2010 REGISTRATION DOCUMENT

MICHELIN
A better way forward

CONTENTS

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

2010 REGISTRATION DOCUMENT

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the *Autorité des marchés financiers* (AMF) on March 7, 2011, 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 financier*s.

It was prepared by the issuer and is the responsibility of the person whose signature appears therein.

INTERVIEW WITH MICHEL ROLLIER

« WITH ITS NEW PHASE OF DYNAMIC GROWTH, MICHELIN IS EMBARKING ON ITS MOST AMBITIOUS PROJECT IN 30 YEARS »

How was business in 2010?

Thanks to the remarkable dedication of our teams across the organization, Michelin amply benefited from the upturn in demand. All of the tire markets rebounded faster than early-year expectations, in both the original equipment and replacement segments.

Demand in Europe and North America turned steeply upwards, but we have not yet returned to pre-recession volumes. In emerging markets in Asia, South America and Russia, growth was and remains very strong.

In this favorable environment, our net sales rose by over 20%, with a more than 13% increase in volumes. Our operating margin came to 9.5%, based on record-high operating income of nearly €1.7 billion. Our net income exceeded €1 billion.

These results clearly attest to the structural progress we've made over the past five years. Our Horizon 2010 plan has improved efficiency and made us more competitive in every aspect of our business.

In five years we've reduced costs by more than €1 billion and improved plant productivity by 35%, while at the same time spectacularly improving workplace safety. The frequency rate declined to a record 1.19, and 34 plants or units did not report a single lost-time incident in 2010.

Michelin has emerged from the crisis stronger than ever and ready to capture all of its markets' extraordinary growth potential. The success of the €1.2 billion rights issue carried out last October has given us the resources to do so.

How are your markets doing?

Today, there are 800 million vehicles on the road around the world, and there'll probably be 1.6 billion by 2030. This means that tire demand is going to enjoy strong growth, with particularly fast expansion in China, South America, India, Russia and the Middle East. These markets could grow by close to 10% a year, with China probably becoming as large a market as Europe or North America by the 2020s. This represents a major shift.

At the same time, in response to rising raw materials and energy costs and tightening regulations, the transportation industry is leading a profound transformation to spend less but more effectively, reduce costs and lessen environmental impacts. These new demands will enable the best in the industry, like us, to make a difference.

And lastly, we are seeing customer needs grow increasingly diverse, as economic situations diverge and a new generation emerges, who grew up on the Internet and mobile phones.

How is Michelin positioned with regard to these changes?

The growth in the global tire market and the transportation industry's ongoing response to the challenges of sustainable development present historic opportunities for Michelin.

Geographically, we have begun to re-align the business base with the shift