risk coverage – Insurance

In addition to a proactive commitment to risk protection and prevention, the Group's insurance strategy is based on three main principles, as follows:

— 1. Accurately assessing risks

Appropriate coverage is determined on the basis of a risk map prepared in each unit using the same method.

— 2. Transferring high-frequency risk

Higher frequency risks are covered by integrated global property and casualty, liability and other insurance programs, in line with opportunities offered by the international insurance and reinsurance markets.

Property & casualty insurance

Property damage is covered under a €500-million insurance program, which includes a €50 million Increased Cost of Work (ICW) extension to enable operations to continue on a sound financial footing in the event of a disaster.

Liability insurance

The liability insurance program includes three key aspects:

- Product liability;
- 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.

The program does not cover legal fees and product recall expenses. Other programs have been set up to cover lower frequency risks.

— 3. Using a captive insurance company

The Group has set up a captive insurance company to manage medium-frequency risks, in order to reduce costs by pooling risks.

This company provides coverage in the following areas, with limits commensurate with its resources:

- Property and casualty risks, with a €30 million limit per loss event;
- Product liability in the United States and Canada, with a $5 million limit per claim;
- Product recall expenses, with a €20 million limit per claim.

Aggregate premiums amounted to €54.2 million in 2011[(1)].

2.10.2. TIRE MARKET RISKS

Almost all of Michelin's business operations consist in selling Passenger car, Light truck, Truck and Specialty (Earthmover, Agricultural, Two-wheel, Aircraft) tires to vehicle manufacturers, dealer networks and end-users. The Group also offers electronic mobility support services and licensed products, and publishes travel guides, hotel and restaurant guides, road maps and atlases; however, these businesses' contribution to consolidated sales and earnings is marginal.

The replacement business, which accounts for around 75% of total Passenger car, Light truck and Truck tire sales, is shaped by a wide variety of factors, including consumer tire demand, the number of kilometers driven, average vehicle speeds, fuel prices and dealer inventory policies. The original equipment business, which represents nearly 25% of Passenger car, Light truck 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 is relatively stable and less cyclical than the original equipment business.

The main Specialty tire markets are the Earthmover and Mining tire segments, where demand depends on raw material, oil and agricultural prices.

More generally, business performance 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.

Monitoring and managing these market risks is the responsibility of line management.

2.10.3. OPERATIONAL RISKS

Operational risks are divided into fourteen distinct categories, as follows: accounting and finance; business continuity; the environment; fraud and ethics; skills and expertise; brand, communication and image; information technology; legal; tax; programs and projects; products and services; continuity of supply; safety and security; and labor relations.

The Group Risk Manager leads the process of analyzing and addressing these risks. The Corporate Risk Committee, which is comprised of the Managing Partners and the Executive Council, met nine times in 2011 to review in detail the most significant risks identified during the mapping process and approve the related prevention and protection plans. The Committee plans to meet every month in 2012 to monitor progress in implementing these plans.

Michelin's robust risk management process is underpinned by a commitment to responsible, independent analysis at several levels:

- Line managers identify and manage risks in their units, preparing prevention, protection, and business continuity plans in compliance with Group standards. In addition, the internal control system helps to provide assurance that operational risks are properly managed.
- The Performance Divisions (Research-Development-Process Engineering, Manufacturing, Marketing and Sales, Supply Chain and Logistics) and the Group Departments (Finance, Legal Affairs, Procurement, etc.) analyze risks in their fields of expertise, define prevention and protection standards and then manage and monitor their implementation. Together, these tasks comprise the organization's internal control system.
- Internal auditors review the effectiveness of the entire risk management process.

The Group's internal control and risk management procedures are described in detail in the Report of the Chairman of the Supervisory Board, on section 4.5, below.

2.10.3.a) Industrial and Environmental Risks

Managing industrial risks ensures the sustainability and continuity of our operations by protecting our employees, our assets and the environment.

The Group companies conduct their operations in compliance with the applicable local and international laws and regulations. Michelin has outlined its values in the Michelin Performance and Responsibility Charter.

(1) Including premiums paid to the captive company.

Updated at least every two years, the industrial risk map delineates risk domains and assesses their criticality. In response, prioritized prevention-oriented action plans are prepared covering several years and implemented in the annual plans. In particular, they address the issues of workplace safety, industrial hygiene, and protection of corporate assets and the environment.

The Group's Environment and Prevention (EP) performance is managed on the basis of:

- Five-year guidelines and objectives, which are updated every year to reflect the findings of performance reviews. These guidelines and objectives are also expressed in each unit's improvement programs and capital plans.
- Experts based at each site provide technical and methodological support to local plant managers, who are ultimately accountable for their unit's EP performance.

This process is being kept robust with an Environmental and Risk Prevention Management System, which is extending the existing environmental management system to all the other EP fields (asset protection, workplace safety, industrial hygiene and ergonomics).

The financial impacts of industrial and environmental risks (dismantlement, rehabilitation and compliance risks) are either covered by provisions (see section 6.3.2.i) or disclosed as commitments and contingencies.

As of December 31, 2011, the Group was not exposed to any material industrial or environmental risks.

— Limited industrial risks

MAIN RISK FACTORS IN THE GROUP'S BUSINESS OPERATIONS

INDUSTRIAL PROCESS	MAIN RISK	MICHELIN INITIATIVE
Production of synthetic rubber Two plants, one in Bassens, France and the other in Louisville, Kentucky.	Inflammability of the hydrocarbons used in the process.	Regular review of safety and plant protection practices; ongoing significant investment programs to improve risk management and attenuate the impact of an incident.
Production of metal reinforcements 11 production facilities supplying 58 plants worldwide.	Accidental spillage of effluent from electrolytic metal reinforcement processing facilities.	Regular inspection of the facilities and treatment of effluent in a wastewater plant.
Production of rubber compounds 33 production facilities supplying 58 plants worldwide.	Accidents could cause fires.	Sustained implementation of a Group-wide program to equip facilities with automatic sprinkler systems and to segregate risks by compartmentalizing operations.
Production of textile reinforcements 3 production facilities	Vapor and gas emitted during adhesives production.	Installation of scrubbers at each facility.

— Fire risk

The Group's primary industrial 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. To support its efficient management, 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 is leading a network of on-site correspondents who are overseeing the process of upgrading existing facilities to HPRM standards. In addition, all new projects are audited by an Environmental and Prevention expert for HPRM-compliance using a proprietary application. Throughout this process, feedback and best practices are systematically shared across the organization.

Thanks to these processes and systems, no fire or any other industrial accident at any of Michelin's sites worldwide has caused serious injury to employees, damage to Company or third-party assets or had an adverse environmental impact on neighboring communities in the last decade.

Efficient fire hazard management is based on a point-by-point risk assessment process and the effective implementation of prevention, protection and response procedures.

- To improve and share technical expertise in deploying automatic sprinkler systems in tire warehouses and reducing the environmental impact of tire fires, Michelin initiated an ambitious series of trials conducted from 2001 to 2006 in the United States and in France under the aegis of the French Rubber Manufacturers Association (SNCP). Participants included leading tire manufacturers, supply chain specialists and a specialized parts manufacturer.

  The innovative program involved 21 preliminary tests and 12 full-scale trials on a significant number of tires (2,000 to 4,000 per full-scale trial), arranged in a variety of actual tire storage configurations. Different types of sprinkler systems were compared during the trials, which also assessed the efficacy of wetting agents added to fire-fighting water.

  The results enabled participants to improve fire protection systems in existing warehouses and gauge the effectiveness of new technologies for future facilities, while safely optimizing operations. Moreover, the related analyses of fire-fighting water, smoke components and atmospheric dispersion provided further insight into the environmental impact of tire fires.
- A robust fire hazard management system. To support efficient fire and disaster management, Michelin has developed its proprietary High Protected Risk Michelin (HPRM) standard, which is based on three processes:
  - Prevention, which covers a broad array of measures to prevent disasters from occurring;
  - Protection, which includes automatic protection and other passive systems designed to segregate risks in order to minimize the impact of a serious incident;
  - Response, which comprises early warning systems and rapid response teams and equipment.

  A corporate team of risk management experts is leading a network of on-site correspondents who are overseeing the process of upgrading existing facilities to HPRM standards. On-site installations and risk management programs are regularly audited for HPRM-compliance and to identify areas for improvement. These areas are then prioritized in the multi-year improvement plans prepared by each production and logistics facility.

Compliance with these improvement plans is checked during follow-up site visits by Group experts, who are sometimes accompanied by an insurance representative.
In addition, all new construction, retrofitting, extension, process changeover and other projects are approved only after they have been audited by an Environmental and Prevention expert for HPRM-compliance.
Since January 1, 2008, this comprehensive internal control process has been supported by the proprietary High Protected Risk Michelin Compliance Assessment (EC-HPRM) application, which enables experts to determine a site's compliance with internal standards.

- Leveraging feedback and sharing best practices. Building on the success of our proprietary SECURISTAT application, which has been used since 2004 to collect and process industrial risk management event data, the corporate fire prevention unit has developed an innovative process for leveraging internal and external feedback. Each event is carefully analyzed and the lessons learned are shared across the Group in order to drive continuous improvement.

— Seveso facilities

The European Seveso II Directive aims to prevent major accidents involving dangerous substances used or stored on industrial sites and to limit the consequences for people and the environment of any that do occur. The Directive's regulations apply at two thresholds, the lower tier and the top tier (depending on the quantity of dangerous substances stored on-site), with stricter disclosure rules and prevention standards for top-tier sites. Of Michelin's 40 European sites (including semi-finished product plants), two were classified top tier and seven lower tier as of the end of 2011.

2.10.3.b) Occupational health and hygiene risks

Please refer to section 6.2.5 of the present Registration Document.

2.10.3.c) Competition Risk

Michelin is exposed to extensive global competition, which is becoming increasingly aggressive, particularly from Asian manufacturers. Although we are strategically committed to pursuing continuous innovation, expanding more quickly in high-growth markets and improving our competitiveness, this situation could have an adverse impact on our revenue, financial condition and earnings.

2.10.3.d) Distribution risks

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

The integrated dealer networks, Euromaster in Europe and TCI in North America, make only a limited contribution to Group sales.

Substantially all dealers are independent. This is the case, for example, of the mainly franchise-based TYREPLUS network that is currently being developed in new markets.

The Group is exposed to the risk of default by its dealers. This risk is monitored on a daily basis by the Group's credit network. Annual bad debts have not been material for a number of years.

2.10.3.e) Raw Materials Risk

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

Raw materials, which represented 52% of all Group purchases in 2011, 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.

The materials that have the greatest impact on production costs are, by decreasing order of importance, natural rubber, butadiene, styrene and carbon black (three oil derivatives that are used to produce synthetic rubber), steel and textiles.

RAW MATERIALS COSTS	2009	2010	2011
In EUR million	3,400	4,799	7,019
As a % of net sales	23.0%	26.8%	33.9%
Of which			
Natural rubber	28%	34%	42%
Synthetic rubber	26%	25%	24%
Reinforcing agents	16%	15%	13%
Chemicals	13%	12%	10%
Metal cables	10%	8%	7%
Textiles	7%	6%	4%

Michelin monitors and manages the impact of changes in raw material prices 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.

These impacts are included in the Group's internal management indicators and are disclosed in the published information on the interim and annual results.

On the basis of 2012 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

- a $0.10 per kg increase in natural rubber prices would feed through to around a $90 million increase in full-year purchasing costs;
- a $1.00 per barrel increase in oil prices would feed through to a $15-20 million increase in full-year purchasing costs.

It has been the Group's long-standing policy to pass along any increase in raw material costs in selling prices, with the impact of the higher prices also disclosed when the interim and annual results are published. In 2011, the effect of this firm pricing policy and the selling price increases introduced during the year was an estimated €2.075 billion, significantly more than the €1.748 billion estimated impact of the higher cost of raw materials used in production during the period.

Margins on certain fixed-price sales contracts were protected using short-term futures. At December 31, 2011, these futures had a positive fair value of €2 million, recorded in assets. This compares with the €7 billion cost of raw materials used in production during the year.

2.10.3.f) Financial Market Risks

— Liquidity risk

Please refer to Notes 4.1.2, 4.2.1 and 26.3 to the consolidated financial statements.

— Currency risk

Please refer to Notes 4.1.3 and 4.2.2 to the consolidated financial statements.

— Interest rate risk

Please refer to Notes 4.1.4 and 4.2.3 to the consolidated financial statements.

— Equity risk

Please refer to Notes 4.1.5 and 4.2.4 to the consolidated financial statements.

— Counterparty risk

Please refer to Notes 4.1.6, 4.2.5 and 20 to the consolidated financial statements.

— Credit risk

Please refer to Notes 4.1.7, 4.2.6 and 20 to the consolidated financial statements.

2.10.3.g) Legal Risk

In all its relations with partners, Michelin ensures full compliance with applicable laws and regulatory requirements. It is not subject to any laws or regulations, tax provisions, authorizations, permits or licenses that could have a material impact on its financial condition.

Michelin is exposed to liability claims in connection with its operations as tire designer, manufacturer and distributor. Ongoing research to continuously improve product safety and quality along with existing risk management processes are enabling the Group to proactively prevent and manage these risks.

More generally, the Group may be exposed to litigation in the areas of product liability (notably in the United States), the sale and distribution of its products, intellectual property (infringement claims), employee-related obligations and occupational disease.

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

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 unanimous approval of the General Partners, which would be required in particular for the following decisions:

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

2.13. INFORMATION CONCERNING SUPPLIER PAYMENTS

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

	PAST DUE		DUE WITHIN 60 DAYS		DUE BEYOND 60 DAYS		TOTAL TRADE PAYABLES	
Trade payables (including tax, in EUR thousand)	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2011	DEC. 31, 2010
Foreign suppliers:								
Group	0	0	0	57	0	0	0	57
Non-Group	0	0	193	55	0	0	193	55
French suppliers:								
Group	0	0	73,178	119,676	50,227	9,296	123,406	128,972
Non-Group	0	0	648	1,688	0	0	648	1,688
TOTAL	**0**	**0**	**79,019**	**121,476**	**50,227**	**9,296**	**124,247**	**130,772**

Trade payables totaled €124 million at December 31, 2011 and €131 million at December 31, 2010. They are reported under “Other liabilities” which, including other payables, amounted to €197 million at year-end 2011 and €178 million at year-end 2010.

2.14. MATERIAL CHANGES IN THE COMPANY’S BUSINESS OR FINANCIAL POSITION

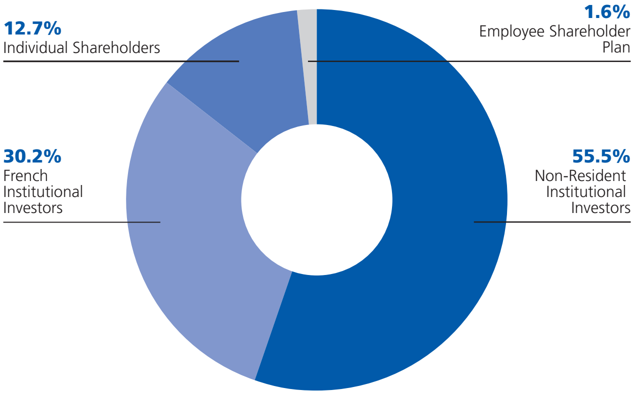
There were no material changes in the Company’s business or financial position between February 6, 2012 (the date of the Statutory Auditors’ Report) and the date on which this Registration Document was filed with the *Autorité des marchés financiers.*

2.15. OWNERSHIP STRUCTURE AND VOTING RIGHTS

At December 31, 2011, Michelin's share capital amounted to €360,037,794, represented by 180,018,897 ordinary shares, all fully paid-up, with a total of 230,108,052 voting rights.

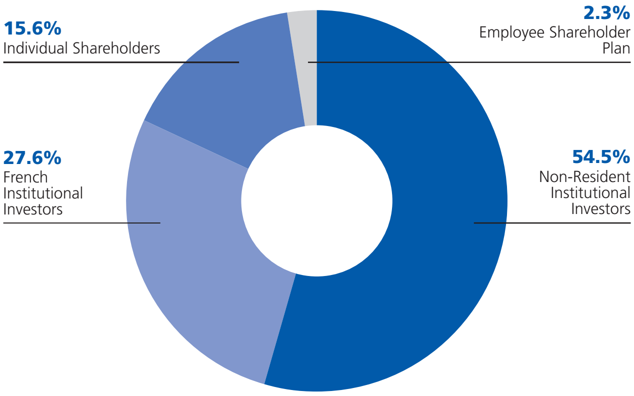
SHARE OWNERSHIP

At December 31, 2011



VOTING RIGHTS

At December 31, 2011



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

At December 31, 2011, 180,018,897 shares were held by the public, corresponding to 100% of the voting rights.

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

- On October 21, 2009, Franklin Resources, Inc. disclosed that it had reduced its interest to less than 10% of the capital and that at that date it held 14,486,544 shares and the same number of voting rights.
- On May 26, 2011, Capital Research & Management Co. disclosed that it had reduced its interest to less than 5% of the capital and that at that date it held 8,791,942 shares and the same number of voting rights.
- No other shareholder directly or indirectly holds more than 5% of capital and voting rights.
- There are no shareholders' agreements or pacts.

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

3

FINANCIAL HIGHLIGHTS

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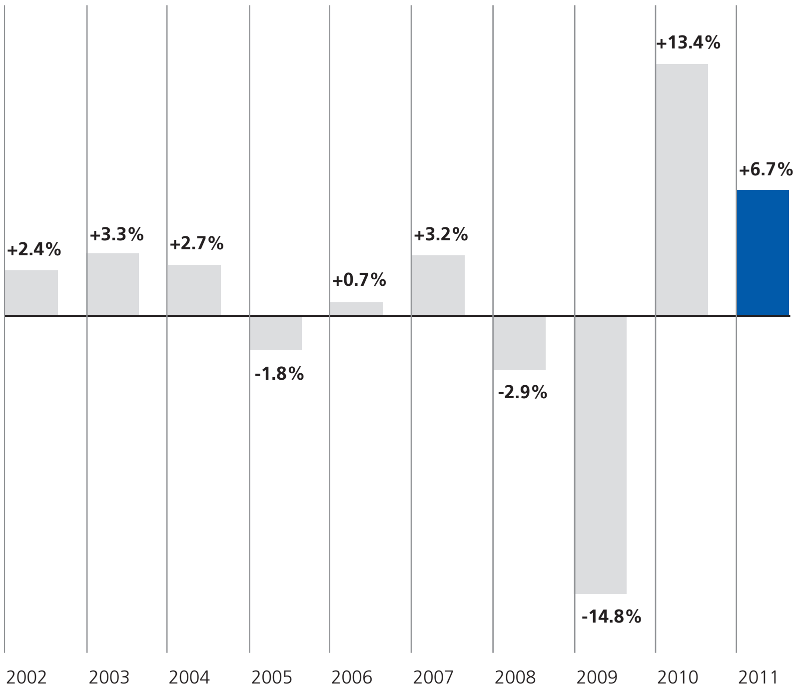
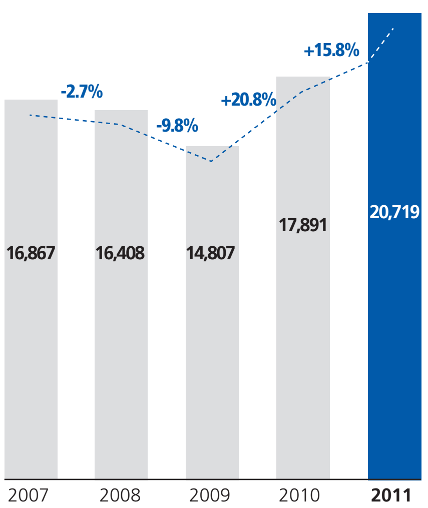
3.1. SALES

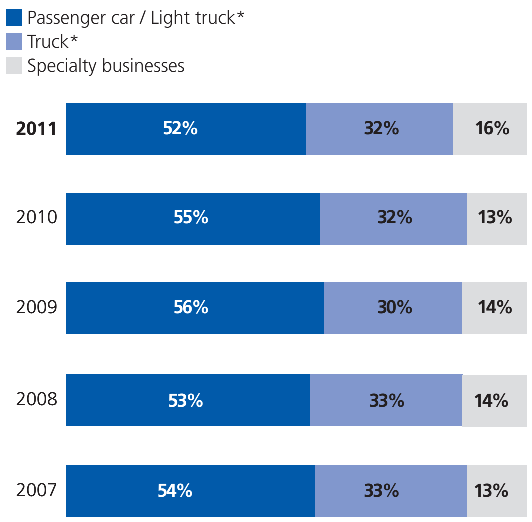
UNIT SALES
(in tons)



NET SALES
(in € million)

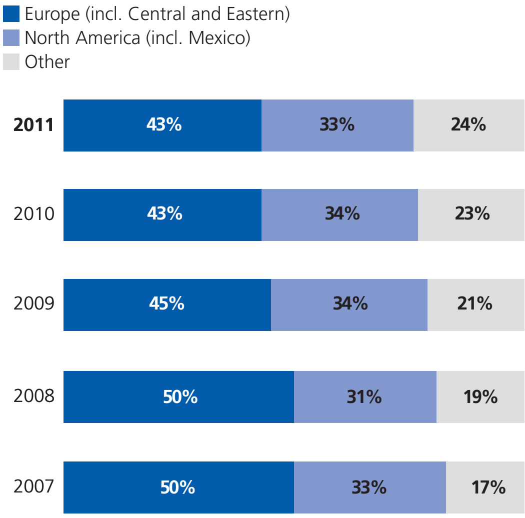


NET SALES BY REPORTING SEGMENT – BREAKDOWN
(in value)

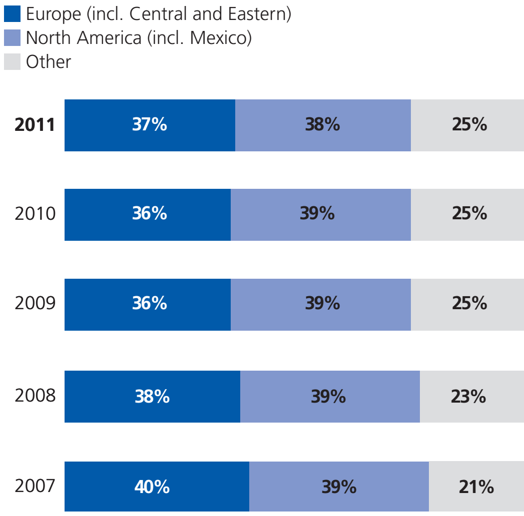


** And related distribution.*

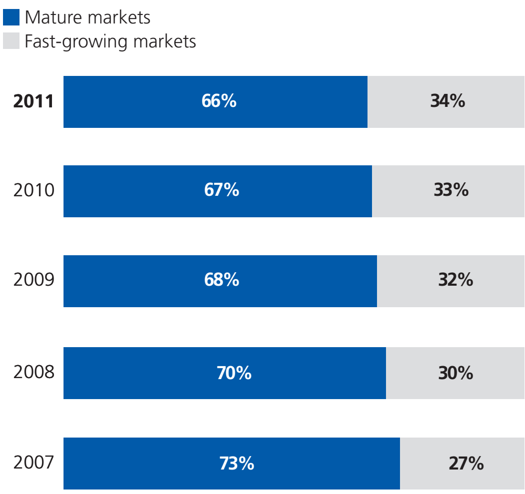
NET SALES BY REGION - BREAKDOWN
(in value)



SALES BY REGION- BREAKDOWN
(in tons)



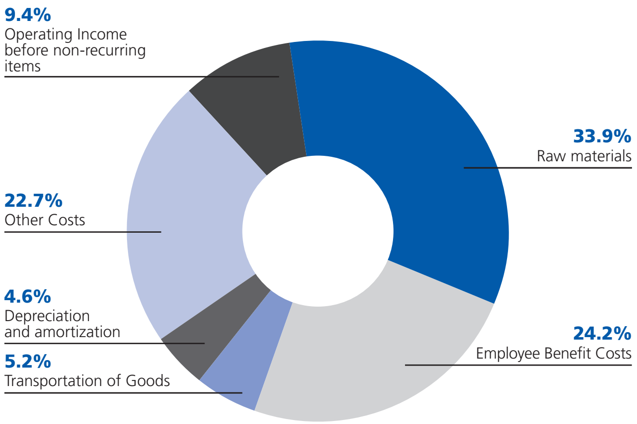
BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS
(in tons)



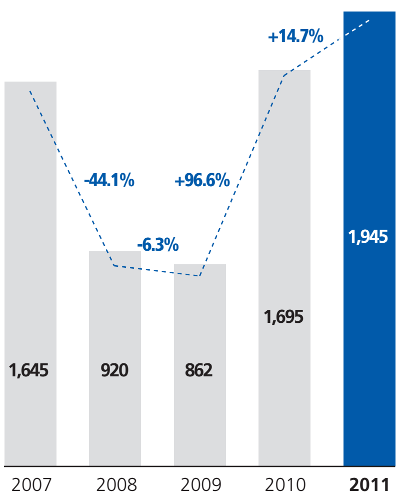
** Mature markets: United States, Canada, Western Europe and Japan.*

3.2. EARNINGS

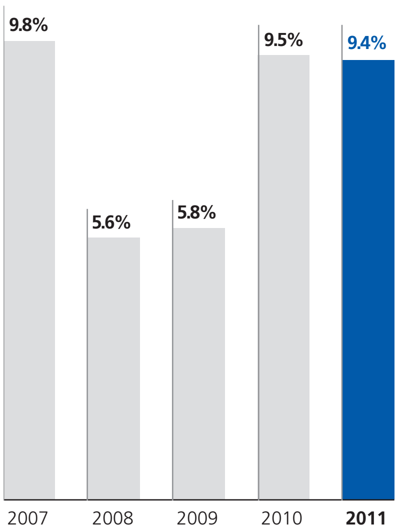
ANALYSIS OF OPERATING EXPENSES
(as a % of 2011 net sales)



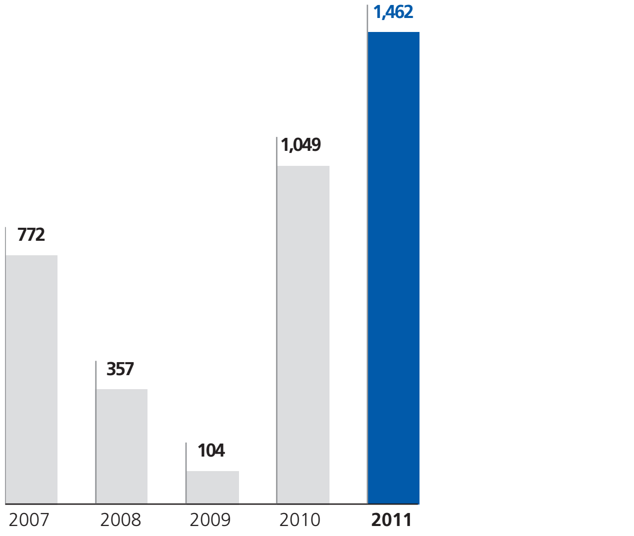
OPERATING INCOME BEFORE NON-RECURRING ITEMS
(in € million)



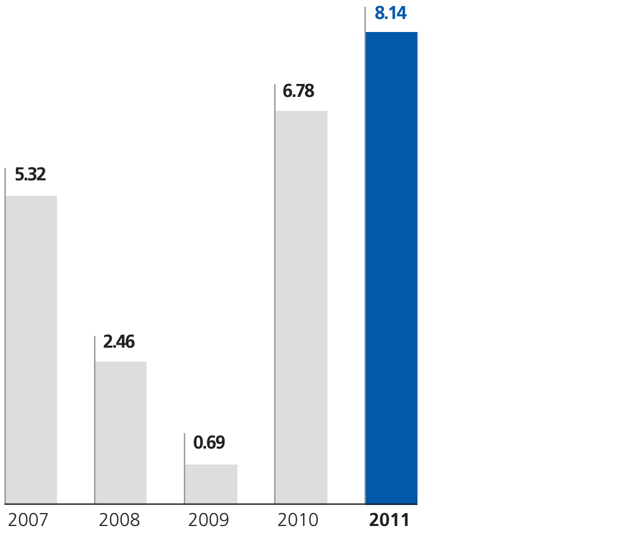
OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



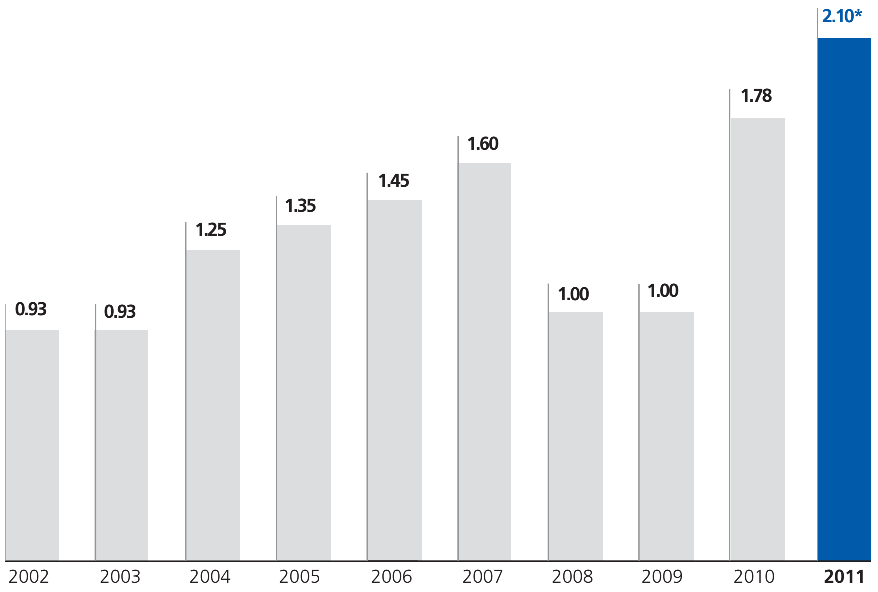
NET INCOME
(in € million)



BASIC EARNINGS PER SHARE
(in €)



DIVIDEND PER SHARE
(in €)

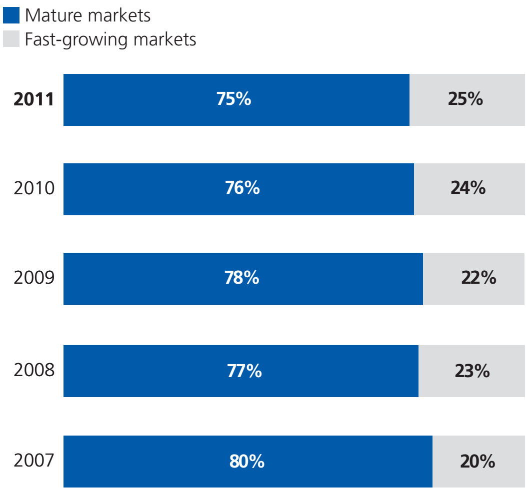


** Subject to approval at the Annual Shareholders Meeting on May 11, 2012.*

3.3. REPORTING SEGMENTS

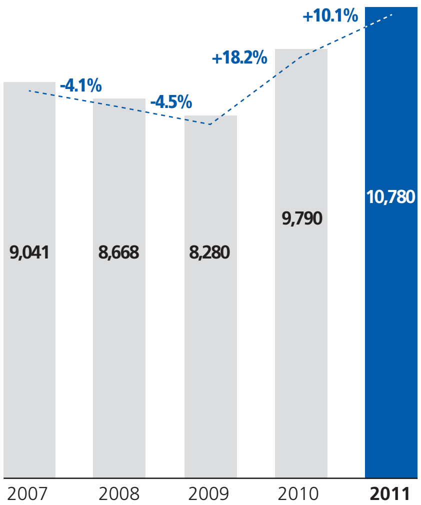
3.3.1. PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

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

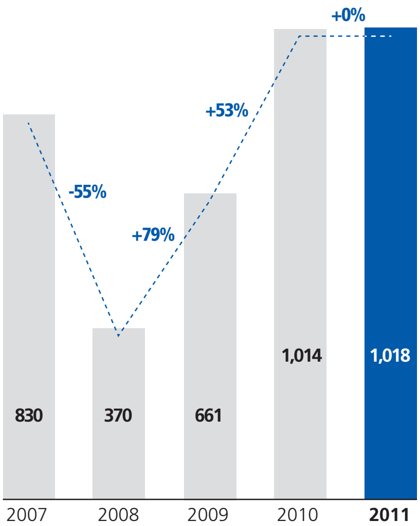


** Mature markets: United States, Canada, Western Europe and Japan.*

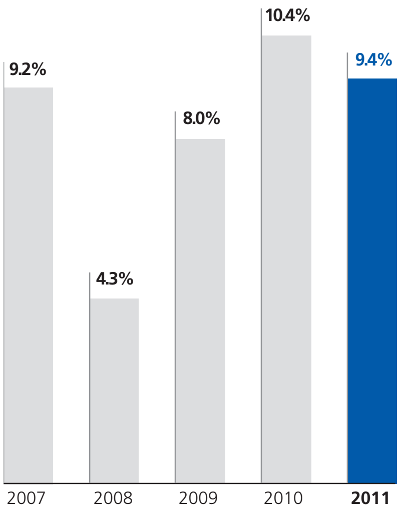
NET SALES
(in € million)



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

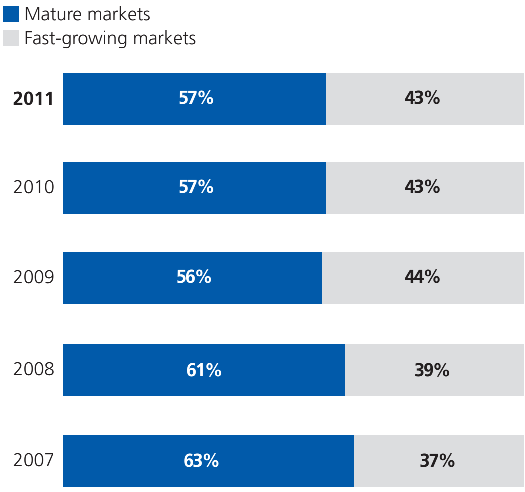


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



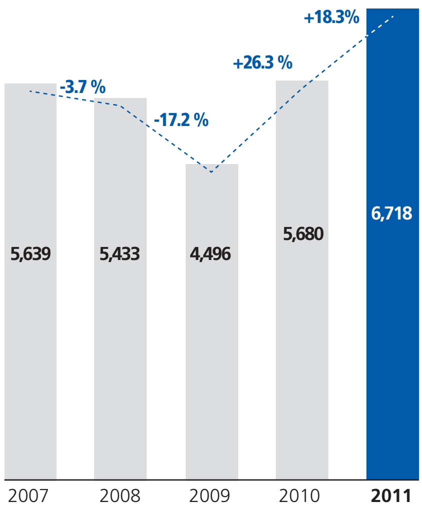
3.3.2. TRUCK TIRES AND RELATED DISTRIBUTION

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

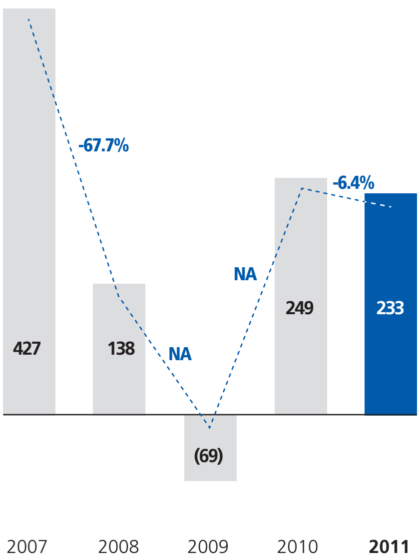


** Mature markets: United States, Canada, Western Europe and Japan.*

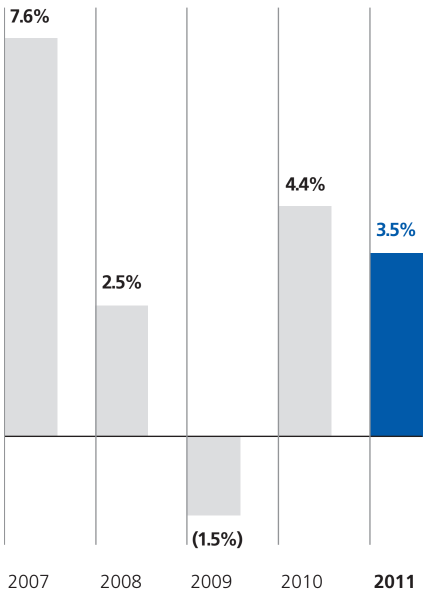
NET SALES
(in € million)



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

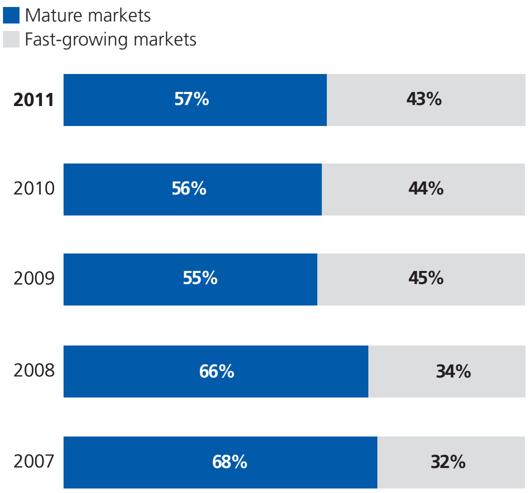


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



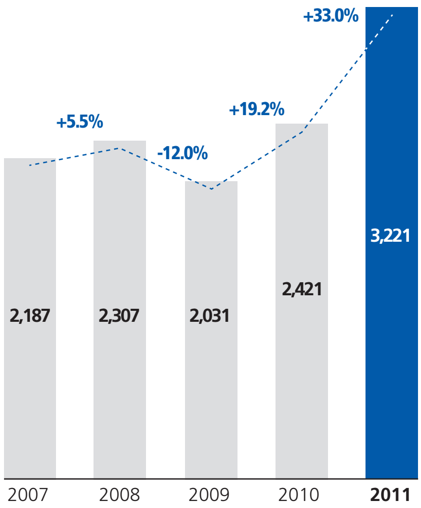
3.3.3. SPECIALTY BUSINESSES

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

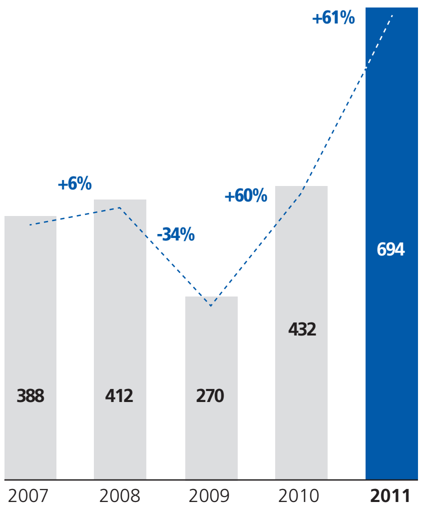


** Mature markets: United States, Canada, Western Europe and Japan.*

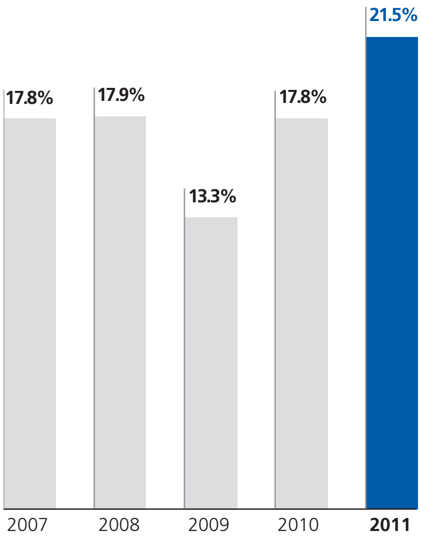
NET SALES
(in € million)



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

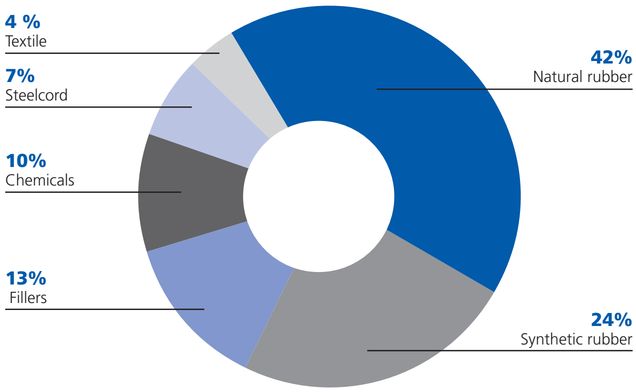


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)

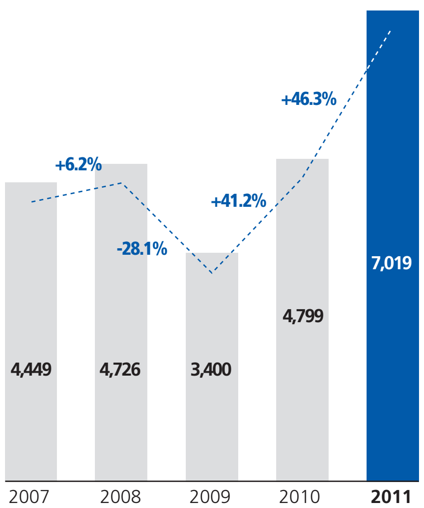


3.4. COST STRUCTURE

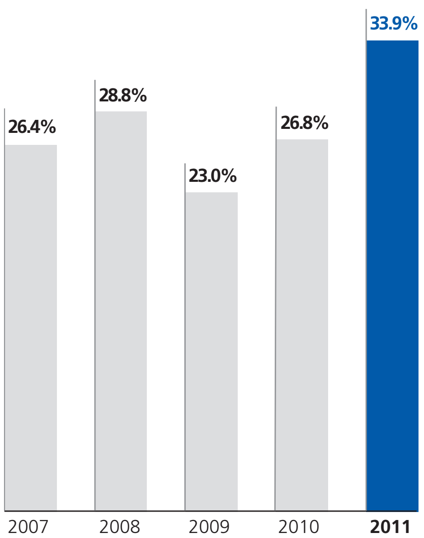
2011 RAW MATERIAL COSTS
(in €)



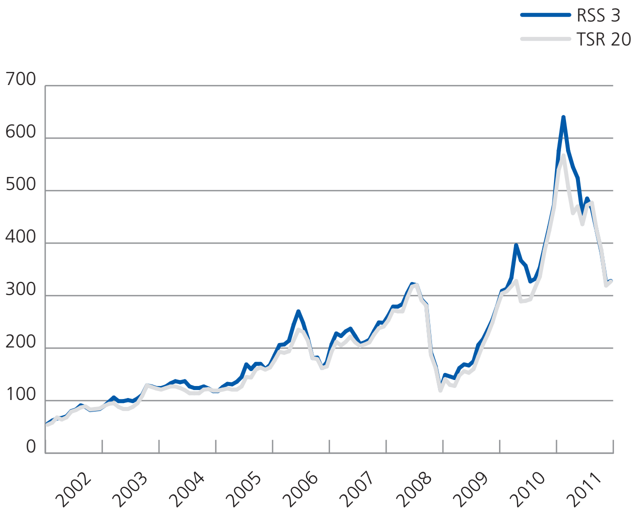
RAW MATERIAL COSTS
(in € million)



RAW MATERIAL COSTS
(as a % of net sales)

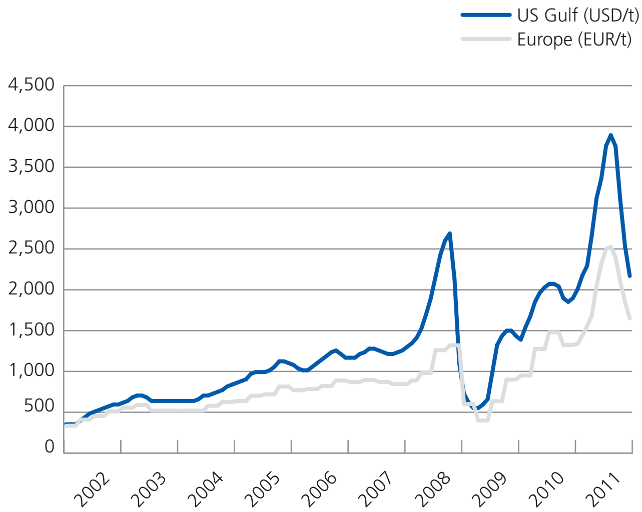


NATURAL RUBBER PRICES*
(in US cents/kg)



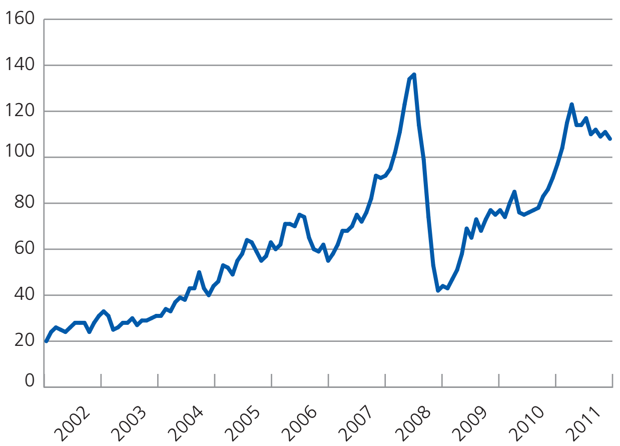
* *Monthly average.*

BUTADIENE PRICES*
(in USD/ton)



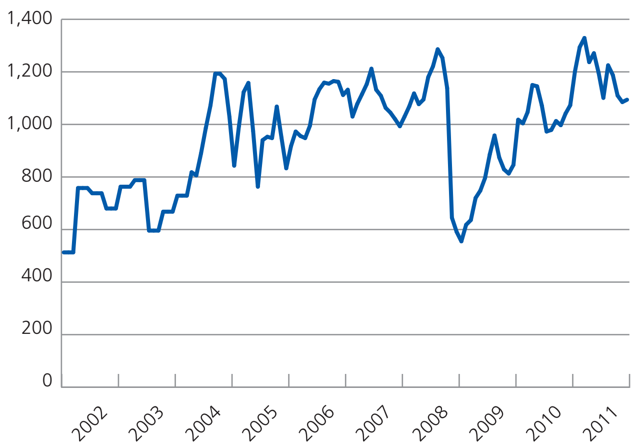
* *Monthly average.*

BRENT OIL PRICES*
(in $/bbl)



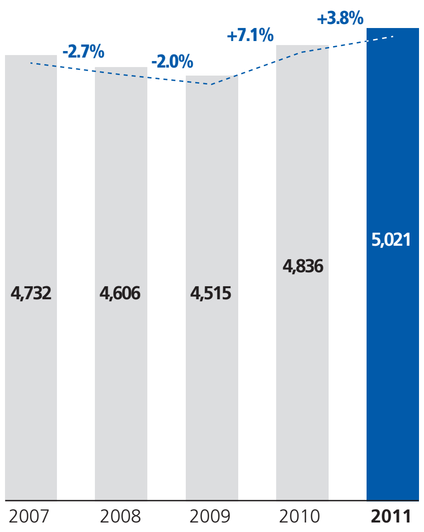
* *Monthly average.*

STYRENE PRICES*
(in €/ton)

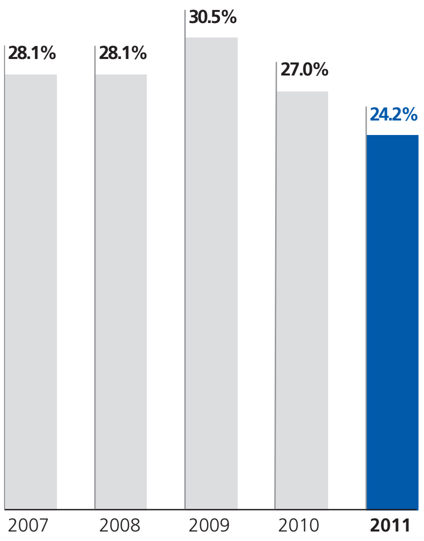


* *Monthly average.*

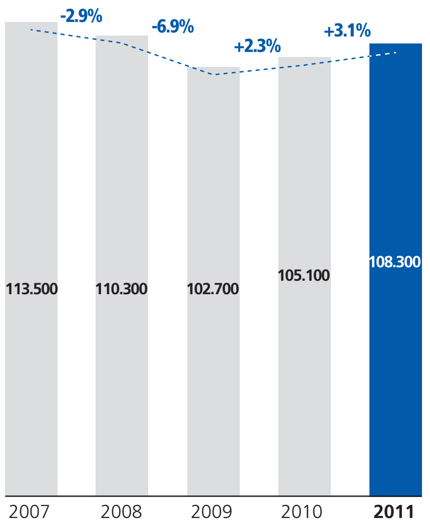
EMPLOYEE BENEFIT COSTS
(in € million)



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)

	2011	2010	2009	2008	2007
Europe	64,400	63,400	63,300	67,700	70,700
North America	21,700	21,000	20,300	22,200	22,400
Asia (excluding India)	15,000	14,500	13,200	13,500	13,400
South America	5,300	5,100	4,900	5,800	5,900
Africa India Middle East	1,900	1,100	1,000	1,100	1,200
TOTAL	**108,300**	**105,100**	**102,700**	**110,300**	**113,600**
including mature countries(1)(2)	68%	65%	66%	66%	67%
including fast-growing countries(1)	32%	35%	34%	34%	33%

(1) Excluding distribution.

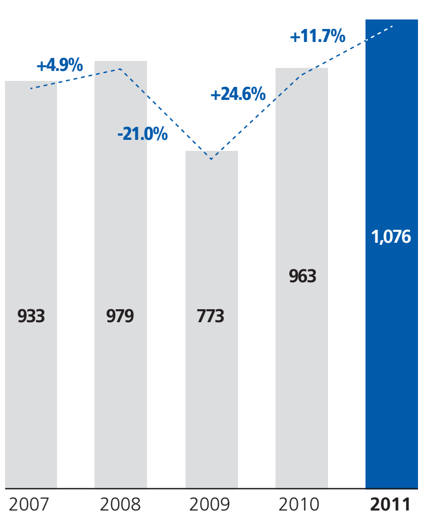
(2) Mature countries : United States, Canada, Western Europe, Japan.

EMPLOYEES BY JOB CATEGORY

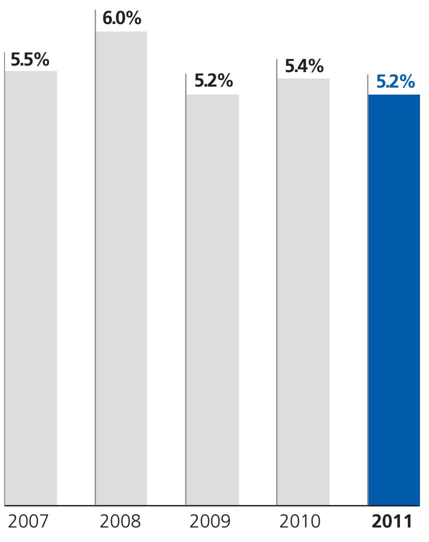
(total workforce at December 31, excluding distribution)

	2011	2010	2009	2008	2007
Production workers	63.6%	64.5%	64.8%	66.7%	66.7%
Administrative and technical staff	30.0%	29.2%	29.3%	27.4%	27.6%
Managers	6.4%	6.3%	5.9%	5.9%	5.7%

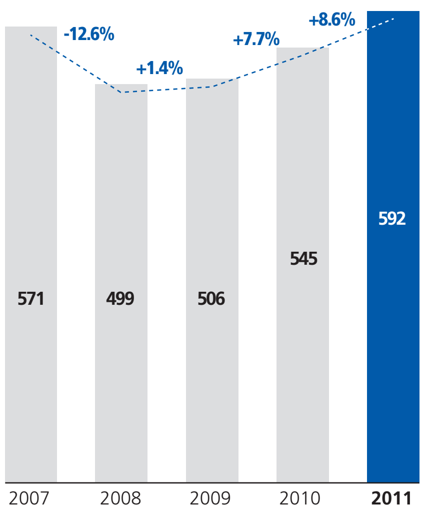
TRANSPORTATION COSTS
(in € million)



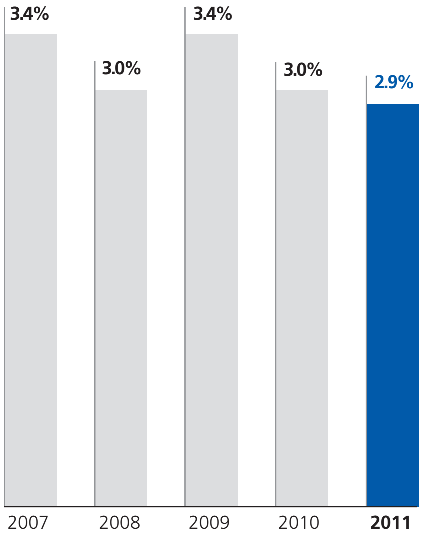
TRANSPORTATION COSTS
(as a % of sales)



RESEARCH AND DEVELOPMENT COSTS
(in € million)

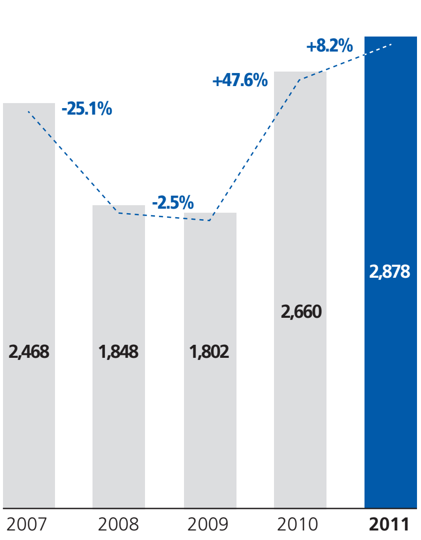


RESEARCH AND DEVELOPMENT COSTS
(as a % of net sales)

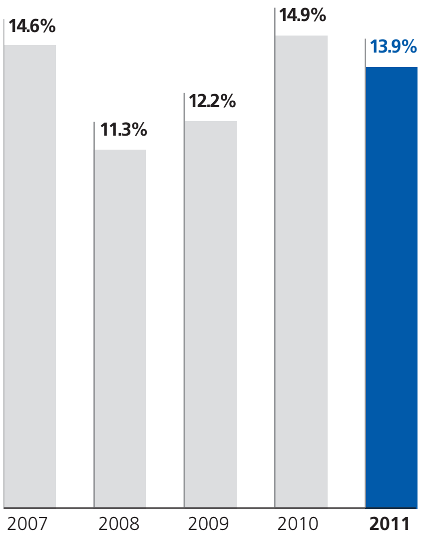


3.5. CASH FLOW AND BALANCE SHEET

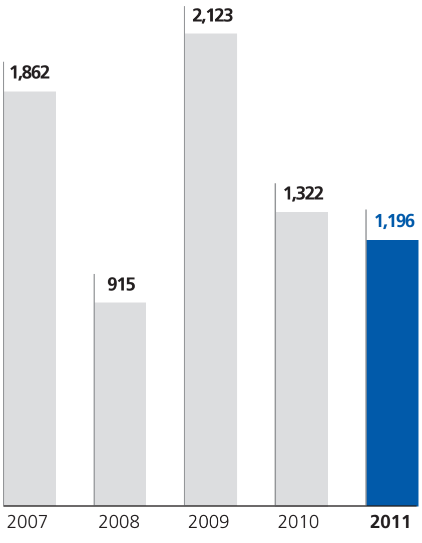
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES(1)
(in € million)



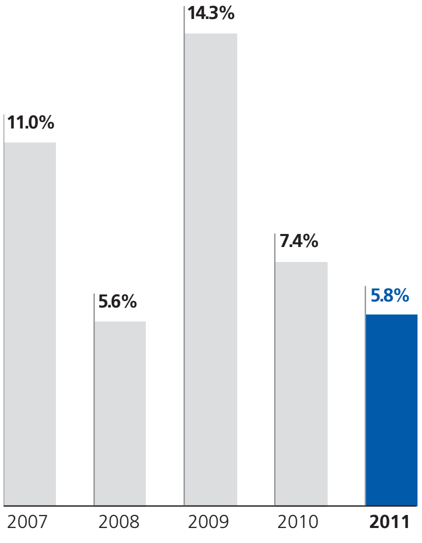
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES(1)
(as a % of net sales)



CASH FLOWS FROM OPERATING ACTIVITIES
(in € million)

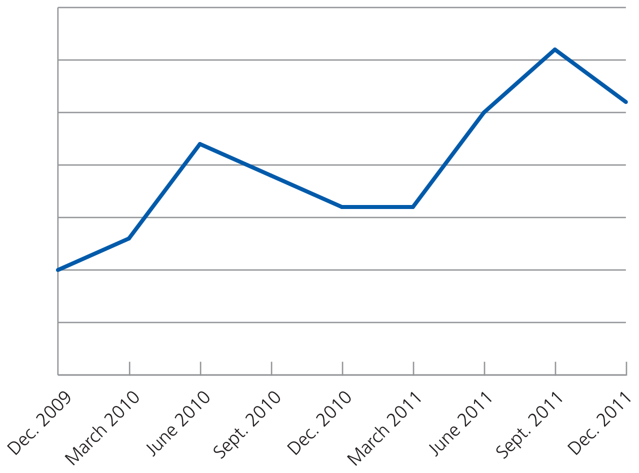


CASH FLOWS FROM OPERATING ACTIVITIES
(as a % of net sales)

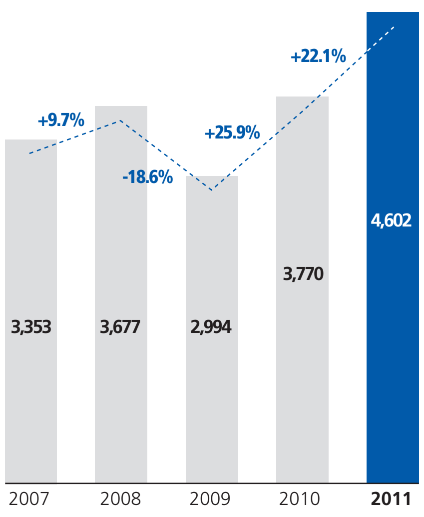


(1) This indicator is defined in Note 3.7.2. to the consolidated financial statements.

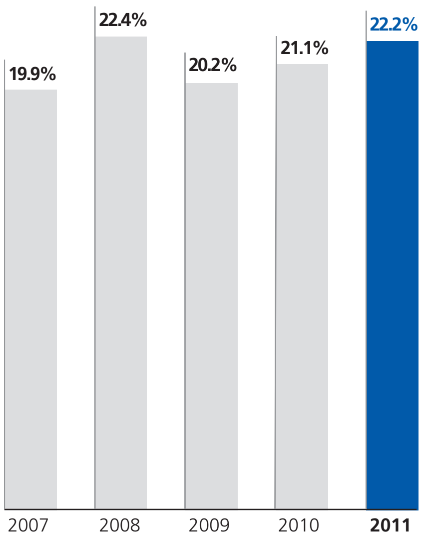
INVENTORIES
(quarterly change in tons)



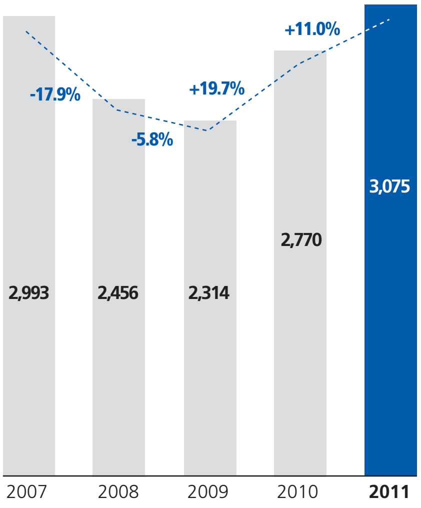
INVENTORIES
(in € million)



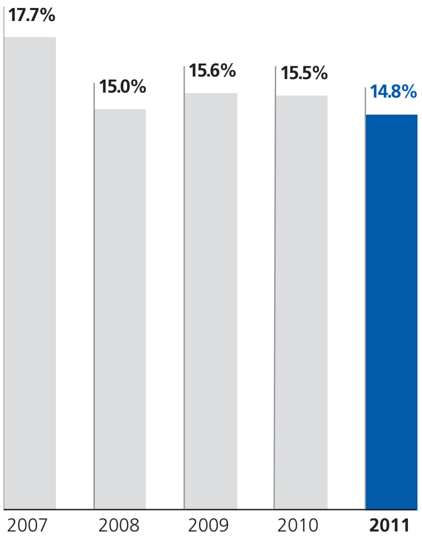
INVENTORIES
(as a % of net sales)



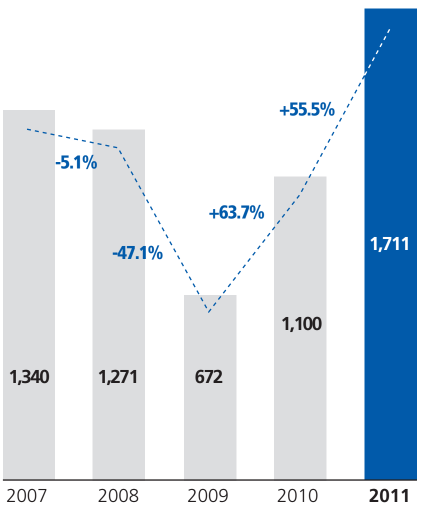
TRADE RECEIVABLES
(in € million)



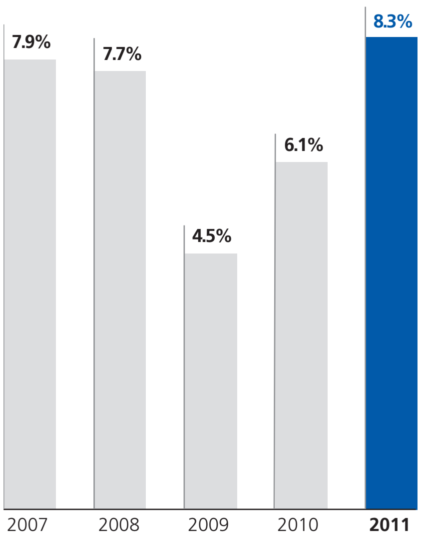
TRADE RECEIVABLES
(as a % of net sales)



CAPITAL EXPENDITURE
(in € million)

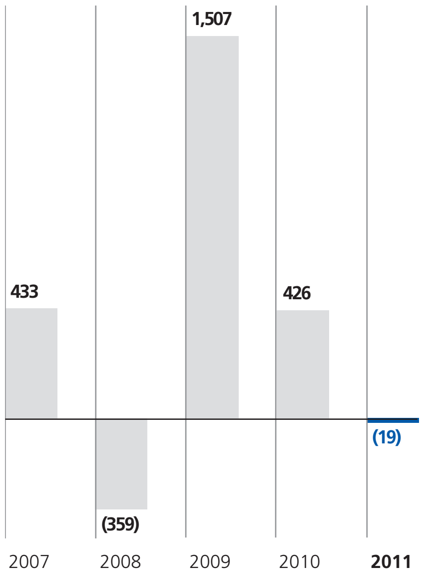


CAPITAL EXPENDITURE
(as a % of net sales)



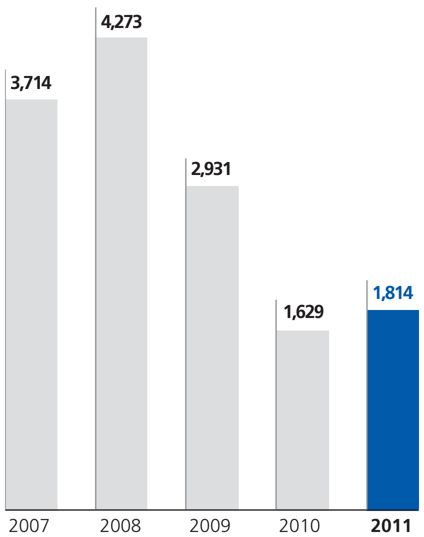
FREE CASH FLOW[1] (AFTER CAPITAL EXPENDITURE AND BEFORE PAYMENT OF DIVIDENDS)

(in € million)

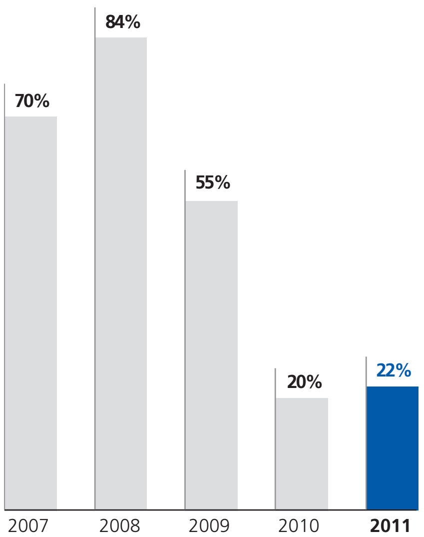


NET DEBT[2]

(in € million)

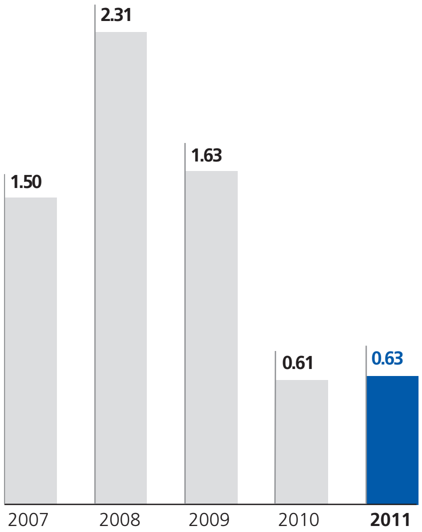


NET DEBT[2]-TO-EQUITY RATIO

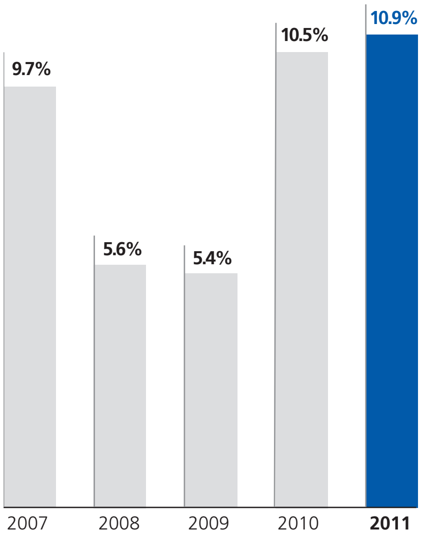


(1) This indicator is defined in section 2.6.3. of the present Registration Document.
(2) This indicator is defined in Note 26 to the consolidated financial statements.

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 2.7. of the present Registration Document.

3.6. CONSOLIDATED KEY FIGURES AND RATIOS

(in € million)	2011	2010	2009	2008	2007	2006	2005
Net sales	20,719	17,891	14,807	16,408	16,867	16,384	15,590
% change	+15.8%	+20.8%	-9.8%	-2.7%	+3.0%	+5.1%	+3.6%
Total employee benefit costs	5,021	4,836	4,515	4,606	4,732	4,718	4,780
as a % of sales	24.2%	27.0%	30.5%	28.1%	28.1%	28.8%	30.7%
Number of employees (full time equivalent)	108,300	105,100	102,700	110,300	113,500	115,800	119,000
Research and development expenses	592	545	506	499	571	591	565
as a % of sales	2.9%	3.0%	3.4%	3.0%	3.4%	3.6%	3.6%
EBITDA before non-recurring income and expenses[1]	2,878	2,660	1,802	1,848	2,468	2,209	2,171
Operating income before non-recurring income and expenses	1,945	1,695	862	920	1,645	1,338	1,368
Operating margin before non-recurring income and expenses	9.4%	9.5%	5.8%	5.6%	9.8%	8.2%	8.8%
Operating income	1,945	1,695	450	843	1,319	1,118	1,574
Operating margin	9.4%	9.5%	3.0%	5.1%	7.8%	6.8%	10.1%
Cost of net debt	206	236	262	330	294	315	310
Other financial income and expenses	236	10	10	(3)	29	135	(280)
Income before taxes	1,996	1,498	207	520	1,071	942	1,300
Income tax	534	449	103	163	299	369	411
Effective tax rate	26.8%	30.0%	49.8%	31.3%	27.9%	39.2%	31.6%
Net income	1,462	1,049	104	357	772	573	889
as a % of sales	7.1%	5.9%	0.7%	2.2%	4.6%	3.5%	5.7%
Dividends paid to shareholders[2]	314	147	145	230	208	193	179
Cash flows from operating activities	1,196	1,322	2,123	915	1,862	1,191	1,031
as a % of sales	5.8%	7.4%	14.3%	5.6%	11.0%	7.3%	6.6%
Gross purchases of intangible assets and PP&E	1,711	1,100	672	1,271	1,340	1,414	1,336
as a % of sales	8.3%	6.1%	4.5%	7.7%	7.9%	8.6%	8.6%
Financing cash flow (excluding cash management financial assets)	(1,215)	(896)	(616)	(1,274)	(1,429)	(1,230)	(1,155)
as a % of sales	5.9%	5.0%	4.2%	7.8%	8.5%	7.5%	7.4%
Net debt[3]	1,814	1,629	2,931	4,273	3,714	4,178	4,083
Equity	8,101	8,127	5,495	5,113	5,290	4,688	4,527
Gearing	22%	20%	55%	84%	70%	89%	90%
Net debt[3]/EBITDA	0.63	0.61	1.63	2.31	1.50	1.89	1.88
Cash flows from operating activities/Net debt[3]	65.9%	81.2%	72.4%	21.4%	50.1%	28.5%	25.3%
Net interest charge average rate[4]	9.6%	6.3%	6.2%	6.0%	6.4%	6.3%	6.9%
Operating income before non-recurring items/Net interest charge[4]	9.2	9.1	3.5	3.5	6.1	4.2	4.4
Free cash flow[5]	(19)	426	1,507	(359)	433	(39)	(124)
ROE[6]	18.1%	12.9%	1.9%	7.0%	14.7%	12.2%	19.7%
ROCE[7]	10.9%	10.5%	5.4%	5.6%	9.7%	8.0%	N. App

(in € million)	2011	2010	2009	2008	2007	2006	2005
Per share data (in €)							
Net assets per share[8]	45.9	46.0	37.2	35.2	36.7	32.6	31.5
Basic earnings per share[9]	8.14	6.78	0.69	2.46	5.32	3.95	6.13
Diluted earnings per share[9]	7.97	6.64	0.69	2.46	5.22	3.94	6.12
Price-earnings ratio[10]	5.6	7.9	77.7	15.3	14.8	18.4	7.7
Dividend for the year	2.10*	1.78	1.00	1.00	1.6	1.45	1.35
Pay-out ratio[11]	30.0%	30.0%	140.8%	40.7%	30.1%	36.7%	22.0%
Yield[12]	4.6%	3.3%	1.9%	2.7%	2.0%	2.0%	2.8%
Share turnover rate[13]	180%	188%	199%	308%	216%	212%	151%

(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 2.6.3. of the present Registration Document..
(6) ROE: net income attributable to Shareholders/Shareholders' equity excluding non-controlling interests.
(7) ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement), as defined in section 2.7. of the present Registration Document.
(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/earnings per share.
(11) Distribution rate: Dividend/net income before exceptional 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.

N. app.: Non applicable.
** Dividend proposed to the Shareholders at the May 11, 2012 Annual General Meeting.*

4

CORPORATE GOVERNANCE

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4.1. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

4.1.1. SENIOR MANAGEMENT

The Group is led by Michel Rollier, Managing Chairman and Managing General Partner, and Jean-Dominique Senard, Managing General Partner.

MICHEL ROLLIER
Born in 1944.
23 411 Michelin shares owned as of December 31, 2011
First elected: May 20, 2005.

Experience:
Graduate of *Institut d'Études Politiques* (IEP) Paris, MA in Law.

Joined Aussedat-Rey (a member of the International Paper Group) in 1971 as Financial Controller, going on to become Head of an Operating Unit, then Chief Financial Officer from 1987 to 1994 and Deputy Chief Executive Officer from 1994 to 1996.

Joined Michelin in 1996 as Vice President, Finance & Legal Affairs.

Appointed Chief Financial Officer and member of the Executive Council in October 1999.

Business address:
23, place des Carmes-Déchaux,
63000 Clermont-Ferrand
France

DIRECTORSHIPS

Managing Partner

2007
Partner of Compagnie Financière Michelin
Director of Moria SA

2008 – 2009 – 2010 – 2011
Managing Partner of Compagnie Financière Michelin
Director of Lafarge* (from May 7, 2008)
Director of Moria SA (until September 2011)

JEAN-DOMINIQUE SENARD
Born in 1953
5 000 Michelin shares owned as of December 31, 2011
First elected: May 13, 2011

(Managing 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.

Business address:
23, place des Carmes-Déchaux,
63000 Clermont-Ferrand
France

Managing Partner

2007
Chief Financial Officer of Michelin
(until his appointment as Managing Partner)
Non-General Managing Partner of Compagnie Générale des Établissements Michelin (CGEM)
Director of Compagnie Financière Michelin

2008
Non-General Managing Partner of CGEM
Director of Compagnie Financière Michelin

2009 – 2010 – 2011
Non-General Managing Partner of CGEM* (until May 13, 2011)
Director of Compagnie Financière Michelin
Director of Groupe SEB* (from May 13, 2009)

* *Listed company.*

4.1.2. SUPERVISORY BODIES

4.1.2.a) Presentation

The Supervisory Board exercises permanent oversight of Michelin's management and assesses its quality on behalf of the shareholders, presenting a report thereon at each Annual Shareholders Meeting. It has eight members, all qualified as independent and elected for four-year terms.

The Supervisory Board as a whole performs the duties generally assigned to a Compensation and Appointments Committee. It has created an Audit Committee made up of four members: François Grappotte, the Committee Chairman, Éric Bourdais de Charbonnière, Pierre Michelin and Benoît Potier.

	DIRECTORSHIPS
ÉRIC BOURDAIS DE CHARBONNIÈRE Born in 1939 – French national 3,211 shares owned as of December 31, 2011 First elected: June 11, 1999 Current term expires: 2013 **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 has chaired Michelin's Supervisory Board since 2000. **Business address:** Michelin, 27, cours de l'Île-Seguin, 92100 Boulogne-Billancourt France	**Independent Member** **Chairman of the Supervisory Board** **Member of the Audit Committee** **2007 – 2008** 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 **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 – 2011** Member of the Supervisory Board of Oddo et Cie Director of Faurecia *(from February 8, 2010)* Director of Associés en France
PAT COX Born in 1952 – Irish national 259 shares owned as of December 31, 2011 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. **Business address:** European Movement International, square de Meuüs, 25, B-1000 Brussels Belgium	**Independent Member** **2007** Chairman and Chief Executive Officer of European Integration Solutions LLC President of International Movement, headquarters President of European Movement International Member of the Board of Trustees of the International Crisis Group Member of the Board of Trustees of Friends of Europe Commissioner General of Europalia Director of UCD Michael Smurfit Graduate School of Business **2008 – 2009** President of 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 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

DIRECTORSHIPS

BARBARA DALIBARD
Born in 1958 – French national
446 shares owned as of December 31, 2011
First elected: May 16, 2008
Current term expires: 2013

Experience:
Barbara Dalibard became Chief Executive Officer of SNCF Voyages in January 2010. Before joining SNCF Voyages, she was a member of France Télécom's Group Management Committee in charge of enterprise communication solutions (Orange Business Services). Prior to that, she held various management positions within France Télécom and Alcatel.

Business address:
SNCF, bureaux du CNIT, 2, place de La Défense,
92800 Puteaux
France

Independent Member

2007
Director of Globecast Holding
Chief Executive Officer and Managing Director of Equant BV

2008
Member of the France Télécom Group Management Committee
Chairman and Chief Executive Officer of Equant
Director of Globecast Holding

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 Développement SAS
Director of Nuovo Transporto Viaggiatori SpA (NTV)
Member of the Supervisory Board of Wolters Kluwer

LOUIS GALLOIS
Born in 1944 – French national
300 shares owned as of December 31, 2011
First elected: May 16, 2008
Current term expires: 2013

Experience:
Louis Gallois is Chief Executive Officer of EADS and Chairman of the Airbus Shareholders' Committee. Previously, he served as Chairman of SNCF and worked in various capacities in the aeronautics industry as well as in France's Economy and Finance Ministry, Research and Industry Ministry and Defense Ministry.

Business address:
EADS, 37, boulevard du Montmorency,
75781 Paris cedex 16
France

Independent Member

2007
Executive co-Chairman of EADS NV *(until August 27, 2007)*
Chairman of Airbus *(until August 27, 2007)*
Executive Chairman of EADS NV *(from August 27, 2007)*

2008 – 2009 – 2010
Executive Chairman of EADS NV
Member of the EADS NV Executive Committee
Chairman of the Board of EADS ASTRIUM NV
Chairman of the Airbus Shareholders Committee
Director of *École centrale des arts et manufactures*
Chairman of *Fondation Villette-Entreprises*

2011
Executive Chairman of EADS NV
Member of the EADS NV Executive Committee
Chairman of the Board of EADS ASTRIUM NV
Chairman of the Airbus Shareholders Committee
Director of *École Centrale des Arts et Manufactures*
Chairman of *Fondation Villette-Entreprises*
Chairman of the Association "la Fabrique de l'Industrie"

FRANÇOIS GRAPPOTTE
Born in 1936 – French national
1,279 shares owned as of December 31, 2011
First elected: June 11, 1999
Current term expires: 2013

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

2007
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of the Board of Promotelec

2008 – 2009
Director and Honorary Chairman of Legrand
Director of BNP Paribas

2010 – 2011
Director and Honorary Chairman of Legrand
Director of BNP Paribas

	DIRECTORSHIPS
PIERRE MICHELIN Born in 1949 – French national 1,795 shares owned as of December 31, 2011 First elected: June 12, 1998 *(no directorships between 2003 and 2008)* Current term expires: 2013 **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), France. **Business address:** Bull, rue Jean-Jaurès, BP68, 78340 Les Clayes-sous-Bois France	**Independent Member** **Member of the Audit Committee** **2007 – 2008 – 2009 – 2010 – 2011** No other directorships
LAURENCE PARISOT Born in 1959 – French national 500 shares owned as of December 31, 2011 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 and President of France's Employers Association (MEDEF) since July 2005. **Business address:** Groupe Ifop, Immeuble Millénaire 2, 35, rue de la gare, 75019 Paris France	**Independent Member** **2007** Chairman of Ifop Director of BNP Paribas Director of Coface SA *(from February 1, 2007)* President of Medef **2008 – 2009 – 2010 – 2011** Vice-Chairman of the Management Board of Ifop Director of BNP Paribas Director of Coface SA President of Medef

BENOÎT POTIER
Born in 1957 – French national
3,215 shares owned as of December 31, 2011
First elected: May 16, 2003
Current term expires: 2013

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

DIRECTORSHIPS

Independent Member
Member of the Audit Committee

2007
Chairman and Chief Executive Officer of Air Liquide, Air Liquide International, American Air Liquide, Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings Inc.
Director of Air Liquide Italia Srl *(until April 2007)*, AL Air Liquide España *(until May 2007)*
Chairman of the Audit Committee and Director of Groupe Danone
Director of *École Centrale des Arts et Manufactures*
Member of the French Council of Insead

2008 – 2009
Chairman and Chief Executive Officer of Air Liquide, Air Liquide International, American Air Liquide, Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings, Inc.
Chairman of *Fondation d'Entreprise Air Liquide*
Chairman of the Audit Committee and Director of Groupe Danone
Director of *École Centrale des Arts et Manufactures*
Member of the French Council of Insead
Director of ANSA
Director of AFEP
Director of *Cercle de l'industrie*

2010
Chairman and Chief Executive Officer of Air Liquide, Air Liquide International, Air Liquide International Corporation
Chairman of American Air Liquide Holdings, Inc.
Chairman of *Fondation d'Entreprise Air Liquide*
Chairman of the Audit Committee and Director of Groupe Danone
Director of *École Centrale des Arts et Manufactures*
Member of the French Council of Insead
Director of ANSA
Director of AFEP
Director of *Cercle de l'industrie*
Vice-President of the European Round Table of Industrialists *(since May 2010)*

2011
Chairman and Chief Executive Officer of Air Liquide, Air Liquide International, Air Liquide International Corporation
Chairman of American Air Liquide Holdings, Inc.
Chairman of *Fondation d'Entreprise Air Liquide*
Director of Groupe Danone
Director of *École Centrale des Arts et Manufactures*
Member of the French Council of Insead
Director of ANSA
Director 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)*

4.1.2.b) Terms of office of Supervisory Board members

NAME	FIRST ELECTED/RE-ELECTED (1)	CURRENT TERM EXPIRES	INDEPENDENT (2)
Éric Bourdais de Charbonnière Chairman	June 11, 1999	2004	
	May 14, 2004	2009	
	May 15, 2009	2013	Yes
Pat Cox	May 20, 2005	2010	
	May 7, 2010	2014	Yes
Barbara Dalibard	May 16, 2008	2013	Yes
Louis Gallois	May 16, 2008	2013	Yes
François Grappotte	June 11, 1999	2004	
	May 14, 2004	2009	
	May 15, 2009	2013	Yes
Pierre Michelin	June 12, 1998	2003	
	May 16, 2008	2013	Yes
Laurence Parisot	May 20, 2005	2010	
	May 7, 2010	2014	Yes
Benoît Potier	May 16, 2003	2008	
	May 16, 2008	2013	Yes

(1) Members were elected for five-year terms prior to the Annual Shareholders Meeting of May 15, 2009, when the term was reduced to four years for members elected or re-elected after that date.
(2) 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, except that the Code sets a limit on the aggregate period during which a member may serve on the Board (please refer to section 4.2.2.a), below).

4.1.3. STATUTORY AUDITORS

Please refer to section 9.2 – Statutory Auditors.

4.1.4. NON-MANAGING GENERAL PARTNER

Société Auxiliaire de Gestion (SAGES) is a non-managing General Partner of Michelin with unlimited liability for the Company's debts. General Partners can be relieved of this liability only by decision of the shareholders in Extraordinary Meeting. The General Partners may be shareholders, but may not take part in a vote to elect Supervisory Board members.

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

According to the bylaws, its role is to:

- assume the responsibilities of General Partner of CGEM;
- make recommendations concerning the election, re-election or removal from office of Managing Partners;
- in the absence of a Managing Partner, act as CGEM's Managing Partner and call an Extraordinary Shareholders Meeting to elect a new Managing Partner.

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

The Chairman, Jacques d'Armand de Chateauvieux, is the only executive director.

To enable SAGES to assume its liability as non-managing General Partner of CGEM, a portion of its distributable earnings (derived exclusively from the statutory share of profits paid by CGEM) is allocated to a contingency reserve fund, for the purpose of covering any losses resulting from its liability as General Partner or, as the case may be, as Managing Partner. At least 50% of the reserve is invested in CGEM shares.

JACQUES D'ARMAND DE CHATEAUVIEUX
No CGEM shares held directly
105,337 shares held by SAGES
Born February 13, 1951
Chairman of SAGES since April 2011

Experience
Graduate of *Institut supérieur de gestion de Paris,* MBA from Columbia University, New York As Chairman of Bourbon since 1979, Jacques d'Armand de Chateauvieux 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

2007
Chairman and Chief Executive Officer of Bourbon
Chairman of Jaccar SAS
Chairman of CBo Territoria SA
Chairman of Sapmer SA
Member of the Supervisory Board of AXA
Director of Sinopacific Shipbuilding Group (China)

2008
Chairman and Chief Executive Officer of Bourbon
Chairman and Chief Executive Officer of Jaccar SAS
Chairman of CBo Territoria SA
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 SAS

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

4.1.5. STATEMENTS

There are no family relationships between any of the Managing Partners or Supervisory Board members and the Chairman of SAGES, non-managing General Partner of CGEM.

To the best of the Company's knowledge, no Managing Partner, Supervisory Board member or Chairman of SAGES has been (i) convicted of fraud during the past five years, (ii) associated with a bankruptcy, receivership or liquidation during the past five years, (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 during the past five years.

No Managing Partner or Supervisory Board member, nor the Chairman of SAGES, has a service contract with the Company or any of its subsidiaries.

There are no:

- arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which they were selected as a Managing Partner or as a member of the Supervisory Board or as Chairman of SAGES;

- conflicts of interest between the duties to the Company of the Managing Partners, the Supervisory Board members or the Chairman of SAGES and their private interests and/or other duties;
- no 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 rules applicable to Managing General Partners.

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 three main advantages:

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

There are two partner categories.

The Limited Partners or Shareholders provide capital, elect the Managing Partners and approve the financial statements presented by the Managing Partners. 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 have unlimited personal liability for the partnership's debts. They can be relieved of this liability only by decision of the shareholders in Extraordinary Meeting. If they are Managing General Partners, they can relinquish their status before the end of their term only with the Extraordinary Meeting's approval. The General Partners may be shareholders, but may not take part in a vote to elect Supervisory Board members. They receive a statutory share of any profits subject to shareholder approval at the Annual Shareholders Meeting.

Since May 3, 2011, Michelin has three General Partners: Michel Rollier, Managing Chairman, Jean-Dominique Senard, Managing General Partner, 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

As part of the succession plan to prepare for Mr. Rollier's departure, the Company's corporate governance system was amended to bring the status of the Managing Partners up to date, subsequent to the approval of the Extraordinary Shareholders Meeting of May 13, 2011.

Candidates for election as Managing Partners are proposed by the Non-Managing General Partner after consulting the Supervisory Board. They are elected by shareholders in Ordinary or Extraordinary Meeting for a four-year term, regardless of whether they are General or Non-General Partners. They may be re-elected directly by the Non-Managing General Partner, with the endorsement of the Supervisory Board. Note that Supervisory Board members may only be elected by shareholders.

Managing General Partners or Non-General Managing Partners may be removed from office according to the same simplified procedure applicable to their re-election.

A Managing General Partner may resign provided that (i) the decision is announced at least six 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 qualifying shares in the Company.

Michelin has two Managing General Partners: Michel Rollier (Managing Chairman) and Jean-Dominique Senard.

4.2.1.b) Role and responsibilities

The Managing Partners are responsible, jointly and individually, for administering and managing the Company.

As such their 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;

They fulfill these responsibilities under the oversight of the Supervisory Board.

The Managing Partners are assisted by an 11-member Executive Council currently comprising:

- **François Corbin,** President, Growth Regions; also responsible for overseeing the Purchasing Department;
- **Éric de Cromières,** Executive Vice President, Marketing & Sales Performance; also responsible for overseeing Supply Chain Operations;
- **Claire Dorland-Clauzel,** Executive Vice President, Communication and Brands;
- **Terry Gettys,** Executive Vice President, Research and Development;
- **Jean-Christophe Guérin,** President, Materials Product Line; also responsible for overseeing Quality Operations;
- **Jean-Michel Guillon,** Executive Vice President, Personnel and Organization;
- **Marc Henry,** Chief Financial Officer;
- **Serge Lafon,** President, Truck Tire Product Line;
- **Florent Menegaux,** President, Car and Light Truck Tire Product Line; also responsible for overseeing Motorsports;
- **Laurent Noual,** Executive Vice President, Corporate Development; also supervises Information Systems;
- **Bernard Vasdeboncœur,** President, Specialty Product Lines; also responsible for overseeing the Prevention and Industrial Performance Department.

4.2.1.c) Responsibility

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

Consistent with this long-term commitment, the Managing General Partners may not relinquish their status as General Partners without the prior approval of an Extraordinary Shareholders Meeting. They are therefore bound to assume 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 membership of the Supervisory Board, on the preparation and organization of the Supervisory Board's work and on 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 three and no more than ten members elected by the Annual Shareholders Meeting for a term of four years. The General Partners (including the Managing General Partners) 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 eight members: Éric Bourdais de Charbonnière (Chairman), Barbara Dalibard, Laurence Parisot, Pat Cox, Louis Gallois, François Grappotte, Pierre Michelin and Benoît Potier. (1)

The role and practices of the Supervisory Board and its committees are set out in their respective internal rules, the main provisions of which are set out below.

— Role and responsibilities

The Supervisory Board exercises permanent oversight of the Company's management and assesses its quality on behalf 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 Managing Partners;
- 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;
- obtaining assurance that shareholders' rights are respected.

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

In compliance with the Board's internal rules, as revised to reflect the new powers vested in the Board by the changes in the bylaws approved by shareholders at the May 13, 2011 Annual Meeting, the Managing Partners must present to the Board, prior to any decision, information about significant projects concerning capital expenditure, commitments, acquisitions and asset disposals.

In addition, in compliance with these same revised internal rules and the revised internal rules of the Compensation Committee, the Supervisory Board must now approve or, depending on the case, issue an opinion on decisions concerning the election, re-election or removal of a Managing Partner, as well as his or her compensation.

— 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 fulfills the following criteria:

- The member is not currently and has not been during the last five years an employee of the Company or of one of its consolidated subsidiaries.
- The member is not a corporate officer of an entity of which the Company (directly or indirectly) or a corporate officer of the Company is a director.
- The member is not a customer, a supplier or a banker of the Company that is material for the Company or that derives a significant portion of its business from the Company.
- The member does not have any close family ties with any of the Managing Partners.
- The member has not been an auditor of the Company in any of the past five years.

These criteria correspond to those prescribed in the AFEP-MEDEF Corporate Governance Code for listed companies, except that the Code sets a limit on the aggregate period during which a member may serve on the Board.

(1) Supervisory Board member biographies may be found in section 4.1.2. a) above, while information concerning their compensation is presented in section 4.3.5 below.

This latter criterion is not applied because the Board considers that the aggregate term served by a Supervisory Board member in a partnership limited by shares is not an obstacle to the exercise of his or her free judgment in relation to the Company. Quite the reverse, the experience acquired by Supervisory Board members helps them to better understand the Company in all its complexity and efficiently oversee its management on an ongoing basis in line with a medium to long-term strategic vision.

During 2011 and up to the date of this report, all Supervisory Board members qualified as independent based on the above criteria. In addition, they bring to the Board their extensive experience in management, manufacturing and finance.

— Supervisory Board practices

Regular presentations are made to the Supervisory Board by the Managing Partners 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, presented by the Managing Partners and the Chief Financial Officer;
- 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

Once a year, the Supervisory Board reviews its practices and the status of each of its members in relation to the independence criteria. This review is conducted formally each year by the Chairman of the Supervisory Board.

The conclusions of this annual assessment are presented in the report of the Chairman of the Supervisory Board to the Annual Shareholders Meeting on the membership of the Supervisory Board, on the preparation and organization of the Supervisory Board's work and on the internal control and risk management procedures implemented by the Company [(1)].

The Supervisory Board is assisted in its oversight role by two Committees, each with its own internal rules as summarized below.

4.2.2.b) Audit Committee

— Members

The Audit Committee has at least three members appointed for their full term as Supervisory Board members. At least two thirds of the members must be independent. The Committee currently has four members – François Grappotte (Chairman), Éric Bourdais de Charbonnière, Pierre Michelin and Benoît Potier – all of whom are independent.

Due to extensive experience acquired during their careers, mostly notably as senior executives of large companies, the Audit Committee's four members have a deep understanding of financial and accounting matters.

— 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 Managing Partners and audited by the Statutory Auditors;
- 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 financial, accounting and legal 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 internal audit programs and recommending internal audits of specific financial risks;
- verifying the Statutory Auditors' independence and objectivity and expressing an opinion about their appointment or re-appointment.

— Committee practices

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

Each year, the Committee assesses the general risk management system and, in liaison with the departments concerned, reviews the systems in place, the major risks and the resources available to prevent their occurrence and ensure business continuity. Also on a yearly basis, the Committee assesses the Company's internal control and risk management systems and hears the report of the Senior Vice President, Internal Audit and Risk Management.

The Audit Committee can ask the Chief Financial Officer or other Company executives to attend its meetings and may call on the services of independent experts. In addition, the Committee meets with the Statutory Auditors once a year without any members of management being present.

(1) This report is presented in section 4.5 below.

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.

The report of the Chairman of the Supervisory Board to the Annual Shareholders Meeting includes an account of the Audit Committee's activities [(1)].

4.2.2.c) Compensation and Appointments Committee

The Compensation Committee comprises all Supervisory Board members, all of whom are independent, and is chaired by the Supervisory Board's Chairman.

— Role and responsibilities

The Committee's role encompasses:

- senior management compensation policy, including the criteria used to determine:
  - fixed and variable compensation paid to members of the Executive Council,
  - variable compensation paid to other senior executives;
- the stock option and performance share allocation policy.

In the case of the Managing General Partners, the Committee reviews the portion of the statutory share of profits proportional to consolidated earnings that is due to these Partners and issues an opinion to the General Partners.

In addition, the Committee makes recommendations concerning senior executive and Managing Partner compensation policies, career development plans and succession plans.

— Committee practices

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

The report of the Chairman of the Supervisory Board to the Annual Shareholders Meeting includes an account of the Compensation and Appointments Committee's activities [(1)].

4.2.3. A NON-MANAGING GENERAL PARTNER, GUARANTEEING THE COMPANY'S LONG-TERM VIABILITY

SAGES is CGEM's Non-Managing General Partner [(2)]. It is organized as a *société par actions simplifiée* and its Chairman is Jacques d'Armand de Chateauvieux. SAGES's purpose is to:

- assume the responsibilities of General Partner of CGEM;
- make recommendations concerning the election, re-election or removal from office of Managing Partners;
- in the absence of a Managing Partner, act as CGEM's Managing Partner and call an Extraordinary Shareholders Meeting to elect a new Managing Partner.

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

4.3. MANAGEMENT AND SUPERVISORY BOARD COMPENSATION

The data and tables in this section:

- have been prepared in accordance with the AFEP-MEDEF Corporate Governance Code dated April 2010 and the AMF's recommendation of December 22, 2008 concerning the information about management compensation to be disclosed in Registration Documents;
- comply with the guidelines contained in the AMF's report dated December 2011 concerning corporate governance and the compensation awarded to the senior executives.

(1) This report is presented in section 4.5 below.
(2) Information on SAGES and its Chairman are presented in section 4.1.4 above.

4.3.1. SUMMARY INFORMATION

4.3.1.a) Compensation, stock options and performance shares awarded to each Managing Partner in office at December 31, 2011 (in €)

MICHEL ROLLIER, MANAGING GENERAL PARTNER WITH UNLIMITED PERSONAL LIABILITY FOR THE COMPANY'S DEBTS	2010	2011
Compensation due for the year *(see table 4.3.1.b) for details)*	4,500,000 (1)	3,100,000 (2)
Value of options granted during the year *(see table 4.3.1.d) for details)*	0	0
Value of performance shares granted during the year	0	0
TOTAL	**4,500,000**	**3,100,000**
Reference CGEM consolidated net income	*1,049,000,000*	*1,462,140,000*

(1) Corresponding to Michel Rollier's statutory share of the 2010 profits of CGEM and a company controlled by CGEM (Compagnie Financière Michelin – CFM) in his capacity as General Partner, as approved by these companies' Annual Shareholders Meetings held in 2011. This compensation is entirely variable to the extent that it depends on the level of each company's profit.

(2) This is an estimated total amount, proportional to 2011 consolidated earnings, that is proposed with the endorsement of the Supervisory Board. It is subject to i) approval by CGEM shareholders of the reduction in the Managing Partners' statutory share of profits at the next Annual Shareholders Meeting on May 11, 2012, and ii) approval by the other General Partners.
It includes the estimated €400,000 corresponding to the statutory share of CFM's 2011 profits that is payable by that company subject to approval by its shareholders at the 2012 Annual Meeting. This statutory share is entirely variable to the extent that it depends on the level of CFM's profit.

JEAN-DOMINIQUE SENARD, MANAGING GENERAL PARTNER WITH UNLIMITED PERSONAL LIABILITY FOR THE COMPANY'S DEBTS	2010	2011
Compensation due for the year *(see table 4.3.1.b) for details)*	1,644,184 (1)	1,996,541 (2) (3)
Value of options granted during the year *(see table 4.3.1.d) for details)*	0	0
Value of performance shares granted during the year	0	0
TOTAL	1,644,184	**1,996,541**
Reference CGEM consolidated net income	*1,049,000,000*	*1,462,140,000*

(1) Including an amount of €368,034 (and not €609,294 as wrongly indicated in the 2010 Registration Document) that will not be paid for a period of four years and will be adjusted by applying a positive or negative indexation clause based on the Michelin share's long-term performance.

(2) Including:
- *the salary due to Mr. Senard in his position as Non-General Managing Partner of CGEM in the period up to May 13, 2011. Mr. Senard has waived both his bonus and the long-term incentive bonus payable in respect of 2011;*
- *the portion of the statutory share of profits proportional to 2011 consolidated earnings that is due to Mr. Senard in his position as Managing General Partner for the period from May 13, 2011, as proposed with the endorsement of the Supervisory Board. This is an estimated amount that is subject to i) approval by CGEM shareholders of the reduction in the Managing Partners' statutory share of profits at the next Annual Shareholders Meeting on May 11, 2012, and ii) approval by the other General Partners;*
- *the salary due to Mr. Senard in his position as Managing Partner of Manufacture Française des Pneumatiques Michelin (MFPM), a company controlled by CGEM, for the period since he was appointed to this position by MFPM's Shareholders Meeting on May 13, 2011.*

(3) Mr. Senard has waived both the performance bonus and the long-term incentive bonus to which he was entitled as Non-General Managing Partner of CGEM for the period from January 1, 2011 until the May 13, 2011 Annual Shareholders Meeting.

4.3.1.b) Compensation due and paid to each Managing Partner (in €)

MICHEL ROLLIER, MANAGING GENERAL PARTNER WITH UNLIMITED PERSONAL LIABILITY FOR THE COMPANY'S DEBTS	2010		2011	
	DUE	PAID	DUE	PAID
Salary	0	0	0	0
Performance bonus	4,500,000 (1)	743,628 (2)	3,100,000 (3)	4,500,000 (1)
Exceptional compensation	0	0	0	0
Director's fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	**4,500,000**	**743,628**	**3,100,000**	**4,500,000**
Reference CGEM consolidated net income	*1,049,000,000*	*104,000,000*	*1,462,140,000*	*1,049,000,000*

(1) Including €430,000 from CFM. These amounts are entirely variable to the extent that they depend on the level of each company's 2010 profit.
(2) Corresponding to Michel Rollier's statutory share of the 2009 profits of CGEM and CFM, as approved by these companies' Annual Shareholders Meetings held in 2010. This compensation is entirely variable to the extent that it depends on the level of each company's profit.
(3) This is a total amount, proportional to 2011 consolidated earnings, that is proposed with the endorsement of the Supervisory Board. It is subject to i) approval by CGEM shareholders of the reduction in the Managing Partners' statutory share of profits at the next Annual Shareholders Meeting on May 11, 2012, and ii) approval by the other General Partners. It includes the estimated €400,000 corresponding to the statutory share of CFM's 2011 profits that is payable by that company subject to approval by its shareholders at the 2012 Annual Meeting. This statutory share is entirely variable to the extent that it depends on the level of CFM's profit.

JEAN-DOMINIQUE SENARD, MANAGING GENERAL PARTNER WITH UNLIMITED PERSONAL LIABILITY FOR THE COMPANY'S DEBTS	2010		2011 (1)	
	DUE	PAID	DUE	PAID
Salary	660,000	660,000	788,842 (2)	788,842 (2)
Performance bonus	609,294	494,807	1,200,000 (3)	609,294 (4)
Long-term incentive bonus	368,034 (5)	0	0 (6)	0
Exceptional compensation	0	0	0	0
Director's fees	0	0	0	0
Fringe benefit (car)	6,856	6,856	7,699	7,699
TOTAL	**1,644,184 (7)**	**1,161,663**	**1,996,541**	**1,405,835**
Reference CGEM consolidated net income	*1,049,000,000*	*104,000,000*	*1,462,140,000*	*1,049,000,000*

(1) Unless otherwise specified, the compensation paid or payable in each case has been prorated to the period served in 2011, as mentioned in sections 4.3.3 - 4.3.3. a) - 4.3.1. a).
(2) Including €454,839 paid by MFPM.
(3) This is a total amount, proportional to 2011 consolidated earnings, that is proposed with the endorsement of the Supervisory Board. It is subject to i) approval by CGEM shareholders of the reduction in the Managing Partners' statutory share of profits at the next Annual Shareholders Meeting on May 11, 2012, and ii) approval by the other General Partners. Mr. Senard has waived the bonus to which he was entitled as Non-General Managing Partner for the period from January 1, 2011 until the May 13, 2011 Annual Shareholders Meeting.
(4) Mr. Senard's 2010 performance bonus as Non-General Managing Partner was determined based on quantitative and qualitative performance criteria. It was paid in the second quarter of 2011 after the Supervisory Board expressed a favorable opinion on the proposed amount at its meeting on February 7, 2011.
(5) Instead of the €609,294 that was wrongly indicated in the 2010 Registration Document (see section 4.3.3. a). This bonus will not be paid for a period of four years and will be adjusted by applying a positive or negative indexation clause based on the Michelin share's long-term performance. Details of the performance criteria and calculation formula are provided in section 4.3.3. a) below.
(6) In the same way as he waived his 2011 performance bonus (see footnote 4 above), Mr. Senard has waived his long-term incentive bonus payable in respect of 2011.
(7) Instead of the €1,885,444 that was wrongly indicated in the 2010 Registration Document (see footnote 5 above).

4.3.1.c) Directors' fees received by the Supervisory Board members

Please refer to the table in section 4.3.5 below.

4.3.1.d) Stock options granted during the year to the Managing Partners (1)

Of the 252,900 stock options granted on May 19, 2011, pursuant to the authorization given at the May 15, 2009 Annual Shareholders Meeting, none were granted to the Managing Partners.

The Managing Partners have not received any stock options since 2005.

(1) Please refer also to the Managing Partners' Special Report and to the details of current plans, as presented in the table in section 5.5.4 concerning stock options

STOCK OPTIONS GRANTED TO THE MANAGING PARTNERS BY THE ISSUER AND ANY OTHER GROUP COMPANY	PLAN NO. AND DATE	TYPE OF OPTIONS (PURCHASE OR SUBSCRIPTION)	VALUE OF THE OPTIONS CALCULATED BY THE METHOD USED FOR THE CONSOLIDATED ACCOUNTS	NUMBER OF OPTIONS GRANTED DURING THE YEAR	EXERCISE PRICE	EXERCISE PERIOD
Michel Rollier	-	-	0	0	-	-
Jean-Dominique Senard	-	-	0	0	-	-

4.3.1.e) Stock options exercised during the year by the Managing Partners [(1)]

OPTIONS EXERCISED DURING THE YEAR BY THE MANAGING PARTNERS	PLAN NO. AND DATE	NUMBER OF OPTIONS EXERCISED DURING THE YEAR	EXERCISE PRICE	GRANT YEAR
Michel Rollier	-	0	-	-
Jean-Dominique Senard	6 – May 23, 2005	5,000	€46.34	2005

4.3.1.f) Performance shares granted to the Managing Partners

Of the 287,944 performance share rights granted on November 28, 2011, pursuant to the authorization given at the May 13, 2011 Annual Shareholders Meeting, none were granted to the Managing Partners.

PERFORMANCE SHARES GRANTED TO THE MANAGING PARTNERS BY THE ISSUER AND ANY OTHER GROUP 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 ACCOUNTS	VESTING DATE	END OF LOCK-UP PERIOD
Michel Rollier	-	0	0	-	-
Jean-Dominique Senard	-	0	0	-	-

4.3.1.g) Managing Partners' performance shares that vested during the year

MANAGING PARTNERS' PERFORMANCE SHARES THAT VESTED DURING THE YEAR	PLAN NO. AND DATE	NUMBER OF PERFORMANCE SHARES THAT VESTED DURING THE YEAR	VESTING CONDITIONS	GRANT YEAR
Michel Rollier	-	0	-	-
Jean-Dominique Senard	-	0	-	-

4.3.1.h) Historical information about stock options

Please refer to the table in section 5.5.4 below.

4.3.1.i) Stock options granted and exercised during the year

STOCK OPTIONS GRANTED BY CGEM [(1)] TO THE TEN GRANTEES OTHER THAN MANAGING PARTNERS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS AND OPTIONS EXERCISED BY THE TEN GRANTEES OTHER THAN MANAGING PARTNERS WHO EXERCISED THE GREATEST NUMBER OF OPTIONS	NUMBER OF OPTIONS GRANTED/ EXERCISED	EXERCISE PRICE	END OF EXERCISE PERIOD	DATE GRANTED BY THE MANAGING PARTNERS
Options granted	83,500 [(2) (3)]	€66	May 18, 2020	May 19, 2011
Options exercised (new shares subscribed)	18,511 [(3)]	€31.13 €42.47	May 18, 2011 May 18, 2012	May 19, 2002 May 19, 2003

(1) No options have been granted by any qualifying company apart from CGEM.
(2) Out of a total 252,900 options granted.
(3) See section 5.5.4 below for more details.

(1) See also the table in section 5.5.4 concerning stock options.

4.3.1.j) Performance shares granted during the year

Rights to 287,944 performance shares were granted during the year.

	NUMBER OF SHARES GRANTED	DATE GRANTED BY THE MANAGING PARTNERS
Performance shares granted by CGEM to the ten grantees other than the Managing Partners who received the greatest number of shares	4,720	November 28, 2011

4.3.1.k) Employment contracts, supplementary pension benefits and other benefits and allowances [(1)]

MANAGING PARTNERS	EMPLOYMENT CONTRACT	SUPPLEMENTARY PENSION BENEFITS	COMPENSATION FOR LOSS OF OFFICE	NON-COMPETE CLAUSE CONSIDERATION
Michel Rollier [(1)]	None	None	None	None
Jean-Dominique Senard [(2)]	None	• Defined benefit plan set up for MFPM senior executives	Compensation defined in the CGEM bylaws: • In the event of forced departure due to a change of strategy or of control • Limited to two years' fixed and variable compensation (including any non-compete clause consideration or other severance benefit) • Subject to meeting performance conditions, as defined by the Supervisory Board	• As an officer of CGEM • Included in the two-year blanket ceiling described left

(1) Joined the Group in 1996; first elected at the 2005 Annual Shareholders meeting; term ends when the statutory age limit is reached, i.e. at the 2017 Annual Shareholders Meeting.
(2) Joined the Group in 2005; first elected at the 2011 Annual Shareholders Meeting (previously Non-General Managing Partner from 2007 to 2011); term ends at the 2015 Annual Shareholders Meeting.

4.3.2. AMOUNTS ALLOCATED TO MICHEL ROLLIER, MANAGING GENERAL PARTNER [(2)]

In his capacity as General Partner, Michel Rollier has unlimited personal liability for the Company's debts. As consideration for this liability, the General Partners [(3)] each receive a statutory capped portion of Company profits [(4)]. This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit.

4.3.2.a) Compensation paid in 2011

While Michel Rollier's 2011 compensation was significantly higher than that for 2010, the increase was less than the exceptional rise in 2010 consolidated net profit *versus* that for 2009.

In 2011, Michel Rollier did not receive any salary, benefits in kind, director's fees or incentives, bonus, performance shares or stock options in his capacity as Managing Partner or as executive director or partner of any controlled companies.

Neither the Company nor any of its controlled affiliates paid any pension contributions on Michel Rollier's behalf or gave any commitment to paying any severance package to Michel Rollier should he cease to act as a Managing Partner.

4.3.2.b) Compensation due in respect of 2011

Consolidated net income amounted to €1,462 million in 2011, an increase of 39% on the prior-year figure.

Based on the proposed allocation of the statutory share of profit among the General Partners, which reflects the proposed reduction in this statutory share and was endorsed by the Supervisory Board on February 6, 2012, Michel Rollier's 2011 compensation payable in 2012 will decline by 31% to €3.1 million from €4.5 million the year before (see the table in section 4.3.1.b, above).

In addition, Mr. Rollier will not be granted any stock options or performance shares in 2012, nor will he receive any salary, fringe benefits, director's fees or bonus, and the Company will not pay any pension, social insurance or other benefit contributions on his behalf.

(1) These items are described in more detail in section 4.3.3.
(2) These amounts are shown in the first table in section 4.3.1. b).
(3) There are three General Partners: Michel Rollier, Managing Chairman; Jean-Dominique Senard, Managing General Partner; and SAGES, Non-Managing General Partner (see presentation in section 4.1.4).
(4) See article 30 of the bylaws, referred to in the Statutory Allocation of Profits (section 5.1.2.e).

4.3.3. AMOUNTS ALLOCATED TO JEAN-DOMINIQUE SENARD, MANAGING GENERAL PARTNER [(1)]

4.3.3.a) Period from January 1 to May 13, 2011

The compensation paid to Jean-Dominique Senard for this period was set by the General Partners after the Supervisory Board had expressed a favorable opinion. It included the following components:

— A fixed monthly salary,

unchanged from 2010.

— A performance bonus

of up to 120% of his fixed salary. Mr. Senard's 2010 performance bonus paid in the first quarter of 2011 was calculated on the basis of clearly-defined quantitative and qualitative criteria set in the first quarter of 2010, after the Supervisory Board expressed a favorable opinion. Mr. Senard was considered as having met most of his targets, and the Supervisory Board concurred with this assessment at its meeting on February 7, 2011.

His 2011 performance bonus payable in the first quarter of 2012 was prorated over the period to May 13. It was calculated on the basis of clearly-defined, challenging performance criteria on which the Supervisory Board expressed a favorable opinion at its meeting on April 11, 2011. These criteria are not disclosed in detail for reasons of confidentiality and business secrecy. They consisted of quantitative criteria, including the consolidated business performance and market share targets used to calculate management performance bonuses.

However, following his election as Managing General Partner at the Annual Shareholders Meeting on May 13, 2011, Mr. Senard waived the bonus to which he was entitled as Non-General Managing Partner for the period from January 1, 2011 until the Annual Meeting, which had been endorsed by the Supervisory Board on February 6, 2012.

LONG-TERM INCENTIVE BONUSES, AT DECEMBER 31, 2011

GRANT YEAR	2007	2008	2009	2010	2011
Number of units awarded *(until 2008)* (1)	18,646	20,719	-	-	-
Amount awarded *(since 2009)* (in €)	-	-	0 (2)	368,034 (3)	0 (4)
Unit exercise price (in €)	87.85	59.85	-	-	-
Exercise period	May 14, 2011 to May 14, 2016	May 19, 2012 to May 18, 2017	-	April 30, 2015 to April 29, 2019	-
Value at December 31, 2011 (in €)	0 (5)	0 (5)	0	1,082,019 (6)	0
Units exercised or incentive bonuses paid in 2011	0	0	0	0	0
Units or incentive bonuses cancelled/ expired	0	0	0	0	0
Units or incentive bonuses outstanding at December 31, 2011	18,646 units	20,719 units	0	€368,034	0

(1) Long-term incentive bonuses are 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 (particularly the vesting period and eligibility criteria) are identical to those of the May 14, 2007 and May 29, 2008 stock option plans, except for certain minor adjustments made to reflect the Non-General Managing Partners' legal status. The number of units and the exercise price have been adjusted, under the same terms and conditions as the above-mentioned stock option plans, so as to maintain grantee rights following the share issue with pre-emptive subscription rights placed on record on October 25, 2010.

(2) Jean-Dominique Senard waived the long-term incentive bonus due to him.

(3) Not €609,294 as wrongly indicated in the 2010 Registration Document. Mr. Senard's basic long-term incentive bonus for 2010 was equal to the average amount, in euros, of the performance bonuses paid to him for the years 2008 (waived), 2009 (€494,807) and 2010 (€609,294).

(4) Jean-Dominique Senard waived the long-term incentive bonus due to him.

(5) The fair value of the cash-settled liability is equal to the difference between the Michelin share price on December 31, 2011 and the exercise price of the long-term incentive plan units. As the exercise price is greater than the share price, the liability's fair value is 0.

(6) This is the maximum capped cost to the Company, including currently applicable employer payroll taxes.

In line with the system in place since 2009, Mr. Senard would have been entitled to a long-term incentive bonus in respect of 2011 equal to the average amount in euros of the performance bonuses paid in respect of 2009, 2010 and 2011.

However, Mr. Senard waived payment of this incentive following his election as Managing General Partner.

(1) These amounts are shown in the second table in section 4.3.1.b).

— Fringe benefit

Company car.

In 2011, Mr. Senard did not receive any director's 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.

4.3.3.b) Period from May 13 to December 31, 2011

Jean-Dominique Senard was elected Managing General Partner of CGEM at the Annual Shareholders Meeting on May 13, 2011.

In his capacity as General Partner, Mr. Senard has unlimited personal liability for the Company's debts. As consideration for this liability, the General Partners (1) each receive a statutory capped portion of Company profits (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

Consolidated net income amounted to €1,462 million in 2011, an increase of 39% on the prior-year figure.

Based on the proposed allocation of the statutory share of profits between the General Partners, Mr. Senard's 2011 compensation in his capacity as Managing General Partner amounted to €1.2 million, to be paid in 2012. On February 6, 2012, the Supervisory Board endorsed this allocation, which reflects:

- the proposal by the General Partners to reduce their total statutory share of profits;
- the fixed compensation paid by MFPM for the period from May 13 to December 31, 2011 (see table 4.3.1.b), note 2) in Mr. Senard's position as Non-General Managing Partner of the company since May 13, 2011.

In addition, Mr. Senard was elected Non-General Managing Partner of MFPM at the company's Annual Shareholders Meeting on May 13, 2011. His annual fixed compensation in this position amounted to €454,839.

— Supplementary pension benefits

Mr. Senard does not participate in any pension plan set up specifically for the Managing Partners. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard participates in the supplementary pension plan set up for MFPM senior executives, based on the compensation paid to him by the company (reference compensation). The cost of this supplementary plan, which is not restricted to Non-General 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 five years as a senior executive;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%.

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% on its reference compensation.

— Compensation for loss of office

In accordance with article 13 of the bylaws, as amended by an extraordinary resolution of the Annual Shareholders Meeting of May 13, 2011, Mr. Senard would be entitled to compensation for loss of office in the event that he was removed from office by unanimous decision of the other General Partners, with the Supervisory Board's agreement, following a change of strategy or a change of control of CGEM, provided that his removal was for reasons other than mismanagement. The amount thereof would be set by the other General Partners and the Supervisory Board. It would not exceed the total fixed and variable compensation received by Mr. Senard from Group companies in respect of the two years preceding the date of his removal from office. In accordance with the revised internal rules of the Compensation Committee of the Supervisory Board, the performance criteria to be applied for the calculation of the compensation for loss of office would be decided by the Supervisory Board.

The compensation for loss of office would be reduced, if applicable, so that any other severance payments due to Mr. Senard would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP-MEDEF Corporate Governance Code.

Following his election as Managing General Partner of CGEM by the Shareholders Meeting of May 13, 2011, Jean-Dominique 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

Like other 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, on July 26, 2011 Mr. Senard signed a non-compete clause approved in advance 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 within a two-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 compensation for loss of office that would be due to him 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 two years' compensation, as recommended in the AFEP-MEDEF Corporate Governance Code.

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

(1) There are three General Partners: Michel Rollier, Managing Chairman, Jean-Dominique Senard, Managing General Partner and SAGES, Non-Managing General Partner (see presentation in section 4.1.4).
(2) See article 30 of the bylaws, referred to in the Other Legal and Financial Information section (section 5.1.2.e).

4.3.4. COMPENSATION AND BENEFITS ALLOCATED TO DIDIER MIRATON AS A NON-GENERAL MANAGING PARTNER

As explained in a press release published on June 21, 2011, the General Partners decided, with the Supervisory Board's agreement, to terminate Didier Miraton's appointment as Non-General Managing Partner following a change in Group strategy.

The information about Didier Miraton's 2011 compensation presented below concerns his period as Non-General Managing Partner of CGEM, from January 1 to June 30, 2011.

4.3.4.a) Summary table

	2010	2011
Compensation due for the year	1,245,549 (1)	1,339,407 (2)
Value of options granted during the year	0	0
Value of performance shares granted during the year	0	0
TOTAL	**1,245,549**	**1,339,407**

(1) Including an amount of €277,564 (and not €461,586 as wrongly indicated in the 2010 Registration Document) that will not be paid for a period of four years and will be adjusted by applying a positive or negative indexation clause based on the Michelin share's long-term performance.

(2) Including an amount of €360,564 that will not be paid out for a period of four years and will be adjusted by applying a positive or negative indexation clause based on the Michelin share's long-term performance.

4.3.4.b) Summary information

	2010		2011 (1)	
	DUE	PAID	DUE	PAID
Fixed compensation	500,000	500,000	326,715 (2)	326,715 (2)
Performance bonus	461,586 (3)	371,105	249,000 (4)	249,000 (4)
Long-term incentive bonus	277,564 (5)(6)	0 (7)	360,564 (5)	0
Exceptional compensation	0	0	400,000 (8)	400,000 (8)
Director's fees	0	0	0	0
Fringe benefit (car)	6,399	6,399	3,128	3,128
TOTAL	**1,245,549 (9)**	**877,504**	**1,339,407**	**978,843**

(1) Mr. Miraton's 2011 compensation as Non-General Managing Partner of CGEM was set by the General Partners after the Supervisory Board had expressed a favorable opinion (see "2011 Compensation Decision" below).

(2) Compensation in his capacity as Managing Partner from January 1 to June 30, 2011, including pay in lieu of vacation.

(3) Mr. Miraton's 2010 performance bonus was determined based on quantitative and qualitative performance criteria. It was paid in the second quarter of 2011 after the Supervisory Board expressed a favorable opinion on the proposed amount at its meeting on February 7, 2011.

(4) Mr. Miraton's 2011 performance bonus was determined based on the performance criteria specified in the 2011 Compensation Decision. It was paid in the second half of 2011 after the Supervisory Board expressed a favorable opinion on the proposed amount on July 25, 2011.

(5) This amount will not be paid out for a period of four years and will be adjusted by applying a positive or negative indexation clause based on the Michelin share's long-term performance. Details of the incentive bonus performance criteria and calculation formula may be found in the "2011 long-term incentive bonus" section below.

(6) Instead of the €461,586 wrongly indicated in the 2010 Registration Document (see explanations of the long-term incentive bonus plan below).

(7) Mr. Miraton waived the long-term incentive bonus due to him in respect of his 2009 performance.

(8) Termination benefit awarded and paid in 2011 by CGEM, with the Supervisory Board's agreement (see the June 21, 2011 press release).

(9) Instead of the €1,429,571 indicated in the 2010 Registration Document (see footnote 6 above).

— Salary – Company car

Mr. Miraton's salary for 2011 was unchanged from 2010.

He had the use of a company car.

— Performance bonus

Mr. Miraton's 2011 performance bonus (capped at 120% of his fixed salary) was calculated based on a set of challenging performance criteria that were clearly defined at the beginning of the year in the 2011 Compensation Decision. The criteria are not disclosed in detail for reasons of confidentiality and business secrecy.

They consisted of quantitative criteria, including the consolidated business performance and market share targets used to calculate management performance bonuses.

The determination of these criteria was submitted to the Supervisory Board, which expressed a favorable opinion on April 11, 2011.

Following the termination of Mr. Miraton's appointment on June 30, 2011, the General Partners and the Supervisory Board decided that it would be both logical and fair to assess his performance over the period served, *i.e.* from January 1 to June 30, 2011.

At its meeting on July 25, 2011, the Board decided that, considering i) the Group's sustained business volumes in a period of sharply higher raw materials costs, and (ii) its better-than-expected first-half operating profit, Mr. Miraton had met most of his performance objectives and should therefore be paid the corresponding bonus after he left the Company.

— Long-term incentive bonus

2011 long-term incentive bonus

In line with the system in place since 2009, in the 2011 Compensation Decision Mr. Miraton was awarded a long-term incentive bonus for 2011 equal to the average amount in euros of the performance bonuses paid in respect of 2009 (€371,105), 2010 (€461,586) and 2011 (€249,000).

This incentive bonus may be cashed in between the fifth and ninth anniversaries of the reference year (2016-2020).

It will be adjusted by applying an indexation clause based on the long-term change in the Michelin share price, 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. Miraton elects to cash in the bonus. 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 performance bonus used as the basis for calculating the long-term incentive.

Following the termination of Mr. Miraton's appointment effective June 30, 2011, the General Partners and the Supervisory Board decided that his 2011 long-term incentive bonus would be calculated on the basis originally decided but would be prorated to the period in 2011 during which he served as Managing Partner.

Long-term incentive bonuses for prior years

Mr. Miraton has retained the right to his 2010 long-term incentive bonus (€277,564 before application of the indexation clause based on the Michelin share price) in accordance with the terms of the 2010 Compensation Decision. Exceptionally, he will continue to have until April 2019 to cash in the bonus despite the early termination of his appointment.

In addition, Mr. Miraton was entitled to a long-term incentive bonus awarded in 2007 and comprising 14,502 units with a value 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 of €87.85 as adjusted on December 1, 2010. As Mr. Miraton was still in office at the start of the period during which the units could be cashed in, he retains the right to the bonus in accordance with the Compensation Decision and, exceptionally, will continue to have until the original deadline of May 14, 2016 to cash in the bonus despite his appointment having been terminated. No liability was recognized in CGEM's accounts at December 31, 2011 in respect of this bonus. (The fair value of the cash-settled liability is equal to the difference between the Michelin share price on December 31, 2011 and the exercise price of the long-term incentive plan units. As the exercise price was greater than the share price, the liability's fair value was 0.)

Lastly, Didier Miraton's rights to the 2008 long-term incentive bonus have expired because his appointment was terminated before the start of the period during which the units could be cashed in.

— Compensation for loss of office

The 2011 Compensation Decision states that, in the event of his removal from office by decision of the General Partners other than on the grounds of mismanagement, Didier Miraton would be entitled to compensation in an amount not exceeding the salary and bonuses paid to him in respect of the previous two years. The actual compensation amount would be adjusted based on his average annual bonus, in his capacity as either an employee or a Managing Partner, for the previous five years.

To be entitled to the maximum compensation for loss of office, his average annual bonus for the five-year period would have to represent more than 60% of the maximum bonus.

In line with the terms of the 2011 Compensation Decision and the new article 13-2 of the CGEM bylaws, as approved by extraordinary resolution of the Annual Shareholders Meeting of May 13, 2011, the General Partners and the members of the Supervisory Board noted that his average annual bonus for the reference period represented over 60% of the maximum annual bonus for the period. Consequently, he was entitled to compensation in an amount equivalent to the salary and bonuses received during the previous two years.

The General Partners' decision to terminate Didier Miraton's appointment was made in strict application of the 2011 Compensation Decision, the CGEM bylaws as modified by the Shareholders Meeting of May 13, 2011, and the AFEP-MEDEF Corporate Governance Code, so that any termination benefits payable to him in the event that his employment contract with MFPM was subsequently terminated would not result in his total severance package representing more than two years' salary and bonuses (*i.e.* an aggregate €1,802,679 for the years 2009 and 2010).

— Employment contract termination and application of a non-compete clause

Following the termination of his appointment as Non-General Managing Partner of CGEM, Didier Miraton's employment contract with MFPM was automatically reactivated, after which he was paid a salary as an MFPM employee. As a result of a deep difference of opinion between MFPM management and Mr. Miraton concerning the new position offered to him, MFPM terminated his employment contract with effect on November 2, 2011 and paid him a severance package of €807,042.

This amount is included in the calculation of the two years' salary and bonuses referred to in the "Compensation for loss of office" section above.

Like other Michelin employees who have specific knowledge and expertise that needs to be protected in order to avoid its use by a competitor in a manner that is detrimental to the Company's interests, Mr. Miraton was bound by a non-compete clause in his employment contract. This clause complied with the relevant provisions of the rubber industry collective bargaining agreement. When he left MFPM, the company decided to apply this non-compete clause for a two-year period and to pay him a gross monthly amount equal to two-thirds of his final gross monthly salary at MFPM, *i.e.* approximately €22,500, excluding paid leave, as provided for in the collective bargaining agreement.

The entire 24-month amount is included in the calculation of the two years' salary and bonuses referred to in the "compensation for loss of office" section above.

Mr. Miraton's rights under the Michelin pension plan – which pays benefits only to participants who are employed by the Group at the time of retirement – have expired as a result of the termination of his appointment and his departure from the Michelin Group.

Exceptionally, Mr. Miraton retains the right to exercise the Michelin stock options received under the May 2005 plan (10,359 options with an exercise price of €46.34) and the May 2006 plan (6,216 options with an exercise price of €55.99).

In 2011, Mr. Miraton did not receive any director's 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.

4.3.5. SUPERVISORY BOARD

Set by the Annual Shareholders Meeting on May 12, 2006, the aggregate amount of attendance fees paid to the Supervisory Board is freely allocated among its members pursuant to a collective decision by the Board.

Directors' fees and other compensation received by the Supervisory Board members

(In €)	DIRECTORS' FEES PAID IN 2010	OTHER COMPENSATION PAID IN 2010	DIRECTORS' FEES PAID IN 2011	OTHER COMPENSATION PAID IN 2011
Éric Bourdais de Charbonnière	50,000	0	50,000	0
Pat Cox	30,000	0	30,000	0
Barbara Dalibard	30,000	0	30,000	0
Louis Gallois	30,000	0	30,000	0
François Grappotte	45,000	0	45,000	0
Pierre Michelin	40,000	0	40,000	0
Laurence Parisot	30,000	0	30,000	0
Benoît Potier	40,000	0	40,000	0
TOTAL	**295,000**	**0**	**295,000**	**0**

4.3.6. EXECUTIVE COUNCIL

The aggregate gross compensation paid in 2011 to the members of the Executive Council, which was expanded (from 7 to 11 members) during the year, amounted to €4,328,830 (of which aggregate 2010 bonuses of €1,481,015 paid in the second half of 2011) *versus* €3,807,195 in 2010 (of which aggregate 2009 bonuses of €801,867 paid in the second half of 2010). The list of Executive Council members is provided in section 4.2.1.b).

The Executive Council members do not receive any directors' fees as members of the Boards of any Group companies.

4.4. TRADING IN MICHELIN SHARES BY MANAGING PARTNERS AND SUPERVISORY BOARD MEMBERS AND THEIR CLOSE RELATIVES IN 2011

4.4.1.a) Managing Partners

Michel Rollier

Acquisition on June 20, 2011 of four shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

Jean-Dominique Senard

Exercise on June 7, 2011 of 5,000 stock options at a unit price of €46.34 a share.

4.4.1.b) Supervisory Board

Éric Bourdais de Charbonnière

Acquisition on June 20, 2011 of 13 shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

Barbara Dalibard

Acquisition on June 20, 2011 of 13 shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

François Grappotte

Acquisition on June 20, 2011 of 39 shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

Pierre Michelin

Acquisition on June 20, 2011 of 48 shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

Benoît Potier

Acquisition on June 20, 2011 of 98 shares at a unit price of €47.46 per share, corresponding to the reinvestment of dividends.

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out by any Managing Partners, 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, ON THE SUPERVISORY BOARD'S PRACTICES AND ON 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, (ii) the Supervisory Board's practices during the year ended December 31, 2011 and (iii) the internal control and risk management procedures put in place by the Company.

This report contains a corporate governance statement based on the AFEP-MEDEF Corporate Governance Code applicable to listed companies, which the Company's Supervisory Board has decided to use as its reference framework since 2008.

4.5.1. MEMBERSHIP OF THE SUPERVISORY BOARD AND SUPERVISORY BOARD PRACTICES

4.5.1.a) Members

In accordance with the applicable law and the Company's bylaws, the Supervisory Board may have no less than three and no more than ten members elected by shareholders at the Annual Meeting for a term of four years [1]. All Supervisory Board members must be shareholders.

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

The Supervisory Board is currently made up of the following eight members, all of whom are considered as independent based on the criteria set out in the Board's internal rules. Membership also complies with the principle of equal representation of men and women set out in the latest version (April 2010) of the AFEP-MEDEF Corporate Governance Code applicable to listed companies and stipulated by French Act no. 2011-103 of January 27, 2011, concerning the equal representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace.

- **Éric Bourdais de Charbonnière** (Chairman) – member of the Supervisory Board of Oddo et Cie and director of Faurecia; former Chairman of JP Morgan in France;
- **Pat Cox** – President of European Movement International; member of the Board of Trustees of the Friends of Europe; former President of the European Parliament; former member of the Irish Parliament;
- **Barbara Dalibard,** Chief Executive Officer of SNCF Voyages;
- **Louis Gallois** – Executive Chairman of EADS NV;
- **François Grappotte,** Honorary Chairman of Legrand and Director of BNP Paribas;
- **Pierre Michelin** – Chief Executive, India Development, Groupe Bull;
- **Laurence Parisot** – Vice-Chairman of the Management Board of Ifop and President of MEDEF;
- **Benoît Potier** – Chairman and Chief Executive Officer of Air Liquide.

4.5.1.b) Role and responsibilities

In 2011, the Supervisory Board fulfilled its role of overseeing the Company's management. In accordance with its internal rules, its oversight procedures included:

- reviewing the annual and interim separate and consolidated financial statements approved by the Managing Partners;
- assessing the quality of the Group's financial information;

(1) Five years for members elected prior to 2009.

- assessing the Group's internal control and risk management systems;
- reviewing strategic roadmaps and their implementation;
- obtaining assurance that shareholders' rights are respected;

In addition, the Supervisory Board was regularly informed about the Group's strategy and outlook.

4.5.1.c) Annual self-assessment of the Supervisory Board's performance and the independence of its members

In accordance with its internal rules and with the AFEP-MEDEF Corporate Governance Code guidelines, the Supervisory Board carried out the annual self-assessment of its procedures and practices to (i) verify that Board members had received appropriate advance information about important matters and that these had been adequately discussed, and (ii) evaluate the contribution of each member to the Board's work.

To this end, the Chairman of the Board asked for each member's opinion of the Board's procedures and practices during 2011.

The results were presented by the Chairman and discussed at the meetings on November 8, 2011 and February 6, 2012.

The Board members recognized that the presentations made by the Managing Partners and their teams were of a high quality. They also appreciated the Managing Partners' openness and the free and frank discussions that took place during Board meetings. In addition, they underlined the importance of the work carried out by the Board and the Audit Committee in the area of risk management. The Supervisory Board will continue to review risk management policies, assisted by the Audit Committee, and to prepare succession plans for key executives, in its role as the Compensation and Appointments Committee.

In conclusion, the Supervisory Board considered that it had the relevant information to effectively fulfill its oversight role.

The Supervisory Board also considered that all of its members are independent based on the criteria listed in its internal rules. The independence criteria applied by Michelin correspond to those prescribed in the AFEP-MEDEF Corporate Governance Code for listed companies, except for the limit set by the Code on the aggregate period during which a member may serve on the Board. (1)

4.5.1.d) Report on the Supervisory Board's activities during 2011

The Supervisory Board met seven times in 2011 – on February 7, May 5, May 13, July 25, November 8 and December 5 and 6 – with an average attendance rate of 89.3%.

During each of these meetings, a detailed analysis of the Group's results was presented to the Board. At its meetings on February 7 and July 25 respectively, the Board reviewed (i) the separate and consolidated financial statements for the year ended December 31, 2010 and (ii) the interim financial statements for the six months ended June 30, 2011. 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 Partners 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;
- Audit Committee reports;
- competitor analyses;
- Passenger Car and Light Truck Tire OE business;
- future changes in the internal organization;
- compensation and appointment policies;
- governance changes, changes to the bylaws and the Supervisory Board's internal rules;
- Supervisory Board practices;
- preparations for the Annual Shareholders Meeting.

In addition, as in previous years, the Supervisory Board devoted an all-day meeting to reviewing the Group's strategic roadmaps and their implementation with the Managing Partners and Executive Vice Presidents concerned.

As part of the program to deepen and broaden the Supervisory Board members' knowledge of the business, the Company organized a full-day site visit in April 2011 to one of the Group's major plants in Europe. The visit enabled the members of the Board to improve their understanding of how passenger car tire design and manufacturing is currently organized and what the future holds in store in this regard.

4.5.1.e) Report on the Audit Committee's activities during 2011

The Audit Committee comprises the following members, all of whom are independent:

- **François Grappotte,** Chairman of the Audit Committee, Honorary Chairman of Legrand and Director of BNP Paribas;
- **Éric Bourdais de Charbonnière,** member of the Supervisory Board of Oddo et Cie, Director of Faurecia, former Chairman of JP Morgan in France;
- **Pierre Michelin,** Chief Executive, India Development, Groupe Bull;
- **Benoît Potier,** Chairman and Chief Executive Officer of Air Liquide.

Due to extensive experience acquired during their careers, mostly notably as senior executives of large companies, the Audit Committee's four members have a deep understanding of financial and accounting matters.

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information, in accordance with articles L. 823-19 and L. 823-20-4° of the French Commercial Code.

The Committee met four times in 2011 – on February 7, May 5, July 25 and December 5 – with a 100% attendance rate.

During its meetings, the Audit Committee made inquiries of the:

- Chief Financial Officer;
- Senior Vice President, Finance;
- Senior Vice President, Accounting;
- Senior Vice President, Internal Control;
- Senior Vice President, Internal Audit and Risk Management;
- Group Risk Manager.

The main purpose of the meetings held in 2011 was to review:

- The audited separate and consolidated financial statements for the year ended December 31, 2010. In particular, the Audit Committee analyzed changes in profit and equity, cash flows and the main financial statement items related to employee benefit plans. It noted that the audit of the accounts had gone smoothly and that the Statutory Auditors had issued an unqualified opinion on the separate and consolidated financial statements for 2010.
- The interim separate and consolidated financial statements for the six months ended June 30, 2011. The Committee mainly analyzed changes in income statement items, free cash flow and the main balance sheet items. The Statutory Auditors had no matters to report concerning their limited review of the 2011 interim consolidated financial statements.
- The internal control system. The Senior Vice President, Internal Control, presented a report on the action taken in 2010 and the planned measures and objectives for 2011.

(1) *Please see section 4.5.2 – Corporate Governance Statement.*

- Risk management. The Senior Vice President, Internal Audit and Risk Management, described the Group's risk management system and the internal audits performed in 2011. She also provided an overview of risk management issues presented to the Group Executive Council. The indicators selected for inclusion in senior management's balanced scorecard were also presented, along with the internal audit plan for 2012. The Group Risk Manager gave a detailed presentation of two examples of specific types of risks and the results of the related assessments.
- Management of raw materials and energy risks. The Chief Financial Officer and the Senior Vice President, Finance presented the processes designed and implemented to protect margins, in particular by limiting the effect of higher prices.
- The Group's defined benefit plans. The Senior Vice President, Accounting gave a specific presentation designed to help the Board to assess the situation of these plans and the proposed accounting change.
- The Group's defined contribution pension plans. Based on a presentation by the Senior Vice President, Finance, the Audit Committee reviewed the present situation regarding these plans and the projected future level of the Group's benefit obligations.
- The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 7, May 5, July 25 and December 5, 2011.

4.5.1.f) Report on the Compensation and Appointments Committee's activities during 2011

In accordance with its internal rules, the Supervisory Board as a whole performs the duties generally assigned to a Compensation Committee and an Appointments Committee. As stated above, all of the Supervisory Board's members are considered to be independent.

The Compensation and Appointments Committee met three times in 2011 (on February 7, May 5 and May 13), with an average attendance rate of 83.3%.

During the year, the Committee approved the Managing Partners' decision to launch a performance stock option plan and a performance share plan (with the Managing Partners not being entitled to participate in either plan).

The Committee examined the indicators used to determine the portion of bonuses based on the Group's 2010 performance and payable in 2011.

It reviewed the Non-General Managing Partners' performance in relation to their personal objectives, authorized the termination of the appointment of a Non-General Managing Partner and approved the payment of compensation for loss of office to said Non-General Managing Partner after ascertaining that the related performance criteria had been met.

The Committee also reviewed proposed adjustments to the compensation packages of the members of the Group Executive Council, to be made in 2012, and the criteria for determining management bonuses.

Lastly, the Compensation and Appointments Committee discussed senior executive and Managing Partner compensation policies, career development plans and succession plans after being consulted on these matters.

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

4.5.2. CORPORATE GOVERNANCE STATEMENT

4.5.2.a) Exceptions to the corporate governance reference framework

As mentioned above, Michelin uses as its framework governance reference the AFEP-MEDEF Corporate Governance Code in its last version of April 2010, all of whose principles the Supervisory Board hereby declares that it applies. As recommended in the Code's introduction, the Supervisory Board has adjusted the Code as needed to the Company's status as a partnership limited by shares, with the following two exceptions:

- Recommendation concerning independent directors: the Company complies with all of the Code's independence criteria except for the 12-year limit on the aggregate period of time served on the Board. The Board considers that the aggregate term served by a Supervisory Board member in a partnership limited by shares is not an obstacle to the exercise of his or her free judgment in relation to the Company. Quite the reverse, it helps the member to understand the Company in all its complexity and efficiently oversee its management on an ongoing basis.
- Recommendation concerning Supervisory Board members' compensation: the Company complies with all of the principles, except for the recommendation that directors' fees should include a variable portion.

  In view of the level of commitment demonstrated by Supervisory Board members, as reflected in the high attendance rates at meetings of the Supervisory Board and its committees, the Board does not consider it necessary to make part of the fee payable to its members contingent upon their attendance at meetings.

4.5.2.b) Recommendation concerning compensation

The Supervisory Board considers that Michelin complies with the AFEP-MEDEF recommendations concerning executive directors' compensation and that these recommendations are reflected in the process of continuously improving the governance practices of the Company's executive directors. However, given the recent or forthcoming changes in the Managing Partners structure, these recommendations apply to several different cases at Michelin.

— The Managing General Partner appointed with any term limit *(until May 11, 2012)*

Although the recommendations state that they apply to managing partners of partnerships limited by shares, they have to be adapted to the special case of the share of the Company's profit paid to the Managing General Partner elected without any term limit. This statutory share of profit, which represents the General Partners' sole form of compensation, is:

- consideration for the risk they incur by virtue of their unlimited joint and several personal liability for the Company's debts;
- entirely variable and based on the prior year's profit;
- determined every year by the shareholders in Annual Meeting, without the General Partners taking part in the vote.

Together, the applicable laws and the Company's bylaws bar Managing General Partners from receiving any other form of compensation from the Company without the specific prior approval of the shareholders in General Meeting.

In addition, in practice, the characteristics of the share of profit allocated to General Partners by CGEM are perfectly aligned with the spirit of the AFEP-MEDEF recommendations, either because the profit shares already comply with certain of the requirements set out in the recommendations, such as the criteria applicable for determining the compensation and the principle of full disclosure or because the other prohibitions or ceilings in the recommendations already form part of Michelin's partnership philosophy concerning a Managing General Partner elected without any term limit, *i.e.:*

- no employment contract;
- no severance package;
- no supplementary or other pension benefits paid for by the Company;
- no stock option, performance share or other incentive plans.

Note that Michel Rollier, currently the only Managing General Partner elected without any term limit, will recommend that shareholders at the next Annual Meeting on May 11, 2012 accept that he stand down at the end of the meeting. Mr. Rollier will not receive any severance compensation or other benefits.

— Non-General Managing Partners

In accordance with the bylaws, the Non-General Managing Partners were elected by shareholders at the May 11, 2007 Annual Meeting.

As a result, the AFEP-MEDEF recommendation to terminate the employment contracts of executive directors (or managing partners) of listed companies who were elected or re-elected after October 6, 2008 was not strictly applicable to the Non-General Managing Partners, because they were elected in 2007. The Board nevertheless considered that the major drawbacks of combining a corporate office with an employment contract had been eliminated, notably thanks to:

- the above-described overall cap on severance pay resulting from (i) the Managing Partner's removal from office and (ii) the termination of his suspended employment contract;
- the absence of any special pension arrangements for Managing Partners.

There were no Non-General Managing Partners in office at December 31, 2011.

Jean-Dominique Senard, who had been a Non-General Managing Partner since May 2007, was elected as a Managing General Partner at the Annual Shareholders Meeting of May 13, 2011. The Supervisory Board noted that, following his election, Mr. Senard resigned as Non-General Managing Partner of CGEM and also resigned as an employee of MFPM, leading to the termination of his 2005 employment contract that had been suspended since 2007. He did not receive any compensation or benefits as a result of these resignations.

Didier Miraton's appointment as Non-General Managing Partner, a position he had held since 2007, was terminated effective June 30, 2011 due to a change in the Company's strategy.

The decision to terminate Mr. Miraton's appointment was approved by the Supervisory Board after verifying that the conditions of his termination complied with the relevant provisions of the CGEM bylaws and the recommendations of the AFEP-MEDEF Corporate Governance Code, particularly as regards the overall cap on his severance package and the mutually exclusive nature of certain termination benefits.

The compensation for loss of office payable to Non-General Managing Partners is capped at two years' salary and bonuses and is contingent on performance.

The actual amount of compensation for loss of office would be adjusted based on the Non-General Managing Partner's average annual bonus for the previous five years. To be entitled to the maximum compensation for loss of office, his average annual bonus for the five-year period would have to represent over 60% of the maximum bonus. The compensation for loss of office payable to Non-General Managing Partners would be reduced, if applicable, so that any other severance payment due as a result of terminating their suspended employment contract would not result in them receiving an aggregate severance package in excess of two years' salary and bonuses.

Section 4.3.4 includes a detailed description of the calculation and payment process for the severance package paid to Didier Miraton in accordance with the above rules.

— Managing General Partner elected for four years

At the Annual Shareholders Meeting on May 13, 2011 shareholders adopted a series of extraordinary resolutions tabled by the General Partners and endorsed by the Supervisory Board, electing Jean-Dominique Senard as Managing General Partner and significantly amending the Company's bylaws in order to give more powers to the Supervisory Board and adjust the status of the Managing General Partners.

Managing General Partners are now elected for four years, whereas previously, their term ended when they reached the age of 72.

In addition, the Supervisory Board must now be consulted systematically concerning the allocation of the General Partners' statutory share of profits between SAGES (non-managing General Partner) and the Managing General Partners. This empowers the Supervisory Board – in its role as Compensation Committee – to examine the total fixed and variable compensation paid to the Managing General Partners.

The Board considers that these recent amendments to the bylaws and the corresponding adjustments to the internal rules of the Supervisory Board and the Compensation and Appointments Committee represent a major improvement to Michelin's corporate governance in general and its governance of Managing Partner compensation in particular.

In line with the same drive for improved governance, this year the Supervisory Board has accepted the suggestion by the General Partners to significantly lower the cap on their statutory share of profits. The corresponding amendment to the bylaws will be the subject of an extraordinary resolution to be tabled at the Annual Shareholders Meeting on May 11, 2012.

4.5.2.c) Shareholder participation

The specific rules concerning shareholder participation at General Meetings are presented in section 5.1.2.f) below and in the 2011 Shareholders Guide (in the section entitled "Your rights as a Shareholder"), which may be downloaded from the website www.michelin.com/corporate.

4.5.3. MICHELIN GROUP INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

4.5.3.a) The control environment

The Michelin Group is organized around Product Lines, each of which is dedicated to a specific business and has its own marketing, development, production and sales resources. Two retail networks are attached to the Product Lines – 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, Human Resources, Logistics and Finance. To leverage synergies and guarantee consistency, the Group's operations are organized geographically around eight regions – Europe, Eastern Europe, North America, South America, ASEAN-Australia, China, Japan-South Korea, and Africa-India-Middle East.

The role, responsibilities and structure of each of these entities have been defined by the Group, along with their contribution to strategic decisions, their performance indicators and how they exchange information with other entities.

In addition, formal criteria and procedures have been defined covering the appointment of corporate officers of Group subsidiaries and the renewal of their terms of office, as well as the conditions applicable for exercising and delegating their powers.

Michelin places great importance on accountability, integrity and ethical conduct. These values are set out in Michelin's Performance and Responsibility Charter, which is widely circulated both within and outside the Group. The Charter describes how the Group endeavors to put into practice its key values of respecting customers, shareholders and general human rights, together with its commitment to protecting the environment and providing transparent information.

A Code of Ethics was issued in October 2010 describing 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 will be set up in each region and business line in 2012, to replace the current Anti-Fraud Committees.

In addition, an Internal Governance Manual was published in July 2010 to help employees behave in the proactive manner needed to support tightened management of operations.

The manual describes in particular:

- the entities' roles and responsibilities;
- their planned operating procedures and governance structures;
- the behavior expected of managers, in line with Michelin's corporate values.

The manual will be updated in 2012 to reflect the creation of the Corporate Ethics and Compliance Committees.

The Group's Annual and Sustainable Development Report describes its operations and results for the year as well as its Performance and Responsibility process.

4.5.3.b) Internal control procedures relating to the preparation and processing of financial and accounting information

— Reference framework

The Michelin Group has adopted the definition of internal control set out in the AMF's Reference Framework published in January 2007 and reaffirmed on July 22, 2010. Internal control is a set of measures designed and implemented by the company under its own responsibility.

It comprises a set of resources, patterns of conduct, procedures and actions adapted to the individual characteristics of each company, 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 take into consideration, in an appropriate manner, all major operational, financial and compliance risks.

More particularly, the system is designed to ensure:

- compliance with laws and regulations;
- Application of the instructions and directional guidelines set by the Managing Partners, the Executive Council and the Company's corporate governance structures;
- the proper functioning of the Company's internal processes, particularly those involving the security of its assets;
- the reliability of financial information.

However, the internal control system cannot provide an absolute guarantee that the Company's objectives will be met. Any internal control system has intrinsic limitations arising for example from uncertainties about the external environment, the exercise of judgment and the cost effectiveness of introducing new controls.

Within the Michelin Group, the parent company makes sure that its subsidiaries have implemented internal control procedures. These procedures are adapted to the subsidiaries' specific features and to the relations between the parent and the consolidated companies.

— Preparation and processing of accounting and financial information

The Managing Partners are responsible for publishing reliable financial and accounting information. The accounting, consolidation, management control and financial communication departments all contribute to the process of producing this information.

Under the Group's organizational structure, accounting teams generally report to the heads of the Regions, while management controllers report to the heads of the Product Lines.

Separate and consolidated financial statements are drawn up monthly according to the same overall processes as for the annual financial statements.

To guarantee the reliability of accounting information, the necessary internal control procedures have been defined at Group level and implemented locally. These include a physical inventory (for 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 Group subsidiaries and dealing with any questions that may be raised by these entities.

General accounting and management accounting data are submitted simultaneously by the subsidiaries. The systems verify the consistency of the main indicators (sales, operating income, etc.). Statutory accounting data received from the subsidiaries is 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 examined in detail every month by the Group's Executive Council and the Product Lines.

At every interim and annual closing, the heads of the Regions certify in writing that, to the best of their knowledge, the separate accounts submitted by the companies within their region provide a true and fair view of the results of their operations. This statement specifically covers a number of issues that could significantly affect the financial statements in the event of non-compliance (*e.g.* applicable laws and regulations and contractual provisions) or occurrence (*e.g.* disputes or fraud).

Each year, the Internal Audit and Risk Management Department puts forward proposals to the Managing Partners for specific audits of control procedures for financial and accounting information and if approved, subsequently performs the related audits.

The Investor Relations Department, which forms an integral part of the Group's Finance Department, is responsible for the preparation and distribution throughout the financial community of the Group's financial communication. Financial communication takes three main forms:

- the Annual and Sustainable Development Report and the Registration Document;
- financial press releases;
- presentations to analysts and investors.

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 Managing Partners, with significant input from the Group Legal Affairs Department and the Michelin Performance and Responsibility teams. Both of these documents contain high-quality, in-depth information drawn from contributions by a range of specialists in the Group's main fields of operations.

Financial press releases are systematically reviewed by the Chief Investor Relations Officer and results announcements are also reviewed by the Supervisory Board.

Presentations to analysts and investors are prepared by the Investor Relations Department and approved by the Managing Partners.

4.5.3.c) Internal control management

Group managers can detect any weaknesses in their internal control processes through the systems used to monitor operations. In addition, internal reviews are performed within the entities by specialists in the fields concerned.

Strict procedures have also been put in place for receiving, analyzing and responding to customer complaints concerning product quality.

— Control procedures

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.

Audits are also carried out by specially trained Quality Auditors as part of the Michelin Quality System, to ensure compliance with Group quality standards, which are largely based on the applicable international standards. In addition to these internal audits the Group obtains quality certifications awarded by external bodies.

Management regularly carries out reviews to assess the efficiency and performance of the overall system and to pinpoint areas where progress can be made.

— Information

Information generated by the Group's management systems is analyzed by the Financial Control teams and reported to the managers concerned for inclusion in the scorecards used to track their operations. Management information is also reported to the Group's Executive Council on a monthly basis. Quarterly reports are presented to the Supervisory Board. The Corporate Finance Department is responsible for ensuring the relevance and consistency of this management data.

The Group IT Department is in charge of overseeing IT policies and the corresponding resources. The internal control procedures contained in the Group's Quality System include rules relating to data access and protection, the development of applications, and structuring and segregating development, process engineering and production tasks.

The Group Internal Audit and Risk Management Department reports directly to the Managing Partners and is totally independent from the operating units. It is made up of a Group-level team in charge of auditing Group operations worldwide and local teams in North America. It regularly carries out assessments of internal control and risk management processes concerning operational, accounting, IT, manufacturing and product quality risks. The Department's scope of reference covers all of the Group's processes and entities. Based on the observations made during its audits, it makes recommendations to the entities, which draw up action plans to address identified weaknesses. Internal Audit then monitors implementation of the relevant actions. Periodic summaries of internal audit findings and the related action plans are presented to the various line managers, the Managing Partners and the Audit Committee.

In the Group's various host countries local auditors issue their own internal control recommendations to accounts department managers who are responsible for ensuring that these recommendations are acted upon. The recommendations are also reported to the internal control teams and to the Group's Statutory Auditors, network by network, for consolidation and communication to Group management. In this way, all levels of management are informed that Michelin's teams have taken into account the required measures.

4.5.3.d) Assessment of processes affecting the reliability of financial information

— Financial internal control objectives

To ensure that the work carried out to comply with France's Financial Security Act generates lasting improvements, the Financial Internal Control Department reports to the Corporate Finance Department. It is responsible for managing internal control processes and for overseeing work on financial internal control with a view to providing reasonable assurance that the Group's financial information is reliable and that its assets are safeguarded.

It defines internal control standards, coordinates and sets up internal control information systems and day-to-day procedures, and assists the network of internal controllers in the regions and the main business lines with implementing these systems and procedures.

Its role includes:

- deploying internal control best practices and providing training to each region's correspondents;
- 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 internal control activities of the heads of the regions and operational areas concerned;
- structuring the internal control network;

- acting as an interface with the other players in the relevant processes, such as process owners, risk managers and internal and external auditors;
- advising on the implementation of transformation projects and programs.

A worldwide software application for monitoring internal control was set up and rolled out in 2009. The application leverages existing Group databases and principles developed in previous phases that were launched in 2004. The model will continue to be extended to cover additional processes and legal entities.

— Processes concerned

Fifteen key processes were initially identified for Michelin Group as a whole in 2004, then gradually integrated into the financial internal control system, which was stabilized in 2010.

The main identified and integrated processes were as follows:

- purchases (from the order through to supplier payment);
- sales (from the customer order through to payment);
- inventory management;
- inventory valuation;
- Group 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.

— Internal control manuals

The Group's internal control manuals describe the main risks that exist within each business process or cycle, together with the corresponding control objectives and activities aimed at mitigating the risk concerned. These manuals are regularly updated to reflect best process execution practices and changes in the applicable standards and regulations.

— Target companies

As of end-2011, the system covered 120 companies representing around 95% of the Group's consolidated revenue, spanning all of the Group's regions and operations, including manufacturing, sales and distribution networks.

It is being extended to the smaller entities with the aim of covering the whole Group by 2014.

— Method

This full internal control system has been rolled out to a broader array of companies and processes since 2009.

At every company concerned by the system, self-assessments are carried out by line personnel each year on the key internal control activities for each process, with additional controls implemented where required.

The key controls for all processes are tested at all sites at least once every four years and more often where necessary.

Action plans are drawn up by the various companies to address the identified areas for improvement, and are implemented by line personnel.

This overall approach forms part of the Group's objective of continuously improving its internal control processes, taking into account work conducted by the external and internal auditors.

— Monitoring findings

The findings of the work performed by Financial Internal Control and the implementation of the ensuing action plans are appraised and monitored by line management. These findings are regularly presented to the Finance Committee as well as to the mangers in charge of the relevant processes, operational areas and regions.

The Audit Committee provides the Supervisory Board with status reports on the assessment process.

4.5.3.e) Risk assessment and control

The Group's objectives are defined by the Managing Partners. These relate not only to economic performance but also to the areas in which the Group aims at a particular level of excellence, such as people management, quality, innovation, working conditions and the environment.

The main objectives are updated every year and relayed to the Group's various units, which subsequently translate them into five-year strategic goals and yearly action plans. These plans cover both operational aspects and improvement targets aimed at enhancing performance and service quality.

Objectives are based on past performance and detailed diagnostics, and they also take into account changes in the Group's operating environment.

Operational risk assessment forms an integral part of the planning process during which critical success factors are determined and a sensitivity analysis is performed on the main assumptions underlying the objectives. Strategic risks are specifically addressed as part of this process.

4.5.3.f) Risk management and mapping

The Group also ensures that its operational risks are effectively managed.

These risks are divided into the following fourteen categories: accounting and finance; business continuity; the environment; fraud and ethics violations; loss of skills and expertise; brand, communication and reputation; information technology; legal, tax; program and project management; products and services; continuity of supply; safety and security; and employee relations.

Within these fourteen categories, operating risks are managed at five different levels:

- Line managers (Operating Units, Product Lines and Geographic Regions, etc.) are responsible for identifying and managing their entity's risks in line with Group standards covering risk prevention and protection and business continuity. They rely on internal control to help manage 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.

- For each of the fourteen risk categories, the relevant Corporate Department (Purchasing, Legal Affairs, IT systems, etc.) or Performance Division (Supply Chain and Logistics, Prevention and Industrial Performance, Sales & Marketing, etc.) analyzes the corresponding risks, defines the applicable standards for risk prevention and protection measures, and manages and monitors implementation of these standards.
- Internal audit plans include a review of the effectiveness of the entire risk management process.
- The Group Risk Manager is responsible for the general oversight of risk assessment and control procedures. This role includes defining the related methods, organizing the rollout of procedures, promoting a risk management culture across the Group and ensuring that major risks are effectively controlled by the entities concerned. He also verifies that the Company's risk management process functions effectively, focusing particularly on major risks.
- The Group Executive Council, made up of the eleven senior executives responsible for the Product Lines, Corporate Departments and Performance Divisions, and the two Managing Partners meet together as the Corporate Risks Committee to review the most significant risks identified during the risk-mapping process and decide which risks require close monitoring.

During 2009, the Group pursued its formal documentation of continuity plans and additional crisis management units were set up, with simulation-based training provided to the units' teams.

The Group-wide risk map was produced by the Group Risk Manager by consolidating the results of risk analyses performed by the operating units. It constitutes a useful tool for managing risks, identifying priority risks that may require a specific action plan, regularly controlling the most significant risks and helping to draw up the work plan for the Internal Audit team.

In 2011, the Corporate Risks Committee, comprising the members of the Group Executive Council and the Managing Partners, met every month to review the most significant risks identified by the risk mapping process. These meetings confirmed the acceptable level of risk, validated the units' action plans and monitored their progress.

The Committee also observed that the implementation of various risk prevention and protection measures had reduced the Group's exposure to previously identified high-priority risks.

This report, presented by the Chairman of the Supervisory Board, was approved by the Supervisory Board on February 6, 2012.

Éric Bourdais de Charbonnière
Chairman of the Supervisory Board

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, 2011

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 Établissements 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, 2011.

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 6, 2012

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of *"Compagnie régionale de Versailles"*

5

INVESTOR RELATIONS

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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)

- Michel Rollier (Managing Chairman);
- Jean-Dominique Senard (Managing Partner);
- 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.

The Managing Partners, acting jointly or separately, are vested with the broadest powers to act in all circumstances in the name of the Company.

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 1% of consolidated net profit for the year, and would be lowered to 0.6% assuming the resolution is approved by shareholders in Extraordinary Meeting on May 11, 2012, 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 Partners, 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;
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1;

Market capitalization

- €8.221 billion at December 31, 2011.

Average daily trading volume

- 1,246,389 shares in 2011.

Indices

The Michelin share is included in two leading stock market indices. As of December 31, 2011, it represented:

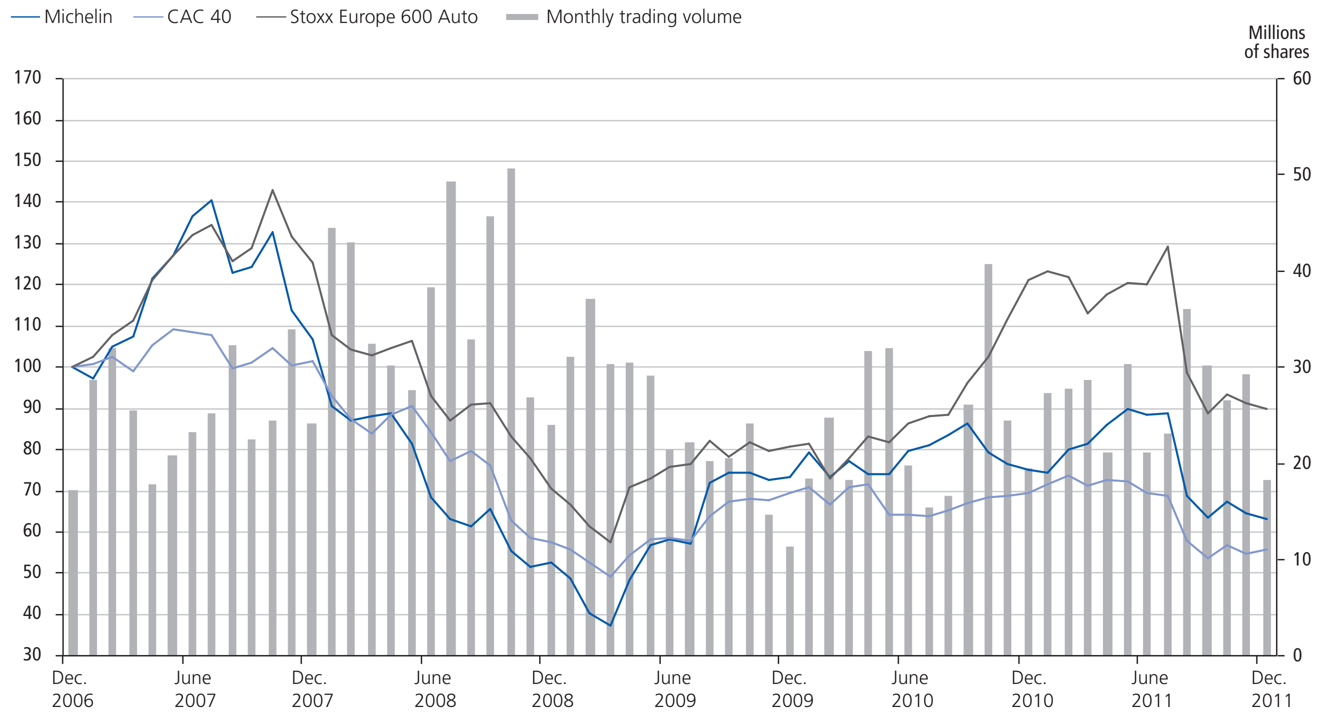
- 1.41% of the CAC 40 index;
- 0.58% of the Euronext 100 index.

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

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

SHARE PERFORMANCE

(closing price at December 30, 2011)



5.2.2. SHARE DATA

SHARE PRICE (in €)	**2011**	**2010**	**2009**	**2008**	**2007**
High	68.54	64.51	58.67	79.90	106.70
Low	40.20	48.13	22.69	30.65	67.75
High/low ratio	1.70	1.34	2.59	2.61	1.57
Closing price, end of period	45.68	53.70	53.58	37.57	78.50
Change over the period	-14.93%	+0.2%	+42.6%	-52.1%	+8.3%
Change in the CAC 40 index over the period	-20.45%	-3.3%	+22.3%	-42.7%	+1.3%
Market value at end of period (in € billion)	**8.22**	**9.48**	**7.90**	**5.45**	**11.30**
Average daily trading volume over the period	1,246,389	1,116,722	1,138,691	1,740,267	1,217,949
Average shares outstanding	178,446,812	152,902,704	146,184,080	144,495,251	143,770,101
Volume of shares traded over the period	320,321,901	288,114,287	291,504,866	445,508,266	310,577,078
Share turnover ratio	**180%**	**188%**	**199%**	**308%**	**216%**

Sources: NYSE Euronext Paris, Michelin.

5.2.3. PER-SHARE DATA

(in € per share, except ratios)	2011	2010	2009	2008	2007
Net assets per share	45.9	46.0	37.2	35.2	36.7
Basic earnings per share	8.14	6.78	0.69 (1)	2.46	5.32
Diluted earnings per share (2)	7.97	6.64	0.69 (1)	2.46	5.22
Price-earnings ratio	**5.6**	**7.9**	**77.7**	**15.3**	**14.8**
Dividend for the year	2.10*	1.78	1.00	1.00	1.60
Pay-out ratio	30.0%	30.0%	140.8%	40.7%	30.1%
Yield (3)	4.6%	3.3%	1.9%	2.7%	2.0%

(1) 2009 and first-half 2010 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 11, 2012 Annual General Meeting.*

The goal of the Group's dividend policy is to pay out 30% of consolidated net income before exceptional items.

5.2.4. CAPITAL AND OWNERSHIP STRUCTURE

At December 31 2011, Michelin's share capital amounted to €360,037,794.

	AT DECEMBER 31, 2011			AT DECEMBER 31, 2010		
	NUMBER OF SHAREHOLDERS	SHARES OUTSTANDING	VOTING RIGHTS OUTSTANDING	NUMBER OF SHAREHOLDERS	SHARES OUTSTANDING	VOTING RIGHTS OUTSTANDING
French institutional investors	3,500	30.2%	27.6%	4,000	29.8%	26.8%
Non-resident institutional investors		55.5%	54.5%		55.2%	54.6%
Individual shareholders	156,400	12.7%	15.6%	158,700	13.2%	16.1%
Employee Shareholder Plan	66,600	1.6%	2.3%	69,800	1.8%	2.5%
TOTAL	**226,500**	**180,018,897 shares***	**230,108,052 voting rights**	**232,500**	**176,607,845 shares***	**226,828,425 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 Annual and 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 2011, in Annecy, Lille, Marseille, Metz, Paris, Rennes and Toulouse, and on November 18 and 19, 2011, 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 260 group and individual meetings were organized during the year with 750 institutional investors and financial analysts in 18 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 12 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 2011.

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 €)
2007	**At December 31, 2007**	**143,999,169**	**287,998,338**	
2008	Conversion of OCEANE bonds	0	0	0
	Employee share issue	952,733	1,905,466	46,683,917
	Exercise of stock options	45,520	91,040	1,562,777
	At December 31, 2008	**144,997,422**	**289,994,844**	
2009	Conversion of OCEANE bonds	0	0	0
	Dividend reinvestment	2,371,623	4,743,246	75,253,969
	Exercise of stock options	67,312	134,624	2,340,825
	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**	

5.5.2. FINANCIAL AUTHORIZATIONS

5.5.2.a) Granted by the Annual Shareholders Meeting of May 16, 2008

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	COMMENTS	UTILIZATION DURING THE YEAR
Performance share grants	18th	38 months (July 2011)	• Managing Partners excluded • Capped at 0.5% of issued capital	None

5.5.2.b) Granted by the Annual Shareholders Meeting of May 15, 2009

— Employee share issue

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	COMMENTS	UTILIZATION DURING THE YEAR
Issuance of stock options (to purchase new or existing shares)	9th	38 months (July 2012)	• Managing Partners excluded • Exercise price set without a discount • Capped at 3 million shares	Grant of 252,900 options(1) to purchase new shares

(1) Please refer to the statement of changes in share capital, section 5.5.1, and the table in section 5.5.4.a).

5.5.2.c) Granted by the Annual Shareholders Meeting of May 7, 2010

— Issuance of shares and share equivalents with pre-emptive subscription rights

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	MAXIMUM ISSUE AMOUNT, BASED ON A SHARE PRICE OF €45	MAXIMUM AGGREGATE PAR VALUE OF SHARES	UTILIZATION DURING THE YEAR
Issuance of shares and/or securities carrying rights to shares	13th	26 months (July 2012)	• €2.65 billion (shares) • €1 billion(4) (securities carrying rights to shares)	€118 million(1)(2) or 40% of current issued capital	None(3)
Issuance of new shares by capitalizing reserves	17th	26 months (July 2012)	€1.8 billion	€80 million	None

(1) With the aggregate par value of shares issued under the 13th, 14th, 15th, 16th and 18th resolutions not to exceed €118 million (21st resolution).
(2) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 13th and 14th resolutions (16th resolution).
(3) New shares with an aggregate par value of a little over €54 million were issued in 2010 (see page 123 of the 2010 Registration Document).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 12th, 13th, 14th 15th and 16th resolutions not to exceed €2 billion (21st resolution).

— Issuance of shares and share equivalents without pre-emptive subscription rights

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	MAXIMUM ISSUE AMOUNT, BASED ON A SHARE PRICE OF €45	MAXIMUM AGGREGATE PAR VALUE OF SHARES	UTILIZATION DURING THE YEAR
Issuance of shares and/or securities carrying rights to shares	14th	26 months (July 2012)	• €0.99 billion (shares) • €700 million(3) (securities carrying rights to shares)	€44 million(1)(2) (or 14.9% 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	15th	26 months (July 2012)	• €0.99 billion (shares) • €700 million(3) (securities carrying rights to shares)	€44 million(1)(2)(4) (or 14.9% of current issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	18th	26 months (July 2012)	€0.99 billion	€44 million(4)	None

(1) With the aggregate par value of shares issued under the 13th, 14th, 15th, 16th and 18th resolutions not to exceed €100 million (21st resolution), and the 14th, 15th and 18th resolutions to be used only up to a maximum of €29 million (press release dated May 7, 2010).
(2) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 13th and 14th resolutions (16th resolution).
(3) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 12th, 13th, 14th, 15th and 16th resolutions not to exceed €2 billion (21st resolution).
(4) Amount to be included in the maximum total capital increase authorized under the 14th resolution.

— **Employee share issues**

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	COMMENTS	UTILIZATION DURING THE YEAR
Issuance of new shares	19th	26 months (July 2012)	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	12th	26 months (July 2012)	€1 billion(1)	None

(1) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 10th, 11th, 12th and 17th resolutions not to exceed €2 billion (20th resolution).

5.5.2.d) Granted by the Annual Shareholders Meeting of May 13, 2011

— **Share buyback program**

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	CEILINGS	UTILIZATION DURING THE YEAR
Share buybacks	5th	18 months (November 2012)	Statutory limit of 10% of issued capital Maximum purchase price: €100	None
Capital reduction by canceling shares	14th	18 months (November 2012)	10% of issued capital	None

— **Employee share issue**

CORPORATE ACTION	RESOLUTION	DURATION (EXPIRY DATE)	COMMENTS (1)	UTILIZATION DURING THE YEAR
Performance share grants	15th	38 months (July 2014)	• Managing Partners excluded • Performance conditions over 3 years • Capped at 0.5% of current issued capital	Grant of 287,944 options(2) to purchase new shares

(1) Please refer to the Managing Partners' Report, pages 257-258, in the 2010 Registration Document.
(2) Please refer to the statement of changes in share capital, section 5.5.1, and the table in section 5.5.5.

5.5.3. POTENTIAL SHARES

5.5.3.a) Outstanding securities convertible, exchangeable, redeemable or otherwise exercisable for shares

— **OCEANE bonds**

In March 2007, the Company issued bonds convertible and/or exchangeable for new or existing shares of common stock (OCEANEs). The issue, which was fully subscribed, was described in a prospectus filed with the French securities regulator (AMF) on March 12, 2007, under No.07-082.

The main characteristics of this bond issue were as follows:

- Listing: 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, 2010: 6,742,088.
- 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).

— 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, 2011

(In number of shares with a par value of €2.00)	MAXIMUM NUMBER OF POTENTIAL NEW SHARES	ISSUED CAPITAL (in €)
Issued capital at December 31, 2011		360,037,794
OCEANE bonds In the event that all of the 6,742,088 bonds outstanding as of December 31, 2011 are redeemed for new shares on the basis of 1.036 share for 1 bond with a nominal value of €103.82 (the bonds may also be redeemed for existing shares)(1) Maturity: January 2017	6,984,804	

(1) Of the 6,742,438 bonds issued in total, 21 were converted into shares in 2007, 317 in 2010 (creation of 346 shares) and 12 in 2011 (creation of 14 shares).

— Stock options outstanding as of December 31, 2011

GRANT DATE	ADJUSTED EXERCISE PRICE (in €)	VESTING DATE	EXPIRY DATE	NUMBER OF SHARES OUTSTANDING
May 19, 2002	42.47	May 19, 2006	May 18, 2011	2,695(1)
May 19, 2003	31.13	May 19, 2007	May 18, 2012	35,148
November 24, 2003	32.82	November 24, 2007	November 23, 2012	96,890(2)
May 17, 2004	38.61	May 17, 2008	May 16, 2013	81,256
July 5, 2004	42.96	July 5, 2008	July 4, 2013	90,417
May 23, 2005	46.34	May 23, 2009	May 22, 2014	203,749
November 7, 2005	46.34	November 7, 2009	November 6, 2014	730,597
May 15, 2006	55.99	May 15, 2010	May 14, 2015	131,890
May 14, 2007	87.85	May 14, 2011	May 13, 2016	1,170,277
May 19, 2008	59.85	May 19, 2012	May 18, 2017	315,987
November 23, 2009	51.16	November 23, 2013	November 22, 2018	1,419,534
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
TOTAL STOCK OPTIONS OUTSTANDING				**4,791,478**
MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2011 (+6.5%)				**383,590,358**

(1) The 2,695 options outstanding correspond to a supplementary plan expiring in May 2012.
(2) Of which 2,488 options corresponding to a supplementary plan expiring in November 2013.

5.5.4. STOCK OPTIONS

Michelin grants options to purchase new or existing shares of Company stock, based on a fair, conservative allocation policy in place since 2002. The options granted in 2011 were subject to performance criteria based on meeting Group objectives. They were granted to a limited number of people (other than the Managing Partners), whose responsibilities have a more direct bearing on the Group's performance and therefore its share price.

The options are exercisable at the market price prevailing at the time of grant:

- without any discount and without any reset mechanism in the event that they fall out of the money due to a decline in the share price;
- with any acquisition capital gain capped at 100% of the option exercise price times the number of options granted.

The options are subject to a four-year vesting period and have a five-year exercise period.

5.5.4.a) Stock option plans in effect at December 31, 2011[1]

	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
Date of the shareholder authorization	5/18/2001	5/18/2001	5/18/2001	5/18/2001	5/18/2001	5/14/2004	5/14/2004	5/12/2006	5/12/2006	5/12/2006	5/15/2009	5/15/2009	5/15/2009
Date granted by the Managing Partners	5/19/2002	5/19/2003	11/24/2003	5/17/2004	7/5/2004	5/23/2005	11/7/2005	5/15/2006	5/14/2007	5/19/2008	11/23/2009	5/12/2010	5/19/2011
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
Of which options granted to[2]:													
Michel Rollier	8,289	10,360	0	7,253	0	10,359	0	0	0	0	0	0	0
Jean-Dominique Senard	0	0	0	0	0	10,359	0	6,216	0	0	0	0	0
Vesting date	5/19/2006	5/19/2007	11/24/2007	5/17/2008	7/5/2008	5/23/2009	11/7/2009	5/15/2010	5/14/2011	5/19/2012	11/23/2013	5/12/2014	5/19/2015
Expiry date	5/18/2011	5/18/2012	11/23/2012	5/16/2013	7/4/2013	5/22/2014	11/6/2014	5/14/2015	5/13/2016	5/18/2017	11/22/2018	5/11/2019	5/18/2020
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 €
Exercise terms:													
Number of options exercised as of December 31, 2011	645,466	204,699	114,942	100,832	31,118	19,808	155,030	6,773	0	3,108	1,658	0	0
Number of options cancelled	74,474	5,200	18,554	2,000	11,237	2,500	56,588	2,800	60,046	2,000	26,180	0	0
NUMBER OF OPTIONS OUTSTANDING AS OF DECEMBER 31, 2011	**2,695[3]**	**35,148**	**96,890[4]**	**81,256**	**90,417**	**203,749**	**730,597**	**131,890**	**1,170,277**	**315,987**	**1,419,534**	**260,138**	**252,900**

(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 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 their appointment as Managing Partners.
(3) The 2,695 options outstanding correspond to a supplementary plan expiring in May 2012.
(4) Of which 2,488 options corresponding to a supplementary plan expiring in November 2013.

5.5.4.b) Special Report of the Managing Partners

The Annual Shareholders Meeting of May 15, 2009 authorized the grant of stock options 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 new shares that may be issued upon exercise limited to 3,000,000 or around 2% of current issued capital.

This authorization was used to grant 259,900 options to purchase new shares of common stock to 66 grantees, exercisable from May 19, 2015 at a price of €66.

These options were granted subject to performance criteria based on meeting Group objectives. The number of options that may be exercised will depend on the fulfillment of the following performance criteria:

- growth in consolidated sales volumes of an average 3% a year in 2011, 2012 and 2013;
- consolidated operating income, before non-recurring income and expenses, of an average €1.4 billion a year in 2011, 2012 and 2013.
- fulfilling either of the above two performance criteria would entitle the grantee to exercise one half of 75% of his or her options. The remaining 25% of the options are not subject to performance criteria.

None of the Managing Partners were granted any stock options in 2011.

The ten employees other than Managing Partners who were granted or exercised the greatest number of options:

- received 83,500 options (three grantees received 11,500, four received 8,500 and three received 5,000);
- exercised 18,511 options at a unit price of €42.47 for options granted on May 19, 2002 and of €31.13 for options granted on May 19, 2003.

Clermont-Ferrand – February 6, 2012

Michel Rollier **Jean-Dominique Senard**

Managing Partners

5.5.5. PERFORMANCE SHARES

5.5.5.a) Performance share plans

In November 2011, Michelin introduced its first performance share plan, whose shares will vest if certain performance criteria in line with the Group's strategic objectives are fulfilled. These criteria are described below.

5.5.5.b) Special report of the Managing Partners

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 to grant 287,944 rights to one new share of common stock to 2,325 grantees, which will vest if a certain performance condition is fulfilled.

These shares will vest if a performance condition on meeting Group objectives is fulfilled.

The final number of shares that will vest after the close of the vesting period will depend on whether the following two performance criteria have been fulfilled:

- Growth in consolidated sales volumes of at least an average 3% a year in 2011, 2012 and 2013.
- Consolidated operating income, before non-recurring income and expenses, of at least an average €1.4 billion a year in 2011, 2012 and 2013.

One half of between 25% and 75% of the granted performance shares, depending on the grantee's level of responsibility, will vest if either of these performance criteria is fulfilled. The only condition for the remaining granted shares to vest (between 75% and 25% depending on the situation) is that the grantee still be an employee of the Group.

None of the Managing Partners were granted any shares without consideration in 2011.

The ten employees other than Managing Partners who were granted the greatest number of share rights:

- received 4,720 rights to one share (8 grantees received 496 and 2 grantees received 376);
- did not exercise any of these rights.

Clermont-Ferrand – February 6, 2012

Michel Rollier **Jean-Dominique Senard**

Managing Partners

5.5.6. EMPLOYEE SHARE OWNERSHIP

Following the three Employee Shareholder Plans, nearly 67,000 employees and former employees in 58 countries and five continents are now shareholders. At December 31, 2011, employees owned 1.6% of issued capital.

5.5.7. INFORMATION CONCERNING A SHARE BUYBACK PROGRAM CURRENTLY IN EFFECT

In 2011 and until the date of filing in 2012, the Company did not hold any of its own shares, either directly or indirectly, nor did it purchase, sell or transfer any of its shares. Likewise, no liquidity contract was in force with an investment service provider during the period.

5.5.8. DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL MEETING OF MAY 11, 2012

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 11, 2012.

— Purposes of the new share buyback program, in declining order of priority

- 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*.
- To sell or grant shares to employees of the Company and its subsidiaries in accordance with the law, notably through stock option or performance share plans or employee share issues with or without a matching contribution from the Company.
- 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.* 18,000,000 shares at the date of this report. Based on the maximum purchase price of €100 per share and the absence of any shares currently held in treasury, this would correspond to a maximum theoretical investment of €1,800,000,000.

In accordance with the law, when shares are bought back for the first purpose listed above, the number of shares used to calculate the 10% limit is the number bought back less the number sold during the course of the program.

Pursuant to article L. 225-210 of the French Commercial Code, the total value of shares held in treasury may not exceed the amount of available reserves (other than the legal reserve) recorded in the Company's balance sheet at December 31, 2010.

— 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 11, 2012 Shareholders Meeting, *i.e.* until the close of trading on November 11, 2013.

6

MICHELIN PERFORMANCE AND RESPONSIBILITY

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6.1. 2011 EMPLOYEE AND ENVIRONMENTAL INFORMATION PUBLISHED IN COMPLIANCE WITH FRENCH NRE LEGISLATION

Michelin is actively deploying a sustainable development process, known as *Michelin Performance and Responsibility*. Its fundamental principles are presented in the Michelin Performance and Responsibility Charter, which is available on request or may be downloaded from www.michelin.com. Adopted in 2002, the charter has been extended by the Michelin Performance and Responsibility, A Better Way Forward brochure, which was distributed across the organization in late 2011 to show each employee how he or she can personally contribute to sustainable development every day. Both documents have been translated in 15 languages.

Published in March 2012, the 2011 Annual and Sustainable Development Report presents the detailed results from programs underway to meet the Group's growth and financial performance objectives while effectively fulfilling its corporate social responsibility. It may be found on the www.michelin.com website or mailed upon request.

The Report presents the Group's strategy and its 2011 results in every aspect of its business, thereby reaffirming its commitment to seamlessly integrating all of its performance and social responsibility objectives.

Michelin's commitments, as defined in the Michelin Performance and Responsibility Charter, the Code of Ethics, and the Michelin Purchasing Code are based on the following international documents: the *Universal Declaration of Human Rights;* the conventions of the International Labour Organisation; the Organisation for Economic Co-operation and Development guidelines for Multinational Enterprises; and the United Nations Global Compact's ten universal principles in the areas of human rights, the environment and anti-corruption.

The employee and environmental information in sections 6.2 and 6.3 below complies with Article L. 225-102-1 of the French Commercial Code and the related application decrees of February 20 and April 30, 2002, which require a company to disclose in its Annual Report "information on the way in which it takes into account the social and environmental impact of its business".

Michelin is continuing to formalize and improve the reliability of the indicators used by its 70 production facilities in 18 countries and its more than 170 sales and marketing operations. The Group is committed to obtaining as accurate an understanding as possible of its social and environmental responsibilities on every site and to driving continuous improvement, year after year, in the quality of available data. Unless otherwise specified, the scope of reporting is the entire Group.

For the sixth consecutive year, PricewaterhouseCoopers was commissioned to review the procedures used to prepare the indicators presented in this document. The review opinion may be found in section 6.4. In the following tables, indicators marked with two asterisks were verified during the review.

6.2. 2011 EMPLOYEE INFORMATION

6.2.1. NUMBER OF EMPLOYEES

6.2.1.a) Number of employees, breakdown by gender, employee movements, fixed-term contracts, overtime and subcontractor employees

— Full-time equivalent employees at December 31, 2011

(Employees on payroll, regardless of work contract)

	EUROPE	NORTH AMERICA	SOUTH AMERICA	ASIA (EXCLUDING INDIA)	AFRICA INDIA MIDDLE EAST	GROUP TOTAL
Number of full-time equivalent employees**	69,580	22,545	5,957	15,064	1,854	115,000

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4.).*
Since 2010, the reporting system includes all of the data from the dealership networks.

— Full-time equivalent employees at December 31, 2011

(Regardless of work contract)

	EUROPE	NORTH AMERICA	SOUTH AMERICA	ASIA (EXCLUDING INDIA)	AFRICA INDIA MIDDLE EAST	GROUP TOTAL
Number of full-time equivalent employees**	64,450	21,683	5,310	15,045	1,852	108,340

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

— Employees on payroll by gender**

(Employees on payroll, regardless of work contract)

WOMEN AS A PERCENTAGE OF EMPLOYEES ON PAYROLL AT DECEMBER 31, 2011

	EUROPE	NORTH AMERICA	SOUTH AMERICA	ASIA (EXCLUDING INDIA)	AFRICA INDIA MIDDLE EAST	GROUP TOTAL
Production operators	8.3%	13.8%	7.0%	5.8%	1.3%	9%
Administrative and technical staff	28.6%	27.7%	27.7%	29.6%	19.6%	28%
Managers	17.7%	16.3%	20.1%	19.4%	11.2%	17.6%

Scope: Group excluding Euromaster and TCI.

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

Overall, women accounted for 15.2% of total employees on payroll, compared with 14.4% in 2010 and 14.0% in 2009. Over the next ten years, Michelin is committed to increasing these percentages to more than 15% for production operators, 25% for managers and 20% for senior executives.

— Employee movements in 2011

(Employees on payroll, regardless of work contract)

	EUROPE	NORTH AMERICA	SOUTH AMERICA	ASIA (EXCLUDING INDIA)	AFRICA INDIA MIDDLE EAST	GROUP TOTAL
Natural attrition	3,220	813	323	1,293	112	5,761
Negotiated redundancies	1,311	687	246	694	20	2,958
Early retirement	547	563	0	9	1	1,120
New hires	6,493	2,722	1,436	3,239	146	14,036

Scope: Group excluding Euromaster and TCI, but including Brazil and Serbia.

Excluding temporary workers, 14,036 people were hired in 2011.

— Fixed-term contracts

In 2011, fixed-term contracts accounted for 1.95% of total Group payroll.

— Overtime and contractor employees

Overtime may be used to offset a lack of available personnel or to respond to customer demand. In 2011, overtime accounted for 5.3% of the total number of hours worked a year by production workers Group-wide, with the rate varying from 2.1% in Europe to 8.14% in North America.

Overtime pay for all job categories, excluding employer payroll taxes, amounted to 1.3% of total payroll for the year.

Contractor employees working on Group sites (excluding Euromaster and TCI) represented an average 3.2% of full-time equivalent employees in 2011, with the proportion ranging from 0% in Africa, India and the Middle East, where subcontractors are not used, to 6.1% in South America.

6.2.1.b) 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 South America, Asia and Eastern Europe while enhancing competitiveness in the developed, mature markets of North America, Western Europe and Japan. 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, Michelin has assertively improved its ability to manage sudden changes in market conditions and will have plants in Europe and North America that are as highly competitive.

— Restructuring and employee support measures in 2011

There were no redundancy plans or layoffs attributable to the weak economy in 2011. The Group successfully maintained social cohesion, while retaining the capabilities needed to support the recovery in demand. Having emerged from the recession stronger than ever, Michelin can now step up its capital programs to become more competitive and capture growth in emerging markets.

Whenever industrial restructuring measures have been necessary, Michelin has systematically deployed a wide range of support initiatives, generally exceeding the minimum legal requirements, to avoid outright dismissals wherever possible and to provide personal support for each employee concerned. These include:

- an ongoing process of foreseeing and facilitating opportunities for transfers and outplacement, with job search training provided in resume writing, interview techniques and job market monitoring;
- individual inplacement opportunities, either in the same unit or in another Group company, including expatriate positions. Primarily used in France, Italy and the United States in 2011, inplacement is the preferred solution and is generally supported with assistance in finding housing and jobs for spouses, as well as compensatory payments. Early or pre-retirement systems, such as the *mobilita corta* and *mobilita lunga* agreements in Italy, conventional or *contrato de relevo* early retirement plans in Spain and similar schemes in the United Kingdom helped to avoid separations during the year;
- Group-financed outplacement services by employment offices and outplacement consultants.

No operations were restructured in France in 2011, and the employee placement programs, such as the Career Transition Workshops (ATP) deployed in 2008, have now been discontinued. The highly innovative ATP system helped employees to build their personal business project, by conducting project identification workshops, enabling participants to choose the most suitable training options, and supporting them in creating their own company.

At a time when the Group's needs are changing rapidly, new skills-sets are emerging and new capabilities are becoming necessary, employees can access a wide range of resources to maintain their employability. In France, for example, a mobility unit was created in 2009 to discreetly inform and advise interested employees and to support those wishing to pursue a personal business project.

— Revitalizing industrial basins

In Europe, Canada and the United States, the Michelin Development unit is helping to create jobs in our host communities (see section 6.2.10 below on the regional impact of targeted job and economic development initiatives). While primarily aimed at maintaining or stimulating local economic growth by creating a large number of new jobs, these projects can sometimes facilitate career transitions outside the Group.

6.2.2. WORKING HOURS, PART-TIME WORK AND ABSENTEEISM

6.2.2.a) Working hours

Working hours in the manufacturing plants and the research, logistics, sales and administrative facilities are strictly organized according to the applicable labor laws of the country concerned. For full-time non-shift employees, the annual work time varies from 217 days in Hungary to 278 days in Colombia, and 213 days in France to 260 days in the US and Mexico.

Working in shifts enables a plant to operate up to seven days a week and 360 days a year, thereby optimizing capacity utilization. In exchange, shift workers enjoy significantly reduced working hours and certain compensation benefits. Group-wide, most people 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, reflecting different manufacturing requirements, prevailing legislation and local practices.

Following on from a union agreement signed on May 12, 2009, regular telecommuting is now gradually being introduced at Manufacture Française des Pneumatiques Michelin. After almost three years, a review has shown that while the system can effectively enhance work-life balance, it is still relatively unused, with fewer than a hundred employees currently working regularly from home. They include both men and women, more technical and administrative staff than managers, women in the early months of pregnancy and a few disabled employees who may find commuting to work physically straining.

6.2.2.b) Part-time work

Part-time contracts, which are common in many host countries, concerned 2.5% of the total workforce, across all job categories, in 2011.

PART-TIME EMPLOYEES BY GENDER AND JOB CATEGORY AS A PERCENTAGE OF TOTAL EMPLOYEES AT DECEMBER 31, 2011

	WOMEN	MEN	TOTAL
Production operators	4.7%	1.8%	2.1%
Administrative and technical staff	8.4%	1.5%	3.5%
Managers	8.7%	0.3%	1.8%
TOTAL	**7.0%**	**1.6%**	**2.5%**

Scope: Group excluding Euromaster.

6.2.2.c) Production operator absenteeism

In most host countries, absenteeism at Michelin facilities tends to be lower than national rates in similar industries. Group-wide, the number of hours of unforeseeable absence, regardless of the cause, represented 4.29% of the expected number of hours worked. Certain discrepancies in interpreting the calculation method may be explained by methodological differences, which are now being attenuated with dedicated projects.

SICK LEAVE**	LOST TIME DUE TO OCCUPATIONAL INJURY	LONG-TERM LEAVE	GROUP TOTAL
2.16%	0.14%	1.99%	4.29%

** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).

6.2.3. COMPENSATION, PAYROLL TAXES, GENDER EQUALITY, DISCRETIONARY AND NON-DISCRETIONARY PROFIT-SHARING AND EMPLOYEE SAVINGS PLANS

TOTAL EMPLOYEE BENEFITS EXPENSE IN 2011 (in € millions)	PRODUCTION OPERATORS	ADMINISTRATIVE AND TECHNICAL STAFF	MANAGERS	FIXED-TERM CONTRACTS	REVERSALS OF SURPLUS PROVISIONS	TAXES, PROVISIONS AND ADVANCES
5,021	1,954	1,996	672	98	12	290

"Taxes, provisions and advances" includes taxes, provisions for pension obligations, stock-option advances and other long-term advances.

6.2.3.a) Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €5,021 million or 24% of net sales in 2011, of which €1,031 million in employer payroll taxes.

The total may be analyzed as follows:

(in € millions)	
Wages and salaries	3,743
Employer payroll taxes	1,031
Benefit contributions, pensions, severance and retraining costs	240
Share-based payments	7
TOTAL	**5,021**

Michelin offers competitive compensation and raises in every host country and seeks the best possible balance between employee fulfillment and financial performance. This crucial balance is carefully managed, as compensation levels have a direct impact on production costs and, by extension, on the Group's ability to strengthen its positions *vis-à-vis* the competition. The Group's policy is to offer tailored, fair and competitive compensation that reflects each employee's performance and level of responsibility. Compensation policies are designed with a long-term approach, taking into account career development, evolving market conditions and local practices.

A wide range of profit-sharing and bonus systems have been introduced, which vary by country and employee category. For the sake of consistency, these systems are all governed by similar rules and procedures, albeit with adaptations in each host country to align them with local job markets and legislation.

Because pay scales are pegged to criteria specific to each country, in particular to reflect local conditions (such as inflation ranging from a negative 0.5% in Japan to a positive 24.4% in Venezuela), the average pay rise for the year is not a meaningful indicator. For example, in France, which has the largest number of employees (25,977 on the payroll at December 31, 2011, including Euromaster) and where inflation ran at 1.8%, pay increases in 2011 were as follows:

Production operators	+3.1%
Administrative and technical staff	+3.4%
Managers	+4.4%

Data for France.

Employee benefit policies, in such areas as post-retirement benefits, insurance and health care coverage, reflect the Group's social responsibility commitment.

6.2.3.b) Gender equality

In each country and employee category, the average wage differential between men and women is calculated for the three levels of responsibility at which women are most represented, in order to obtain a meaningful indicator. An average weighted for the number of employees in each country is then calculated for the Group. In 2011, the sample group comprised 67,467 people.

GROUP AVERAGE PAY DIFFERENTIAL BETWEEN MEN AND WOMEN EMPLOYEES

CATEGORY	DIFFERENTIAL
Production operators	-2.89%
Administrative and technical staff	-2.62%
Managers	-4.45%

The differential stems from the fact that women employees tend to have less seniority than men, and therefore less experience and lower job responsibility. Regardless of job category, however, the methods used to manage compensation and assess performance are exactly the same for men and women in every country. Performance appraisals and assessments of an individual's contribution are based solely on professional criteria, which are clearly listed in exhaustive detail in the corporate standards manuals. Any failure to do so would violate the principle of fairness expressed in the Michelin Performance and Responsibility Charter.

6.2.3.c) Discretionary and non-discretionary profit-sharing, employee savings plans and employee share issues

In addition to salary and performance-based bonuses (for meeting either personal 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-shares, non-discretionary profit-shares, contributions to supplementary health insurance, retirement savings plans and employee savings plans with matching employer contributions of up to 50%. Seventeen 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 multiple indicators to calculate profit-shares, as follows: the number and success rate of Progress Ideas, the reduction in energy used, the frequency of workplace 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. The amount paid in 2011 in respect of 2010 profit-shares in France came to approximately €23 million.

In France, an agreement on non-discretionary profit-shares was signed in 2011 that improves on the existing agreement by allowing 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, Pneumatiques Kleber, Michelin Travel Partner). As part of the project to upgrade the supplementary pension system, the PERCO retirement savings plan agreement, which covers all of the French companies, was revised and the matching employer contribution was increased to 100% of the employee investment. Another agreement 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%). Deployment of the plan will begin in 2012 at Manufacture Française des Pneumatiques Michelin, Compagnie Générale des Établissements Michelin and Pneumatiques Kleber, with the possibility of other French companies joining in the future. Following authorization by shareholders at the May 13, 2011 Annual Meeting, performance shares were granted without consideration to 2,325 employees worldwide in 2011.

6.2.4. EMPLOYEE RELATIONS AND COLLECTIVE BARGAINING AGREEMENTS

Michelin is committed to frank, open dialogue with employee representatives, in accordance with fundamental documents like the ten principles of the United Nations Global Compact. In 2011, 1,616 meetings were held with union representatives Group-wide and 49 collective agreements were signed, covering 96,992 employees. In several countries, collective agreements signed in previous years remained in effect in 2011. More than 80% of the workforce in France, for example, was covered by employee agreements. In 2010-2011, a total of 17 agreements were signed by unions representing over half of all employees.

In Europe, discussions with the European Works Council, which is comprised of members from 23 countries, were intensified in response to the falloff in demand. In addition to the Council's regular calendar, a number of special meetings were held to provide information on the recession's evolving impact on the Group and the wide range of employee support measures being deployed.

In the United States, meetings are held regularly with the United Steelworkers of America, while in Brazil, overall working conditions and pay increases are negotiated once a year with the Rubber Industry Employees' Union in Rio de Janeiro State. In China, a collective agreement has been signed with employee representatives calling for a consultation process and regular discussions about general working conditions.

In 2011, collective bargaining agreements were signed in 16 countries, including Brazil, Canada, Colombia, France, Germany, Hungary, Italy, Mexico, the Netherlands, Poland, Romania, Serbia, Spain, Thailand, the United Kingdom, and the United States.

6.2.4.a) Examples of agreements signed in 2011

— Europe

- Germany: chemicals industry collective bargaining agreement.
- Spain: current agreement valid from 2011 to 2014.
- France: deployment of a supplementary pension plan; an agreement on the payment of non-discretionary profit-shares; profit-sharing bonus; operating procedures for the Works Council France and for the Central Works Council; reorganization and relocation of facilities in the Paris region; discretionary profit-shares; psychosocial risk prevention; staff foodservices; etc.
- Italy: agreement on working hours. All sites nationwide have signed agreements on flexible working hours. Agreement on performance-based bonuses.
- Poland: agreement concerning salary increases.
- United Kingdom: the 2009-2011 Pay and Conditions Agreement for production operators.
- Serbia: a general agreement on new hires, employee guarantees, staffing and overstaffing, working and rest hours, vacation, compensation and separations.

— North America

- United States: two agreements on working conditions signed with five unions.
- Mexico: collective agreement on salaries, working hours and working conditions.

— South America

- Brazil: the annual collective agreement setting general working conditions and pay increases for 2010-2012 with Rio de Janeiro's Rubber Workers Union; an agreement on working hours and non-discretionary profit-sharing at the Campo Grande plant.
- Colombia: agreement on a voluntary profit-sharing plan open to all production operators.

— Asia

- China: agreement with the union representing employees in two companies, Shanghai Michelin Tire Co Ltd. and Michelin Shenyang Tire Co. Ltd.
- Thailand: agreement on pay during sick leave, maternity leave or for other reasons.

6.2.4.b) A wide variety of information and consultation processes

Michelin is deeply committed to fostering effective communication with employees and their representatives. To share and exchange information with employees, Group facilities have deployed a broad array of processes, which totaled 336 in 2011.

Today, around 30 distinct communication channels and a dozen different consultation processes are in general use across the Group. On average, each country uses 20 of these media, including the Intranet; site, country and unit magazines; daily, weekly and monthly team meetings; the Group's *Forward* TV news program; the print *Bib Magazine* sent to all employees in France; magazines in most countries; the Letter to Shareholders; meetings with employee representatives; surveys and polls; roundtables; forums; bulletin boards; and Family Day events.

A special document translated in around ten languages explains Michelin's "New Phase of Dynamic Growth" strategy for 2011-2015. All 115,000 employees also have access to a set of corporate reference documents, including the Michelin Performance and Responsibility Charter, which is the foundation of our sustainable development process and has been extended by a second document entitled Michelin Performance and Responsibility, A Better Way Forward; Moving Forward Together: The Trademark of Mutual Commitment, which expresses our commitments as an employer; the Manager's Guide; the Michelin Corporate Governance Manual; the Michelin Code of Ethics; the Safety Charter; and the Social Media Charter.

For the fourth time since 2004, the Internal Communication Survey was conducted in 2011, with the participation of 26,000 employees at 102 locations in 20 countries. The corporate values embraced by polled employees and their teams are guaranteed product quality (91%), respect for the environment (89%), continuous improvement (85%) and long-term vision (82%).

In addition, the Personnel Department conducted its first Employee Commitment Survey, covering 80% of the workforce for the 2010-2011 period. Carried out in nearly every country where we have manufacturing and/or marketing operations, the survey questioned employees on corporate values, quality of worklife, job satisfaction, career management and development, the relationship with their direct managers, compensation and benefits, and other topics related to employee motivation and development. The results were analyzed by Conference Board, a US-based research firm. Commitment to the Group's values stood at a high 83% for managers and administrative and technical staff and at 69% for production operators.

6.2.5. WORKPLACE HEALTH AND SAFETY

6.2.5.a) Managing occupational health and hygiene risks

Supported by the network of Group Health Correspondents, Technology Center materials experts and occupational physicians, the corporate occupational health and hygiene department leads a program to manage risks in two main areas, workstation chemical risks and asbestos-related risks. It also prepares guidelines for analyzing risks and tracking exposure.

To manage asbestos-related risk, an annually updated survey in every plant clearly identifies all of the materials containing encapsulated asbestos (i.e. not likely to release fibers to the air) still present in buildings or equipment. Michelin brand tires have never contained asbestos. However, like many companies, Michelin used asbestos in the 1960s and 1970s as soundproofing, insulation for pipes and curing presses, as well as in brake linings.

A risk analysis application, developed with the accredited Bureau Veritas inspection firm based on Group surveys, is used to classify the risks presented by each situation and to schedule the removal of materials containing encapsulated asbestos, which is carried out in stages each year. In order to control the risk to people and the environment, these operations are supervised by a Group-level manager.

The centralized occupational health and hygiene expert information system will continue to be rolled out in 2012. 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.

6.2.5.b) Monitoring employee health

Employee health is monitored *via* check-ups conducted by Michelin medical teams or by outside health care providers coordinated by a Group physician. The organization, priorities and action plans for medical services in each region are defined in a regularly updated corporate Guide to Health Service Activities, which is based on best practices from inside and outside the organization and intended for all employees.

Below are some examples of initiatives being tracked at Group level and implemented by the country organizations.

— Creating a medical advisory committee to provide senior management with insight into public health and workplace health issues

Since December 2010, the independent opinions issued by this committee of nine outside medical experts have helped the Managing Partners to understand the health risks specific to tire manufacturing in such areas as oncology, pneumology and stress.

— Preventing stress-related risks

While realizing that stress related risks are not confined to the workplace, Michelin recognizes the importance of this issue, with programs to regularly assess and track stress factors. In line with the negotiations on psychosocial risks, the segments and job families particularly exposed to excessive stress have been identified and the employees concerned have been tested. Daily stress clinics have also been introduced at most sites in France. For facilities in Clermont-Ferrand, a publication prepared with the Committee on Health, Safety and Working Conditions and employee representatives illustrates Michelin's commitment to understanding and preventing workplace stress. The major difficulty in preventing stress lies in the diversity of people's reactions, with some handling stress well (sometimes by transferring it to those around them) and others suffering far more intensely. For several years now, Michelin has offered employees a number of stress management training courses. It is also important to encourage social dialogue and deploy measures tailored to the working environment, because stress can take different forms depending on the workplace and working methods.

— Conducting public health campaigns

In every host country around the world, public health campaigns aligned with local needs and practices have been 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, the first Michelin Family Health Center was opened in Greenville, SC, near the Group's North American headquarters, in December 2010 and was joined by a second one at the Donaldson Center plant in 2011. The centers offer employees and their families high-quality, affordable and convenient check-ups, medical exams, analyses and treatment follow-up services.

In France, employees at corporate headquarters in Clermont-Ferrand can attend relaxation workshops, learn to play collective sports, and work out with muscle-building and cardio exercises as part of the *Oxygène* program, which offers opportunities to practice a variety of physical activities in the workplace. In addition, several conferences on nutrition and health, led by a dietician from the local ASM sports club, were offered during the year.

To celebrate ASM's 100th anniversary and Michelin's more than century-old commitment to sports, the first International Convention on Sports and the Enterprise was organized in Clermont-Ferrand on November 3 and 4, 2011. During the event, companies, high-level athletes, public officials and academics debated and discussed the ties between the worlds of sports and business. For Michelin, sports also enable the Company to demonstrate its corporate social responsibility.

— Liaising with local public health care facilities

Whenever the quality of local public health care facilities is deemed inadequate, particularly at isolated locations in emerging countries, Michelin takes the necessary steps to improve them. In China, for example, the Group is working with hospitals in Shanghai and Shenyang to organize better care for local employees and expatriates, with a particular emphasis on preventing health care-associated infections.

— Preventing HIV/AIDS

HIV/AIDS prevention programs continued to be deployed in 2011, with a focus on the worst hit countries. In addition, a large number of awareness campaigns are conducted for employees and host communities in areas where such awareness is lacking or denied.

— Improving workplace safety

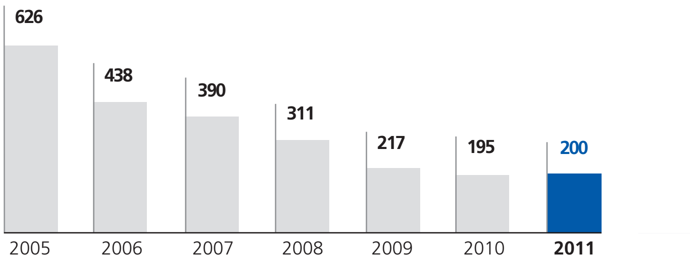
More than 70% of all employees were involved in workplace safety programs in 2011, when five plants and three logistics warehouses nominated initiatives for a Michelin Safety Award. According to a survey presented to Development Institute International in September 2010, Michelin's employee safety performance is ten times better than that of manufacturers in comparable industries. In 2011, the Group-wide lost-time incident frequency rate (LTIFR) continued to trend downward from 2.0, while the lost-time incident severity rate (LTISR) again fell below 0.15 for the year.

	2007	2008	2009	2010	2011
LTIFR**	2.39	1.85	1.41	1.19	1.19
LTISR**	0.21	0.21	0.18	0.14	0.12

Consolidated Group excluding dealership networks.

*** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see paragraph 6.4).*

NUMBER OF INCIDENTS RESULTING IN MORE THAN ONE DAY'S LOST TIME, GROUP-WIDE



2007	2008	2009	2010	2011
390	311	217	195	200

The number of accidents has been halved in five years.

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.

Scheduled for completion in 2012, a major project is underway to prepare a detailed, standardized prevention data sheet for each workstation. In every plant, shopfloor managers are trained to prevent accidents at their team's workstations.

To reduce occurrences of the most serious accidents, prevention programs have been implemented for six 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.

Plants are also being actively equipped with the material and skills needed to handle emergency situations. All of them now have defibrillators and a portion of their employees are trained in first aid and attend refresher courses once a year.

In 2011, 26 sites reported no lost-time injuries for the year. Operations in North America went an entire month without any accidents, in April, for a total of 22,545 employees on payroll in the region.

In Europe, LTIFR improved noticeably in Germany, Spain, Romania and the United Kingdom, and was stable to slightly higher in other countries.

Safety performance improved in the sales and marketing operations, with an LTIFR of less than 1, in part due to a dedicated occupational road safety program and the work carried out by technicians assigned to trucking companies.

2011 saw sustained improvement in safety performance with, in particular:

- an increase in employee involvement in the safety commitment, with more than two-thirds of employees taking part in a safety initiative each month;
- the deployment, at every facility, of programs to eliminate risks related to in-plant traffic, working at heights, lockout procedures during maintenance work, power distribution, entanglement hazards and rollers used in manufacturing and laboratory processes. On-site visits to assist plants in implementing these programs more effectively were initiated first in North America and then in Europe. All of these programs build on best operational management practices observed on the sites;
- sustained deployment of the course for front-line supervisors, Managing Safety in My Self-Managed Team, which follows on from the Managing Safety in My Shop course attended by every workshop manager. These courses help to define the roles and responsibilities of each level of management, while training participants in the shop-floor safety systems and procedures developed for all of the Group's plants;
- a significant increase in the number of people working with a workstation accident prevention file and applying the Preventive Safety Observations;
- the gradual introduction of prevention indicators, in addition to LTIFR and LTISR. A 2008 study identified the key success factors. Every facility has now deployed a prevention indicator, one of whose components is the employee participation rate;
- the definition of closed loop applications to systematically check compliance with safety rules and guidelines, by transposing product quality best practices to safety issues. They will be gradually rolled out to every plant.

The definition of the 100% Health & Safety policy has been restructured and enhanced. In February 2011, the Managing Partners issued a Michelin Health & Safety Declaration identifying the responsibilities, deliverables and resources associated with each level of management in the production facilities. The Declaration is displayed in every facility. The commitment to 100% Health & Safety is being applied at three levels:

- correct behavior, which begins with compliance with safety guidelines;
- active involvement, because regardless of their position, employees are responsible for everyone's health and safety, both their own and of others;
- personal commitment, which leads to continuous improvement.

Training for the 80,000 plant employees concerned began in 2011 and will continue through mid-2012. The new policies are now being adapted to sales, marketing and support operations (such as the design and engineering offices).

Sadly, the Group experienced the death of two employees in 2011, one at the Olsztyn plant in Poland and the other at the Bad Kreuznach plant in Germany. Investigations are underway to analyze the causes of these accidents and protective measures have been taken to improve safety.

— Improving workstation ergonomics

The ergonomics expert network, which comprises one expert for every 2,000 production operators, continued to improve production line working conditions in 2011, with a focus on reducing or eliminating physical stressors and environmental hazards such as poor lighting and noise at production workstations.

Ergonomics is taken into account starting in the design phase. On-site, ergonomists work with local teams to identify and lead the deployment of measures to improve existing workstations. The Group ergonomics network enables the sharing of feedback and best practices across the organization.

Lastly, the Group's commitment to ergonomics has led to a number of cross-unit projects to resolve stressful working conditions. These projects have resulted in the development of ergonomic production prototypes, such as extrusion lines and tire mold maintenance stations. The dedicated budget was renewed in 2011 to support the development of new solutions.

— Working with temporary employment agencies

Michelin is committed to aligning the LTIFR and LTISR of temporary employment agencies with its own performance, in particular by pursuing the workplace health and safety programs initiated with these agencies over the years. An action plan is being deployed based on:

- 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.

Results have been encouraging, with the lost-time injury frequency rate of temporary workers declining by two-thirds over the past four years. However, the cutback in production volumes has sharply reduced the number of these employees, so that the program is now focusing on maintaining this virtuous dynamic.

— Leveraging internal communication to improve workplace safety

Internal communication plays a critical role in deploying workplace safety policies. Several campaigns were undertaken on every site in 2011, with an emphasis on the Group Safety Programs, preventing the four main causes of fire, and the cross-fertilization of best practices.

The effectiveness of these initiatives is being heightened by the synergies among the internal communication systems, which include on-site CCTV networks, bulletin boards, team meeting presentations, the managerial intranet and dedicated support documents.

The new Michelin Safety Award is helping to promote excellent practices to achieve 100% safety, by showcasing the winning sites' best practices in articles, video reports and other internal communication media.

— Improving occupational road safety

Michelin has long been involved in initiatives to support road safety (see section 6.2.11), with a particular interest in meeting the challenge of ensuring safe driving at work.

Occupational road safety was a core issue discussed at the roundtables organized by the Global Road Safety Project during the 2011 Michelin Challenge Bibendum in Berlin. In addition, the risks of accidents while commuting or in work-related driving were addressed with internal awareness-building campaigns to encourage safer driving practices and more efficient travel management.

On the training side, since 2009, all new marketing and sales employees attend a half-day road safety course as part of their orientation program. Information tools include a road safety awareness kit developed for plant employees worldwide, contests, safe driving campaigns, and reports on national road-safety campaigns in the *Forward* weekly news program before the summer vacation period and in early winter. In France and Germany, road safety documentation is also sent to employees' homes.

Eco-driving courses are offered to employees in a number of countries, including Spain and the United Kingdom, as well as France, where employees who drive as part of their jobs have been invited to attend. The courses, which comprise several hours of classroom and behind-the-wheel practice, help to reduce the risk of an accident by encouraging drivers to think ahead and anticipate obstacles, while also enabling them to save fuel by using their cars more efficiently.

All of these initiatives embody Michelin's long-term commitments, expressed in particular in the Road Safety Charters signed with national and European bodies.

6.2.6. TRAINING

Around the world, Michelin continuously invests in training programs to enhance the skills of its teams. Every day, 4,000 employees receive training to enable the Group to meet the challenges of international growth, which demands the ability to deliver ever-greater technical performance and superior quality of service. This investment in human capital reflects the Group's own high standards and its commitment to retaining its market leadership around the world.

The constant focus on training is also illustrated by the percentage of training hours** per total hours worked, which rose to 4.4% in 2011 from 4.2% in 2010. In China, for example, where a new plant is being built in Shenyang, the percentage of training hours per total hours worked was 6.3% in 2011. Already for the past two years, teams from the plants in China, India and South America have attended training and train-the-trainer programs conducted by several departments and facilities in Europe and North America, covering such areas as production, sales and customer service, administrative skills and support services.

Total training hours amounted to 7.23 million in 2011, for an average of 67 hours per employee on payroll and 79 hours per trainee (respectively 64 and 77 hours in 2010, excluding Euromaster and TCI), ranking Michelin above average among the world's largest companies. Training outlays amounted to 5.5% of payroll in 2011 (4.9% in 2010), for an average training expenditure per trainee of €2,650 (€2,450 in 2010). One of Michelin's unique capabilities is also to deploy an extensive network of experienced in-house trainers.

TRAINING HOURS BY EMPLOYEE CATEGORY

	PRODUCTION OPERATORS	ADMINISTRATIVE AND TECHNICAL STAFF	MANAGERS	TOTAL
Number of training hours	5,204,796	1,717,013	309,657	7,231,466
Percentage of total	72%	24%	4%	100%

Job-specific courses accounted for 92% of the training program in 2011, in line with the Group's commitment to helping to develop people's skills and employability. Of these courses, 3% were devoted to Environment and Prevention issues. These statistics were calculated using monthly employment figures averaged over the year and a quota per employee of 1,700 hours worked per year.

Personalized support is provided to all new hires, who totaled 14,036 in 2011. They are carefully tracked throughout the induction period, which may last from three days to eighteen months depending on their assignment and level of responsibilities.

A Better Way to Start is a three-day program (two days for everyone, plus one day for production operators) that enables new hires to learn about our values, the Michelin Performance and Responsibility process, sustainable development and basic safety guidelines, as well as the Company's history, organization and businesses. The focus on discussion and sharing allows new employees to gradually embrace our corporate culture.

For incoming managers, the induction process comprises several modules, including a mandatory two-week industrial internship, a problem-solving course using individual and team-based case studies, and a one-month structured session. The last one brings together a class of around 100 managers from a wide variety of nationalities and backgrounds hired to fulfill a diverse array of responsibilities. It is led by senior executives, who provide insight into the Group's strategic issues, challenges and values. Afterwards, nearly 400 career managers are available to help each employee to build their own personal career path.

6.2.7. DIVERSITY

The diversity process is designed to encourage diversity across the organization in five priority areas: gender, ethnicity, cultures and nationalities, physical abilities and age.

Informed by one of our five core values, respect for people, the process is led by a Group level manager and a Diversity Steering Committee, with the support of a worldwide network of 600 correspondents and liaison officers based at every facility and in every business. Regularly measured by indicators at both Group and country level, progress in these five areas is being driven by action plans in each host country.

6.2.7.a) Sensitivity training

Sensitivity campaigns and special training programs have been introduced to promote equal opportunity and competency-based hiring and promotion practices, with the goal of instilling an effective diversity culture throughout the organization and at every level of management. Between 2005 and 2011, diversity training courses were attended by executive committee members, managers, human resources teams and production operators.

An action plan is underway to extend the program to the 25,000 employees in France by 2015. Combining theory, practice, individual assignments and role-playing, the courses are organized around small groups of ten to fifteen people. They help employees to recognize discriminatory situations and behavior, avoid stereotyping, become familiar with laws and regulations, and anticipate situations at risk. They are also designed to encourage participants to undertake meaningful initiatives to promote diversity in their units. In 2011, the courses focused in particular on helping Personnel and Training Department managers to understand the specific expectations of generation Y young people.

6.2.7.b) Gender equality

Michelin wants to make manufacturing more appealing to women, who are still under-represented in the schools that provide technical training and, as a result, in manufacturing jobs as well. A number of initiatives have been deployed to ensure better work-life balance, including the Quality of Worklife program and the introduction of parent-friendly meeting schedules.

Plant managers are encouraged to hire more women in production jobs. 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. In every plant, workstations have been inspected in detail. A new program has also been deployed to help increase the number of women sales managers. Lastly, mentoring, as practiced in the United States, Germany and France, provides new hires with effective support.

While women still accounted for just 9% of production operators at end-2011, they were more represented among administrative and technical staff (28%) and, to a lesser extent, management (17.6%), with the increase in the rates reflecting the Personnel Department's pro-active approach. In 2011, women accounted for one-third of all administrative and technical staff and managers hired worldwide. At some facilities, personnel managers are entitled to bonuses based on the percentage of women hired. In every country, newly hired managers receive diversity training through a new module included in their induction program since 2011. Over the next ten years, Michelin is committed to increasing the proportion of women to more than 15% for production operators, 25% for managers and 20% for senior executives.

6.2.7.c) Ethnic origins

Diversity issues related to ethnic origins are amply addressed by programs underway in North America, but also in Europe, particularly as part of the hiring and induction process. Other programs are being deployed locally, for example in Nova Scotia, Canada, where an agreement has been signed with the local Aboriginal Canadian community and the provincial government to facilitate the hiring and retention of local employees. However, Michelin's goal is not to practice affirmative action, but to hire and employ people on the basis of their capabilities.

6.2.7.d) Cultures and nationalities

Wherever possible, Michelin is committed to encouraging the emergence of a highly skilled corps of local managers, while respecting local cultures. Today, for example, nearly half (46.3%) of senior managers are non-French nationals. Around the world, local managers are contributing their cultural capital and understanding of regional issues. Michelin is actively integrating cultural and national differences, which are seen as a competitive strength and an advantage in attracting the best job applicants.

6.2.7.e) Employment of disabled people

Defined in 2006, Group policies governing the employment of disabled people are designed to abolish all forms of discrimination in hiring and to help retain people with disabilities throughout their career. Around the world, Michelin is committed to meeting or exceeding any legally mandated quotas, as is already the case in France. To support this process, a network of counselors dedicated to disabled employees has been set up.

From a legal standpoint, hiring the disabled is governed by standards that vary widely by country. Some countries, like Canada, the United States, Russia and Serbia, do not require companies to hire a certain percentage of handicapped people, while others, like Colombia and 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. In the United States, it is against the law to disclose the nature of the handicap, while in France, companies can be fined for failure to comply with the legal quota. These legal and cultural differences mean that almost every situation is unique and make it difficult to consolidate worldwide data on the employment of the disabled.

Taking into account these legal and technical statistical limitations, Michelin believes that 3.28% of the 77,184 employees in the global scope of reporting may be qualified as disabled. The percentage varies considerably among regions, ranging from 4.81% in Europe to 0.64% in North America, 4.54% in South America and 0.26% in Asia. There are also significant differences among countries, with qualified disabled employees representing 0% of the workforce in several countries, 8.6% in France (at Manufacture Française des Pneumatiques Michelin), 4.74% in Brazil, 3.37% in Canada and 4.36% in Germany.

In 2011, managers were encouraged to share feedback on the employment of disabled people, while in every country, programs are underway to fight stereotyping and promote hiring of the disabled. In France, a guide for supporting disabled employees was published. These policies were also honored in France with the 2011 Enterprise and Handicap Award.

6.2.7.f) Older employees

In Western Europe, 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.

6.2.8. EMPLOYEE BENEFITS

In every host country, Michelin contributes financially to a wide range of activities, services and other benefits for employees and their families. Some of these benefits are mandated and defined by local legislation, while others are provided on a voluntary basis. They range broadly from supplementary health insurance, foodservices and transportation to cultural activities, sports activities and health campaigns organized by works councils or similar organizations. Michelin contributes several tens of millions of euros to financing these benefits every year.

6.2.9. SUBCONTRACTING

In 2011, subcontractor fees for work unrelated to production operations amounted to the equivalent of 15.72% of payroll, versus 14.84% in 2010. These services included the cleaning of buildings, machinery and workwear, security services, handling and storage, waste disposal, information technology projects, telecommunications and administrative services.

6.2.10. CREATING JOBS AND SUPPORTING LOCAL ECONOMIC DEVELOPMENT IN NORTH AMERICA AND EUROPE *VIA* MICHELIN DEVELOPMENT

Michelin Development supports economic growth in host communities and helps to deploy our worldwide corporate social responsibility commitment. The only organization of its kind, Michelin Development takes a highly flexible approach in assigning Group specialists, on a case by case basis and for a few days, to provide local project champions with expertise and highly qualified technical support in a wide variety of areas, such as information systems, workplace safety, energy efficiency, quality management, marketing, finance, hiring, tourism or international expansion. 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 2011 covered a very broad array of business segments, including the production of prosthetic hands, the production of carbon-fiber bicycles, the creation of air quality measurement systems, spectrometric analysis systems for oil and gas exploration, and the invention of a new-generation digital photo frame. In all, over the past twenty years, Michelin Development has helped to create more than 25,000 jobs in France and eight other European countries, and 2,000 in Canada and the United States. It has also initiated 1,400 technical assistance programs designed to support the emergence of local businesses. Lastly, it plays a particularly active role at Michelin plants undergoing reorganization.

In France, SIDE, which changed its name to Michelin Development in 2010, has helped to create more than 17,000 jobs, amply exceeding compliance with French legislation requiring companies to support communities in revitalizing the local employment catchment area. In recent years, agreements have been signed with the French State and local authorities concerning the facilities in Bourges, Toul, Tours, Monceaux and Seclin.

Another example of a Michelin Development project in France is Milivo, a ten-year old program that is stimulating job creation in the Puy-de-Dôme region, home to Michelin's worldwide headquarters in Clermont-Ferrand. It allows local project champions to request advice from experts jointly provided by Michelin and two local companies, Limagrain and Volvic.

Since 2002, similar organizations have been set up in Germany, Spain, Hungary, Italy, Poland, Romania, the United Kingdom and Russia, involving a total of 36 Michelin facilities. These organizations sometimes serve as catalysts for local initiatives. In Italy, for example, Michelin helped to found a *Réseau Entreprendre* chapter in the Piedmont region, which today comprises fifty volunteer CEOs who personally mentor new entrepreneurs who are setting up or acquiring businesses capable of creating new jobs.

Two Michelin Development programs are currently being deployed in North America. The first, to offset the closing of the Opelika plant in eastern Alabama, is expected to help create nearly 500 jobs. The second has been in place since 2009 in Greenville, in upstate South Carolina, where Michelin North America headquarters is located. It has already loaned nearly $2 million to small disadvantaged businesses.

6.2.11. RELATIONSHIPS WITH LOCAL COMMUNITIES, SCHOOLS, NON-PROFIT ASSOCIATIONS AND ROAD-SAFETY ORGANIZATIONS

6.2.11.a) Reaching out to local communities

Wherever it operates, Michelin takes an active part in community life by nurturing friendly, constructive contacts with public authorities, schools, associations and other local organizations. When appropriate, we also participate in their activities, sharing our expertise or providing financial support, with a special focus on four areas: education, cultural and sports activities, the mobility of people and goods, and charitable initiatives.

To increase the effectiveness of this community outreach, in 2011, Michelin joined the London Benchmarking Group, an association of more than 300 multinational companies that has developed a methodology for measuring the value and impact of community investments.

During the year, the Group allowed employees to devote 19,041 days to community outreach activities, of which 43% concerned educational initiatives and 20% mobility-related programs. At the same time, it donated €15 million to a variety of outside projects. More than three-quarters of the budget (78%) was committed to teaching and other educational initiatives, with the remainder going to road safety programs and, to a lesser extent, projects in the areas of health, social welfare and charity causes (food aid, homebuilding, creating playgrounds and parks, tire donations), as well as emergency humanitarian aid. In each region, the number of participating employees was generally proportional to the number of local employees. In all, community service programs are an extremely varied form of outreach, with more than 3,143 underway Group-wide in 2011. While their diversity makes an exhaustive overview very difficult, significant examples are given below.

When Michelin builds facilities in regions where there are no French schools, it makes sure a French section is created in local schools or added to international schools, primarily to educate the children of expatriate French families. However, they are also open to local families seeking to expand their children's language skills. In Greenville, SC, for example, 40% of the pupils enrolled in the Michelin-managed French school are not children of employees. The same is true, to a lesser extent, at the bilingual international school in Clermont-Ferrand. A similar approach is being applied at the recently opened French school in Chennai, India.

North America

All of the main facilities in the United States each sponsor a nearby public primary school as part of a program launched in 2009 called the Michelin Challenge Education. By forming a deep partnership, the facilities can meet the adopted school's needs through the active involvement of Michelin employees, who can volunteer to tutor local children. Other examples include donations to local food banks and fire departments; numerous in-school initiatives to mentor struggling students or share employee experience in the business world; funding for volunteer organizations working to help the sick, as well as for advanced medical research, programs to help the disabled, elderly or needy, sports clubs, environmental non-profit organizations and museums; support for meal delivery programs like Meals on Wheels of Greenville, blood drives, tire donations and funding for emergency vehicles. In Canada, a marathon was organized to help fight against racism and other forms of discrimination.

South America

For the fifth straight year, Michelin Brazil participated in a multi-faceted teaching initiative to improve the prospects for educational achievement of young people living near Michelin plants in Campo Grande and Itatiaia in Rio de Janeiro State. *Ação Educativa* offers teenagers and adults remedial courses, some of which are taught by Michelin volunteers, in such widely varying areas as mechanics, logistics, information technology, English and French. Other initiatives include a program to support family farming in Bahia; funding for biodiversity research in Bahia that includes the upkeep of a 3,000-hectare forest reserve; tire donations to communities in northern Rio de Janeiro State hard hit by the catastrophic weather conditions in early 2011; and a fourth consecutive year of funding for the educational *Na pista do melhor caminho* road safety game in partnership with the Rio de Janeiro Urban Traffic Department (DETRAN) for use in vocational schools run by the National Industry Training Services throughout the State. In Cali and Bogota Colombia, Michelin sponsors the *Fundación Dividendo por Colombia,* which organizes a fast-track remedial program designed to get needy children and teenagers back in school, and supports children through *Preventorio Infantil de Sibate.*

Europe

Among the many Group initiatives being deployed in Europe are support for sports clubs and sporting events; Training Night in Germany; funding for offices for non-profit organizations; road safety classes for schoolchildren; a week-long professional internship for French secondary school students; in-school presentations by map-makers to improve children's awareness of mobility issues; donations of bicycles and helmets; organization of road safety events with primary schools, such as *Vado a piedi e uso la testa* (Go on Foot and Use Your Head) in Italy; support for the Pedibus walking school bus program for Italian schoolchildren; sponsorship of road safety campaigns in cooperation with local automobile clubs; support for *Ta route…Ta sécurité* road safety day; anti-drunk driving campaigns; the Securiz'mois safety awareness month, a partnership to promote electric vehicles; the renovation of homes for the disabled; organization of sporting events; donations to non-profit sports programs for the disabled; a donation of computers and projectors; donations to local Red Cross organizations to support the homeless; blood drives; job-search training for the unemployed; Michelin choir concerts for charities; donations to the *Ligue contre la violence routière* organization against road rage and to the *Prévention Routière* road safety organization; financial partnerships with homes for the disabled; furniture donations to a pediatric hospital; tire donations to emergency, charity or health services; funding for medical equipment such as defibrillators and hospital vehicles; support for schools by teaching classes, serving on examination boards and monitoring struggling students; renovation of the playing field and playgrounds of a school; student career awareness outreach initiatives; participation in a Girls' Day campaign to encourage young women to pursue vocational training; organization of Students' Days in Clermont-Ferrand enabling 300 students to visit the Ladoux research center; welcoming more than 1,000 students during the Student Day at the Michelin Challenge Bibendum in Berlin; partnerships with several universities and schools to promote science courses; events with leading engineering and business schools to present Michelin's professions; funding for local library books; donations of maps and guides to 100 *Alliance Française* branches; prizes for contests, raffles and charity events; and advertising in local non-profit magazines.

In Clermont-Ferrand, Michelin supports the Association Sportive Montferrandaise (ASM) multi-sports club, both through funding and the hands-on contributions of Group managers. ASM offers its 3,000 members access to three practice facilities and 15 sports programs led by 400 coaches and organizers, with a special emphasis on training young people while they continue their studies and monitoring athlete health.

Africa

Initiatives include tire pressure awareness campaigns; Safety Week in cooperation with outside organizations such as the Algerian highway safety agency and the Red Crescent; and significant donations to help physically disabled athletes in Algeria.

Asia-Pacific

In Japan, a wide range of measures were deployed to protect employees in the wake of the March 11 earthquake and tsunami and against the risk of a nuclear accident at the Fukushima power plant. In addition, a donation of $1 million was made to the local Red Cross. To express their solidarity with their Japanese co-workers, Michelin employees in 36 countries posted a total of 700 support messages on the Group intranet over a two-week period. In Thailand, employees affected by the flooding that engulfed the country were supported by a variety of emergency measures, including financial assistance, loans, work schedule adjustments and the distribution of basic necessities. In China, Michelin is providing scholarships for 100 students as well as funding to build school sports facilities and support for a national campaign to encourage helmet-wearing in cooperation with the Asia Injury Prevention Foundation. In Vietnam, examples include funding for AIDS patients; financial support for school buildings, scholarships, information technology equipment and libraries; donations to a local charity and the local Red Cross; gifts to traditional local community events; sponsorship of a local anti-drunk driving campaign and an educational campaign on climate change; donations for playgrounds and parks for children; and tire donations for emergency service vehicles. In South Korea, the Group supports a road safety program for drivers transporting the blind.

Opened in 2011, the training center at the Indian plant offers residents of 31 neighboring villages classes in English, mechanics, plumbing, carpentry, cellphone repair and baking, in a commitment to supporting the creation of small businesses in surrounding communities, where many people live in extreme poverty. The school also offers evening classes for some 600 schoolchildren from nearby villages. In the area of health care, mobile clinics have been organized to provide a range of medical treatments, notably in general medicine, gynecology and eye care. Some 2,300 people have been examined, nearly 700 have been fitted with glasses and more than 130 have been successfully operated for cataracts. In addition, a natural resource management program helped to renovate 24 kilometers of crop irrigation canals. An action plan to improve road safety was prepared in partnership with the State Highway Department. With the support of NGOs, paralegal facilitation units have been set up to help the needy receive social benefits to which they are entitled. Despite these initiatives, however, there has been an ongoing dispute since 2007 between a small group of residents of one of the villages in Thervoy and the public corporation that is developing the industrial park where the Michelin plant is being built. The Group is in contact with these villagers and the NGOs that are defending them. In August 2011, Michelin opened a French school for the children of expatriate employees and local families in Chennai, in partnership with an Indian school and the French *Lycée* in Pondicherry.

To aid people affected by the flooding in Queensland, Australia, donations were made in the amount of one dollar for each car tire sold and five dollars for each truck tire sold in January 2011. These amounts were in addition to the 100,000 dollars that Michelin Australia had already donated outright to local authorities.

— Helping to improve road safety

In line with the commitment pledged when it signed the European Road Safety Charter in 2004, Michelin is helping to improve road safety by communicating directly with road users. In 2011, awareness-building and educational campaigns were undertaken in sixteen 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 certain parts of Africa, America and Asia. The Group conducts road safety initiatives both in cooperation with global organizations and independently.

Launched in June 2009, the Road Safety for Young People in Europe (ROSYPE) project was deployed throughout 2010 and 2011. Led by Michelin and supported by a €4 million budget (30% co-financed by the European Union's Directorate-General for Mobility and Transport), the program provides road safety training to 730,000 Europeans aged between 6 and 25 with the help of local organizations such as ADAC in Germany, *Prévention Routière* in France, the cities of Madrid and Lasarte in Spain, the city of Fossano in Italy, ANWB in the Netherlands and The Puppet Broadcasting Company in the United Kingdom. The project was set up to help the European Commission achieve its goal of saving 25,000 lives on European roads each year. Unlike other initiatives, ROSYPE specifically targets children and young people. Educating 6 to 12-year-olds helps to raise awareness of traffic dangers among a particularly vulnerable section of the population, while reaching 12 to 16-year-olds is fundamental, because teenagers start to get around without adult supervision. Lastly, young people 17 to 25 are particularly concerned by road safety issues, since road accidents are the primary cause of death among this age group. ROSYE includes in-school initiatives, a wide range of events and a high-performance driving simulator.

The Group also supports the activities of the non-governmental organization Youth for Road Safety (YOURS), founded by 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, 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.

In 2011, Michelin partnered France's *Sécurité Routière* association during the month-long Securiz'mois campaign, which got local and national road safety stakeholders involved in the issue in June, ahead of the peak vacation traffic season.

The Group also contributed to local projects in host countries where road safety is of particular concern, including Brazil, China, Hungary, Kuwait, Poland, Romania, South Africa, Thailand and Vietnam. It also participated in prevention initiatives in the state of Rio de Janeiro in Brazil, with playing cards and video games enabling a large number of young participants to have fun learning about road safety.

In addition, Michelin is the official partner of the FIA Action for Road Safety campaign organized by the International Automobile Federation (FIA).

Lastly, Michelin supports and chairs the Global Road Safety Partnership and participates in research work in China, India and a number of countries in North Africa and the Middle East, including Morocco, Qatar and the United Arab Emirates. Represented by its Managing General Partner Michel Rollier, Michelin participated in the first global ministerial conference on road safety, which was held in Moscow in November 2009. Following on from the conference, the Group actively contributed to the preparation of a "new decade of action for road safety" during 2010 and 2011. At the 2010 Challenge Bibendum, an international event organized by Michelin to promote clean, safe, fuel-efficient transportation that was held in Rio de Janeiro that year, several roundtables on road safety issues helped to open new thought avenues, particularly on how to make work-related travel safer. As a result of these discussions, the Road Safety Task Force published two white papers, the White Paper for Safe Roads in 2050 in July 2010 and the White Paper for Road Safety Investment in July 2011, which reviewed 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.

6.2.12. SUPPLIER RELATIONSHIPS

Michelin believes that it has a responsibility to demonstrate its sustainable development principles in dealings with suppliers, particularly in light of its extensive purchases, which represent 64% of revenue.

The Purchasing Quality Unit, which is responsible for deploying the Michelin Performance and Responsibility process across the Group Purchasing Department, has prepared a sustainable purchasing roadmap that should enable Michelin to become an industry benchmark by 2015. It is organized around five initiatives:

A sustainable purchasing governance system

Overseen by the Chief Procurement Officer, it is leading program deployment. The position of Sustainable Purchasing Manager has been created to guarantee that each year's global objectives are met.

Team training

To raise awareness of these issues in the purchasing community, the sustainable purchasing training module has been enhanced and integrated into the Michelin Purchasing University curriculum. The module is now mandatory for all Group buyers as well as for key internal customers, technical specifiers and other major purchasing community stakeholders. It was completed by 172 buyers in 2011.

Supplier social responsibility audits

The Michelin Purchasing Code, along with the Quality Assurance Guidelines and the Guide to Ethical Practices in Supplier Relations, describes the principles that suppliers are expected to apply in the areas of human rights, working conditions, the environment and the health and safety of their employees and host communities. To encourage compliance, these standards have been integrated into supplier appraisal questionnaires and audit guidelines.

Supplier facilities in low-labor cost countries are regularly audited (nearly 200 in 2011) and result in the issuance of recommendations concerning safety and ergonomics.

More broadly, suppliers are assisted in developing improvement plans to enhance the value of their products and services. A road map is currently being prepared to facilitate their implementation.

For new supplier candidates, the preliminary audit survey now includes 11 social responsibility criteria to measure supplier maturity in this area. Suppliers cannot be certified unless they agree to answer questions about their sustainable development policies. If certification is granted and a contract is signed, the supplier must then pledge to comply with the Michelin Purchasing Code. Published in 2003, the Code requires suppliers to align their practices with a set of labor-related and environmental principles, such as International Labour Organisation conventions and the ability to assess and manage their environmental impact. Current suppliers are not only subject to regular quality audits, but also, in the case of key suppliers, social responsibility audits performed by Ecovadis, an independent company that has partnered with Michelin since 2010. In 2011, our 850 strategic suppliers of raw materials, manufactured products and services were segmented according to their potential risks.

All suppliers exposed to identified risks are subject to a desktop review, with 120 such companies reviewed as of year-end 2011. These reviews will be followed up, either by a supplier improvement plan overseen by the purchasing team or by an onsite visit. The visit may result in an action plan or in termination of the contract if onsite conditions do not comply with Group sustainable development standards.

Supporting the risk management process, 64% of raw-material supplier facilities representing 80% of purchasing volume have been certified to ISO 14001 standards. Encouraging strategic suppliers to earn this environmental management certification is a constant concern.

Integrating sustainable development criteria into tenders

The Group has identified a number of areas where sustainable purchasing practices can create value, including energy procurement, building and corporate fleet energy performance, promotional items and commercial printing. Today, tenders for these products and services include a number of sustainability criteria, as seen in the following examples.

Since January 2011, Michelin print media in Europe have been managed by a single provider, thereby rationalizing expenditure while reducing our environmental and carbon footprint. A similar solution is scheduled for deployment in North America in 2012.

In Chennai, India, inspections of the construction site for the new truck tire plant have confirmed that working conditions comply with Group standards. Agreements with subcontractors include penalties to be paid by executives of companies that fail to comply with safety regulations, even if no accidents occur.

In the area of industrial cleaning, a partnership with Onet calls for the use of Ecolabel products at all of the Group's facilities in France.

Expressing our values

The Group Purchasing Department's social responsibility commitments now figure prominently on the Michelin Purchasing website (http://en.purchasing.michelin.com/michelin-purchasing), which is designed to share our values, standards and documents with suppliers and explain the certification procedure.

In 2011, the Michelin Suppliers Awards event honored four suppliers for their outstanding performance in the areas of quality and innovation. The winners were Lanxess Polybutadiene Rubber (chemicals), Gonzales Frères (precision machinery), and Mediaedge/KR Media (media agencies), as well as carbon black and silica manufacturer Evonik, which was awarded a special prize for the excellence of its relationship with Michelin, in the areas of product quality, innovation and service levels.

The event underscored Michelin's commitment to recognizing key suppliers as full-fledged partners. In 2012, a Social Responsibility Award will be presented to suppliers who demonstrate excellence in sustainable development.

Progress in deploying the roadmap through 2015 is being measured with a comprehensive indicator, which showed that by year-end 2011, the Group had met 21% of its sustainable purchasing objectives.

Alongside this system, in 2011 the Group Purchasing Department also continued to deploy its Supplier Relationship Management process around the world. In all, 350 strategic partnerships have been created with the shared goal of developing innovative solutions supported by regular reviews.

The process is based on segmenting suppliers by tier. With Tier 2 suppliers, Michelin shares a mutual commitment to working together over the medium term, with regular business reviews helping to assess each partner's performance and identify paths to improvement. With Tier 1 suppliers, Michelin forges long-term alliances based on innovation and true partnership, with the common goal of creating competitive advantage. The objectives of these alliances are also reviewed on a regular basis.

With strategic suppliers, Michelin organizes Innovation Days, whose innovation-focused, collaborative working sessions provide an opportunity to interact with supplier teams, gain mutual insight into each other's needs and identify ways to create value.

In addition to the performance reviews conducted jointly with suppliers, Michelin teams perform 176 supplier audits each year. During their onsite visits, the teams assess safety, ergonomics and compliance with the Michelin Purchasing Code in the areas of respect for people and the environment, as well as quality and organizational management practices. These performance factors are assessed using a rating system and included in the audit report, which is shared with the supplier and may lead to the deployment of a corrective action plan and follow-up inspections.

The Purchasing Quality Unit is also responsible for implementing an internal control process to identify and eliminate the risk of fraud, in line with the Michelin Code of Ethics.

6.2.13. 2011 – SUMMARY TABLE OF 2011 EMPLOYEE DATA

	2011	2010	2009	2008	2007	GRI
Employees on payroll at December 31**	**115,000**	111,090	109,193	117,565	121,356	LA1
Employees on payroll by region						
Europe	*69,580* [(1)]	*68,057*	*68,344*	*73,784*	*77,326*	*LA1*
North America	*22,545*	*21,778*	*21,141*	*22,987*	*23,095*	*LA1*
South America	*5,957*	*5,673*	*5,454*	*6,201*	*6,322*	*LA1*
Asia (excluding India)	*15,332*	*14,502*	*13,246*	*13,476*	*13,455*	*LA1*
Africa-India-Middle East	*1,586*	*1,080*	*1,008*	*1,117*	*1,158*	*LA1*
Employees on payroll by gender						
Men	*84.70%*	*85.6%*	*86.0%*	*86.1%*	*86.1%*	*LA13*
Women	*15.30%*	*14.4%*	*14.0%*	*13.9%*	*13.9%*	*LA13*
Employees on payroll by category [(2)] (in %)						
Production operators	*63.55%*	*64.5%*	*64.8%*	*66.7%*	*66.7%*	*LA1*
Administrative and technical staff	*29.98%*	*29.2%*	*29.3%*	*27.4%*	*27.6%*	*LA1*
Managers	*6.45%*	*6.3%*	*5.9%*	*5.9%*	*5.7%*	*LA1*
Employees on payroll by age (in %)						
24 and under	*6.6%*	*6.1%*	*4.9%*	*6.1%*	*6.7%*	
25-34	*27.5%*	*26.6%*	*26.0%*	*26.2%*	*27.1%*	
35-44	*26.2%*	*26.0%*	*25.9%*	*24.9%*	*25.1%*	
45-54	*23.8%*	*25.4%*	*26.8%*	*27.1%*	*28.7%*	
55-64	*15.7%*	*15.7%*	*16.2%*	*15.6%*	*12.2%*	
Over 65	*0.3%*	*0.2%*	*0.2%*	*0.1%*	*0.1%*	
Employees on payroll by length of service (in %)						
Less than two years	*20.5%*	*17.9%*	*9.9%*	*nd*	*nd*	
2-5 years	*12.2%*	*13.1%*	*14.7%*	*nd*	*nd*	
5-10 years	*16.5%*	*16.8%*	*18.2%*	*nd*	*nd*	
10-15 years	*12.8%*	*13.0%*	*13.8%*	*nd*	*nd*	
15-20 years	*6.3%*	*5.9%*	*6.3%*	*nd*	*nd*	
More than 20 years	*31.6%*	*33.3%*	*37.1%*	*nd*	*nd*	
Employee movements						
New hires	*14,036*	*11,919*	*5,705*	*11,458*	*11,642*	
Natural attrition	*5,761*	*4,995*	*5,425*	*7,755*	*7,738,*	
Negotiated redundancies	*2,958*	*3,923*	*5,514*	*5,513*	*6,693*	
Early retirement	*1,120*	*1,011*	*1,446*	*1,932*	*2,673*	
Voluntary turnover	*2.2%*					
Part-time contracts (in %)	**2.5%**	2.2%	1.8%	2.0%	2.2%	

	2011	2010	2009	2008	2007	GRI
Training						
Percentage of training hours per total hours worked	*4.4%*	*4.2%*	*3.9%*	*4.2%*	*3.7%*	*LA10*
Percentage of employees who received training	*85%*	*83%*	*84%*	*83%*	*77%*	
Number of hours per employee per year	*67*	*64*	*60*	*64*	*63*	*LA10*
Training expenditure as a percentage of payroll	*5.5%*	*4.9%*	*N/A*			
Average training expenditure per person trained	*€2,650*	*€2,450*	*N/A*			
Type of training						
Job-specific training	*92%*	*91%*	*80%*	*78%*	*80%*	
Management training	*4%*	*4%*	*8%*	*12%*	*11%*	
General training	*4%*	*5%*	*12%*	*10%*	*8%*	
	100%	**100%**	**100%**			
Environment and Prevention training (for all employees excluding E&P managers)	*3%*	*3%*	*4%*			
Language training	*2%*	*3%*	*3%*			
Absenteeism (production operators)**	**4.29%**	3.8%	3.9%	4.2%	4.0%	
Sick leave	*2.16%*	*2.0%*	*2.1%*	*2.3%*	*2.5%*	
Injury leave	*0.14%*	*0.1%*	*0.1%*	*0.2%*	*0.2%*	
Long-term leave	*1.99%*	*1.7%*	*1.7%*	*1.8%*	*1.3%*	
Occupational accidents						
Number of lost-time incidents. Group-wide	*200*	*195*	*217*	*311*	*390*	
*Lost-time injury frequency rate***	*1.19*	*1.19*	*1.41*	*1.85*	*2.39*	*LA7*
*Lost-time injury severity rate***	*0.12*	*0.14*	*0.18*	*0.21*	*0.21*	*LA7*
Number of plants with zero recordable incidents	*26*	*34*	*32*	*30*	*18*	
Percentage of disabled people in the workforce	**3.28%**	2.8%	2.5%	2.2%	2.6%	
Percentage of women managers	**17.6%**	16.7%	15.8%	15.9%	15.1%	LA13
Percentage of women among top managers (1)	**12.6%**	11.6%	10.5%	8.9%	9.3%	LA13
Percentage of women among senior managers	**7.1%**	7.0%	6.5%	5.2%	4.9%	LA13
Percentage of non-French people among top managers	**46.3%**	46.1%	45.7%	44.2%	43.5%	LA13
Percentage of non-French people among senior managers	**35.3%**	36.7%	36.5%			LA13
Number of collective bargaining agreements signed	**49**	47	49	48	35	

(1) A to I managers, according to the Hay method used by the Group.
(2) A to G managers, according to the Hay method used by the Group.
*** Date related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4.).*

6.3. 2011 ENVIRONMENTAL INFORMATION

6.3.1. MICHELIN'S ENVIRONMENTAL MANAGEMENT PROCESS

Respect for the environment is one of Michelin's five core values. To assess the environmental impact of our operations, independent organizations are regularly commissioned to perform detailed impact studies, whose findings help to shape our environmental stewardship. In this regard, life-cycle assessments have shown that most of a tire's environmental impact occurs during use, with the manufacturing and end-of-life recovery phases having a much weaker impact.

Impact studies conducted in 2001 for the Passenger Car and Light Truck Tire business and in 2003 for the Truck Tire business, which also included health-related indicators, were updated in 2009 and 2010 by Pré Consultants (see the 2010 Annual and Sustainable Development Report, p. 80).

Paths to improvement have been defined in two directions, the products themselves and the production plants.

6.3.1.a) Controlling the impact of Michelin's products

Life cycle assessments have shown that, based on a standard 40,000 kilometers traveled, more than 92% of a passenger car tire's health and environmental impact occurs during use, primarily as a result of its rolling resistance. This proportion rises to 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, which is currently estimated at 20% for passenger cars and more than 30% for trucks. These findings correspond to previous studies that were updated in 2009 and 2010.

For many years now, Michelin has been steadily focusing on increasing the energy efficiency of its tires while simultaneously improving other performance factors, especially safety, noise and tread-life. Reducing a tire's rolling resistance also improves its fuel efficiency, which in turn reduces CO_2 and other emissions (NO_X, COV…) during use. Extending tread-life enables higher mileage and more efficient use of raw materials and energy during the manufacturing process.

Invented in 1992 and now on their fourth generation, Michelin's highly energy-efficient Energy™ Saver car tires offer a further reduction in rolling resistance. Thanks to its superior performance, which has been widely recognized by the market, the Energy™ Saver has been certified as original equipment for nearly 180 vehicles. Compared to the preceding generation, it improves fuel consumption in an average European vehicle by 0.2 liters/100 km, for an average 4 g/km reduction in carbon emissions.

In truck tires, the technological innovations collectively known as Michelin Durable Technologies are delivering a wide range of benefits, including a sustained improvement in fuel efficiency and therefore carbon emissions. Over its four tread-lives (new, regrooved, retreaded, then regrooved again), for example, the MICHELIN X Energy™ SaverGreen tire avoids the emission of approximately six tonnes of CO_2. These technologies also increase not only truck tire load capacity but also tread-life, 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 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.

All told, by the end of 2011, the Michelin fuel-efficient tires sold since 1992 had saved nearly 15 billion liters of fuel and prevented the emission of almost 38 million tonnes of CO_2. Calculated using a UTAC-certified method, these figures are displayed in real-time in the "Green Meters" on our corporate website.

One of the major objectives of Group researchers is still to reduce tire rolling resistance, while maintaining or enhancing other performance factors, like safety, grip and noise. Progress on this objective can be assessed by the Tyre Advisor, which compares the rolling resistance, treadlife and grip performance of Michelin tires with the average results of competing tires. The findings, measured by independent organizations, are presented in the following table.

	SIZE	MICHELIN TIRE	TREAD LIFE	ROLLING RESISTANCE	GRIP
Mid-Range	195/65 R 15 H	ENERGY SAVER	11.7%	13.4%	3.6%
Performance	205/55 R 16 V	ENERGY SAVER	35.9%	15.9%	0.2%
Performance	205/55 R 16 V	PRIMACY HP	47.8%	-5.6%	-0.6%
High Performance	225/45 R 17 W	PRIMACY HP	26.9%	1.6%	-0.5%
Sport	245/40 R 18 Y	Pilot Sport 3	23.1%	9.6%	5.7%
Super Sport	255/35 ZR 19 Y	Pilot Super Sport	17.2%	0.2%	2.3%
Light truck tires	195/75 R 16 C	AGILIS 2	13.9%	11.3%	-2.8%
Light truck tires	235/65 R 16 C	AGILIS 2	66.5%	14.1%	6.7%
Entry level winter	175/65 R 14 T	ALPIN A4	24.7%	1.9%	4.4%
High performance winter	225/45 R 17V	ALPIN A4	29.2%	5.1%	1.2%

For each segment studied in 2011, Michelin's most recent tire was compared with a representative sample of European competitors comprising five to eight recent tires from different brands. The size selected was the best-selling size in each segment. The tests were conducted by independent organizations, such as TÜV Sud Automotive in Germany and the Czech Republic and DEKRA in France.

The overall score for the competitor tires was based on an arithmetic mean. For tire life, the results of tests on MICHELIN tires were compared directly with that mean. Energy efficiency was measured on the basis of rolling resistance.

For example: if the MICHELIN tire's rolling resistance was 8kg/t and the competing tires had a mean score of 10kg/t, the energy efficiency of the MICHELIN tire was 25% greater [(10-8)/8 = .25].

Lastly, Michelin is actively involved in deploying and operating effective end-of-life tire recovery and reuse solutions, based on either recovering resources for reuse in such areas as synthetic surfaces, draining sub-layers, molded objects and backfill, or else burning scrap tires as fuel in cement plants or steel mills.

6.3.1.b) Improving the environmental performance of Michelin facilities

To drive continuous improvement, the environmental performance of Group facilities has to be measured as a whole. That's why in 2005, the Michelin site Environmental Footprint (MEF) indicator was defined to measure the six environmental performance criteria deemed to be the most important for meeting the Group's medium-term challenges, namely water and energy consumption, carbon dioxide (CO_2) and volatile organic compound (VOC) emissions, total weight of waste produced and total weight of waste landfilled. Each criterion is weighted according to its impact (see diagram below) and calculated per tonne of tires produced.

COMPONENTS AND WEIGHTING OF THE MICHELIN SITE ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR

	Component	Weighting
Resource consumption	Energy	15
	Water	15
Air emissions	VOCs*	25
	CO_2	15
Waste	Total weight generated	15
	Total weight landfilled	15
		100

MEF site

Objective: a 45% reduction by 2016 compared with 2005

** VOC: Volatile organic compound.*

Since 2005, the Group has steadily reduced the environmental impact of its facilities, with the Prevention and Industrial Performance Division measuring progress by tracking MEF performance quarter by quarter. After the initial target of a 20% reduction by 2011 compared with 2005 was met in 2008, a new target of a 35% reduction by 2015, still compared with 2005, was defined. The MEF is included in the Group's management indicators, with data reported quarterly.

Progress continued apace in 2011, with a reduction in MEF of more than 4%, in line with the plan. In particular, there was a significant improvement in energy use, with a corresponding reduction in carbon emissions, and sustained progress in reducing VOC emissions.

The following table shows the performance of the six MEF components since 2005, as well as the new 2016 target of a 45% reduction in the composite indicator since 2005.

PERFORMANCE OF THE MICHELIN SITE ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR, 2005 TO 2011

	2016 TARGET COMPARED WITH 2005	2005	2006	2007	2008	2009	2010	2011	% CHANGE 2005-2011
MEF**	- 45%	100	92.9	83.6	78.6	78.1	70.0	67.2	-32.8%

	2011	UNIT3	CHANGE 2005-2011	ABSOLUTE VALUE	UNIT	CHANGE 2005-2011
Energy consumption**	13.6	GJ/t TP	- 20%	45,162	x10³ GJ	-9,021
Water consumption**	11.6	cu.m/t TP	- 22%	38,516	x10³ cu.m	-8,193
VOC emissions**	2.73	kg/t TP	- 36%	9,048	T	-4,249
CO_2 emissions**	1.21	t/t TP	- 20%	4,012	x10³ t	-752
Waste generated**	109.1	kg/t TP	- 22%	361,612	T	-74,340
Waste landfilled**	9.38	kg/t TP	- 72%	31,086	T	-71,675
MEF**	**67.2**		**-33%**			

PERFORMANCE BY MEF COMPONENT	UNIT	2005	2006	2007	2008	2009	2010	2011
Energy consumption**	Gj/t TP	17.4	17.2	15.6	15.3	16.1	14.4	13.6
Water consumption**	cv.m/t TP	15.0	14.9	13.3	12.8	13.3	11.8	11.6
VOC emissions**	kg/t TP	4.27	3.97	3.48	3.13	3.04	2.89	2.73
CO_2 emissions**	t/t TP	1.53	1.48	1.37	1.35	1.43	1.28	1.21
Waste generated**	kg/t TP	140	130	128	127.5	121.2	109.5	109.1
Waste landfilled**	kg/t TP	33	26	20	16.2	13.3	10.2	9.38

t PP = TP = tonne of tires produced.

*** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

The MEF's six components track the progress made by the production facilities, with absolute figures now added to provide a compelling demonstration of the past year's achievements.

6.3.1.c) Managing production facility emissions and developing the use of renewable energies

Michelin is committed to contributing to global efforts to reduce greenhouse gas emissions in the overland transportation and manufacturing industries. For example, carbon emissions from all of the Group's manufacturing operations, per tonne of product, have now been reduced by 20% compared with 2005. Energy efficiency programs are being pursued across the Group through deployment of action plans based on the energy audits conducted in the production facilities.

Michelin is committed to reducing energy use per tonne of tire produced by 20% between 2010 and 2015.

Following the diagnostic reviews conducted in 2008, new renewable energy projects are being developed using biomass, solar power and wind power, in alignment with Group policies. These projects are at various stages in what are sometimes long maturity cycles, but in the near future, they will help directly or indirectly to reduce the Group's 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 19 MWp in 2011. In Valladolid, Spain, 21,000 square meters of solar panels with peak capacity of 2 MWp were commissioned in 2010, followed by start-up of a new 1 MWp unit in 2011.

Since 2007, wind turbines have been generating around 20% of the electricity used by the Dundee plant in Scotland.

Two biomass-fired boilers installed to replace natural gas-fired systems at the Cholet and Bourges plants were commissioned in 2010, thereby avoiding the emission of 13,000 tonnes of CO_2 in 2011.

The rooftop solar power panels on the Puy-en-Velay plant began generating their first electricity in September 2011. Covering three hectares, or three-quarters of the roof's surface, the panels will produce more than 3,000 MWh of clean power a year.

Since late 2010, a solar wall has replaced heavy fuel as a source of heat for the Waterville plant in Canada.

Other projects include the ongoing installation of two wind turbine units in Ballymena, Northern Ireland and studies to determine how to use the heat generated by a household waste incinerator at the Dundee plant, Scotland.

On-site renewable energy installations already avoided the emission of the more than 35,000 tonnes of CO_2 in 2011, twice as much as in 2010.

FACILITY	TECHNOLOGY	TONNES OF CO_2 EMISSIONS AVOIDED IN 2011[(1)]
Bassens, France	Heat recovery from CHP incinerators located 1 km away	11,000 (direct CO_2)
Cholet, France	Biomass-fired boiler	7,400 (direct CO_2)
Bourges, France	Biomass-fired boiler	5,800 (direct CO_2)
Waterville, Canada	Solar wall	115 (direct CO_2)
Dundee, Scotland	Wind turbine	3,400 (indirect CO_2)
Germany, seven facilities	Photovoltaic panels	7,000 (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,800 (power sold back to the grid)
Le Puy, France	Photovoltaic panels	115 (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 2010 Edition.

6.3.1.d) Scope of environmental data reporting

Michelin regularly tracks the quality and completeness of the environmental data and figures presented below, which cover all of its manufacturing operations and research and development activities.

6.3.2. REVIEW OF COMPLIANCE INDICATORS

6.3.2.a) Air emissions

— Greenhouse gas emissions

Total CO_2 emissions amounted to 1.21 tonnes per tonne of finished product in 2011, a decrease of 21% compared to 2005.

Direct emissions from Group boilers stood at 0.51 tonne per tonne of finished product, down 32% *versus* 2005.

In European Union countries, these carbon emissions are subject to allowances issued under the EU's Emissions Trading System, which entered its Second Trading Period in January 2008. As in previous years, carbon emissions from Michelin's facilities in Europe were below allocated allowances.

Indirect CO_2 emissions through the purchase of electricity and steam are estimated at 0.70 tonne per tonne of finished product, unchanged from 2010.

Optimized operations management and deployment of the Group's best manufacturing practices drove a reduction in the use of electricity, which declined by more than 5% in gigajoules per tonne of tires produced during the year.

— Other air emissions*

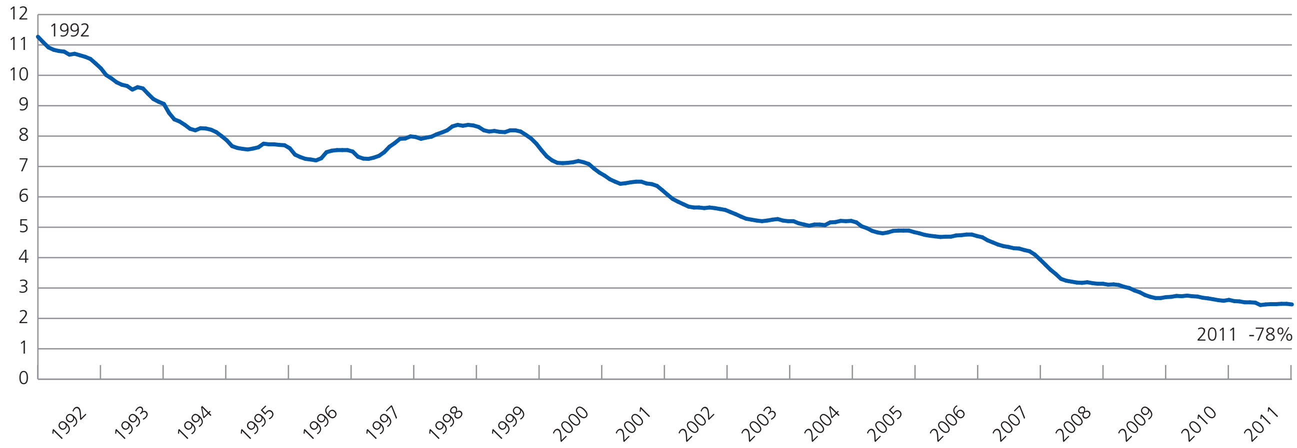
Volatile organic compounds (VOCs)

VOC emissions declined by more than 5% to 2.73 kg per tonne of finished product in 2011, which saw sustained deployment of innovative new production processes designed to use fewer solvents and therefore emit fewer VOCs.

The following chart illustrates the major 78% decrease in solvent use by the European Passenger Car and Light Truck tire manufacturing operations since the reduction project was implemented in 1992.

SOLVENT USE IN EUROPEAN PASSENGER CAR AND LIGHT TRUCK TIRE MANUFACTURING

(in g/kg)



** Corresponding to substances contributing to acidification or photochemical pollution as defined by French ministerial order of April 30, 2002.*

Nitrogen oxides (NO_X)**

Specific NO_X emissions from Group boilers stood at 0.74 kg per tonne of finished product in 2011 (0.83 kg/t in 2010).

Sulfur oxides (SO_X)**

SO_X emissions declined to 0.84 kg per tonne of finished product from 0.96 kg per tonne in 2010, reflecting the optimization of the Group's energy facilities to use fossil fuels that emit fewer sulfur oxides.

6.3.2.b) Water consumption and discharges to water

— Water consumption

Michelin plants mainly use water to cool installations and transfer heat.

Water consumption amounted to 11.62 cubic meters per tonne of finished product during the year, a 23% decrease on 2005 that primarily reflected the assertive programs deployed by the three facilities that use the most water, which have driven a more than 28% average reduction since 2005.

— Discharges to water

The main substances likely to be released in process water discharged by Group tire plants are total suspended solids (TSS) and residual hydrocarbons, which are inherent in most industrial processes and not specific to Michelin.

In the case of water used in processes to treat metal cords and produce synthetic elastomers, which may contain respectively metals (copper, zinc) and residual hydrocarbons, each plant is equipped with appropriate treatment facilities. After proper treatment, this water is discharged either to the environment or to local wastewater treatment plants. As a result, the various water-related indicators are generally well below minimum standards.

6.3.2.c) Ground water discharge

Michelin's operations do not result in any continuous discharge into ground or subsurface waters.

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, in line with the strictest regulatory standards and often exceeding local legislation.

6.3.2.d) Waste

Programs to reduce the total weight of generated and landfilled waste were pursued in 2011, when gross weight of waste generated per tonne of tires produced remained unchanged at 109 kg and the weight of landfilled waste declined to less than 10 kg per tonne of tires. In all, since 2005, the weight of waste generated per tonne of tires produced has been reduced by 22% to 109 kg from 140 kg and the weight of landfilled waste has fallen by 72% to 9 kg from 33 kg.

Over the 2005-2015 period, Michelin is committed to reducing the weight of generated waste by 30% and of landfilled waste by 95%.

6.3.2.e) Energy consumption

The Group's energy consumption per tonne of tires produced decreased by more than 5% over the year, to 13.6 GJ from 14.4 GJ in 2010.

The progress was primarily driven by the effectiveness of the cross-functional Energy organization, which is tasked with improving the energy efficiency of the Group's plants by:

- deploying its energy diagnostic method;
- identifying best practices;
- sharing these best practices by incorporating them in a Group standards manual.

By the end of 2011, all of the production plants had been audited using the diagnostic method, and action plans had been deployed. After the initial diagnosis, plants are subject to follow-up audits every three years, with certain facilities already on their third procedure in 2011.

Each facility has appointed an Energy Performance Leader to drive faster on-site deployment of energy management systems, methods and best practices.

As described in section 6.3.1. c) above, Michelin is continuing to deploy a variety of renewable energy projects, in a commitment to improving both environmental and financial performance.

6.3.2.f) Protecting ecosystems and biodiversity

Like any manufacturer, Michelin relies on the benefits of local ecosystems. For example, around 40% of the rubber used by Michelin is natural rubber, which is a renewable resource that comes from trees. The Group is therefore acutely aware of both the important role ecosystems play and their growing fragility.

To sustainably secure its ecosystem benefits, the Group has initiated a number of programs to abate its impact and to protect ecosystems and biodiversity:

- implementing programs in recent years to preserve fragile environments around certain facilities (see below);
- integrating ecosystem and biodiversity issues into the Michelin Performance and responsibility process;
- gradually instilling awareness of the interactions between Group facilities and their local ecosystems;
- complying with local ecosystem protection legislation and applying Group Environmental standards where they are more demanding;
- installing new processes and equipment to limit water consumption;
- designing lighter tires, whose production uses fewer raw materials and which are more energy efficient and longer lasting.

*** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

— A deep commitment to biodiversity

In 2008, the plant in Nyiregyhaza, Hungary conducted a pilot *Ecosystem Services Review* (ESR), which is designed to reveal a facility's dependence on its environment. Performed by a specially trained Michelin engineer, the process is based on an assessment method developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) and adapted to the tire industry. In particular, the review showed that the plant was at risk under certain situations that were possibly beyond its control, such as air pollution, and remedial actions are now underway. To improve the Group's understanding, a different method for measuring the facility's dependence and impact on the environment was trialed in late 2010 with an independent organization. These pilot programs are part of Michelin's commitment to exploring a variety of tools and resources, so that its plants' potential interactions with surrounding ecosystems can be measured, thereby enabling the deployment of more effective preservation techniques. The initial objective is to identify, by 2013 or 2014, all of the protected areas located near each production facility.

— Examples of Michelin biodiversity initiatives

Creating wildlife refuges at the Louisville, KY plant in the United States

At the Louisville facility in Kentucky, Michelin joined forces with a local firm of wildlife biologists to transform two closed landfills it co-owns into a wildlife refuge with forests, prairies, wetlands and wildflowers. Volunteers from both companies participated in a replanting campaign and the site now attracts birds, foxes, deer and other wild animals. The three-year project was completed in late 2011 and has earned Wildlife at Work certification from the Wildlife Habitat Council.

Protecting a special habitat at the Ladoux Testing and Research Center

An agreement has been 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 Testing and Research 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.

Preserving biodiversity on the Bahia plantation

Under the *Ouro Verde* (Green Gold) project conducted on its test site in Bahia, Brazil, Michelin has been working since 2003 to preserve the primary Atlantic Forest that is exceptionally rich in biodiversity, but is threatened by deforestation.

The Biodiversity Research Center based on the plantation offers scientists from around the world an open-air laboratory on the Atlantic Forest. The Center can accommodate up to 16 researchers, 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.

To build awareness of environmental issues in the local community, the *Understanding the Atlantic Forest* program 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.

Supporting biodiversity at the Almería test center

Created in 1973, the Almería Test Center (CEMA) covers 4,500 hectares, of which 1,500 lie in the heart of the Cabo de Gata-Nijar Natural Park in Andalusia, in southern Spain. The test center has been ISO 14001-certified since 2005. The park, which was created in 1987, 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 region.

The Group's actions have helped to preserve a specimen of the Canary Islands Dragon Tree (Dracaena draco) that is more than 500 years old.

6.3.2.g) Managing risks of pollution

Pollution risk management processes, presented in the paragraphs above, are also discussed in section 2.11.2 a) on industrial and environmental risk.

6.3.2.h) Continuous improvement process

— Ensuring compliance through certification processes and audit

The robustness of Michelin's strategy for managing the environmental footprint of its manufacturing facilities is underpinned by:

- 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;
- the Group Environmental Standards (EEG), which define the performance levels that a Michelin facility is expected to achieve, which is always at least equal to local regulatory requirements.

Another key aspect of the Michelin continuous improvement process is earning ISO 14001 certification, to provide outside validation of the Group's ability to effectively address environmental issues.

Core components of the MEMS include:

- compliance audits, based on local legislation and Michelin standards;
- continuous improvement targets, aligned with local issues, which must be defined and met every year;
- procedures to prevent accidental pollution.

Michelin is committed to having the MEMS deployed in every facility acquired more than five years ago. By the end of 2011, the system was up and running in 99% of the production facilities, Technology Centers and offices acquired more than five years ago, and is now being introduced in the logistics centers.

Further progress towards the goal of environmental excellence on every site is being driven in two ways: i) by applying Group Environmental Standards to all new and upgraded installations and ii) by auditing existing production plant and Technology Center installations for shortfalls against the Group Environmental Standards and, based on the findings, defining and implementing remedial actions.

As of year-end 2011, 98.9% of the Group's tires were made in ISO 14001 certified plants**, the only exception being a new Brazilian plant producing large earthmover tires that has not yet been certified. All of the natural rubber production units, main Technology Center facilities and semi-finished product plants had also been certified. While not a prerequisite, deployment of the MEMS has clearly helped to earn ISO 140001 certification.

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

— Environmental governance and internal organization

Tasked with addressing a full range of environmental, industrial hygiene, workplace safety and industrial risk prevention issues, the Environment and Prevention (EP) network helps to keep the risk analysis process robust and ensures that the resulting solutions are effective.

The network comprises some one hundred experts based in the different country organizations and product lines, as well as a dedicated team on each site. It has its own budget and the manager reports directly to the Group Executive Council.

Every year, the Annual Plan defines a target for improvement in the MEF indicator (see section 6.3.1.b, above). Systematic deployment of the target across the organization ensures that it is realistic.

— Employee training and information

Training courses to support MEMS deployment have raised environmental awareness among the more than 104,000 employees working on certified sites. The courses, which are tailored to each workstation, focus on the main impacts from the facility's operations. In addition, employees are encouraged to attend regular refresher courses.

6.3.2.i) Provisions for environmental risks and environment-related expenditure

Aggregate provisions for environmental risk amounted to €5.6 million as of December 31, 2011.

As analyzed in the table below, nearly €22 million was committed during the year to projects to enhance the environmental performance of the production facilities. The amount of expenditure was 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).

	CAPITAL EXPENDITURE	OPERATING EXPENSE	TOTAL EXPENDITURE	
(in € thousands)	2011	2011	2011	2010
Air pollution prevention	3,400	1,361	4,760	4,888
Surface water pollution prevention	3,159	643	3,803	1,696
Soil and subsurface water pollution prevention	937	2,945	3,883	2,514
Other	6,301	3,359	9,660	11,691
TOTAL	**13,797**	**8,308**	**22,106**	**20,790**

6.3.2.j) Other information

— Odors and noise

Although entirely innocuous, odors are a concern for plants located in urban areas that process certain types of natural rubber indispensable for tire manufacturing. A standard solution, based on the thermal oxidation of effluents, is now operational in six European plants and is being steadily implemented across the Group. Research is continuing into even more efficient and environmentally friendly odor suppression techniques.

More generally, on-site teams, supported by Group experts, are deploying a variety of solutions to abate odors, noise and other nuisances that manufacturing operations can cause local residents.

— Relations with environmental protection associations

Michelin is committed to fostering close ties, whenever appropriate, with environmental protection associations or organizations.

In France, every year since 2008, the CEPA nature conservancy conducts a census of species living in the continental salt meadow located on the grounds of the Ladoux Testing and Research Center near Clermont Ferrand. The partnership has been officially structured by an agreement.

In North America, Michelin's commitment to environmental stewardship and its related programs have been recognized by the US Environmental Protection Agency, which selected ten plants to take part in the National Environmental Performance Track public-private partnership from 2005. To be eligible, a plant had to demonstrate that it had i) adopted and implemented an environmental management system (EMS); ii) demonstrated specific past environmental achievements; iii) recorded sustained compliance with environmental requirements; iv) committed to continued environmental improvement; and v) committed to public outreach and performance reporting.

Michelin North America is also continuing to work in partnership with a wide range of associations and public authorities, particularly those active in the area of energy savings (such as the *Alliance to Save Energy*) and the reduction of transportation-related emissions (such as the EPA's SmartWay Transport Partnership).

As part of its commitment to developing renewable energy plant and equipment in Europe and the United States, Michelin has been a member since 2007 of the *Green Power Market Development Group*, which is led by the World Resources Institute (WRI).

6.3.3. SUMMARY TABLE OF ENVIRONMENTAL DATA

In the following table, the last column shows the corresponding Global Reporting Initiative (GRI) indicator.

	2005	2006	2007	2008	2009	2010	2011	2011/2010	GRI INDICATOR
Water consumption** (cu.m/t)	15.0	14.9	13.3	12.8	13.3	11.8	11.6	-1.7%	EN8
Energy consumption** (GJ/t)	17.4	17.2	15.6	15.3	16.1	14.4	13.6	-5.6%	EN3-EN4
of which:									
Michelin stationary installations	10.6	10.5	9.0	8.5	9.0	8.0	7.1	-11%	EN3
Steam purchased	1.0	1.1	1.2	1.3	1.2	1.2	1.4	+17%	EN4
Electricity purchased	5.7	5.6	5.4	5.5	5.9	5.2	5.2	+0%	EN4
Greenhouse gas emissions** (t/t)	1.53	1.48	1.37	1.35	1.43	1.28	1.21	-5.5%	EN16
of which:									
Direct emissions from Michelin stationary installations	0.75	0.73	0.64	0.60	0.64	0.58	0.51	-12%	EN16
Indirect emissions, steam generation	0.11	0.12	0.13	0.15	0.13	0.12	0.14	+17%	EN16
Indirect emissions, electricity generation	0.66	0.63	0.59	0.60	0.66	0.58	0.55	-5.2%	EN16
Total Michelin direct and indirect emissions avoided			12,400	31,200	23,300	24,000	36,630	+53%	EN18
Sulfur dioxide emissions** (kg/t)	1.65	1.22	1.27	1.08	1.17	0.96	0.84	-13%	EN20
Nitrogen dioxide emissions** (kg/t)	1.01	0.85	0.89	0.82	0.82	0.83	0.74	-11%	EN20
Volatile organic compound emissions** (kg/t)	4.27	3.97	3.48	3.13	3.04	2.89	2.73	-5.5%	EN20
Total weight of waste produced** (kg/t)	140	130	128	127.5	121.1	109.5	109.1	-0.4%	EN22
Total weight of waste landfilled** (kg/t)	33	26	20	16.2	13.3	10.2	9.4	-7.8%	EN22
Environmental management (% of finished products manufactured in ISO-14001 certified facilities)**	94.8%	99.4%	99.5%	99.5%	99.5%	99.1%	98.9%		

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4). To find out more about Michelin's environmental policies, please refer to the 2011 Annual and Sustainable Development Report.*

6.4. REVIEW REPORT FROM ONE OF THE STATUTORY AUDITORS, PRICEWATERHOUSECOOPERS AUDIT, ON THE PROCESSES USED TO COMPILE CERTAIN SOCIAL AND ENVIRONMENTAL INFORMATION, AND ON CERTAIN SOCIAL, AND ENVIRONMENTAL INDICATORS

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

Further to your request and in our capacity as Statutory Auditor of the Michelin Group, we have carried out a review for the purpose of enabling us to express moderate assurance on the processes used to compile certain social and environmental information published by the Michelin Group in its Annual Report for 2011:

- Social information includes indicators for "Frequency rate" and "Severity rate" for workplace accidents, "Headcount", "Full-time Equivalent", "Women rate in headcount", "Absenteeism", "Training access rate", "Male/female distribution by status and geographic zone", "Women rate in top management", and "Non-French in top management";
- Environmental indicators include all indicators shown in the "Data Recap Table".

We have also carried out a review for the purpose of enabling us to express moderate assurance on certain of the social and environmental indicators listed above (marked "**" on pages 122, 123, 125,128,131,138,139,142,144,145,145 of this 2011 Annual Report).

These processes, together with the indicators set forth in this 2011 Annual Report, are the responsibility of the "Prevention and Industrial Performance Direction", the "Personnel Group Direction", and the Michelin Group "Advanced Research and Sustainable Development / Performance and Responsibility Direction", in accordance with the Group's internal reporting standards. These standards are available on request from the Group's head office.

Our responsibility is to express our conclusion on these data compilation processes as well as on these indicators, based on our work.

— Nature and scope of our work

We performed our works in accordance with the doctrine of the Compagnie Nationale des Commissaires aux Comptes relative to this mission.

We performed the procedures described below to obtain moderate assurance that no material irregularities exist with regard to the processes used to compile certain social and environmental information as well as certain social and environmental indicators published. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

We performed the following procedures with regard to the processes used to compile the social and environmental information:

- We assessed the procedures used to report the above-mentioned social and environmental information in light of the relevance, reliability, objectivity and understandability of such information;
- We conducted interviews with the persons responsible for compiling and consolidating the data and applying the procedures at Group level, in order to verify that the procedures had been properly understood and implemented. We also met with people from the following divisions and departments: "Finance Group Direction / Investor Relations", the "Personnel Group Direction / Training", the "Personnel Group Direction / Global Compensation", the "Prevention and Industrial Performance Direction / Environment and Hygiene", the "Prevention and Industrial Performance Direction / Person and Good Safety", and the Michelin Group "Advanced Research and Sustainable Development / Performance and Responsibility Direction";
- We performed consistency checks on a test basis in order to verify that the data had been correctly centralized and consolidated.

In addition to the work regarding the above-mentioned reporting procedures, for the social and environmental indicators marked "**" in this 2011 Annual Report we selected a sample of industrial plants (Andersen, Avallon, Bassens, Columbia, Cuneo, Homburg, Nongkae, Shanghai, Valladolid) on the basis of their contribution to the Group's consolidated data. We checked, on site, that the procedures had been properly understood and implemented at these selected sites and performed in-depth checks on a test basis to verify the calculations and reconcile the data with the supporting documents. The contribution of these sites to the consolidated data was as follows:

- Contribution to overall social indicators: 13% of the Group's total Headcount, expressed as full time equivalents and 14% of Hours worked;
- Contribution to overall environmental indicators: Energy consumption: 21%; Water consumption: 26%; SO_X emissions: 27%; NO_X emissions: 23%; VOC emissions: 20%; Tire manufacturing: 24%; Waste production: 24%; Waste disposal volume: 22%.

We were assisted in our work by experts from our Sustainable Development department.

— Conclusion

Based on our work, no material irregularities came to light causing us to believe that the following processes and indicators do not comply with the Michelin Group's reporting indicators for 2011:

- the processes used to compile social and environmental information for the above-mentioned indicators in accordance with the Group's internal reporting standards applicable in 2011; and
- the indicators reviewed (marked "**" in this 2011 Annual Report) in accordance with the Group's internal reporting standards applicable in 2011.

Neuilly-sur-Seine, February 6, 2012

PricewaterhouseCoopers Audit

Christian Marcellin	Sylvain Lambert
Partner	Partner
Statutory Auditor	Sustainable Development Department

7

CONSOLIDATED FINANCIAL STATEMENTS

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7.1. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

Detailed sommary of the notes to the financial statements

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	NOTE	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Net sales	5	20,719	17,891
Cost of sales		(14,821)	(12,387)
Gross income		**5,898**	**5,504**
Sales and marketing expenses		(1,942)	(1,845)
Research and development expenses		(592)	(542)
General and administrative expenses		(1,385)	(1,235)
Other operating income and expenses	8	(34)	(131)
Operating income before non-recurring income and expenses	**5**	**1,945**	**1,751**
Non-recurring income and expenses	9	-	-
Operating income/(loss)		**1,945**	**1,751**
Cost of net debt	10	(206)	(236)
Other financial income and expenses	10	236	10
Share of profit/(loss) from associates		21	29
Income/(loss) before taxes		**1,996**	**1,554**
Income tax	11	(534)	(468)
NET INCOME/(LOSS)		**1,462**	**1,086**
• Attributable to the shareholders of the Company		1,462	1,085
• Attributable to the non-controlling interests		-	1
Earnings per share (in €)			
• Basic	12	8.14	7.02
• Diluted		7.97	6.86

(1) *Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Net income/(loss)		**1,462**	**1,086**
Post employment benefits – actuarial gain/(loss)		(722)	63
Tax effect – post employment benefits – actuarial gain/(loss)	18	242	(10)
Other items of comprehensive income that will not be reclassified to income statement		**(480)**	**53**
Available-for-sale financial assets – change in fair values		122	166
Tax effect – available-for-sale financial assets – change in fair values	18	(4)	(2)
Available-for-sale financial assets – (gain)/loss recognized in income statement		(258)	-
Cash flow hedges – change in fair values		3	(3)
Cash flow hedges – (gain)/loss recognized in income statement		(1)	1
Share of other comprehensive income from associates		(2)	-
Currency translation differences		(79)	242
Other items of comprehensive income that may be reclassified to income statement		**(219)**	**404**
Other comprehensive income		**(699)**	**457**
COMPREHENSIVE INCOME		**763**	**1,543**
• Attributable to the shareholders of the Company		763	1,542
• Attributable to the non-controlling interests		-	1

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(in € million)	NOTE	DECEMBER 31, 2011	DECEMBER 31, 2010 (1)	JANUARY 1, 2010 (1)
Goodwill	13	415	416	403
Other intangible assets	13	390	360	321
Property, plant and equipment (PP&E)	14	7,889	7,193	6,782
Non-current financial assets and other assets	15	404	677	477
Investments in associates	17	120	93	71
Deferred tax assets	18	1,352	1,175	1,291
Non-current assets		**10,570**	**9,914**	**9,345**
Inventories	19	4,602	3,770	2,994
Trade receivables	20	3,075	2,770	2,314
Current financial assets	21	366	882	165
Other current assets	22	682	653	583
Cash and cash equivalents	23	1,593	1,590	1,231
Current assets		**10,318**	**9,665**	**7,287**
TOTAL ASSETS		**20,888**	**19,579**	**16,632**
Share capital	24	360	353	295
Share premiums	24	3,396	3,215	1,987
Reserves	25	4,343	3,899	2,516
Non-controlling interests		2	3	3
Equity		**8,101**	**7,470**	**4,801**
Non-current financial liabilities	26	2,478	3,251	3,568
Employee benefit obligations	27.1	3,825	3,030	3,182
Provisions and other non-current liabilities	29	804	938	1,105
Deferred tax liabilities	18	79	45	40
Non-current liabilities		**7,186**	**7,264**	**7,895**
Current financial liabilities	26	1,361	896	760
Trade payables		2,024	1,813	1,249
Other current liabilities	30	2,216	2,136	1,927
Current liabilities		**5,601**	**4,845**	**3,936**
TOTAL EQUITY AND LIABILITIES		**20,888**	**19,579**	**16,632**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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, 2010 (1)	**295**	**1,987**	**2,516**	**3**	**4,801**
Comprehensive income	-	-	1,542	1	1,543
Issuance of shares	58	1,228	-	-	1,286
Dividends and other allocations	-	-	(150)	(1)	(151)
Stock option plans – cost of services rendered	-	-	9	-	9
Acquisition of non-controlling interests	-	-	(18)	-	(18)
Other	-	-	-	-	-
At December 31, 2010 (1)	**353**	**3,215**	**3,899**	**3**	**7,470**
Comprehensive income	-	-	763	-	763
Issuance of shares	7	181	-	-	188
Dividends and other allocations	-	-	(327)	-	(327)
Stock option plans – cost of services rendered	-	-	7	-	7
Other	-	-	1	(1)	-
AT DECEMBER 31, 2011	**360**	**3,396**	**4,343**	**2**	**8,101**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Net income		1,462	1,086
Adjustments			
• Cost of net debt	10	206	236
• Other financial income and expenses	10	(236)	(10)
• Income tax	11	534	468
• Amortization, depreciation and impairment of intangible assets and PP&E	6	933	965
• Non-recurring income and expenses	9	-	-
• Share of loss/(profit) from associates		(21)	(29)
EBITDA before non-recurring income and expenses	**3.7.2**	**2,878**	**2,716**
Other non-cash income and expenses	31	(24)	(14)
Change in provisions, including employee benefit obligations		(132)	(479)
Cost of net debt and other financial income and expenses paid	31	(189)	(177)
Income tax paid		(443)	(297)
Change in working capital, net of impairments	31	(894)	(427)
Cash flows from operating activities		**1,196**	**1,322**
Purchases of intangible assets and PP&E	31	(1,668)	(964)
Proceeds from sale of intangible assets and PP&E		49	61
Equity investments in consolidated companies, net of cash acquired		(11)	(4)
Disposals of equity investments in consolidated companies, net of cash sold		9	-
Purchases of available-for-sale financial assets		(3)	(14)
Proceeds from sale of available-for-sale financial assets		405	1
Cash flows from other financial assets	31	506	(743)
Cash flows from investing activities		**(713)**	**(1,663)**
Proceeds from issuance of shares	24	12	1,204
Dividends paid to the shareholders of the Company		(138)	(65)
Cash flows from financial liabilities	31	(343)	(437)
Other cash flows from financing activities		(15)	(39)
Cash flows from financing activities		**(484)**	**663**
Effect of changes in exchange rates		**4**	**37**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**3**	**359**
Cash and cash equivalents at January 1		**1,590**	**1,231**
Cash and cash equivalents at December 31	**23**	**1,593**	**1,590**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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 Partners on February 6, 2012.

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 (available on the internet website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm);
- are also in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss.

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. Change in accounting method

On January 1, 2011, the Group decided to recognize post-employment defined benefit actuarial gains and losses in other comprehensive income. Previously, the Group applied the corridor method, under which actuarial gains or losses exceeding the greater of 10% of the present value of the defined benefit obligation and of 10% the fair value of plan assets were recognized in the income statement over the expected average remaining working lives of the employees.

This change results in providing more relevant information on the situation of the defined benefit plans operated by the Group. It also improves the comparative information in the financial statements taking into account the fact that most of other listed groups apply this method.

The effects of this change on the balance sheets are summarized below:

	DECEMBER 31, 2010			JANUARY 1, 2010		
(in € million)	AS REPORTED	RESTATEMENTS	AS RESTATED	AS REPORTED	RESTATEMENTS	AS RESTATED
Non-current assets	9,998	(84)	9,914	9,231	114	9,345
including non-current financial assets and other assets	*1,108*	*(431)*	*677*	*712*	*(235)*	*477*
including deferred tax assets	*828*	*347*	*1,175*	*942*	*349*	*1,291*
Current assets	9,665	-	9,665	7,287	-	7,287
TOTAL ASSETS	**19,663**	**(84)**	**19,579**	**16,518**	**114**	**16,632**
Equity	8,127	(657)	7,470	5,495	(694)	4,801
Non-current liabilities	6,691	573	7,264	7,087	808	7,895
including employee benefit obligations	*2,457*	*573*	*3,030*	*2,374*	*808*	*3,182*
Current liabilities	4,845	-	4,845	3,936	-	3,936
TOTAL EQUITY AND LIABILITIES	**19,663**	**(84)**	**19,579**	**16,518**	**114**	**16,632**

The effects of this change on the 2010 income statement are summarized below:

(in € million)	AS REPORTED	RESTATEMENTS	AS RESTATED
Net sales	17,891	-	17,891
Operating income before non-recurring income and expenses	1,695	56	1,751
Operating income	1,695	56	1,751
Income before taxes	1,498	56	1,554
Income tax	(449)	(19)	(468)
NET INCOME	**1,049**	**37**	**1,086**
Earnings per share (in €)			
• Basic	6.78	0.24	7.02
• Diluted	6.64	0.22	6.86

Under the previous method, amortization of actuarial gains and losses would have been €48 million before tax and €30 million after tax at December 31, 2011.

2.4. New standards, amendments and interpretations to existing standards effective from January 1, 2011

None of the 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, 2011, are relevant to the Group operations.

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

- 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 amendment is effective for the accounting periods beginning on or after July 1, 2012. The Group has however decided to anticipate the adoption of this amendment in 2011.
- IAS 19, "Employee benefits" was amended in June 2011. The impact on the Group will be as follows: 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). The Group is yet to assess the full impact of the amendments and intends to adopt it no later than the accounting period beginning on or after January 1, 2013.
- 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 yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

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, 2012, that are expected to have a material impact on the Group operations.

2.6. 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.

— 2.6.1. 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 Partners. 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".

— 2.6.2. Employee benefit obligations

The Group provides to its employees and retirees various pension plans, jubilees and other post-employment benefits. 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, the expected rate of return on plan assets 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 early retirement.

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 the actuary's model having the same maturity as the liabilities. These rates are compared with other sources of information such as IBoxx, Reuters or Blumberg and the actuaries own benchmarks. When information concerning the computation of such indicators is available and it is confirmed that such indicators are of a lower quality than those required by IAS 19 or if high quality bonds are excluded, they are not retained or they are averaged with other indicators.

The rate of salary increases is determined by each country based on a long term salary policy and includes all elements related to market practice as well as career development, promotion, seniority and others.

The inflation rates are determined using several sources of information to cross check data such as information from Central banks which publish their target inflation. Inflation rates are also determined, 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 imbedded 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 expected returns on plan assets are determined for each portfolio taking into account market conditions, portfolios allocation as well as long-term returns of each class and sub-class, including a premium for manager's performance, net of management and performance fees.

The actual data (such as inflation, mortality, 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".

— 2.6.3. 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 threatened 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 Partners and the Group Executive Council. 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 company. In particular are taken into account:

- 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Consolidation

The Group consolidated financial statements include all subsidiaries, associates and joint ventures 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, associates or joint ventures 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 and joint ventures

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. Joint ventures are entities over which the Group has a joint control, according to contractual agreement.

Investments in associates and joint ventures are accounted for by the equity method and are initially recognized at cost. The Group investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group share of its associates' and joint ventures' 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 or joint control ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group share of losses in an associate or joint venture 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 or joint venture.

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group interest in the associates or joint ventures. 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 Management.

The Managing Partners are allocating resources to the segments and assessing their performance, therefore they have 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 the other reserve in equity until the investment is sold.

— 3.3.3. Translation

The financial statements of Group entities whose functional currency is different from the Group 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 as a separate component of equity.

Cash flows are also translated at the average rate of the period. When an entity is disposed of, the translation differences accumulated in equity are recycled in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments recognized on the acquisition of an entity are treated as assets and liabilities of the entity and translated at the spot rate on the transaction date.

— 3.3.4. Exchange rates of major currencies

	CLOSING RATES		AVERAGE RATES	
Against the euro:	2011	2010	2011	2010
US dollar (USD)	1.294	1.335	1.393	1.327
Canadian dollar (CAD)	1.321	1.334	1.377	1.367
Mexican peso (MXN)	18.140	16.539	17.253	16.759
Brazilian real (BRL)	2.415	2.215	2.323	2.332
British pound (GBP)	0.840	0.862	0.868	0.858
Chinese yuan (CNY)	8.157	8.803	8.998	8.981
Thai baht (THB)	40.956	40.119	42.451	42.021

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 (derivatives policy). 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 equity. The ineffective portion of the gain or loss is recognized immediately in the income statement. Amounts accumulated in equity 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 equity at the time remains in equity and is recognized in the income statement when the forecast 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 equity 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:

- quoted prices in active markets (level 1);
- 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) (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 are included in level 1.

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 an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument 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).

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 fully described in the note 9 “Non-recurring income and expenses”.

3.12. Income tax

Income tax expense in the income statement includes both current and deferred taxes, plus any withholding tax on royalties and the distribution of retained earnings within the Group, except if it relates to items recognized directly in equity, in which case the expense is recognized 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, associates and joint ventures, 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 cost of the acquisition and the non-controlling interests; and
- the fair value of the identifiable acquired assets and liabilities.

Goodwill is tested annually for impairment and 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 7 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 revenue 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 item 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 as incurred.

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 to have CGUs with cash flows that are separately identifiable from cash flows of other CGUs.

CGUs are tested annually as long as a goodwill is allocated to them. Those without a goodwill are tested if there is a specific indication of impairment. 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 mobile average on 24 months.

When the value in use of the distribution CGUs is lower than the CGUs' asset value, recoverable amount is measured at fair value less costs to sell. 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 equity 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 equity 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. Inventories are measured using the weighted-average cost method.

Net realizable value is the estimated selling price less the estimated cost of completion as well as the estimated selling expenses.

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 6 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 6 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. Cash and cash equivalents are measured at fair value and fluctuations are accounted for in the income statement.

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.

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, paid annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by Group employees.

Where long-term employee benefits, such as pension and other post-employment 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. Group companies provide retirement benefits for most of their 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.

Group companies provide post-employment benefits under defined contribution plans and defined benefit plans.

In the case of **defined contribution plans**, the Group pays fixed contributions to state or private insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the corresponding benefits to all employees.

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.

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 regarding discount rates, projected rates of remuneration growth, expected growth of healthcare costs and expected long-term rates of return on plan assets 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 past service costs and 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 country 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 retained earnings and presented in the statement of comprehensive income in the period in which they arise.

Past service costs may arise when a new defined benefit plan is set up or changes to benefits payable under an existing defined benefit plan are introduced. They are recognized immediately in the income statement if the benefits are vested. They are amortized on a straight-line basis over the average period until the benefits become vested if the benefits are not yet vested.

The Group net benefit plan cost recognized in the operating income consists of current service cost, interest cost, expected return on assets, curtailments and settlements, past service costs as well as actuarial gains and losses to the extent that they are recognized.

— 3.22.2. Share based payments

Employee share option plans

Benefits related to share options which can be granted to the General Managing Partners and to some Group employees are measured at grant date using a binomial model.

Grant date is the date when eligible employees are informed of the Managing Partners' decision on the number of options granted to them and are given the document describing the conditions attached to the options.

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 plan

The Group may adopt plans to grant shares of the Company for free to certain of its employees.

The grant date is the date when eligible employees are informed of the Managing Partners' decision on the number of shares granted to them and are given the document describing the conditions attached to the performance share plan.

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 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 through an employee rights issue.

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 maximum discount of 20%. 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 Group Financial Management, at the subsidiary and geographic region level, and at the Group level by the Corporate Financing Department. The Corporate Financing Department reports directly to the Group Financial Management.

One of the Corporate Financing Department's ongoing missions is the formulation of financial risk management policy, 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 financial risk management policy by the subsidiary finance managers. In addition, compliance with financial risk policy 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 Management. 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 Management and of the Corporate Financing Department.

— 4.1.2. Liquidity risk

The Corporate Financing Department is responsible for ensuring Group financing and liquidity at the lowest cost. The Group raises financial resources 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 the securitization of accounts receivable. The Group has also negotiated committed back-up credit lines and has cash investments 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 Michelin, 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 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 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 and their possible impact on the financial situation of the Group is not significant.

— 4.1.3. Currency risk

Currency transaction risk

Group subsidiaries continually calculate their accounting foreign exchange exposure in relation to their functional currency and hedge it systematically. A number of temporary exemptions can, however, be granted by the Group Financial Management 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 similar 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, of which the majority has short term maturities of around three months. Constant monitoring of exchange gains and losses as well as regular internal audits ensure that the hedging policy is adhered to by all Group entities.

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

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

Future cash flows from these long-term investments (dividends, fees for R&D services and trademark licenses, and capital increases) are hedged on a selective basis according to the probability of the cash flows occurring.

Available-for-sale financial assets are not hedged for currency risks.

— 4.1.4. Interest rate risk

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 entity 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

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.

— 4.1.6. Counterparty risk

The Group chooses its banks extremely carefully, particularly in the case of cash investments. As it would be inappropriate to add financial risk to the industrial and trading risks that are associated with its operations, the Group gives priority to the security and the liquidity of all its cash investments. These are invested with blue chip banks, using low risk financial instruments or instruments offering a capital guarantee, while avoiding significant concentration levels.

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

In 2011, trade receivables represent less than 15% of annual sales. The Credit Department, which is part of the Group Finance 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 region and Group level. A monthly credit reporting system operates within the Group. In 2011, the Group Credit Department continued to promote actions to progressively shorten the terms of payment.

4.2. Financial risk data

— 4.2.1. Liquidity risk

As at December 31, 2011, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2012	2013	2014	2015	2016	2017	2018 AND BEYOND
Bonds	920	67	704	8	8	949	252
Loans from financial institutions and other	508	675	15	85	1	1	11
Obligation under finance lease	16	15	27	13	12	4	15
Derivative instruments	(1)	(3)	5	-	1	-	-
Repayment schedule of financial debts	**1,443**	**754**	**751**	**106**	**22**	**954**	**278**
Long-term undrawn confirmed credit lines	**-**	**-**	**-**	**-**	**1,500**	**-**	**-**

This table shows debt nominals 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 € at closing rates). Thus displayed amounts are not discounted.

The last column (2018 and beyond) includes the super-subordinated notes issued by CGEM in 2003 and redeemable in cash (TSDR) for a nominal amount of €128 million. The notes are redeemable in December 2033. However CGEM is entitled, at its discretion, to redeem early all the notes in cash at par in December 2013, or thereafter at quarterly intervals until the maturity date of the notes in December 2033.

In July 2011, the Group signed a new €1,500 million multi-currency revolving credit facility. This facility, which replaced the 2005-2012 €1,500 million syndicated line, has a five-year tenor and incorporates two 1-year extension options each at the lender's discretion.

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 (€1,593 million) as well the cash management financial assets (€333 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, 2011						DECEMBER 31, 2010					
(in € million)	USD	PLN	CAD	EUR	SEK	OTHER	USD	PLN	CAD	EUR	SEK	OTHER
Monetary assets	5,151	60	554	1,336	308	2,079	4,036	77	681	1,410	273	1,588
Monetary liabilities	(3,634)	(76)	(348)	(1,476)	(275)	(1,350)	(2,998)	(93)	(515)	(1,459)	(245)	(1,130)
Net position before hedging	**1,517**	**(16)**	**206**	**(140)**	**33**	**729**	**1,038**	**(16)**	**166**	**(49)**	**28**	**458**
Hedges	(1,532)	9	(199)	149	(24)	(735)	(1,121)	15	(167)	11	(23)	(477)
NET POSITION AFTER HEDGING	**(15)**	**(7)**	**7**	**9**	**9**	**(6)**	**(83)**	**(1)**	**(1)**	**(38)**	**5**	**(19)**

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 €1 million (2010: €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 consolidated equity risk by currency is provided in the following table:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 [1]
EUR	4,980	4,652
BRL	1,039	837
CNY	382	87
USD	361	682
THB	304	257
CAD	183	244
GBP	126	151
INR	81	19
Other	645	541
TOTAL	**8,101**	**7,470**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

— 4.2.3. Interest rate risk

Net debt as at December 31, 2011 by type of hedges and currencies can be detailed as follows:

	NET DEBT BEFORE HEDGING			CURRENCY HEDGING	NET DEBT AFTER CURRENCY HEDGING BUT BEFORE INTEREST RATE HEDGING			INTEREST RATE HEDGING		NET DEBT AFTER HEDGING		
(in € million)	FIXED	VARIABLE	TOTAL		FIXED	VARIABLE	TOTAL	FIXED	VARIABLE	FIXED	VARIABLE	TOTAL
EUR	2,014	(631)	**1,383**	(1,981)	2,014	(2,612)	**(598)**	(741)	741	1,273	(1,871)	**(598)**
USD	-	77	**77**	983	-	1,060	**1,060**	541	(541)	541	519	**1,060**
THB	-	172	**172**	194	-	366	**366**	317	(317)	317	49	**366**
CNY	-	64	**64**	194	-	258	**258**	-	-	-	258	**258**
BRL	-	34	**34**	197	-	231	**231**	-	-	-	231	**231**
AUD	-	(3)	**(3)**	107	-	104	**104**	-	-	-	104	**104**
Other currencies	-	54	**54**	306	-	360	**360**	-	-	-	360	**360**
Total before derivatives	**2,014**	**(233)**	**1,781**	**-**	**2,014**	**(233)**	**1,781**	**117**	**(117)**	**2,131**	**(350)**	**1,781**
Fair value of derivatives included in net debt			**33**				**33**					**33**
NET DEBT (NOTE 26)			**1,814**				**1,814**					**1,814**

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2011:

	ANNUALIZED CASH IMPACT BOOKED IN INCOME STATEMENT	FAIR VALUE IMPACT			
(in € million)		BOOKED IN INCOME STATEMENT [1]	BOOKED IN EQUITY [2]	NOT BOOKED [3]	TOTAL
1-point downward shift	(4)	(16)	-	(48)	**(64)**
1-point upward shift	4	10	-	48	**58**

(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, 2011	DECEMBER 31, 2010
Carrying amount (note 15.1)	211	493
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	**(17)**	**(46)**

— 4.2.5. Counterparty risk

As at December 31, 2011, 54% of the cash (including cash management financial assets) is invested in money-market or short-term bond funds to allow for a maximum diversification of counterparty risk. More than 75% of the reminder is invested directly in 12 of the main international banking groups whose credit rating is equal or greater than "single A". The counterparty risk is monitored on a weekly basis.

Most of the derivatives are contracted with the same banking groups.

— 4.2.6. Credit risk

As at December 31, 2011, net receivable balances from the ten largest customers amounted to €498 million (2010: €415 million). Six of these customers are located in Europe and four in North America. At the same date, 59 customers (2010: 51) have been granted credit limits in excess of €10 million. Out of these, 32 are located in Europe, 22 in North America, 3 in Asia, 1 in Middle-East and 1 in South America. There was no significant collateral received to limit credit risk. In 2011, credit losses represented 0.08% of sales (2010: 0.16%).

— 4.2.7. Commodities derivatives

In 2011, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

4.3. Capital risk management

The Group objectives when managing its capital is to safeguard the entity's ability to continue as a going concern and to ensure its development, so that it can provide returns for shareholders of the Company 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, 2011	DECEMBER 31, 2010 (1)
Net debt (note 26)	1,814	1,629
Total equity (as shown in the balance sheet)	8,101	7,470
Gearing ratio	**0.22**	**0.22**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

4.4. Fair value measurement hierarchy

The following table presents the Group assets and liabilities that are measured at fair value at December 31, 2011 by level of the fair value measurement hierarchy:

(in € million)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	1,333	260	-	1,593
Cash management financial assets	-	333	-	333
Deposits borrowing collaterals	-	52	-	52
Derivatives (note 16.1)	-	47	-	47
Available-for-sales financial assets	123	-	88	211
TOTAL ASSETS	**1,456**	**692**	**88**	**2,236**
Derivatives (note 16.2)	-	80	-	80
TOTAL LIABILITIES	**-**	**80**	**-**	**80**

There has been no significant transfer during the year between level 1 and level 2.

The following table presents the changes in level 3 instruments for the year ended December 31, 2011:

(in € million)	
At January 1, 2011	**79**
Additions	2
Disposals	(3)
Transfers from other level to level 3	-
Transfers from level 3 to other levels	-
Gains or losses for the year included in the net income	-
Gains or losses for the year included in the other comprehensive income	10
Others	-
AT DECEMBER 31, 2011	**88**

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 operating income before non-recurring income and expenses in the consolidated financial statements of the Group. 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 Partners 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:

	2011				2010 (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	10,780	6,718	3,221	**20,719**	9,790	5,680	2,421	**17,891**
Operating income before non-recurring income and expenses	1,018	233	694	**1,945**	1,048	265	438	**1,751**
In percentage of net sales	*9.4%*	*3.5%*	*21.5%*	***9.4%***	*10.7%*	*4.7%*	*18.1%*	***9.8%***
Depreciation and amortization	(499)	(288)	(157)	**(944)**	(517)	(283)	(155)	**(955)**
Impairment	15	(3)	(1)	**11**	10	(14)	(6)	**(10)**
Segment assets								
Intangible assets and PP&E	4,451	2,736	1,507	**8,694**	4,035	2,487	1,447	**7,969**
Finished products inventories	1,416	991	464	**2,871**	1,148	831	417	**2,396**
Trade receivables	1,551	1,068	456	**3,075**	1,451	1,005	314	**2,770**
Total of segment assets	**7,418**	**4,795**	**2,427**	**14,640**	**6,634**	**4,323**	**2,178**	**13,135**
Other information								
Capital expenditure	889	523	299	**1,711**	599	292	209	**1,100**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Sales between segments are carried at arm's length.

The sales to external parties reported to the Managing Partners 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, 2011	DECEMBER 31, 2010 (1)
Segment assets	**14,640**	**13,135**
Non-current financial assets and other assets	404	677
Investments in associates and joint ventures	120	93
Deferred tax assets	1,352	1,175
Other net inventories (raw materials and supplies, work in progress)	1,731	1,374
Current financial assets	366	882
Other current assets	682	653
Cash and cash equivalents	1,593	1,590
TOTAL GROUP ASSETS	**20,888**	**19,579**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The geographic information is broken down by zone hereunder:

	2011				2010			
(in € million)	EUROPE	NORTH AMERICA	OTHER	TOTAL	EUROPE	NORTH AMERICA	OTHER	TOTAL
Net sales	8,832	6,942	4,945	**20,719**	7,682	6,148	4,061	**17,891**
Intangible assets and PP&E	4,577	1,658	2,459	**8,694**	4,430	1,607	1,932	**7,969**
Capital expenditure	711	256	744	**1,711**	664	186	250	**1,100**

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 €2,107 million (2010: €1,939 million). The intangible assets and PP&E located in France amounted to €1,759 million (2010: €1,672 million).

No single external customer amounted to 10% or more of the Group net sales in 2011 and 2010.

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, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Raw materials and consumables used and changes in finished products inventories	(9,529)	(7,389)
Employee benefit costs (note 7)	(5,021)	(4,780)
Transportation of goods	(1,076)	(963)
Depreciation, amortization and impairment charges	(933)	(965)
Other expenses	(2,215)	(2,043)
EXPENSES BY NATURE	**(18,774)**	**(16,140)**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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, 2011	YEAR ENDED DECEMBER 31, 2010 [(1)]
Wages and salaries	(3,743)	(3,541)
Payroll taxes	(1,031)	(953)
Defined benefit plan costs (note 27.1)	(146)	(190)
Defined contribution plan costs (note 27.2)	(94)	(87)
Share-based payments (note 25)	(7)	(9)
EMPLOYEE BENEFIT COSTS	**(5,021)**	**(4,780)**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The average number of employees in 2011 is 113,839 (2010: 110,007).

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

The following recurring items are recognized within other operating income and expenses in the income statement:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 [(1)]
Gain/(loss) on disposal of intangible assets and property, plant and equipment	14	5
Net restructuring costs	2	(11)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	11	(10)
Retiree benefit costs	(24)	(65)
Stock option plans – cost of services rendered (note 25)	(7)	(9)
Other operating income/(expenses)	(30)	(41)
OTHER OPERATING INCOME AND EXPENSES	**(34)**	**(131)**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

NOTE 9 NON-RECURRING INCOME AND EXPENSES

In 2011 and 2010, no expense or income has been recognized in non-recurring items.

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, 2011	YEAR ENDED DECEMBER 31, 2010
Interest expenses	(233)	(222)
Interest income	21	10
Interest rate derivatives	6	(24)
Other	-	-
COST OF NET DEBT	**(206)**	**(236)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets) (note 10.3.)	270	8
Currency remeasurement (including currency derivatives)	(13)	-
Other	(21)	2
OTHER FINANCIAL INCOME AND EXPENSES	**236**	**10**

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 €5 million (2010: decrease of €23 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 a profit of €1 million (2010: expense of less than €1 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 (2010: nil).

10.3. Sale of Hankook shares

In November 2011, the Group sold its equity investment in Hankook Tire, which was previously accounted for as an available-for-sale financial asset (note 15.1 "Available-for-sale financial assets"). The transaction generated net proceeds of €402 million as well as a net capital gain of €256 million, which is included in the Net income from financial assets in Other financial income and expenses.

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Current tax expense	(420)	(287)
Deferred tax income/(expense) (note 18)	(114)	(181)
INCOME TAX	**(534)**	**(468)**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Current tax includes €41 million of withholding tax on royalties and distribution of retained earnings between Group companies (2010: €18 million).

Reconciliation of the Group effective income tax:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Income before tax	**1,996**	**1,554**
Tax calculated using domestic tax rates applicable to income in the respective countries	**(526)**	**(468)**
Tax effect from:		
• untaxed transactions	(14)	10
• changes in unrecognized temporary differences	16	17
• changes in unrecognized tax losses	(6)	(19)
• tax rates	25	7
• tax credits and withholding tax (and related deferred tax liabilities)	(43)	5
• other items	14	(20)
INCOME TAX	**(534)**	**(468)**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

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 plan"). 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, 2011	YEAR ENDED DECEMBER 31, 2010 [1]
Net income/(loss) (in € million), excluding the non-controlling interests	1,462	1,085
• Less, estimated grants to the General Partners [2]	(10)	(12)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	**1,452**	**1,073**
• Plus, interest expenses on convertible bonds	29	27
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	**1,481**	**1,100**
Weighted average number of shares (in thousands of shares) **outstanding used in the calculation of basic earnings per share**	**178,302**	**152,903**
• Plus, adjustment for share option plans	283	366
• Plus, adjustment for convertible bonds	6,985	6,985
• Plus, adjustment for performance shares	288	-
Weighted average number of shares used in the calculation of diluted earnings per share	**185,858**	**160,254**
Earnings per share (in €)		
• Basic	8.14	7.02
• Diluted	7.97	6.86

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.
(2) Based on the assumption of an adoption of the resolution proposed to the Extraordinary Shareholders Meeting of the May 11, 2012.

Since the convertible bonds, as described in the note 26.1 "Bonds and commercial paper", are dilutive in 2011, they have been considered in the calculation of diluted earnings per share (they were antidilutive in 2010 and therefore they had not been considered in the calculation of diluted earnings per share). Taking into account the evolution of the average share price in 2011, the stock option plans of May 2006, May 2007, May 2008, May 2010 and May 2011, as described in the note 28.1 "Stock option plans" are 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 2011 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, 2010	**403**	**993**	**1,396**
Translation adjustments	33	25	58
Additions	-	111	111
Disposals	-	(40)	(40)
Changes in scope of consolidation	-	6	6
Transfers and other	-	4	4
Gross carrying amounts at December 31, 2010	**436**	**1,099**	**1,535**
Translation adjustments	-	7	7
Additions	-	118	118
Disposals	-	(24)	(24)
Changes in scope of consolidation	-	-	-
Transfers and other	-	(10)	(10)
Gross carrying amounts at December 31, 2011	**436**	**1,190**	**1,626**
Amortization and impairment at January 1, 2010	**-**	**(672)**	**(672)**
Translation adjustments	-	(16)	(16)
Amortization	-	(60)	(60)
Net impairment	(20)	(1)	(21)
Disposals	-	10	10
Changes in scope of consolidation	-	-	-
Transfers and other	-	-	-
Amortization and impairment at December 31, 2010	**(20)**	**(739)**	**(759)**
Translation adjustments	(1)	(4)	(5)
Amortization	-	(68)	(68)
Net impairment	-	-	-
Disposals	-	12	12
Changes in scope of consolidation	-	-	-
Transfers and other	-	(1)	(1)
Amortization and impairment at December 31, 2011	**(21)**	**(800)**	**(821)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2011	**415**	**390**	**805**
Net carrying amounts at December 31, 2010	**416**	**360**	**776**

13.1. Goodwill

The amounts allocated to the CGUs are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
CGU Passenger car and light truck tires North America	108	105
CGU Passenger car and light truck tires Southeast Asia/Australia	115	118
CGU Passenger car and light truck tires Europe	67	66
Other CGUs (including CGUs Truck tires)	125	127
GOODWILL	**415**	**416**

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 the WACC (Weighted Average Cost of Capital) before tax, which is calculated based on the Capital Asset Pricing Model (CAPM). The rates range between 11.2% 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 1.0, a market premium of 6.0% and a risk free interest rate of 4.0%.

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 2011, additions to intangible assets, amounting to €118million (2010: €111 million) break down into the following categories:

- Software €101 million
- Emission rights – allowances granted €10 million
- Other €7 million

— 13.2.1. Software

The net carrying amount of software at December 31, 2011 was €286 million (2010: €244 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. The balance of the rights granted at December 31, 2011 amounts to 1.9 million metric tons representing a value of €16 million. The liability related to actual emissions in 2011 amounts to 0.8 million metric tons representing a value of €13 million. It will be offset by the delivery of the allowances granted.

— 13.2.3. Development costs

In 2011 and 2010, 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, 2011 amounted to €36 million (2010: €36 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, 2010	**4,081**	**11,976**	**1,311**	**17,368**
Translation adjustments	187	626	53	866
Additions	190	724	90	1,004
Disposals	(64)	(622)	(54)	(740)
Changes in scope of consolidation	-	-	-	-
Transfers and other	-	4	(10)	(6)
Gross carrying amounts at December 31, 2010	**4,394**	**12,708**	**1,390**	**18,492**
Translation adjustments	8	60	2	70
Additions	427	1,107	77	1,611
Disposals	(51)	(270)	(64)	(385)
Changes in scope of consolidation	1	1	1	3
Transfers and other	5	-	(19)	(14)
Gross carrying amounts at December 31, 2011	**4,784**	**13,606**	**1,387**	**19,777**
Depreciation and impairment at January 1, 2010	**(1,995)**	**(7,615)**	**(976)**	**(10,586)**
Translation adjustments	(90)	(395)	(40)	(525)
Depreciation	(118)	(713)	(64)	(895)
Net impairment	(1)	12	-	11
Disposals	48	598	49	695
Changes in scope of consolidation	-	-	-	-
Transfers and other	(2)	(3)	6	1
Depreciation and impairment at December 31, 2010	**(2,158)**	**(8,116)**	**(1,025)**	**(11,299)**
Translation adjustments	(13)	(59)	(4)	(76)
Depreciation	(119)	(697)	(60)	(876)
Net impairment	7	5	(1)	11
Disposals	43	248	56	347
Changes in scope of consolidation	-	(1)	(1)	(2)
Transfers and other	2	1	4	7
Depreciation and impairment at December 31, 2011	**(2,238)**	**(8,619)**	**(1,031)**	**(11,888)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2011	**2,546**	**4,987**	**356**	**7,889**
Net carrying amounts at December 31, 2010	**2,236**	**4,592**	**365**	**7,193**

PP&E under construction amounted to €1,973 million (2010: €1,225 million).

Accumulated impairment losses amounted to €109 million (2010: €155 million).

The borrowing costs capitalized in 2011 in PP&E amounted to €8 million (2010: €2 million).

PP&E held under finance leases amounted to €94 million (2010: €99 million). The gross carrying amounts of these assets totaled €136 million (2010: €133 million).

The future minimum payments under finance leases by maturity are shown in the following table:

(in € million)	DECEMBER 31, 2011 PRESENT VALUE	DECEMBER 31, 2011 UNDISCOUNTED VALUE	DECEMBER 31, 2010 PRESENT VALUE	DECEMBER 31, 2010 UNDISCOUNTED VALUE
Within one year	11	15	16	20
Between one and five years	47	53	48	57
More than five years	26	40	28	40
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	**84**	**108**	**92**	**117**

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, 2011	DECEMBER 31, 2010 (1)
Available-for-sale financial assets (note 15.1)	211	493
Loans and deposits (note 15.2)	140	136
Derivative instruments (note 16.1)	40	37
Other	13	11
Financial assets	**404**	**677**
Other non-current assets – Defined benefit plans – plan surpluses (note 27.1)	**-**	**-**
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	**404**	**677**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

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)	2011	2010
At January 1	**493**	**321**
Translation adjustments	2	(2)
Net additions	-	9
Disposals	(406)	(1)
Fair value changes	122	166
AT DECEMBER 31	**211**	**493**

Disposals essentially relate to the sale of investment in Hankook Tire mentioned in note 10.3 "Sale of Hankook shares".
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, 2011	DECEMBER 31, 2010
Gross loans and deposits	210	202
Impairments	(70)	(66)
TOTAL	**140**	**136**

The balance includes bank deposits and loans to employees and customers.

The breakdown by currency and maturity is presented in the table below:

(in € million)	DECEMBER 31, 2011			DECEMBER 31, 2010		
	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
EUR	107	4	**111**	85	17	**102**
USD	7	-	**7**	6	-	**6**
GBP	5	-	**5**	4	-	**4**
Other currencies	17	-	**17**	24	-	**24**
TOTAL	**136**	**4**	**140**	**119**	**17**	**136**

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

(in € million)	DECEMBER 31, 2011		DECEMBER 31, 2010	
	FAIR VALUES	CONTRACTUAL AMOUNTS	FAIR VALUES	CONTRACTUAL AMOUNTS
Interest-rate derivatives qualifying as fair value hedging instruments	38	741	36	810
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	2	49	-	-
• Interest-rate derivatives	-	-	1	162
• Other derivatives	-	-	-	-
Non-current derivative instruments (note 15)	**40**	**790**	**37**	**972**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	1	20	-	2
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	6	686	4	342
• Interest-rate derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Current derivative instruments (note 21)	**7**	**706**	**4**	**344**
TOTAL ASSETS	**47**	**1,496**	**41**	**1,316**

16.2. Derivatives recognized in liabilities

(in € million)	DECEMBER 31, 2011 FAIR VALUES	DECEMBER 31, 2011 CONTRACTUAL AMOUNTS	DECEMBER 31, 2010 FAIR VALUES	DECEMBER 31, 2010 CONTRACTUAL AMOUNTS
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	20	239	12	300
• Interest-rate derivatives	26	1,055	53	1,110
• Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	**46**	**1,294**	**65**	**1,410**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	1	24	3	42
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	30	2,537	29	2,389
• Interest-rate derivatives	3	305	1	50
• Other derivatives	-	-	-	-
Current derivative instruments (note 26)	**34**	**2,866**	**33**	**2,481**
TOTAL LIABILITIES	**80**	**4,160**	**98**	**3,891**

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, 2011									DECEMBER 31, 2010								
	CURRENCIES PURCHASED FORWARD									CURRENCIES PURCHASED FORWARD								
(in € million)	EUR	USD	JPY	THB	SGD	CAD	MXN	OTHER	TOTAL	EUR	USD	JPY	THB	SGD	CAD	MXN	OTHER	TOTAL
Currencies sold forward																		
USD	1,119	-	11	159	-	-	-	6	**1,295**	961	-	-	118	13	-	34	24	**1,150**
EUR	-	18	27	11	108	95	56	82	**397**	-	8	-	13	24	71	(11)	147	**252**
THB	63	42	263	-	-	-	-	-	**368**	32	37	255	-	-	-	-	-	**324**
JPY	339	-	-	1	-	-	-	-	**340**	305	45	-	1	-	-	-	-	**351**
CNY	136	68	-	-	-	-	-	-	**204**	33	119	-	-	-	-	-	-	**152**
BRL	84	87	-	-	-	-	-	1	**172**	42	83	-	-	-	-	-	-	**125**
AUD	112	-	-	1	-	-	-	-	**113**	49	41	-	1	-	-	-	-	**91**
Other	553	99	-	-	-	-	-	14	**666**	464	158	-	-	-	-	6	2	**630**
TOTAL	**2,406**	**314**	**301**	**172**	**108**	**95**	**56**	**103**	**3,555**	**1,886**	**491**	**255**	**133**	**37**	**71**	**29**	**173**	**3,075**

The contractual amounts of other derivative financial instruments are presented by currency and by maturity in the table below:

(in € million)	DECEMBER 31, 2011				DECEMBER 31, 2010			
	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	-	60	681	**741**	-	60	750	**810**
• USD	232	618	193	**1,043**	-	861	75	**936**
• THB	73	171	73	**317**	50	249	87	**386**
Interest-rate derivatives	**305**	**849**	**947**	**2,101**	**50**	**1,170**	**912**	**2,132**
• EUR	-	-	-	-	-	-	-	-
• USD	-	-	-	-	-	-	-	-
• Other currencies	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
TOTAL	**305**	**849**	**947**	**2,101**	**50**	**1,170**	**912**	**2,132**

At closing date, the Group has outstanding short term futures contracts with a liability market value of €2 million (2010: asset of €1 million) which has been fully cashed in through the daily margin calls.

NOTE 17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures of €120 million (2010: €93 million) include essentially MC Projects B.V. in the Netherlands and SIPH Group in France.

The associates and joint ventures' financial statements include the following amounts:

(in € million)	2011	2010
Assets	732	501
Liabilities	322	149
Net sales	861	723
Net income	83	108

NOTE 18 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes in the balance sheet are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 (1)
Deferred tax assets	1,352	1,175
Deferred tax liabilities	(79)	(45)
NET DEFERRED TAX ASSET	**1,273**	**1,130**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 (1)
Intangible assets	24	23
Financial instruments	125	118
Inventories	85	71
Receivables/payables	224	58
Employee benefits	1,159	1,070
Provisions	110	147
Unused tax losses	184	182
Unused tax credits	(31)	(31)
Deferred tax assets by type of temporary difference	**1,880**	**1,638**
Property, plant and equipment	(607)	(508)
Deferred tax liabilities by type of temporary difference	**(607)**	**(508)**
NET DEFERRED TAX ASSET	**1,273**	**1,130**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The change in the net deferred tax asset over the year is as follows:

(in € million)	2011	2010 (1)
At January 1	**1,130**	**1,251**
Translation adjustments	18	73
Deferred tax income/(expense) (note 11)	(114)	(181)
Tax recognized in the comprehensive income	238	(12)
Other	1	(1)
AT DECEMBER 31	**1,273**	**1,130**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The deferred tax asset utilization in 2011 comes essentially from the reversal of temporary differences in the United States of America.

The deferred income tax recognized in equity is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 (1)
Post employment benefits – actuarial gain/(loss)	581	339
Available-for-sale financial assets (statement of comprehensive income)	(15)	(11)
Compound financial instruments (convertible bond)	(16)	(16)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN EQUITY	**550**	**312**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Deferred tax assets are recognized to the extent that the realization of future taxable profits is probable and will offset tax losses carried forward and deductible temporary differences.

The detail of unrecognized deferred tax assets is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Deductible temporary difference	**56**	**44**
Tax losses		
• of which expiring in less than one year	2	8
• of which expiring between one to five years	57	64
• of which expiring in more than five years	38	59
• of which evergreen	95	66
Total tax losses	**192**	**197**
Tax credits	**55**	**61**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**303**	**302**

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Raw materials and supplies	1,357	1,093
Work in progress	405	322
Finished goods	2,949	2,461
Total gross inventory	**4,711**	**3,876**
Write-downs on raw materials and supplies	(30)	(40)
Write-downs on work in progress	(1)	(1)
Write-downs on finished goods	(78)	(65)
Total write-downs	**(109)**	**(106)**
NET INVENTORY	**4,602**	**3,770**

Movements in inventory write-downs were as follows:

(in € million)	2011	2010
At January 1	**(106)**	**(106)**
Translation adjustments and other	-	(4)
Write-downs of inventories recognized as an expense in the period	(95)	(42)
Reversals of write-downs	92	46
AT DECEMBER 31	**(109)**	**(106)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Gross trade receivables	3,176	2,879
Impairment	(101)	(109)
TRADE RECEIVABLES	**3,075**	**2,770**

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2011:

(in € million)	GROSS	IMPAIRMENT	NET
Current trade receivables	**2,857**	**(24)**	**2,833**
Overdue			
• from less than three months	215	(5)	210
• between three and six months	30	(8)	22
• from more than six months	74	(64)	10
Overdue trade receivables	**319**	**(77)**	**242**
TRADE RECEIVABLES	**3,176**	**(101)**	**3,075**

Movements in impairment are broken down in the table below:

(in € million)	2011	2010
At January 1	**(109)**	**(128)**
Translation adjustments	2	(7)
Impairment charges	(28)	(55)
Impairment reversals	34	81
AT DECEMBER 31	**(101)**	**(109)**

Impairment reversals in 2011 include write-offs of €16 million (2010: €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, 2011	DECEMBER 31, 2010
Loans and deposits	26	35
Cash management financial assets (note 26)	333	843
Derivative instruments (note 16.1)	7	4
CURRENT FINANCIAL ASSETS	**366**	**882**

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"). The average effective interest rate on cash management financial assets was 1.27% in 2011 (2010: 1.16%).

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Suppliers – advances	94	77
Current tax – advance payments	89	94
Other tax receivables	343	341
Other	164	149
Less impairment	(8)	(8)
OTHER CURRENT ASSETS	**682**	**653**

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, 2011	DECEMBER 31, 2010
Cash at bank and in hand	301	211
Short-term bank deposits of less than three months and other cash equivalents (money market funds essentially)	1,292	1,379
CASH AND CASH EQUIVALENTS	**1,593**	**1,590**

The average effective interest rate on short-term bank deposits was 1.38% in 2011 (2010: 0.94%).

Cash and cash equivalents are denominated in the following currencies:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
EUR	1,366	1,346
USD	112	55
SEK	16	3
TWD	9	13
Other	90	173
CASH AND CASH EQUIVALENTS	**1,593**	**1,590**

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	SHARE CAPITAL	SHARE PREMIUMS	TOTAL
At January, 1 2010: 147 436 357 shares outstanding	**295**	**1,987**	**2,282**
Issuance of 27 159 876 shares from the October share capital increase	54	1,138	1,192
Issuance of 1 735 759 shares from the partial payment of dividend in shares	3	79	82
Issuance of 275 853 shares from the exercise of share options	1	11	12
Other	-	-	-
At December 31, 2010: 176 607 845 shares outstanding	**353**	**3,215**	**3,568**
Issuance of 3 128 066 shares from the partial payment of dividend in shares	6	171	177
Issuance of 282 972 shares from the exercise of share options	1	10	11
Others (14 shares)	-	-	-
AT DECEMBER 31, 2011: 180 018 897 SHARES OUTSTANDING	**360**	**3,396**	**3,756**

The par value per share amounts to €2 (2010: €2). All outstanding shares are fully paid and registered. Shares held for more than 4 years have a double voting right.

In October 2010, the Group made a share capital increase with preferential subscription rights as part of its capital risk management (note 4.3 "Capital risk management"). 27,159,876 new shares were issued at subscription price of €45 per share (nominal value of €2 and premium of €43) on the basis of 2 new shares for 11 existing shares. The gross issuance proceeds amounted to €1,222 million, including €1,168 million of premium. The issuance costs (EUR 35 million) net of the tax impact (EUR 5 million) were deducted from the share premiums.

In 2011, the dividend payable for the year 2010 to the shareholders was €1.78 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 €138 million;
- issuance of 3,128,066 shares for a net amount of €177 million.

The Managing Partners will recommend to the Shareholders the payment of a dividend of €2.10 per share in 2012 for the year 2011.

NOTE 25 RESERVES

(in € million)	TRANSLATION RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
At January 1, 2010 [(1)]	**(84)**	**199**	**2,401**	**2,516**
Dividends and other allocations	-	-	(150)	(150)
Stock option plans – cost of services rendered (notes 7 and 8)	-	-	9	9
Acquisition of non-controlling interests	-	-	(18)	(18)
Other	-	-	-	-
Transactions with the Shareholders of the Company	**-**	**-**	**(159)**	**(159)**
Net income/(loss) attributable to the shareholders of the Company	-	-	1,085	1,085
Post employment benefits – actuarial gain/(loss)	-	-	*63*	*63*
Tax effect – post employment benefits – actuarial gain/(loss)	-	-	*(10)*	*(10)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	53	53
Available-for-sale financial assets – change in fair values	-	*166*	-	*166*
Tax effect – available-for-sale financial assets – change in fair values	-	*(2)*	-	*(2)*
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-
Cash flow hedges – change in fair values	-	*(3)*	-	*(3)*
Cash flow hedges – (gain)/loss recognized in income statement	-	*1*	-	*1*
Share of other comprehensive income from associates	-	-	-	-
Currency translation differences	*242*	-	-	*242*
Other items of comprehensive income that may be reclassified to income statement	242	162	-	404
Comprehensive income	**242**	**162**	**1,138**	**1,542**
At December 31, 2010 [(1)]	**158**	**361**	**3,380**	**3,899**
Dividends and other allocations	-	-	(327)	(327)
Stock option plans - cost of services rendered (notes 7 and 8)	-	-	7	7
Other	-	1	-	1
Transactions with the Shareholders of the Company	**-**	**1**	**(320)**	**(319)**
Net income/(loss) attributable to the shareholders of the Company	-	-	1,462	1,462
Post employment benefits – actuarial gain/(loss)	-	-	*(722)*	*(722)*
Tax effect – post employment benefits – actuarial gain/(loss)	-	-	*242*	*242*
Other items of comprehensive income that will not be reclassified to income statement	-	-	(480)	(480)
Available-for-sale financial assets – change in fair values	-	*122*	-	*122*
Tax effect – available-for-sale financial assets – change in fair values	-	*(4)*	-	*(4)*
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	*(258)*	-	*(258)*
Cash flow hedges – change in fair values	-	*3*	-	*3*
Cash flow hedges – (gain)/loss recognized in income statement	-	*(1)*	-	*(1)*
Share of other comprehensive income of associates	-	-	*(2)*	*(2)*
Currency translation differences	*(79)*	-	-	*(79)*
Other items of comprehensive income that may be reclassified to income statement	(79)	(138)	(2)	(219)
Comprehensive income	**(79)**	**(138)**	**980**	**763**
AT DECEMBER 31, 2011	**79**	**224**	**4,040**	**4,343**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

NOTE 26 FINANCIAL LIABILITIES

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

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Bonds	1,577	2,152
Loans from financial institutions and other	782	958
Finance lease liabilities	73	76
Derivative instruments	46	65
Non-current financial liabilities	**2,478**	**3,251**
Bonds and commercial paper	841	168
Loans from financial institutions and other	475	679
Finance lease liabilities	11	16
Derivative instruments	34	33
Current financial liabilities	**1,361**	**896**
FINANCIAL LIABILITIES	**3,839**	**4,147**

The Group net debt is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Financial liabilities	3,839	4,147
Derivatives recognized as assets (note 16.1)	(47)	(41)
Borrowing collaterals – non-current portion (note 15.2)	(52)	(40)
Borrowing collaterals – current portion	-	(4)
Cash management financial assets (note 21)	(333)	(843)
Cash and cash equivalents (note 23)	(1,593)	(1,590)
NET DEBT	**1,814**	**1,629**

Cash and cash equivalents as well as cash management financial assets are essentially managed by the Group central treasury team. A portion, representing € 301 million at December 31, 2011, is however managed directly by the Group companies. This can mainly be explained by

- capital increases made in some companies to finance the capital investments planned in 2012,
- constraints (foreign exchange control or others) in some countries preventing the immediate availability of the cash held, and
- prudential rules in Ireland specific to captive insurance companies.

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, 2011	DECEMBER 31, 2010
Bonds	1,613	2,384
Loans from financial institutions and other	782	958
Finance lease liabilities	73	76
Derivative instruments	46	65
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**2,514**	**3,483**

26.1. Bonds and commercial paper

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

(in € million)	December 31, 2011 Current	December 31, 2011 Non-current	December 31, 2010 Current	December 31, 2010 Non-current
Subordinated bonds issued by Compagnie Générale des Établissements Michelin • nominal value of €128 million (2010: €196 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 • effective interest rate of 6.60% (4.94% after hedging) at December 31, 2011 • option to defer coupon payments when the Company does not distribute dividends • partially hedged through a €60 million interest rate swap (2010: €60 million) expiring in December 2013 (fair value hedge) (note 16)	-	130	-	199
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, 2011 • 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: €941 million	-	746	-	712
Bonds issued by Michelin Luxembourg SCS • nominal value of €681 million (2010: €750 million) • issued in April 2009 and due in April 2014 • nominal interest rate of 8.625% • effective interest rate of 8.88% (7.84% after hedging) at December 31, 2011 • step-up of 125bp if downgraded below investment grade by at least one rating agency • hedged through a €681 million interest rate swaps (2010: €750 million) expiring in April 2014 (fair value hedge) (note 16)	-	701	-	764
Bonds issued by Michelin Luxembourg SCS • nominal value of €438 million (2010: €478 million) • issued in April 2002 and due in April 2012 • nominal interest rate of 6.50% • effective interest rate of 6.63% at December 31, 2011	437	-	-	477
Commercial paper issued by Compagnie Générale des Établissements Michelin • nominal value of €404 million (2010: €168 million) • effective interest rate of 0.75% at December 31, 2011	404	-	168	-
TOTAL	**841**	**1,577**	**168**	**2,152**

At December 31, 2011, the weighted average effective interest rate for all bonds and commercial paper is 5.69% (5.31% 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, 2011 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	THB	USD	CNY	DZD	COP	OTHER	TOTAL
Fixed rates	-	-	-	-	-	-	-	-
Floating rates	673	177	167	72	46	45	77	1,257
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**673**	**177**	**167**	**72**	**46**	**45**	**77**	**1,257**
Average effective interest rate paid in 2011	**2.20%**	**3.46%**	**0.42%**	**5.73%**	**5.33%**	**5.70%**	**6.92%**	**3.21%**

The exposure of loans from financial institutions and other to interest rate changes (contractual repricing dates) is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
6 months or less	1,257	1,636
6-12 months	-	-
1-5 years	-	1
Over 5 years	-	-
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**1,257**	**1,637**

26.3. Rating

At December 31, 2011, 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	Baa2	Baa2
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Positive	Positive

NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

According to the laws and regulations applicable in each country, the Group contributes to 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 or accumulated funds with an independent manager.

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. In the case of defined contribution plans, liabilities correspond to the contributions due.

27.1. Defined Benefit Plans

In addition to mandatory social insurance plans, the Group has introduced a number of retirement plans and retiree healthcare plans 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 model having the same maturities as the liabilities. These rates are compared with other sources of information as iBoxx, Reuters or Bloomberg and the actuaries own benchmarks. If there is a large gap between these sources, the reference rate taken from actuary's model is adjusted. 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 up to three rates can be used depending on the duration of these plans. The discount rate in the USA is based on the actuary's Above Median yield curve rates adjusted to reflect the maturities of the liabilities. The discount rate in Canada is based on the PCBond Canadian Corporate Aa Bond full yield curve rates adjusted to reflect the maturities of the liabilities.

The mortality tables used for the pension plans which are funded through insured contracts are the insurers' tables. For the other post retirement main plans the following tables have been used: (i) USA: RP-2000 Static Mortality Table (Nonannuitants projected to 2027 with Scale AA; Annuitants projected to 2019 with Scale AA); (ii) Canada 1994 UP projected 10 years to 2015; (iii) UK: Generational SAPS S1NA CMI 2009 with 1% underpin and (iv) Germany Heubeck RT 2005 G.

The financial position of the main defined benefit plans is summarized below:

(in € million)	PENSION PLANS	OTHER PLANS	DECEMBER 31, 2011	DECEMBER 31, 2010 (1)
Present value of fully or partly funded obligations	6,053	-	6,053	5,389
Fair value of plan assets	(4,810)	-	(4,810)	(4,681)
Funded status deficit/(surplus)	**1,243**	**-**	**1,243**	**708**
Present value of unfunded obligations	581	1,920	2,501	2,254
Unrecognized past service cost	20	54	74	63
Unrecognized asset due to application of asset ceiling	7	-	7	5
NET DEFINED BENEFIT OBLIGATION	**1,851**	**1,974**	**3,825**	**3,030**
Amounts recognized in the balance sheet:				
• As assets in Non-current financial assets and other assets (note 15)			-	-
• As liabilities in Employee benefit obligations			3,825	3,030
NET LIABILITY			**3,825**	**3,030**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

Unrecognized past service cost corresponds to the value of rights that do not vest immediately when a plan amendment or a new plan is introduced.

The Group does not recognize as an asset any surplus in excess of the sum of (a) cumulative unrecognized past service cost and (b) 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.

At December 31, 2011, unrecognized past service cost amounted to €74 million (2010: €63 million).

The movements in net defined benefit obligations recognized in the balance sheet are shown below:

(in € million)	PENSION PLANS	OTHER PLANS	2011	2010 (1)
At January 1	**1,303**	**1,727**	**3,030**	**3,182**
Translation adjustments	47	35	82	162
Expenses recognized in the income statement (recurring items) (note 7)	33	113	146	190
Contributions paid to the funds	(48)	-	(48)	(335)
Benefits paid directly to the beneficiaries	(33)	(74)	(107)	(106)
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-
Actuarial (gains) or losses recognized in other comprehensive income	560	160	720	(64)
Unrecognized asset due to application of asset ceiling	2	-	2	1
Changes in scope of consolidation	(13)	13	-	-
AT DECEMBER 31	**1,851**	**1,974**	**3,825**	**3,030**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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	2011	2010
At January 1	**952**	**91**	**1,043**	**1,106**
Actuarial (gains) or losses recognized during the year due to a change in assumptions	554	113	667	186
Actuarial (gains) or losses recognized during the year due to the experience	(8)	61	53	(250)
Unrecognized asset due to application of asset ceiling	2	-	2	1
AT DECEMBER 31	**1,500**	**265**	**1,765**	**1,043**
Of which actuarial (gains) or losses	*1,489*	*265*	*1,754*	*1034*
Of which asset ceiling effect	*11*	-	*11*	*9*

In 2011, the net amount recognized in the consolidated income statement was an expense of €146 million (2010: €190 million), broken down as follows:

(in € million)	PENSION PLANS	OTHER PLANS	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 (1)
Cost of services rendered during the year	61	37	98	95
Interest cost	304	83	387	405
Expected return on plan assets	(317)	-	(317)	(299)
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(8)	(8)	(5)
Past service cost recognized during the year	-	(13)	(13)	(14)
Effect of plan curtailments and settlements	(15)	14	(1)	8
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-
TOTAL RECORDED IN THE INCOME STATEMENT	**33**	**113**	**146**	**190**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 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 corresponding to the discounting adjustment to reflect the reduction in the period until the benefits are due ("interest cost");
- income corresponding to estimated return on plan assets ("expected return on plan assets");
- income or charge from annual amortization of actuarial gains or losses on other long term defined benefit plans ("amortization of actuarial gains/losses during the year");
- gain/loss resulting from changes in plan benefits ("past service cost recognized during the year");
- gain/loss resulting from the curtailment or settlement of any plans (curtailments and 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. Such benefits are provided under defined benefit plans or defined contribution plans.

Under defined benefit plans, the Group guarantees the future level of benefits as provided 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 German pension plans, a provision is made in the consolidated balance sheet. Defined post-employment benefit plans are mainly found in the United States of America, Canada and the United Kingdom. The future benefits paid by the above plans are generally based on years of service and average end-of-career salaries. Since 2004, Group defined benefit pension plans for the employees of its North American and UK subsidiaries are gradually being phased out in favor of defined contribution pension plans for newly hired employees as well as for future accruals.

Under defined contribution plans, the Group obligation is limited to the payment of established contributions. This does not guarantee the future level of benefits. Annual charges correspond to the contributions due during the year. Currently, Group defined contribution plans mainly consist of 401 K plans in the United States of America, the DC Section in the United Kingdom, and the RRSP plan in Canada.

The following table analyzes changes in the financial position of the Group defined benefit pension plans:

	2011				2010 (1)			
(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Present value of the obligations at the beginning of the year	3,208	2,720	53	**5,981**	2,821	2,626	41	**5,488**
Translation adjustments	81	50	(2)	**129**	267	73	4	**344**
Changes in scope of consolidation	-	4	(14)	**(10)**	-	-	-	**-**
Current service cost	38	18	-	**56**	34	17	1	**52**
Interest cost	170	146	2	**318**	174	146	3	**323**
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	7	(22)	-	**(15)**	2	7	-	**9**
• Unrecognized costs	-	(21)	-	**(21)**	-	-	-	**-**
Benefits paid	(213)	(120)	-	**(333)**	(198)	(113)	1	**(310)**
Other items	-	(4)	(1)	**(5)**	(2)	4	2	**4**
Actuarial (gains) or losses generated during the year	413	119	2	**534**	110	(40)	1	**71**
Present value of the obligations at the end of the year	**3,704**	**2,890**	**40**	**6,634**	**3,208**	**2,720**	**53**	**5,981**
Fair value of plan assets at the beginning of the year	2,826	1,832	23	**4,681**	2,259	1,589	19	**3,867**
Translation adjustments	70	45	(1)	**114**	219	59	3	**281**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Expected return on plan assets	208	124	2	**334**	191	105	2	**298**
Contributions paid to the plans	35	20	1	**56**	247	88	1	**336**
Administration costs	-	(6)	-	**(6)**	-	(5)	-	**(5)**
Benefits paid by the plans	(213)	(97)	(1)	**(311)**	(197)	(92)	2	**(287)**
Other items	-	-	-	**-**	-	-	-	**-**
Actuarial gains or (losses) generated during the year	(1)	(58)	1	**(58)**	107	88	(4)	**191**
Fair value of plan assets at the end of the year	**2,925**	**1,860**	**25**	**4,810**	**2,826**	**1,832**	**23**	**4,681**
Deficit/(surplus) at the end of the year	**779**	**1,030**	**15**	**1,824**	**382**	**888**	**30**	**1,300**
Deferred items at the beginning of the year	(6)	2	1	**(3)**	(6)	2	-	**(4)**
Translation adjustments	-	-	-	**-**	-	-	-	**-**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Unrecognized asset due to application of the asset ceiling generated during the year	(2)	-	-	**(2)**	-	-	-	**-**
Amortization of plan reorganization costs during the year	-	-	-	**-**	-	-	-	**-**
Unrecognized plan reorganization costs generated during the year	-	(22)	-	**(22)**	-	-	1	**1**
Deferred items at the end of the year	**(8)**	**(20)**	**1**	**(27)**	**(6)**	**2**	**1**	**(3)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**787**	**1,050**	**14**	**1,851**	**388**	**886**	**29**	**1,303**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

In 2011, the present value of defined benefit pension obligations increased by €(653) million. This increase was due to:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(129)	(344)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(534)	(71)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(41)	(65)
Changes in plan regulations	36	(9)
Changes in the scope of consolidation	10	-
Other item	5	(4)

The fair value of plan assets amounted to €4,810 million at December 31, 2011, showing an increase of €129 million compared to December 31, 2010. The factors behind this increase were as follows:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	114	281
Difference between the contributions paid to the funds and the benefits paid by the funds	(261)	44
Actual return on plan assets	276	489
Changes in the scope of consolidation	-	-
Other item	-	-

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 2011 and the previous four periods:

(in € million)	2011	2010	2009	2008	2007
Defined benefit obligation	(6,634)	(5,981)	(5,488)	(4,564)	(5,580)
Plan assets	4,810	4,681	3,867	3,200	4,744
SURPLUS / (DEFICIT)	**(1,824)**	**(1,300)**	**(1,621)**	**(1,364)**	**(836)**
Experience adjustment to:					
• plan liabilities	8	86	(10)	(80)	(31)
• plan assets	(58)	191	219	(1,073)	64

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:

	2011	2010	2009	2008	2007
Experience adjustment to:					
• the plan liabilities in percentage of the present value of the obligation (DBO)	0.12%	1.44%	-0.18%	-1.75%	-0.56%
• to the plan assets in percentage of the fair value of the assets	-1.21%	4.08%	5.66%	-33.53%	1.35%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	DECEMBER 31, 2011			DECEMBER 31, 2010		
	NORTH AMERICA	EUROPE	OTHER	NORTH AMERICA	EUROPE	OTHER
Discount rate	4.43%	4.94%	10.77%	5.25%	5.36%	10.56%
Rate of salary increases	2.63%	3.17%	6.50%	2.64%	3.46%	6.30%
Average remaining service lives (in years)	9.1	11.3	10.9	10.3	10.8	10.5
Expected return on plan assets	7.27%	6.13%	10.77%	7.43%	6.67%	10.56%

Group obligations are regularly calculated by independent actuaries using the Projected Unit Credit Method based on end-of-career salaries.

The expected return on plan assets is determined for each portfolio taking into account market conditions at the measurement date, portfolio strategic composition as well as long-term returns of each class and sub-class of assets, with an allocation for active manager's performance and deduction of manager's fees.

Two methods are used to determine the expected returns. One is based upon the expected long term inflation as used in the main assumptions plus a spread for each asset class representing the long term expected real return plus a spread for active management and diversification impact, less manager fees. The other one based on swap rates plus a risk premium representing the expected return of each asset class and a spread for active management and diversification impact less manager fees.

The discount rates, salary increase and inflation 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. On the asset side, the change in the expected return on plan assets can have a significant effect on the following year expected benefit cost.

A one-percentage-point change in these rates compared to those used for 2011 would have the following effect on:

	1-POINT INCREASE	1-POINT DECREASE
• The discount rate on the defined benefit obligation (DBO)	-11.90%	14.80%
• The discount rate on the aggregate of current service cost and interest cost	3.29%	-5.02%
• The inflation rate on the defined benefit obligation (DBO)	8.72%	-7.74%
• The inflation rate on the aggregate of current service cost and interest cost	9.28%	-8.05%
• The salary increase rate on the defined benefit obligation (DBO)	2.28%	-1.71%
• The salary increase rate on the aggregate of current service cost and interest cost	3.92%	-2.83%
• The interest rate on the fair value of plan assets	-5.76%	6.64%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	YEAR ENDED DECEMBER 31, 2011				YEAR ENDED DECEMBER 31, 2010 (1)			
(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Cost of services rendered during the year	36	22	3	**61**	34	23	2	**59**
Interest cost	159	142	3	**304**	173	146	4	**323**
Expected return on plan assets	(195)	(120)	(2)	**(317)**	(191)	(105)	(3)	**(299)**
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	-	-	**-**	-	-	-	**-**
Past service cost recognized during the year	-	-	-	**-**	-	-	-	**-**
Effect of plan curtailments and settlements	7	(21)	(1)	**(15)**	2	7	(1)	**8**
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	**-**	-	-	-	**-**
TOTAL DEFINED PENSION BENEFIT EXPENSES	**7**	**23**	**3**	**33**	**18**	**71**	**2**	**91**
Actual return on plan assets	**207**	**65**	**2**	**274**	**299**	**193**	**(2)**	**490**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

The asset allocation of fully and partly funded pension plans is as follows:

	DECEMBER 31, 2011				DECEMBER 31, 2010			
	CANADA	USA	UK	OTHER	CANADA	USA	UK	OTHER
Equities	35%	34%	42%	9%	52%	42%	49%	10%
Alternative investments[1]	13%	15%	7%	1%	11%	18%	7%	-
Real estate	7%	5%	3%	8%	6%	3%	-	8%
Fixed income and cash	45%	46%	48%	82%	31%	37%	44%	82%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Duration in years of the fixed income portfolio	**14**	**13**	**15**	**6**	**12**	**8**	**11**	**N/A**

(1) Hedge funds and venture capital.

An internal group of experts, composed by the chairmen of the main investment committee's members, has issued investment guidelines for the use of the local investment committees stating, among other issues, not to invest in any Michelin securities or in any properties used by the Group. 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.

Each plan's asset allocation is decided periodically by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent actuaries in consultation with banks or investment management firms. The asset allocation takes into account the structure of employee-related liabilities and their terms.

Group contributions to pension plans and benefit payments made by these plans in 2011 and to be made during the 10 following years are as follows:

(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL
Contributions paid/payments made				
2011	34	42	5	81
Estimates of contributions expected to be paid and payments to be made				
2012	40	46	1	87
2013	177	74	1	252
2014	168	79	1	248
2015	159	84	1	244
2016	127	91	1	219
2017-2021	149	437	3	589

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 2011, on top of the ordinary contributions, it was decided to make an advanced contribution (€20 million) in Canada for an amount which is due early 2012.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly to 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 of America, 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 but are fully accounted for in the Group balance sheet liabilities.

Changes in the financial position of "other defined benefit plans" are as follows:

(in € million)	DECEMBER 31, 2011				DECEMBER 31, 2010 (1)			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Present value of the obligation at the beginning of the year	1,004	657	1	**1,662**	858	632	1	**1,491**
Translation adjustments	26	-	(1)	**25**	80	1	-	**81**
Changes in scope of consolidation	-	-	14	**14**	-	-	-	**-**
Current service cost	11	24	2	**37**	11	23	-	**34**
Interest cost	53	32	2	**87**	52	29	-	**81**
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	(1)	5	9	**13**	-	(2)	-	**(2)**
• Unrecognized costs	-	-	-	**-**	-	-	-	**-**
Benefits paid	(56)	(20)	(1)	**(77)**	(56)	(26)	-	**(82)**
Other items	-	(1)	-	**(1)**	2	1	-	**3**
Actuarial (gains) or losses generated during the year	118	41	1	**160**	57	(1)	-	**56**
Present value of the obligations at the end of the year	**1,155**	**738**	**27**	**1,920**	**1,004**	**657**	**1**	**1,662**
Fair value of plan assets at the beginning of the year	-	-	-	**-**	-	-	-	**-**
Translation adjustments	-	-	-	**-**	-	-	-	**-**
Expected return on plan assets	-	-	-	**-**	-	-	-	**-**
Contributions paid to the plans	-	-	-	**-**	-	-	-	**-**
Administration costs	-	-	-	**-**	-	-	-	**-**
Benefits paid by the plans	-	-	-	**-**	-	-	-	**-**
Other items	-	-	-	**-**	-	-	-	**-**
Actuarial gains or (losses) generated during the year	-	-	-	**-**	-	-	-	**-**
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deficit/(surplus) at the end of the year	**1,155**	**738**	**27**	**1,920**	**1,004**	**657**	**1**	**1,662**
Deferred items at the beginning of the year	(133)	68	-	**(65)**	(143)	76	-	**(67)**
Translation adjustments	(4)	-	-	**(4)**	(12)	-	-	**(12)**
Changes in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Amortization of plan reorganization costs during the year	23	(8)	-	**15**	22	(8)	-	**14**
Unrecognized plan reorganization costs generated during the year	-	-	-	**-**	-	-	-	**-**
Deferred items at the end of the year	**(114)**	**60**	**-**	**(54)**	**(133)**	**68**	**-**	**(65)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**1,269**	**678**	**27**	**1,974**	**1,137**	**589**	**1**	**1,727**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

In 2011 the present value of other defined benefit plans increased by €(258) million, due to:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(25)	(81)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(160)	2
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(47)	(33)
Changes in plan regulations	(13)	(56)
Changes in the scope of consolidation	(14)	-
Other item	1	(3)

The present value of the defined benefit obligation and experience adjustments are as follows for 2011 and the previous four periods:

(in € million)	2011	2010	2009	2008	2007
Defined benefit obligation	(1,920)	(1,662)	(1,491)	(1,466)	(1,650)
Experience adjustments to plan liabilities	3	27	33	18	19
Experience adjustments to plan liabilities (in % of present value of the obligation – DBO)	0.16%	1.62%	2.21%	1.23%	1.15%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	DECEMBER 31, 2011			DECEMBER 31, 2010		
	NORTH AMERICA	EUROPE	OTHER	NORTH AMERICA	EUROPE	OTHER (1)
Discount rate	4.41%	4.93%	8.09%	5.25%	4.92%	-
Average remaining service lives (in years)	10.7	14.7	12.7	11.1	13.9	-

(1) In 2010, the Group had no "Other Defined Benefit Plans" requiring the use of actuarial assumptions outside North America and Europe in 2010.

Assumptions concerning healthcare cost trends are as follows:

	DECEMBER 31, 2011		DECEMBER 31, 2010	
	USA	CANADA	USA	CANADA
Expected growth in healthcare costs in the first year	8.17%	6.27%	7.84%	5.00%
Minimum long-term rate of annual growth in healthcare costs	5.00%	4.50%	5.00%	5.00%
Year in which the minimum growth rate will be achieved	2018	2016	2017	2011

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.

A one-percentage-point change in these rates compared to those used for 2011 would have the following effect on:

	1-POINT INCREASE	1-POINT DECREASE
• The discount rate on the defined benefit obligation (DBO)	-9.7%	11.6%
• The discount rate on the aggregate of current service cost and interest cost	2.2%	-3.0%
• The healthcare cost trend on the healthcare defined benefit obligation	6.8%	-6.4%
• The healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plans	8.0%	-7.1%

Net income and expenses recognized in the income statement are as follows:

(in € million)	YEAR ENDED DECEMBER 31, 2011				YEAR ENDED DECEMBER 31, 2010 [(1)]			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Cost of services rendered during the year	10	25	2	**37**	11	25	-	**36**
Interest cost	49	32	2	**83**	53	29	-	**82**
Expected return on plan assets	-	-	-	**-**	-	-	-	**-**
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(8)	-	**(8)**	-	(5)	-	**(5)**
Past service cost recognized during the year	(21)	8	-	**(13)**	(23)	9	-	**(14)**
Effect of plan curtailments and settlements	(1)	5	10	**14**	-	-	-	**-**
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	**-**	-	-	-	**-**
TOTAL OTHER DEFINED BENEFIT EXPENSES	**37**	**62**	**14**	**113**	**41**	**58**	**-**	**99**

(1) Figures have been adjusted as mentioned in note 2.3 "Change in accounting method" and are therefore different from those presented in the 2010 financial statements.

Group payments made under other defined plans in 2011 and to be made during the ten following years are as follows:

(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL
Payments made				
2011	52	21	1	74
Estimates of payments to be made				
2012	70	29	3	102
2013	71	24	1	96
2014	72	40	1	113
2015	74	64	2	140
2016	75	81	2	158
2017-2021	367	405	15	787

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. These are mainly found in the United States of America, Canada and the United Kingdom.

In 2011, the contributions paid to such defined contribution plans and expensed amounted to €93 million (2010: €87 million).

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:

	2011		2010	
	WEIGHTED AVERAGE EXERCISE PRICE (in € per option)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (in € per option)	NUMBER OF OPTIONS
At January 1	**58.49**	**4,874,219**	**59.86**	**4,767,721**
Granted before the October 2010 capital increase	-	-	54.00	251,100
Adjusted as part of the October 2010 capital increase	-	-	58.60	171,079
Granted in 2011	66.00	252,900	-	-
Forfeited before the October 2010 capital increase	-	-	61.78	(37,120)
Forfeited after the October 2010 capital increase	56.65	(52,669)	75.17	(3,054)
Exercised before the October 2010 capital increase	-	-	41.91	(206,890)
Exercised after the October 2010 capital increase	42.72	(282,972)	40.11	(68,617)
AT DECEMBER 31	**59.83**	**4,791,478**	**58.49**	**4,874,219**

2,542,919 of the 4,791,478 options outstanding as at December 31, 2011 are exercisable (2010: 1,676,511 in total and 4,874,219 exercisable).

Assumptions used to value the share options granted in 2011 are as follows:

Grant date	May 19, 2011
Number of options granted	252,900
Weighted average share price (in € per share)	65.01
Exercise price (in € per share)	66.00
Volatility	38.08%
Risk free interest rate	3.65%
Market value of the option at grant date (in € per option)	10.07

The maximum gain allowed is limited to 100% of the exercise price. The options will vest providing that the performance conditions (Group sales growth percentage and amount of operating income) are met.

Stock option plans have the following exercise prices and expiry dates:

			DECEMBER 31, 2011		DECEMBER 31, 2010	
GRANT DATES	VESTING DATES	EXPIRY DATES	EXERCISE PRICES (in € per option)	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICES (in € per option)	NUMBER OF OPTIONS OUTSTANDING
May 2002	May 2006	May 2011(1)	42.47	2,695	42.47	147,472
May 2003	May 2007	May 2012	31.13	35,148	31.13	48,977
November 2003	November 2007	November 2012(2)	32.82	96,890	32.82	113,419
May 2004	May 2008	May 2013	38.61	81,256	38.61	102,900
July 2004	July 2008	July 2013	42.96	90,417	42.96	101,691
May 2005	May 2009	May 2014	46.34	203,749	46.34	217,557
November 2005	November 2009	November 2014	46.34	730,597	46.34	807,632
May 2006	May 2010	May 2015	55.99	131,890	55.99	136,863
May 2007	May 2011	May 2016	87.85	1,170,277	87.85	1,183,652
May 2008	May 2012	May 2017	59.85	315,987	59.85	319,095
November 2009	November 2013	November 2018	51.16	1,419,534	51.16	1,434,823
May 2010	May 2014	May 2019	52.13	260,138	52.13	260,138
May 2011	May 2015	May 2020	66.00	252,900	-	-
OUTSTANDING STOCK OPTIONS				**4,791,478**		**4,874,219**

(1) Includes an auxiliary plan expiring in May 2012 (2,695 options outstanding at December 31, 2011).
(2) Includes an auxiliary plan expiring in November 2013 (2,488 options outstanding at December 31, 2011).

28.2. Performance share plan

Based on the authorization given by the Annual General Meeting held in May 2011, the General Managing Partners decided to issue a performance share plan in November 2011.

Under the terms of this plan, 287,944 shares of the Company have been granted to Group employees. Grantees working for French subsidiaries are subject to a vesting period of 3 years that ends in November 2014 followed by a two-year lock-up period ending in November 2016. Grantees working for foreign subsidiaries are subject to a vesting period of 4 years ending in November 2015 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 the performance shares granted is estimated at €37.49 for grantees of French subsidiaries and at €35.49 for grantees of foreign subsidiaries. These fair values are 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 €9 million.

The expense recognized in 2011 amounts to less than €1 million and is included in Other operating income and expenses.

28.3. Share purchase plan

No share purchase plan has been implemented in 2011.

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

The carrying amount of provisions and other long-term liabilities is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Restructuring provisions	231	366
Litigation provisions	146	121
Other provisions	80	86
Provisions	**457**	**573**
Deferred revenue – Government grants	100	129
Other deferred revenue	158	151
Debts towards employees and social security authorities	89	85
Non-current liabilities	**347**	**365**
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	**804**	**938**

Movements in provisions during the year:

(in € million)	RESTRUCTURING	LITIGATION	OTHER PROVISIONS	TOTAL
At January 1, 2011	**366**	**121**	**86**	**573**
Additional provisions	30	81	34	145
Provisions utilized during the year	(145)	(56)	(41)	(242)
Unused provisions reversed during the year	(19)	-	(3)	(22)
Translation adjustments	(1)	-	4	3
Other effects	-	-	-	-
AT DECEMBER 31, 2011	**231**	**146**	**80**	**457**

29.1. Restructuring

As at December 31, 2011, the remaining restructuring provisions were related to restructuring taking place mainly in the following countries:

	DECEMBER 31, 2011	DECEMBER 31, 2010
France	104	176
Spain	81	109
Italy	28	28
North America	10	28
Germany	5	16

29.2. Litigation

The amounts recognized represent mainly legal claims introduced by non-Group third parties. The provisions recognized in respect of litigation are booked in the income statement, essentially in General and administrative expenses.

29.3. Other provisions

These amounts represent the risks arising from a commercial, technical 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, 2011	DECEMBER 31, 2010
Customers – Deferred rebates	862	825
Employee benefits	426	370
Social security liabilities	282	290
Restructuring liabilities	23	23
Current income tax payable	91	120
Other taxes	243	235
Other	289	273
OTHER CURRENT LIABILITIES	**2,216**	**2,136**

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, 2011	YEAR ENDED DECEMBER 31, 2010
(Gains)/losses on disposal of non-financial assets	(14)	(5)
Other	(10)	(9)
Other non-cash income and expenses	**(24)**	**(14)**
Interest and other financial expenses paid	(242)	(229)
Interest and other financial income received	27	32
Dividends received	26	20
Cost of net debt and other financial income and expenses paid	**(189)**	**(177)**
Change in inventories	(806)	(584)
Change in trade receivables	(286)	(338)
Change in other receivables and payables	198	495
Change in working capital, net of impairments	**(894)**	**(427)**
Purchases of intangible assets	(108)	(99)
Purchases of PP&E	(1,603)	(1,001)
Government grants received	2	4
Change in capital expenditure payables	41	132
Purchases of intangible assets and PP&E	**(1,668)**	**(964)**
Increase in other non-current financial assets	(20)	(19)
Decrease in other non-current financial assets	23	34
Net cash flows from cash management financial assets	510	(723)
Net cash flows from borrowing collaterals	(8)	(44)
Net cash flows from other current financial assets	1	9
Cash flows from other financial assets	**506**	**(743)**
Increase in non-current financial liabilities	60	150
Decrease in non-current financial liabilities	(233)	(201)
Repayment of finance lease liabilities	(14)	(11)
Net cash flows from current financial liabilities	(136)	(402)
Derivatives	(20)	27
Cash flows from financial liabilities	**(343)**	**(437)**
Details of non cash transactions:		
• Finance leases	7	3
• Decrease of liabilities to minority shareholders	(7)	(5)
• New emission rights	10	12
• Dividends paid in shares (note 24)	177	82

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, 2011	DECEMBER 31, 2010
Within one year	191	143
Between one and five years	367	338
More than five years	60	97
TOTAL FUTURE MINIMUM PAYMENTS	**618**	**578**

Total operating lease rents recognized in the income statement in 2011 amounted to €299 million (2010: €279 million).

— 32.1.2. Capital commitments

PP&E capital expenditure on the main extension projects, which were contracted but not delivered before December 31, 2011, amounts to €444 million (of which €89 million is likely to be delivered from 2013).

— 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 2012. They are established under normal market conditions and arise in the course of the Group ordinary activities.

32.2. Contingencies

— 32.2.1. Michelin Pension Trust Ltd UK

Following the introduction of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension funds, "Recovery Plan", was established between Michelin Pension Trust Ltd U.K. and Michelin U.K. In order to limit the amount of the contributions and to stagger them over more than ten years, the Group issued in 2007 a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make. At December 31, 2011, the discounted guaranteed amount in excess of the amount already recognized in the financial statements amounts to €50 million.

— 32.2.2. 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 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 €36 million (2010: €35 million).

— 32.3.2. Non-current financial assets and other assets

Loans and deposits (note 15.2 "Loans and deposits") amounting to €52 million (2010: €40 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 €455 million (2010: €530 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 €93 million as at December 31, 2011 (2010: €381 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 2011.

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)	2011	2010
Income statement		
Income for the purchase of products or supply of services	8	-
Expenses for the purchase of products or supply of services	(215)	(151)
Balance sheet		
Financial liabilities	(14)	(10)
Accounts payable	(10)	(11)

34.2. Senior Management and Supervisory Board

In 2011, the Managing General Partner received in respect of 2010, an aggregate amount of €4.5 million, proportional to and dependent upon profit (2010 in respect of 2009: €0.7 million). The Managing General Partner has not received any other compensation.

The compensation paid to the Non-General Managing Partners in 2011 totaled €6.3 million (2010: €3.4 million). This amount breaks down as follows:

(in € million)	2011	2010
Short term benefits	5.9	2.5
Post-employment benefits	0.4	0.9
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
COMPENSATION PAID TO NON-GENERAL MANAGING PARTNERS	**6.3**	**3.4**

The variable compensation to be paid for 2011 could not be estimated at the date the financial statements were authorized for issue, but will be provided in chapter 4.4 of the Registration Document together with a detailed description of the Non-General Managing Partners compensation provisions.

The fluctuation of the compensation paid to non-general Managing Partners is essentially due to the decision of the General Partners, with the agreement of the Supervisory Board, to put an end to Mr Miraton's appointment as Managing Partner and to the booking of long-term incentive bonuses granted to the non-general Managing Partners.

The compensation paid to the members of the Group Executive Council in 2011 totaled €7.5 million (2010: €6.6 million). This amount breaks down as follows:

(in € million)	2011	2010
Short term benefits	5.7	4.5
Post-employment benefits	0.8	1.4
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	1.0	0.7
COMPENSATION PAID TO MEMBERS OF THE GROUP EXECUTIVE COUNCIL	**7.5**	**6.6**

The following fees were paid in 2011 to the Supervisory Board members (for services rendered in 2010): €0.3 million (2010 for services rendered in 2009: €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 Partners authorized for issue the 2011 consolidated financial statements.

Further to the joint venture agreement signed in September 2011 and the approval by the Chinese Anhui Province authorities, the Group paid in January 2012 a first tranche of USD 48 million to acquire 40% of the share capital of Double Coin Group (Anhui) WARRIOR Tire Co., Ltd. The outstanding balance will be determined and paid within two years. The company is active in the development, the manufacture and the distribution of WARRIOR Tires. The investment will be consolidation for in 2012 using the equity method.

NOTE 36 LIST OF MAIN GROUP COMPANIES

Countries within the Michelin geographical 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
Société pour le Traitement de l'Information Trinfover	Zellik	Miscellaneous	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
Pneumatiques Kléber	Toul	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Bassens	Manufacturing	100.00
Société de Développement Mécanique	Wattignies	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	Pirot	Manufacturing & commercial	100.00
Romania			
Michelin Romania S.A.	Bucharest	Commercial	99.82
United Kingdom			
Michelin Tyre Public Limited Company	Stoke-on-Trent	Manufacturing & commercial	100.00
Associated Tyre Specialists 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
Michelin Suisse S.A.	Givisiez	Commercial	100.00
Compagnie Financière Michelin	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	Manufacturing & 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, Inc.	Wilmington	Miscellaneous	100.00
Oliver Rubber Company, LLC	Wilmington	Manufacturing	100.00
Mexico			
Industrias Michelin, S.A. de C.V.	Mexico City	Manufacturing & commercial	100.00
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

COMPANIES	REGISTERED OFFICE	NATURE	% OF INTEREST
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00
Colombia			
Industria Colombiana de Llantas S.A.	Cali	Manufacturing & commercial	99.94
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, 2011

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, 2011, 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 Partners. 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, 2011 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 the matter set out in the note 2.3 to the consolidated financial statements regarding the change in the accounting method of the employee benefits.

— 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 2.6 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 and to employee benefits.
  We have examined the process applied for the determination by the management of the assumptions used and their implementation, as well as the corresponding information disclosed in the notes to the accounts.
  As mentioned in note 2.6.1 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.
- Note 18 to the accounts "Deferred tax assets and liabilities" presents net deferred tax assets amounting to €1,273 million.
- As part of our work, we verified that the amount of deferred tax assets stated is recoverable.

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 6, 2012

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Christian Marcellin	Dominique Descours

The Statutory Auditors
Members of *"Compagnie régionale de Versailles"*

8

COMPANY FINANCIAL STATEMENTS

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8.1. REVIEW OF THE FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

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

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all the manufacturing, sales and research operations based in France.
- Compagnie Financière Michelin (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 earned net income of €360,146,000 in 2011, up €175.2 million from the €184,932,000 reported in 2010.

8.1.1.a) Operating income

Operating income amounted to €185.8 million, compared with €155.0 million in 2010. On a constant scope of consolidation basis, royalty revenue rose by 7% during the year, while operating expenses increased to €346.8 million from €325.1 million, primarily as a result of the higher research expenses re-invoiced to CGEM, the costs of organizing the Michelin Challenge Bibendum in Berlin, and motorsports outlays.

8.1.1.b) Financial income

Financial income stood at €196.0 million, *versus* €59.1 million in 2010, due to the sharp increase in dividend income.

8.1.2. BALANCE SHEET

Equity amounted to €6,325 million at December 31, 2011, compared with €6,102 million a year earlier. The increase primarily reflected the growth in net income for the year, as well the rise 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, 2011

ASSETS (in € thousand)	NOTE	DECEMBER 31, 2011 COST	DECEMBER 31, 2011 DEPRECIATION, AMORTIZATION & PROVISIONS	DECEMBER 31, 2011 NET	DECEMBER 31, 2010 NET
Non-current assets					
Intangible assets					
Patents, licenses and other rights		26,191	26,191	0	100
Other intangible assets		61	61	0	4
	5	**26,252**	**26,252**	**0**	**104**
Property and equipment					
Land		102	-	102	102
Buildings		1,837	1,837	0	26
Other		346	346	0	10
	5	**2,285**	**2,183**	**102**	**138**
Investments (1)					
Shares in subsidiaries and affiliates	5-6-7-22-23	5,980,535	91	5,980,444	5,780,445
Loans and advances to subsidiaries and affiliates	5-7-9	1,140,592	-	1,140,592	900,821
Other equity interests	5-7-9-22	13,251	-	13,251	3,181
	5	**7,134,378**	**91**	**7,134,287**	**6,684,447**
(I)		**7,162,915**	**28,526**	**7,134,389**	**6,684,689**
Current assets					
Receivables	7-9	305,311	-	305,311	284,050
Marketable securities		1	0	1	1
Cash		452,906	-	452,906	464,457
		758,218	**0**	**758,218**	**748,508**
Accruals					
Prepaid expenses		291	-	291	121
(II)		**758,509**	**0**	**758,509**	**748,629**
Deferred charges and bond call premiums (III)		**0**	**-**	**0**	**940**
Conversion losses (IV)		**-**	**-**	**-**	**-**
ASSETS (I)+(II)+(III)+(IV)		**7,921,424**	**28,526**	**7,892,898**	**7,434,258**
(1) of which: short-term				*510,592*	*270,821*
of which: long-term				*630,020*	*630,020*

EQUITY AND LIABILITIES (in € thousand)		NOTE	DECEMBER 31, 2011	DECEMBER 31, 2010
Equity				
Share capital		13	360,038	353,216
Paid in capital in excess of par			3,396,133	3,214,615
Revaluation reserves		11	624,772	624,772
Other reserves		12	1,283,361	1,277,527
Retained earnings			239,453	385,212
Net income for the year			360,146	184,932
Untaxed reserves		6	61,598	61,598
	(I)		**6,325,501**	**6,101,872**
Liabilities (1)				
Convertible bonds		10	808,868	784,821
Other bonds			13	13
Subordinated notes		10	128,545	197,235
Other borrowings		10	404,400	168,500
Other financial liabilities (2)		7-10	21,706	33
Accrued taxes and payroll costs		10	6,723	3,668
Other liabilities		7-10	197,142	178,116
	(II)		**1,567,397**	**1,332,386**
Conversion gains	**(III)**			
TOTAL EQUITY AND LIABILITIES	**(I)+(II)+(III)**		**7,892,898**	**7,434,258**
(1) of which: long-term			*938,704*	*981,096*
of which: short-term			*628,693*	*351,290*
(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, 2011

(in € thousand)		NOTE	2011	2010
Revenue				
Royalties (of which, export revenues: €427,628)		14	532,552	479,974
Other revenue			28	73
Total revenue	**(I)**		**532,580**	**480,047**
Operating expenses				
External charges			329,633	315,592
Taxes other than on income			10,942	5,516
Wages and salaries		17-18	4,245	2,706
Payroll taxes			1,436	824
Depreciation and amortization			235	108
Other expenses			276	326
Total operating expenses	**(II)**		**346,767**	**325,072**
OPERATING INCOME	**(I)-(II)**		**185,813**	**154,975**
Financial income				
Dividends from subsidiaries and affiliates (1)			236,047	98,196
Interest income (1)			3,504	1,647
Exchange gains			1,306	1,657
Total financial income	**(III)**		**240,857**	**101,500**
Financial expense				
Amortization and provision expense			0	217
Interest expense (2)			43,918	40,019
Exchange losses			898	2,128
Total financial expenses	**(IV)**		**44,816**	**42,364**
NET FINANCIAL INCOME	**(III)-(IV)**		**196,041**	**59,136**
INCOME BEFORE NON-RECURRING ITEMS AND TAX	**(I-II+III-IV)**		**381,854**	**214,111**
Non-recurring income				
From revenue transactions			7	108
From capital transactions			0	382
Total non-recurring income	**(V)**		**7**	**490**
Non-recurring expenses				
From revenue transactions			69	99
From capital transactions			0	383
Total non-recurring expenses	**(VI)**		**69**	**482**
NET NON-RECURRING INCOME (EXPENSE)	**(V-VI)**		**(62)**	**8**
INCOME TAX EXPENSE	**(VII)**	**15**	**21,646**	**29,187**
Total revenue	(I+III+V)		773,444	582,037
Total expenses	(II+IV+VI+VII)		413,298	397,105
NET INCOME			**360,146**	**184,932**
(1) of which: income from related parties			*236,047*	*98,196*
(2) of which: expenses paid to related parties			*29*	*29*

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 Managing Partners on February 6, 2012 after being reviewed by the Supervisory Board.

Unless otherwise specified, all amounts are presented in thousands of euros.

NOTE 2 SIGNIFICANT EVENT OF THE YEAR

The Company increased the equity of its Manufacture Française des Pneumatiques Michelin subsidiary by €200 million.

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 equipment, 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.

4.4. Receivables

Accounts receivable are stated at nominal value.

4.5. Paid in capital in excess of par

This item corresponds mainly to premiums on shares issued for cash or on conversion of bonds, after deducting issuance costs net of tax.

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.

4.8. Deferred charges and bond call premiums

Deferred charges and bond call premiums relate to:

- 2003 subordinated note issuance costs;
- 2003 subordinated note call premiums.

These expenses were fully amortized over the year.

4.9. 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 € thousand)	COST AT JANUARY 1, 2011	ADDITIONS, NEW LOANS INCREASES IN ACCRUED INTEREST	DISPOSALS, DECOMMISSIONING REDUCTION IN LOANS AND ACCRUED INTEREST	COST AT DECEMBER 31, 2011
Intangible assets	26,157	95		26,252
Property and equipment	2,285	-		2,285
	28,442	**95**		**28,537**
Shares in subsidiaries and affiliates	5,780,535	200,000(1)		5,980,535
Loans and advances to subsidiaries and affiliates	900,821	239,771		1,140,592
Other equity interests	3,161	10,070		13,231
Other investments	20	-		20
	6,684,537	**449,841**		**7,134,378**
TOTAL	**6,712,979**	**449,936**		**7,162,915**

(1) As explained in Note 2, Compagnie Générale des Établissements Michelin underwrote a share issue by Manufacture Française des Pneumatiques Michelin.

5.2. Depreciation and amortization

(in € thousand)	AT JANUARY 1, 2011	INCREASE FOR THE YEAR	DECREASE FOR THE YEAR	AT DECEMBER 31, 2011
Accumulated amortization (intangible assets)	26,053	199	-	26,252
Accumulated depreciation (property and equipment)	2,147	36	-	2,183
TOTAL	**28,200**	**235**	**-**	**28,435**

NOTE 6 PROVISIONS

(in € thousand)	AT JANUARY 1, 2011	INCREASE FOR THE YEAR	DECREASE FOR THE YEAR	AT DECEMBER 31, 2011
Untaxed provisions	61,598	-	-	61,598
Provisions for impairment	91	-	-	91
TOTAL	**61,689**	**-**	**-**	**61,689**

NOTE 7 ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS

BALANCE SHEET ITEMS (in € thousand)	TRANSACTIONS INVOLVING RELATED COMPANIES	TRANSACTIONS INVOLVING OTHER COMPANIES IN WHICH MICHELIN HOLDS AN EQUITY INTEREST	RELATED COMPANIES
Shares in subsidiaries and affiliates (net book value)	5,980,444	-	-
Loans and advances to subsidiaries and affiliates	1,140,592	-	-
Other equity interests	-	3,238	-
Other receivables	246,174	-	-
Other financial liabilities	21,706	-	-
Other liabilities	195,316	-	-

NOTE 8 TREASURY STOCK

At December 31, 2011, the Company had no treasury stock.

NOTE 9 MATURITIES OF LOANS AND RECEIVABLES

(in € thousand)	TOTAL	DUE WITHIN ONE YEAR	DUE IN MORE THAN ONE YEAR
Non-current assets			
Loans and advances to subsidiaries and affiliates	1,140,592	510,592	630,000
Other investments	20	-	20
Current assets			
Receivables	305,311	305,311	
TOTAL	**1,445,923**	**815,903**	**630,020**

NOTE 10 MATURITIES OF PAYABLES AND LONG AND SHORT-TERM DEBT

(in € thousand)	TOTAL	DUE WITHIN ONE YEAR	DUE IN ONE TO FIVE YEARS	DUE IN MORE THAN FIVE YEARS
Convertible bonds	808,868	-	-	808,868 (1)
Other bonds	13	13	-	-
Subordinated notes	128,545	607	-	127,938 (2)
Other borrowings	404,400 (3)	404,400	-	-
Other financial liabilities	21,706	21,706	-	-
Accrued taxes and payroll costs	6,723	4,825	1,898	-
Other liabilities	197,142 (4)	197,142	-	-
Deferred income	-	-	-	-
TOTAL	**1,567,397**	**628,693**	**1,898**	**936,806**

(1) 2007-2017 convertible bond issue. The related issuance costs were expensed.
(2) At 6.375% from 2003 to 2013, then at a variable rate from 2014 to 2033.
(3) The commercial paper program totaled €1.5 billion during the year, with the nominal amount outstanding as of December 31, 2011 standing at €404.4 million.
(4) Including €1,720 thousand in charges to be paid

NOTE 11 REVALUATION RESERVES

Revaluation reserves amount to €624,772 thousand, of which:

- €32 thousand related to land;
- €624,740 thousand related to shares in subsidiaries and affiliates.

NOTE 12 RESERVES

Reserves at December 31, 2011 break down as follows:

(in € thousand)	
Legal reserve, of which €26,943 thousand allocated to long-term capital gains	35,321
Special long-term capital gains reserve	881,419
Other reserves	366,621
TOTAL	**1,283,361**

NOTE 13 SHARE CAPITAL

13.1. The company's share capital breaks down as follows:

	NUMBER OF SHARES	PER VALUE
Shares outstanding at January 1, 2011	176,607,845	€2
Other shares issued during the year	3,411,052	€2
Share capital at December 31, 2011	180,018,897	€2

13.2. 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:

	2011		2010	
	AVERAGE WEIGHTED EXERCISE PRICE (€ per option)	NUMBER OF OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE (€ per option)	NUMBER OF OPTIONS
At January 1	**58.49**	**4,874,219**	**59.86**	**4,767,721**
Granted before the October 2010 rights issue	-	-	54.00	251,100
Adjustment to reflect the October 2010 rights issue	-	-	58.60	171,079
Granted in 2011	66.00	252,900	-	-
Cancelled before the October 2010 rights issue	-	-	61.78	(37,120)
Cancelled after the October 2010 rights issue	56.65	(52,669)	75.17	(3,054)
Exercised before the October 2010 rights issue	-	-	41.91	(206,890)
Exercised after the October 2010 rights issue	42.72	(282,972)	40.11	(68,617)
AT DECEMBER 31	**59.83**	**4,791,478**	**58.49**	**4,874,219**

Of the 4,791,478 options outstanding at December 31, 2011, 2,542,919 were exercisable at that date (2010: 1,676,511 out of 4,874,219).

Options granted in 2011 were valued on the basis of the following assumptions:

Date of grant	May 19, 2011
Number of options granted	252,900
Average weighted share price (in €)	65.01
Exercise price (in €)	66.00
Volatility	38.08%
Risk-free interest rate	3.65%
MARKET VALUE OF THE OPTION AT DATE OF GRANT (in €)	**10.07**

The maximum gain is limited to 100% of the exercise price. The options 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.

Stock option plans in effect at December 31, 2011:

			DECEMBER 31, 2011		DECEMBER 31, 2010	
GRANT DATE	START OF EXERCISE PERIOD	END OF EXERCISE PERIOD	EXERCISE PRICE (in €)	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE (in €)	NUMBER OF OPTIONS OUTSTANDING
May 2002	May 2006	May 2011(1)	42.47	2,695	42.47	147,472
May 2003	May 2007	May 2012	31.13	35,148	31.13	48,977
November 2003	November 2007	November 2012(2)	32.82	96,890	32.82	113,419
May 2004	May 2008	May 2013	38.61	81,256	38.61	102,900
July 2004	July 2008	July 2013	42.96	90,417	42.96	101,691
May 2005	May 2009	May 2014	46.34	203,749	46.34	217,557
November 2005	November 2009	November 2014	46.34	730,597	46.34	807,632
May 2006	May 2010	May 2015	55.99	131,890	55.99	136,863
May 2007	May 2011	May 2016	87.85	1,170,277	87.85	1,183,652
May 2008	May 2012	May 2017	59.85	315,987	59.85	319,095
November 2009	November 2013	November 2018	51.16	1,419,534	51.16	1,434,823
May 2010	May 2014	May 2019	52.13	260,138	52.13	260,138
May 2011	May 2015	May 2020	66.00	252,900	-	-
NUMBER OF OPTIONS OUTSTANDING				**4,791,478**		**4,874,219**

(1) *Includes a supplementary plan expiring in May 2012 (2,695 options outstanding at December 31, 2011).*
(2) *Includes a supplementary plan expiring in November 2013 (2,488 options outstanding at December 31, 2011).*

— Performance share plan

Acting on the authorization granted by shareholders at the May 2011 Annual Meeting, the Managing General Partners decided to offer a performance share plan in November 2011. Under its terms, 287,944 shares of Michelin common stock were granted without consideration to employees. The shares granted to employees of companies incorporated in France are subject to a three-year vesting period ending in November 2014, followed by a two-year lock-up period ending in November 2016. Shares granted to employees of companies incorporated in other countries are subject to a four-year vesting period ending in November 2015 and may be sold immediately.

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 market value of the granted shares has been estimated at €37.49 per share for grantees employed by French companies and at €35.49 per share for employees of other companies, 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. The total cost of the plan has been estimated at €9 million, of which less than €1 million was recognized in 2011 in other operating income and expenses.

— Share buyback plan

The Company did not carry out any share buybacks during the year.

NOTE 14 REVENUE

Revenue for the year totaled 532,552 thousand, consisting entirely of royalties received from:

(in € thousand)	
France	57,503
Outside France	475,049
TOTAL	**532,552**

NOTE 15 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises 14 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 14 subsidiaries if they were taxed on a stand-alone basis amounted to €27,099 thousand for 2011.

Income tax recognized in the CGEM financial statements includes current taxes and deferred taxes.

Income tax expense reported in the income statement can be analyzed as follows:

(in € thousand)	
Current tax due from CGEM alone	29,908
Deferred tax benefit	(305)
Other (including the impact of Group relief)	(7,957)
TOTAL	**21,646**

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, 2011, the Company had receivables corresponding to royalties with a net book value of €228 million. These receivables, which are denominated in the Group's main trading currencies, have been converted into euros at the year-end exchange rate. The Company's policy consists of hedging its currency risks.

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

In accordance with the 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 General Partner(s) do not receive any other compensation or any fringe benefits.
- Two Non-General Managing Partners (Jean-Dominique Senard until his election as Managing General Partner on May 13, 2011 and Didier Miraton until his resignation took effect on June 30, 2011), whose compensation was paid by the Company.

The statutory share of 2010 profit allocated to the Managing General Partner in 2011 amounted to €4.1 million (2010: €0.7 million in respect of 2009 profit).

Total benefits expense for the Non-General Managing Partners amounted to €4.8 million in 2011 (2010: €3.4 million). This amount breaks down as follows:

(in € millions)	2011	2010
Short-term benefits[1]	4.8	2.5
Post-employment benefits[2]	0.0	0.9
TOTAL BENEFITS EXPENSE FOR NON-GENERAL MANAGING PARTNERS	**4.8**	**3.4**

(1) 2011 bonuses could not be estimated as of the date when the financial statements were approved for publication. This information will be disclosed in the Registration Document. The increase in 2011 primarily reflects the recognition of the long-term incentive bonuses paid to the Non-General Managing Partners.
(2) Included in retirement benefits, see Note 19.

A detailed description of the bonus scheme for Non-General Managing Partners is provided in section 4.3 of the Registration Document.

NOTE 18 AVERAGE NUMBER OF EMPLOYEES

	EMPLOYEES ON THE PAYROLL
Managing Partners	1
Managers	4
Employees	9
TOTAL	**14**

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, 2011 was around €0.7 million (2010: €3.4 million). No provision has been recorded for this amount.

NOTE 20 DEFERRED TAX ASSETS AND LIABILITIES

TYPES OF TEMPORARY DIFFERENCES (in € thousand)	TAX BASE	DEFERRED TAX ASSET/ LIABILITY
Net deferred tax asset at December 31, 2010	0	0
Long-term incentive bonus payable to the Non-General Managing Partners	1,898	294
ORGANIC	72	11
NET DEFERRED TAX ASSET AT DECEMBER 31, 2011 (15.5% TAX RATE)	**1,970**	**305**

NOTE 21 FEES PAID TO THE STATUTORY AUDITORS

Audit fees recognized in the 2010 financial statements amount to €420 thousand.

NOTE 22 SECURITIES PORTFOLIO AT DECEMBER 31, 2011

(in € thousand)	NUMBER OF SECURITIES		BOOK VALUE
Shares in subsidiaries and affiliates			
Compagnie Financière Michelin	25,022,827	shares	4,324,988
Manufacture Française des Pneumatiques Michelin	13,263,056	shares	1,614,296
Société de Technologie Michelin	100,000	shares	15,245
Spika S.A.	200,000	shares	25,915
			5,980,444
Other equity interests			
Siparex Croissance	43,222	shares	677
Siparex Associés	144,772	shares	2,226
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786	shares	335
Marketable securities			9,993
Other			20
			13,251
Other (aggregate)			**ns**
Marketable securities:			
Treasury stock	-	shares	-
Marketable securities			1

NOTE 23 LIST OF SUBSIDIARIES AND AFFILIATES

SUBSIDIARIES AND AFFILIATES	SHARE CAPITAL (1)	OTHER EQUITY EXCL. INCOME(1)	% INTEREST	BOOK VALUE OF SHARES		OUTSTANDING LOANS AND ADVANCES	GUARANTEES GIVEN BY THE COMPANY	LAST PUBLISHED REVENUE	LAST PUBLISHED PROFIT/ (LOSS)(1)	DIVIDENDS RECEIVED DURING THE YEAR
(in € thousand, unless otherwise specified)				COST	NET					
A – Detailed information about subsidiaries and affiliates (investments with a book value in excess of 1% of the Company's capital)										
Compagnie Financière Michelin Route Louis-Braille 10 1763 Granges-Paccot (Suisse)	2,502,355 (in CHF thousand)	5,789,810 (in CHF thousand)	99.99	4,324,988	4,324,988	1,092,859	-	-	681,651 (in CHF thousand)	203,355
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux 63000 Clermont-Ferrand	504,000	664,896	99.99	1,614,296	1,614,296	-	-	5,540,039	93,305	-
Société de Technologie Michelin 23, rue Breschet 63000 Clermont-Ferrand	15,200	3,458	100.00	15,245	15,245	6	-	215,758	3,595	3,000
Spika S.A. 23, rue Breschet 63000 Clermont-Ferrand	3,000	34,830	100.00	25,915	25,915	1,652	-	-	(5,504)	-
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.

8.3. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

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 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, 2011, on:

- the audit of the accompanying financial statements of Compagnie Générale des Établissements Michelin;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Managing Partners. 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, 2011 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 verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, 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 has been properly disclosed in the management report.

Neuilly-sur-Seine, February 6, 2012

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of *"Compagnie régionale de Versailles"*

8.4. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

For the year ended December 31, 2011

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 have 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 6, 2012

PricewaterhouseCoopers Audit
Christian Marcellin

Deloitte & Associés
Dominique Descours

The Statutory Auditors
Members of *"Compagnie régionale de Versailles"*

8.5. STATEMENT OF CHANGES IN EQUITY

(in € thousand and in € per share)	2011	2010
Net income		
Accounting profit		
Total	360,146	184,932
Per share	2.00	1.05
Recommended dividend		
Total	378,040	314,362
Per share	2.10	1.78

STATEMENT OF CHANGES IN EQUITY (in € thousand))	2011	2010
Equity at December 31, 2010	**6,101,872**	**4,779,623**
Dividend approved by the Annual Shareholders Meeting	(324,857)	(148,476)
Equity at January 1, 2011	**5,777,015**	**4,631,147**
Movements for the year:		
Par value of shares issued during the year	6,822	58,343
Increase in paid-in capital in excess of par	181,518	1,227,450
Net income for the year	360,146	184,932
Equity at December 31, 2011 before dividends	**6 325,501**	**6,101,872**
Total changes in equity during the year	548,486	1,470,725
Changes in equity during the year excluding structural changes	548,486	1,470,725

8.6. APPROPRIATION OF 2011 NET INCOME

(in € thousand)		
Amount to be appropriated		
Retained earnings brought forward from prior year		239,453
Net income for the year		360,146
Recommended appropriations		
Legal reserve	682	
Dividends	378,040[(1)]	
Statutory share of income attributed to the General Partners	8,773[(1)]	
Retained earnings	212,104	
TOTAL	**599,599**	**599,599**

(1) Subject to approval by the Annual Shareholders Meeting of May 11, 2012.

8.7. FIVE-YEAR FINANCIAL SUMMARY

(in € thousand and in € per share, unless otherwise specified)		2007	2008	2009	2010	2011
I –	**Capital at December 31**					
a)	Share capital	287,998	289,995	294,873	353,216	360,038
b)	Number of common shares outstanding	143,999,169	144,997,422	147,436,357	176,607,845	180,018,897
II –	**Results of operations**					
a)	Net revenue	429,238	401,938	355,783	479,974	532,552
b)	Earnings before tax, depreciation, amortization and provisions (EBITDA)	336,793	169,247	118,118	214,443	382,027
c)	Income tax	2,938	(19)	974	29,187	21,646
d)	Net income	277,548	286,147	115,592	184,932	360,146
III –	**Per share data**					
a)	Earnings per share after tax, before depreciation amortization and provision expenses (EBDA)	2.32	1.17	0.79	1.05	2.00
b)	Basic earnings per share	1.93	1.97	0.78	1.05	2.00
c)	Dividend per share	1.60	1.00	1.00	1.78	2.10(1)
IV –	**Personnel**					
a)	Average number of employees	29	25	20	18	14
b)	Total payroll	1,956	2,290	2,027	2,706	4,245
c)	Total benefits	693	762	726	824	1,436

(1) 2011 dividend recommended at the Annual Shareholders' Meeting of May 11, 2012.

9

ADDITIONAL INFORMATION

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9.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

— Person responsible for the Registration Document and the Annual Financial Report

Michel Rollier, Managing General Partner.

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, 2011 have been audited by the Statutory Auditors. Their report is provided in section 7.2 of this Registration Document, and includes an observation on a technical matter.

The consolidated financial statements for the year ended December 31, 2010, 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, 2009, 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 1, 2012

Michel Rollier
Managing General Partner

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 Christian Marcellin, Partner

Substitute Statutory Auditor, Pierre Coll, Partner, PricewaterhouseCoopers Audit

Deloitte & Associés

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

185, avenue Charles-de-Gaulle

92524 Neuilly-sur-Seine

Represented by 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.

In line with the proposal made by the Supervisory Board based on the Audit Committee's recommendation, the Annual Shareholders Meeting of May 7, 2010 decided to:

- renew the appointment for six years of PricewaterhouseCoopers Audit, represented by Christian Marcellin, as Statutory Auditor of CGEM, and of Pierre Coll as substitute Auditor;
- appoint for six years Deloitte & Associés, represented by Dominique Descours, as Statutory Auditor of CGEM, and B.E.A.S. as substitute Auditor.

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 2010 and 2011 by the Michelin Group to its Statutory Auditors.

2011 FEES TO THE STATUTORY AUDITORS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (CGEM)

	PRICEWATERHOUSECOOPERS				DELOITTE				TOTAL			
	(in thousands €)		(%)		(in thousands €)		(%)		(in thousands €)		(%)	
YEARS 2011 AND 2010	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Audit												
Statutory audits, opinions, reviews of standalone and consolidated financial statements												
• CGEM	210	206	5.3%	5.7%	210	206	7.4%	7.5%	420	412	6.2%	6.5%
• French subsidiaries	563	527	14.2%	14.5%	557	549	19.7%	20.0%	1,120	1,076	16.5%	16.9%
• Foreign subsidiaries	2,335	2,395	58.8%	65.7%	1,747	1,690	61.9%	61.7%	4,082	4,085	60.1%	64.0%
Other services directly linked to the statutory audit work												
• CGEM	-	55	0.0%	1.5%	-	50	0.0%	1.8%	-	105	0.0%	1.6%
• Subsidiaries	586	34	14.7%	0.8%	45	64	1.6%	2.4%	631	98	9.2%	1.5%
Sub-total Audit	**3,694**	**3,217**	**93.0%**	**88.2%**	**2,559**	**2,559**	**90.6%**	**93.4%**	**6,253**	**5,776**	**92.0%**	**90.5%**
Other services rendered by Auditors networks to subsidiaries												
Legal, tax and social	254	260	6.4%	7.1%	105	169	3.7%	6.2%	359	429	5.3%	6.7%
Others	26	169	0.6%	4.7%	159	11	5.7%	0.4%	185	180	2.7%	2.8%
Sub-total Others	**280**	**429**	**7.0%**	**11.8%**	**264**	**180**	**9.4%**	**6.6%**	**544**	**609**	**8.0%**	**9.5%**
TOTAL	**3,974**	**3,646**	**100.0%**	**100.0%**	**2,823**	**2,739**	**100.0%**	**100.0%**	**6,797**	**6,385**	**100.0%**	**100.0%**

The other services directly linked to the statutory audit work relate essentially to:

- financial and accounting procedures;
- a review of the sustainable development report; as well as
- sundry certificates (notably linked to government grants).

The other services rendered by Auditors networks to subsidiaries relate essentially to:

- conformity reviews of the transfer pricing documentation or the tax returns; as well as
- a tax review of some legal restructuring.

9.3. 2009 AND 2010 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, 2009 as well as the relevant Statutory Auditors' report contained in the Registration Document filed with AMF on March 1, 2010 (D.10-0079), pages 149 to 210 and 211 respectively.
- Consolidated financial statements for the period ended December 31, 2010 as well as the relevant Statutory Auditors' report contained in the Registration Document filed with AMF on March 7, 2011 (D. 11-0098), pages 158 to 214 and 215 respectively.

9.4. ANNUAL INFORMATION DOCUMENT

9.4.1. PRESS RELEASES

Available in French and English from the "Finance" section of the corporate website www.michelin.com/corporate and from the official French site: www.info-financiere.fr.

TITLE	DATE
Publication of the 2010 Registration Document	March 7, 2011
Compagnie Générale des Établissements Michelin: 6.375% per cent. lowest ranking subordinated notes due 2033	April 1, 2011
Publication of the preparatory documentation for the Annual Shareholders Meeting of May 13, 2011	April 11, 2011
Michelin signs a Memorandum of Understanding with Double Coin and Huayi	April 18, 2011
Financial Information for the Quarter Ending March 31, 2011	April 21, 2011
2011 Annual Shareholders Meeting	May 13, 2011
2010 Dividend Reinvestment Plan	May 13, 2011
Nearly 60% of the Michelin dividend will be reinvested in new shares	June 17, 2011
Release Press – June 21, 2011	June 21, 2011
Compagnie Générale des Établissements Michelin: 6.375% per cent. lowest ranking subordinated notes due 2033	July 8, 2011
Michelin signed a €1.5 billion Multicurrency Revolving Credit Facility	July 12, 2011
Financial Information for the Six Months Ended June 30, 2011	July 29, 2011
Michelin Group confirms the signing of a joint venture agreement in China with Double Coin and Huayi	September 7, 2011
Michelin Group Holds Investor Day in Cuneo	October 5, 2011
Financial Information for the Nine Months Ended September 30, 2011	October 26, 2011
Compagnie Générale des Établissements Michelin announces the launch of the sale by Compagnie Financière Michelin of its stake in Hankook Tire Co., Ltd. ("Hankook Tire")	November 8, 2011
Compagnie Générale des Établissements Michelin announces the successful completion of the private placement by Compagnie Financière Michelin of all of its stake in Hankook Tire Co., Ltd. ("Hankook Tire")	November 8, 2011
Financial Information for the Year Ended December 31, 2011	February 10, 2012
Michel Rollier announces that Jean-Dominique Senard will succeed him at the next Annual Shareholders Meeting	February 10, 2012

9.4.2. OTHER PERMANENT OR *AD HOC* INFORMATION

Available in French and English from the "Finance" section of the corporate website www.michelin.com/corporate and from the official French site: www.info-financiere.fr.

TITLE	DATE
Disclosure of the total number of voting rights and of the number of shares making up the Company's capital	
• At January 31, 2011	February 14, 2011
• At February 28, 2011	March 11, 2011
• At March 31, 2011	April 11, 2011
• At April 30, 2011	May 6, 2011
• At May 31, 2011	June 8, 2011
• At June 30, 2011	July 8, 2011
• At July 31, 2011	August 5, 2011
• At August 31, 2011	September 9, 2011
• At September 30, 2011	October 12, 2011
• At October 31, 2011	November 10, 2011
• At November 30, 2011	December 9, 2011
• At December 31, 2011	January 10, 2012
• At January 31, 2012	February 10, 2012
2011 Interim Financial Report	July 29, 2011
2010 Registration Document (including the Annual Financial Report, the internal control and corporate governance report, the description of the share buyback program, the annual information document and information on the fees paid to the Statutory Auditors)	March 7, 2011
2011 Registration Document (including the Annual Financial Report, the internal control and corporate governance report, the description of the share buyback program, the annual information document and information on the fees paid to the Statutory Auditors)	March 1, 2012

9.4.3. INFORMATION PUBLISHED IN *BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES* (BALO)

Available in French only from the website www.journal-officiel.gouv.fr.

TITLE	DATE
Avis de réunion de l'Assemblée générale mixte des actionnaires	March 9, 2011
Rectificatif à l'avis de réunion de l'Assemblée générale mixte des actionnaires	April 27, 2011
Avis d'approbation des comptes annuels et consolidés 2011 et rapports des Commissaires aux Comptes	May 27, 2011

9.4.4. INFORMATION PUBLISHED IN A FRENCH NEWSPAPER SPECIALIZED IN LEGAL ANNOUNCEMENTS

Available in French only from the newspapers' head offices.

TITLE	DATE
"L'Annonceur légal d'Auvergne et du Centre":	
Nomination de M. Jean-Dominique Senard en qualité de Gérant Associé Commandité	May 18, 2011
Mise à jour statutaire (représentation et vote électronique des actionnaires)	May 18, 2011
Augmentation de capital du 14 juin 2011 résultant du paiement du dividende en actions	June 16, 2011
Augmentation de capital du 6 juillet 2011 résultant de levées d'options de souscription d'actions effectuées du 1er janvier au 30 juin 2011	July 7, 2011
Cessation du mandat d'un Gérant non Commandité (M. Miraton)	July 7, 2011
Augmentation de capital du 10 janvier 2012 résultant de levées d'options de souscription d'actions et de conversion d'OCEANE effectuées du 1er juillet au 31 décembre 2011	January 12, 2012

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ANNUAL SHAREHOLDERS MEETING OF MAY 11, 2012

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10.1. REPORT OF THE MANAGING PARTNERS AND PROPOSED RESOLUTIONS

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. EXTRAORDINARY RESOLUTIONS

The first three resolutions concern the Company's governance.

1st and 2nd resolutions

— Resignation of Michel Rollier from his position as Managing General Partner

— Amendments to the Company's bylaws as a result of Michel Rollier's departure

In early 2011, Michel Rollier announced that he wished to step down from his position as Managing General Partner before the end of his term of office, which in the bylaws in force at the time of his election was set as the year in which he reaches the age of 72, *i.e.* 2017.

Consequently, at the Annual Shareholders Meeting held on May 13, 2011, shareholders were asked to elect Jean-Dominique Senard as Mr. Rollier's successor and to amend the Company's bylaws, in particular to modernize the conditions applicable to the election of Managing Partners and the duration of their terms of office.

The shareholders approved the corresponding resolutions put to the vote and elected Mr. Senard as Managing General Partner for a term of four years. At that time Mr. Rollier said that he would retire once the transition period was completed, which is now the case.

In accordance with the Company's bylaws, Mr. Rollier has therefore tendered his resignation to the other General Partners, and the Managing Partners are inviting shareholders to accept said resignation.

Furthermore, due to Mr. Rollier's departure, and in line with the new rules for electing Managing Partners that were approved at the 2011 Annual Shareholders Meeting, you are invited to remove the clauses in certain articles of the bylaws that only concern Managing General Partners elected in accordance with the former bylaws and which therefore are no longer applicable.

First resolution (Resignation of Michel Rollier from his position as Managing General Partner)

Having considered the reports of the Managing Partners and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting accepts Michel Rollier's resignation from his position as Managing Partner, effective from the close of this Meeting, before the end of his term of office and places on record that said resignation shall also terminate his position as a General Partner.

Second resolution (Amendments to the Company's bylaws as a result of Michel Rollier's departure)

Having considered the reports of the Managing Partners and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting:

- Places on record that subject to adoption of the first resolution, the Company no longer has any Managing General Partners elected with no term restrictions other than the age limit set in the bylaws.
- Resolves that, if the first resolution is adopted, the following clauses shall be deleted from the Company's bylaws as they only applied to General Managing Partners elected with no term restrictions:
  - The ninth paragraph of Article 10-1 – Election, term and re-election of Managing Partners:
    "However, for as long as a Managing General Partner remains in office without any term restrictions except for the age limit set in the bylaws, the decisions to be made by the Non-Managing General Partner in application of this Article 10-1 will be made jointly with said Managing General Partner.";
  - In Article 10-2 – Managing Chairman:
    - deletion of the second bullet point in the first paragraph: *"the Managing General Partner appointed without any term restrictions other than the age limit set in the bylaws if there are several Managing General Partners",*
    - deletion of the words *"all elected for a fixed term"* in the second paragraph;
  - The fifth paragraph of Article 13-1 – Termination of a Managing Partner's office. *"However, for as long as a Managing General Partner remains in office without any term restrictions except for the age limit set in the bylaws, the decisions to be made by the Non-Managing General Partner in application of this Article will be made jointly with said Managing General Partner, unless they concern the removal from office of that Managing General Partner.";*
  - The words *"fixed term"* in the fourth paragraph of Article 13-2 – Consequences of termination of a Managing Partner's office.

3rd resolution

— Amendments to the Company's bylaws in order to reduce the share of profits allocated to General Partners

The current bylaws provide that as consideration for the General Partners' unlimited personal liability for the Company's debts, the shareholders are required to allocate to them a share of the previous year's profits. This "statutory share of profits" corresponds to 12%

of the Company's net income for the previous year, capped at 1% of consolidated net income (see Article 30 of the bylaws summarized in section 5.1.2.c of the 2011 Registration Document). In view of the growth in the Group's businesses, this ceiling is generally reached every year in practice.

The purpose of the third resolution is to significantly lower the cap from the current 1% of consolidated net income to 0.6%. The steady increase in earnings, the Group's new scope and its outlook for future growth have made this reduction possible. The resolution reflects the continuous improvement in governance practices, shaped by the shareholder decisions at the 2011 Annual Meeting.

This reduction would take effect from the date of this Annual Shareholders Meeting called to approve the financial statements for the year ended December 31, 2011 and would result in a near-€6 million decrease in the share of profits allocated to the General Partners in respect to that year (see appropriation of 2011 net income proposed in the fourteenth resolution below).

Full details of compensation and benefits of the Managing Partners and Supervisory Board members for 2011 is provided in section 4.3 of the 2011 Registration Document, which can be viewed on the Company's website.

Third resolution (Amendments to the Company's bylaws in order to reduce the share of profits allocated to General Partners)

Having considered the reports of the Managing Partners and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to lower from the current 1% of net income to 0.6% the cap on the share of profits allocated to the Company's General Partners in accordance with the bylaws;
- to replace the figure "1%" by the figure "0.6%" in the fourth paragraph of Article 30 of the bylaws.

The purpose of the fourth to twelfth resolutions is to renew the financial authorizations granted in 2010 (a summary of current authorizations is provided in section 5.5.2 c of the 2011 Registration Document which can be viewed on the Company's website).

These renewed authorizations are required in order to ensure that Michelin maintains its ability to react swiftly in the event of any new financing needs arising as a result of its growth strategy, particularly in emerging markets.

A summary of the financial authorizations submitted for shareholder approval is presented in section 10.1.3.

4th resolution

— Authorization for the Managing Partners to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders

In the fourth resolution, shareholders are invited to authorize the Managing Partners 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 €126 million, or 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 billion.

This share capital ceiling has been reduced and is lower than the 40% cap set in the previous authorization granted for the same purpose at the Annual Shareholders Meeting held on May 7, 2010, which was used to increase the Company's share capital in October 2010 (for further details on this capital increase please refer to section 5.5.2.c of the 2010 Registration Document which can be viewed on the Company's website).

Fourth resolution (Authorization for the Managing Partners to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders)

Having considered the Managing Partners' report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of each 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 Managing Partners, or any one of them, to issue, on one or more occasions, shares and/or securities carrying immediate and/or deferred rights to the Company's existing or newly-issued 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 €126,000,000, or 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 laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to 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 €1,000,000,000 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 Managing Partners 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 Managing Partners may take one or more of the following courses of action, in the order of their choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters 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 Managing Partners 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 Managing Partners 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 in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date, subscription period and cum-rights date as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

5th resolution

— Authorization for the Managing Partners to issue shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights for existing shareholders

In the fifth resolution, shareholders are invited to authorize the Managing Partners 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 three 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 €36 million, or 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 €700 million.

In the same way as for the authorization set out in the fourth resolution, the share capital ceiling in this resolution has been reduced and is lower than the 14.9% cap set in the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 7, 2010.

Fifth resolution (Authorization for the Managing Partners to issue shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Partners' report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of each 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 Managing Partners, or any one of them, to public issue, on one or more occasions, shares and/or securities carrying immediate and/or deferred rights to the Company's existing or newly-issued 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 €36,000,000, or 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;
  - 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 €700,000,000, 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 three 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 Managing Partners 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 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, subscription period and cum-rights date as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

6th resolution

— Authorization for the Managing Partners 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 sixth resolution is to give the Managing Partners 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 fifth resolution.

This authorization would replace the unused authorization granted for the same purpose but with a higher ceiling at the Annual Shareholders Meeting of May 7, 2010.

Sixth resolution (Authorization for the Managing Partners to issue shares and/or securities carrying rights to shares through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Partners' report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of each 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 Managing Partners, or any one of them, to issue, on one or more occasions, shares and/or securities carrying immediate and/or deferred rights to the Company's existing or newly-issued 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 €36,000,000, or 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 and contractual provisions in order to protect the rights of existing holders of securities carrying rights to 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 €700,000,000, 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 fifth 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 three 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 Managing Partners 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 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, subscription period and cum-rights date as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

7th resolution

— Authorization for the Managing Partners to increase the number of securities to be issued in the event that an issue carried out under the fourth, fifth or sixth resolutions (with or without pre-emptive subscription rights) is oversubscribed

In the seventh resolution, shareholders are asked to authorize the Managing Partners to increase the number of securities issued in the event that any issues carried out under the fourth, fifth or sixth 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 fourth, fifth and sixth resolutions.

This authorization would replace the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 7, 2010.

Seventh resolution (Authorization for the Managing Partners to increase the number of securities to be issued in the event that an issue carried out under the fourth, fifth or sixth resolutions (with or without pre-emptive subscription rights) is oversubscribed)

Having considered the Managing Partners' report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of each of the General Partners, in accordance with Article L. 225-135-1 of the French Commercial Code, the Extraordinary Shareholders Meeting authorizes the Managing Partners, or any one of them, 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 fourth, fifth or sixth resolutions. Any such additional shares and/or other securities (i) must be issued within thirty 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 fourth, fifth and sixth resolutions.

This authorization shall be valid for a period of twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

8th resolution

— Authorization for the Managing Partners to increase the Company's capital by capitalizing reserves, income or additional paid-in capital

The purpose of the eighth resolution is to authorize the Managing Partners to increase the Company's capital by up to €80 million by capitalizing reserves, income or additional paid-in capital.

This authorization would replace the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 7, 2010.

Eighth resolution (Authorization for the Managing Partners to increase the Company's capital by capitalizing reserves, income or additional paid-in capital)

Having considered the reports of the Managing Partners and the Supervisory Board, and having noted the approval of each 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 Managing Partners, or any one of them, 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.
- Resolves that if new shares are issued as part of a capital increase, the Managing Partners 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 Managing Partners 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 and cum-rights date as well as the method and timeframe for paying up shares, (iii) apply for the listing of the newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

9th resolution

— Authorization for the Managing Partners 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 ninth resolution, shareholders are invited to authorize the Managing Partners 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 fifth 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 replace the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 7, 2010.

Ninth resolution (Authorization for the Managing Partners 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 Managing Partners' report and the report of the Supervisory Board, and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting:

- Authorizes the Managing Partners, or any one of them, 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 fifth resolution above.
- Resolves that the Managing Partners 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 issue(s), (ii) determine the subscription period and cum-rights date 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 newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

10th resolution

— Authorization for the Managing Partners to carry out employee rights issues for members of a Group Employee Shareholder Plan

The purpose of the tenth resolution is to authorize the Managing Partners to carry out employee rights issues for members of a Group Employee Shareholder Plan. The aggregate par value of the shares issued would not exceed €7.2 million, or approximately 2% of the Company's current share capital.

This authorization would replace the unused authorization granted for the same purpose and subject to the same share capital ceiling at the Annual Shareholders Meeting of May 7, 2010.

Tenth resolution (Authorization for the Managing Partners to carry out employee rights issues for members of a Group Employee Shareholder Plan)

Having considered the Managing Partners' report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of each 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. 225-129-6-1, L. 225-138-I and II and L. 225-138-1 of the French Commercial Code, authorizes the Managing Partners to issue shares, on one or more occasions, to members of an Employee Shareholder Plan of the Company or of related entities in France or abroad, within the meaning of Article L. 225-180 of the French Commercial Code and Articles L. 3344-1 and L. 3344-2 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 €7,200,000, representing less than 2% of the Company's current share capital;
  - that the issue price of the shares offered under this authorization shall be set by the Managing Partners or one of them 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 twenty trading days preceding the date on which the opening date of the subscription period is decided. The Managing Partners or one of them may reduce or abolish this discount if they deem it appropriate, in order to take into account, inter alia, locally applicable tax, labor law or accounting restrictions;

- that the Managing Partners or one of them may also grant existing or newly-issued shares to employees free of consideration in place of the discount or of employer matching payments, in accordance with Article L. 3332-11 of the French Labor Code;
- that the Managing Partners 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, subscription period and cum-rights date as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the newly-issued shares where deemed appropriate by the Managing Partners, (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 Managing Partners' 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

11th resolution

— Blanket ceilings on issues of shares, securities carrying rights to shares or debt securities

The purpose of the eleventh resolution is to set a blanket ceiling of €126 million on capital increases to be carried out pursuant to the fourth, fifth, sixth, seventh, eighth and ninth resolutions. This ceiling represents less than 35% of the Company's share capital, compared with the 40% cap set at the May 7, 2010 Annual Shareholders Meeting.

The blanket ceiling for issues of debt securities that may be carried out under the fourth, fifth, sixth, seventh and eighteenth resolutions would be maintained at €2 billion.

Eleventh resolution (Blanket ceilings on issues of shares, securities carrying rights to shares or debt securities)

Having considered the reports of the Managing Partners and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves that:

- The aggregate par value of the shares issued under the fourth, fifth, sixth, seventh, eighth and ninth resolutions, either immediately or on conversion, exchange redemption or exercise of securities carrying rights to shares, may not exceed €126,000,000. 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 issued under the fourth, fifth, sixth, seventh and eighteenth resolutions (either with or without rights to shares) may not exceed €2,000,000,000 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 supersedes any previous authorizations granted for the same purpose.

12th resolution

— Authorization for the Managing Partners to reduce the Company's capital by canceling shares

In the twelfth resolution, shareholders are invited to authorize the Managing Partners 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 replace the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 13, 2011.

Twelfth resolution (Authorization for the Managing Partners to reduce the Company's capital by canceling shares)

Having considered the report of the Managing Partners, the Statutory Auditors' special report and the Supervisory Board's report, and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Managing Partners or any one of them to:
  - cancel, at their 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 total shares outstanding;
  - charge the difference between the cost of the cancelled shares and their par value against any available premium or reserve account.
- To grant the Managing Partners, or any one of them, 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 eighteen months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

10.1.2. ORDINARY RESOLUTIONS

13th and 14th resolutions

- **Approval of the Company financial statements for the year ended December 31, 2011**
- **Appropriation of net income for the year ended December 31, 2011 and approval of the recommended dividend with a dividend reinvestment option**

The thirteenth and fourteenth resolutions concern approval of the Company's 2011 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 €360,145,656.21.

After (i) allocating €682,210.40 to the legal reserve to increase it to one tenth of the Company's capital and (ii) deducting €8,772,837.22 attributable to the General Partners in accordance with the bylaws (capped at 0.6% of consolidated net income, reduced from the previous ceiling pursuant to the third resolution above), the balance of €350,690,608.59 plus €239,453,031.31 in retained earnings brought forward from prior years represents a total of €590,143,639.90 available for distribution to shareholders.

In the event that the third resolution is not approved, the share of profits attributable to General Partners would be calculated based on the current version of the bylaws (*i.e.* capped at 1% of consolidated net income) and would amount to €14,621,395.37. The balance of €344,842,050.44 plus €239,453,031.31 in retained earnings brought forward from prior years would represent a total of €584,295,081.75 available for distribution to shareholders.

We are recommending paying a 2011 dividend of €2.10 per share.

Dividends will be payable to the shareholders of record at the close of business on May 17, 2012 (the record date).

The ex-dividend date will be May 18, 2012.

To exercise the dividend reinvestment option, shareholders should send a duly completed share purchase form to the paying agent for receipt between May 18 and the close of business on June 8, 2012.

Shares allocated in payment of dividends will be issued at a price equal to 90% of the average of the opening prices quoted for the Company's shares on NYSE Euronext Paris over the period from April 12 to May 10, 2012 less the net dividend of €2.10.

The dividend will be converted into shares on a net basis.

If the amount of the reinvested dividends does not correspond to a whole number of shares, the shareholder will receive the next lower number of shares and the balance in cash.

The shares will be issued cum rights January 1, 2012 and will rank *pari passu* with existing shares. They will be delivered to the banks and brokers that manage the shareholders' securities accounts on June 18, 2012.

The cash dividend will be paid as from June 18, 2012.

Thirteenth resolution (Approval of the Company financial statements for the year ended December 31, 2011)

Having considered the reports of the Managing Partners, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the Company financial statements for the year ended December 31, 2011 which show net income for the period of €360,145,656.21.

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.

Fourteenth resolution (Appropriation of net income for the year ended December 31, 2011 and approval of the recommended dividend with a dividend reinvestment option)

On the recommendation of the Managing Partners (as approved by the Supervisory Board) and based on the new cap on the share of profits attributable to General Partners in accordance with the bylaws – corresponding to 0.6% of consolidated net income for the year – the Ordinary Shareholders Meeting notes that the total amount available for distribution is as follows:

– Net income for the year	€360,145,656.21
– Amount appropriated to the legal reserve so that it represents one-tenth of the share capital	€682,210.40
– Share of profits attributed to the General Partners in accordance with the bylaws	€8,772,837.22
– Balance	€350,690,608.59
– Plus retained earnings brought forward from prior years	€239,453,031.31
– Total amount available for distribution	€590,143,639.90

- And resolves:

– to pay an aggregate dividend of representing €2.10 per share	€378,039,683.70
– to appropriate the balance of to retained earnings	€212,103,956.20

In the alternative, if the third resolution to lower the cap on the share of profits attributable to the General Partners in accordance with the bylaws is not approved, on the recommendation of the Managing Partners (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	€360,145,656.21
– Amount appropriated to the legal reserve so that it represents one-tenth of the share capital	€682,210.40
– Share of profits attributed to the General Partners in accordance with the bylaws	€14,621,395.37
– Balance	€344,842,050.44
– Plus retained earnings brought forward from prior years	€239,453,031.31
– Total amount available for distribution	€584,295,081.75

- And resolves:
  - to pay an aggregate dividend of representing €2.10 per share €378,039,683.70
  - to appropriate the balance of to retained earnings €206,255,398.05

Shareholders will be offered the option of reinvesting their dividend in new shares.

The reinvestment option may be exercised from May 18, 2012 until June 5, 2012. Shareholders who have not exercised their option within this period will receive the total dividend in cash.

Cash dividends will be paid and stock dividends will be delivered as from June 18, 2012.

If the amount of the reinvested dividends does not correspond to a whole number of shares, the shareholder will receive the next lower number of shares and the balance in cash.

Shares allocated in payment of dividends will be issued at a 10% discount to the average of the opening prices quoted for the Company's shares on NYSE Euronext Paris over the twenty trading days preceding the Meeting at which the dividend is approved, less the net dividend. The price calculated by this method will be rounded up to the nearest euro cent.

The issued shares will carry dividend rights from January 1, 2012 and rank *pari passu* with existing shares.

For individual shareholders domiciled in France for tax purposes, the total dividend (paid in cash or in shares) will be:

- eligible for the 40% allowance provided for under Article 158-3-2 of the French General Tax Code, except when shareholders elect to pay the 21% flat-rate dividend withholding tax provided for in Article 117 *quater* of said Code (election to be made at the latest on the date when they choose between receiving the dividend in cash or shares);
- subject to the applicable social security and additional contributions withheld at source by the Company at a rate of 13.5%.

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 a rate based on the local tax rates and laws applicable in the country in which the shareholder is domiciled.

The Ordinary Shareholders Meeting gives full powers to the Managing Partners, or to any one of them, to (i) use this authorization and carry out all transactions related to the dividend reinvestment option, (ii) place on record the ensuing capital increase and (iii) amend Article 6 of the Company's bylaws to reflect the new share capital.

As required under Article 243 *bis* of the French General Tax Code, shareholders note that dividends paid for the past three years were as follows:

YEAR	TOTAL DIVIDEND PAYOUT (in euros)	DIVIDEND PER SHARE* (in euros)
2008	144,997,422.00	1.00
2009	147,436,357.00	1.00
2010	314,361,964.10	1.78

* *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.*

15th resolution

— Approval of the consolidated financial statements for the year ended December 31, 2011

The purpose of the fifteenth resolution is to approve the consolidated financial statements for the year ended December 31, 2011, which show net income for the period of €1,462,140 thousand.

The Registration Document, the Annual Report 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.

Fifteenth resolution (Approval of the consolidated financial statements for the year ended December 31, 2011)

Having considered the reports of the Managing Partners, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the consolidated financial statements for the year ended December 31, 2011 which show net income for the period of €1,462,140 thousand.

16th resolution

— Related-party agreements

As no related-party agreements were entered into during 2011, 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 2011.

Sixteenth 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 2011.

17th resolution

— Authorization for the Managing Partners to carry out a share buyback program, except during a public offer period, based on a maximum purchase price per share of €100

In the seventeenth resolution, shareholders are invited to renew the authorization for the Company to buy back its own shares over a period of eighteen months. The maximum purchase price per share under this authorization would be €100 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 replace the unused authorization granted for the same purpose at the Annual Shareholders Meeting of May 13, 2011. The Company does not currently hold any shares in treasury and has not entered into a liquidity contract with an investment firm.

The proposed authorization may not be used while a takeover bid is in progress.

Seventeenth resolution (Authorization for the Managing Partners to carry out a share buyback program, except during a public offer period, based on a maximum purchase price per share of €100)

Having considered the reports of the Managing Partners 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 *Autorité des marchés financiers* (AMF), the Ordinary Shareholders Meeting authorizes the Managing Partners 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 €100.

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 €1,800,000,000, corresponding to 18,000,000 shares bought back at the maximum purchase price per share of €100 and representing less than 10% of the Company's share capital at the date of this Meeting.

The objectives of the share buyback program, in declining order of priority, are as follows:

- 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 to employees of the Group 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 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 shares may be purchased, sold, exchanged or transferred at any time, except during a public offer period and by any appropriate method allowed under the laws and regulations in force at the transaction date, either on the market, or over-the-counter or otherwise. The authorized methods include the use of derivative financial instruments such as options or warrants. The entire buyback program may be implemented through a block trade and the shares may also be used in securities lending transactions.

The Managing Partners, or any one of them, shall have full powers – which may be delegated – to (i) place buy and sell orders, (ii) enter into any and all agreements, (iii) make any and all filings, (iv) carry out all other formalities, (v) allocate or reallocate the purchased shares to any of the various purposes of the program and (vi) generally, do everything necessary to carry out the share buyback program.

This authorization shall be valid for a period of eighteen months from the date of this Meeting and supersedes the authorization granted for the same purpose in the fifth resolution of the Annual Shareholders Meeting held on May 13, 2011.

18th resolution

— Authorization for the Managing Partners to issue bonds

The purpose of the eighteenth resolution is to authorize the Managing Partners to issue up to €1 billion worth of bonds. This authorization would replace the unused authorization granted for the same purpose and the same amount at the Annual Shareholders Meeting of May 7, 2010.

Eighteenth resolution (Authorization for the Managing Partners to issue bonds)

Having considered the reports of the Managing Partners and the Supervisory Board, the Ordinary Shareholders Meeting:

- authorizes the issue(s) of bonds representing a maximum nominal amount of €1,000,000,000 or the foreign currency equivalent;
- grants the Managing Partners – or any one of them – full powers to carry out the issue(s) and to determine the related characteristics, amounts, terms and conditions;
- grants the Managing Partners 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 twenty-six months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

19th resolution

— Powers to carry out formalities

The nineteenth resolution gives powers to carry out the formalities related to the Shareholders Meeting.

Nineteenth 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 (EXPIRY DATE)
Issuance of shares and/or securities carrying rights to shares, with pre-emptive subscription rights (fourth resolution)	• shares: €126 million *(less than 35% of current capital)* • other securities: €1 billion	26 months (July 2014)
Issuance of shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights (fifth resolution)	• shares: €36 million *(less than 10% of current capital)* • other securities: €700 million	26 months (July 2014)
Issue of 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 (sixth resolution)	• shares: €36 million(1) • other securities: €700 million(1)	26 months (July 2014)
Increase in the number of securities to be issued under issues with or without pre-emptive subscription rights (seventh resolution)	15%, within the ceilings applicable for the issues concerned	26 months (July 2014)
Increase in the Company's capital by capitalizing reserves, income or additional paid-in capital (eighth resolution)	€80 million *(approximately 22% of current capital)*	26 months (July 2014)
Issuance of shares for a stock-for-stock offer or in payment for contributed assets (ninth resolution)	€36 million(1)	26 months (July 2014)
Employee rights issue(s) (tenth resolution)	€7.2 million *(less than 2% of current capital)*	26 months (July 2014)
Blanket ceilings(2) (eleventh resolution)	• shares: €126 million *(less than 35% of current capital)* • other securities: €2 billion	26 months (July 2014)
Share cancellations (twelfth resolution)	10% of capital	18 months (November 2013)
Share buyback program (seventeenth resolution)	18 million shares at a maximum purchase price per share of €100	18 months (November 2013)
Issuance of bonds (eighteenth resolution)	€1 billion	26 months (July 2014)

(1) Included in the ceiling set in the fifth resolution (issuance through a public offer without pre-emptive subscription rights).
(2) Excluding share issues carried out under the eighth and tenth resolutions.

10.2. REPORT OF THE SUPERVISORY BOARD

To the shareholders,

Apart from the resolutions relating to the renewal, on the same or similar terms, of the authorizations given at the May 7, 2010 Annual Shareholders Meeting – which the Group requires in order to carry out its overall business strategy – the extraordinary resolutions submitted to the May 11, 2012 Annual Shareholders Meeting concern the changes in corporate governance structure that were announced or decided in 2011.

As previously announced, Michel Rollier is stepping down from his position as Managing General Partner. He has prepared for his succession by working alongside Jean-Dominique Senard, who has been with the Group since 2007 and was elected Managing General Partner at the 2011 Annual Shareholders Meeting with the approval of the Supervisory Board. This transition period will ensure a seamless change in the Company's management.

On behalf of all of the Supervisory Board members I would like to thank Mr. Rollier for everything he has accomplished for Michelin, firstly as Vice President, Finance and Legal Affairs, and then as a Managing General Partner. We particularly appreciate the long-term relationship of trust that we have built up with him and the expert opinions and discussions that he has brought to the Board, not to mention the gradual improvements that he has made to the Group's corporate governance structure.

Due to the departure of Mr. Rollier – who was appointed in accordance with the bylaws that applied prior to 2011 – shareholders are being asked to remove the rules that were maintained in 2011, which only apply to Managing General Partners elected without any restrictions on the duration of their terms of office.

Lastly, in line with the amendments to the bylaws approved in 2011 and with a view to further enhancing the Group's governance, you will be invited, in sharehoders interest, to reduce the cap on the share of profits attributable to the General Partners who have unlimited personal liability for the Company's debts. If approved, this reduction of 40% will apply for the appropriation of net income for 2011.

Concerning the ordinary resolutions, the Managing Partners' Report and the accounting and financial information communicated to you present the Group's operations and results for 2011.

We have no comments on the Statutory Auditors' report on the financial statements.

In 2011, Michelin reported remarkable results that were achieved after an extremely heavy impact from higher raw materials costs. The Group responded very quickly in its pricing policy, which helped to fully offset these added costs. Note as well that the market environment was particularly volatile and contrasted, with a very buoyant first half followed by a slowdown in the second, especially in Europe. Michelin nevertheless drove a 6.7% increase in volumes for the year, with consolidated net sales rising 15.8% to €20.7 billion. Operating income came to €1,945 million, or 9.4% of net sales, while net income climbed 39% to €1,462 million. Despite the impact of raw materials costs on working capital requirement, free cash flow ended the year at breakeven, reflecting the faster deployment of the €1.7 billion capital expenditure plan and the disposal of the Hankook shares. Lastly, the Group maintained a solid balance sheet, with a net debt-to-equity ratio of 22%.

Based on these results, the Supervisory Board approves the Managing Partners' recommendation to set the dividend at €2.10 per share.

The Company also wishes to renew its share buyback program based on a maximum purchase price of €100 per share, identical to the price set under the current authorization. An authorization to cancel shares bought back under the program is also being sought.

Lastly, you will be asked to renew the authorization given to the Managing Partners to issue bonds.

We recommend that shareholders adopt the proposals submitted for their approval by voting in favor of the corresponding resolutions.

February 6, 2012

Eric Bourdais de Charbonnière
Chairman of the Supervisory Board

10.3. STATUTORY AUDITORS' REPORTS

10.3.1. STATUTORY AUDITORS' REPORTS ON THE EXTRAORDINARY RESOLUTIONS

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 11, 2012 (4th, 5th, 6th and 7th 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 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 one or more Managing Partners to issue shares and/or marketable securities, which you will be asked to approve.

The Managing Partners are 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 (4th 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 (5th 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, 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 (6th resolution).

The aggregate nominal amount of shares likely to be issued immediately or in the future may not exceed €126,000,000 under the 4th, 5th, 6th, 7th, 8th and 9th resolutions, bearing in mind that these issues shall be limited to €126,000,000 under the 4th resolution and €36,000,000 under the 5th, 6th and 9th resolutions.

The aggregate nominal amount of debt securities likely to be issued may not exceed €2,000,000,000 under the 4th, 5th, 6th, 7th and 18th resolutions, bearing in mind that these issues shall be limited to €1,000,000,000 under the 4th and 18th resolutions, and €700,000,000 under the 5th and 6th resolutions.

These ceilings take into account the additional shares and/or marketable securities to be issued under the 4th, 5th and 6th resolutions in accordance with Article L.225-135-1 of the French Commercial Code, if shareholders also adopt the 7th resolution.

The Managing Partners are 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 their 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 Partners' 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 Partners, we have nothing to report concerning the proposed method of determining the issue price of the shares under the 5th and 6th resolutions, as described in the Managing Partners' report.

As the Managing Partners' report does not describe the method to be used to determine the issue price of shares under the 4th resolution, 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 5th and 6th resolutions.

As required by Article R.225-116 of the French Commercial Code, we will issue a further report if and when the Managing Partners decide to use these authorizations to issue shares without pre-emptive subscription rights and marketable securities with rights to shares.

Neuilly-sur-Seine, February 6, 2012

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnies Régionales" of Versailles

Statutory auditors' report on the capital increase without pre-emptive subscription rights

Combined shareholders' meeting of May 11, 2012 (10^{th} resolution)

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

To the Shareholders,

In our capacity as statutory auditors of Compagnie Générale des Etablissements Michelin and pursuant to Articles L.225-135 et seq. of the French Commercial Code (Code de Commerce), we hereby present our report on the shareholder authorization sought by one or more Managing Partners to issue up to €7.2 million in shares to members of an Employee Shareholder Plan of the Company or of related entities in France or abroad, within the meaning of Article L.225-180 of the French Commercial Code and Articles L. 3344-1 and L. 3344-2 of the French Labor Code, without pre-emptive subscription rights for existing shareholders, which you will be asked to approve.

Article L.225-129-6 of the French Commercial Code and Articles L.3332-18 et seq. of the French Labor Code require this type of employee rights issue to be submitted to shareholders for approval.

The Managing Partners are seeking a 26-month authorization to decide to carry out employee rights issues, on the basis described in their report, and are asking shareholders to waive their pre-emptive right to subscribe for the shares. The Managing Partners would also decide on the final terms of the issue, if appropriate.

The Managing Partners are responsible for drawing up a report on the proposed issue in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our responsibility is to express a conclusion on the fairness of the accounting information contained in their report, on the proposed waiver of shareholders' pre-emptive subscription rights and on certain other information concerning the issue.

We performed the procedures that we considered necessary in accordance with the French professional standards issued by our professional body, Compagnie Nationale des Commissaires aux Comptes, for this type of engagement. Those procedures consisted of reviewing the information contained in the Managing Partners' report concerning the proposed issue and the proposed method of determining the issue price of the shares.

Subject to a subsequent examination of the final terms of any employee rights issue decided by the Managing Partners, we have nothing to report concerning the proposed method of determining the issue price of the shares, as described in the Managing Partners' report.

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.

As required by Article R.225-116 of the French Commercial Code, we will issue a further report if and when the Managing Partners decide to use this authorization.

Neuilly-sur-Seine, February 6, 2012

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnies Régionales" of Versailles

Statutory auditors' report on the capital reduction

Combined shareholders' meeting of May 11, 2012 (12th resolution)

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin and pursuant to Article L.225-209 of the French Commercial Code (Code de Commerce) concerning capital reductions carried out by 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 Partners have proposed that you delegate to one or more of them, for a period of eighteen 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 French professional standards issued by our professional body, 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 6, 2012

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnies Régionales" of Versailles

10.3.2. OTHER STATUTORY AUDITORS' REPORTS

The Statutory Auditors' reports to the Annual Shareholders Meeting of May 11, 2012 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.

11

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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.

Photo credits: Ivan Mathie

Printed by CHIRAT (France) on paper produced from sustainably managed forests, 100% PEFC certified. March 2012.

Design and production: CÔTÉ CORP.

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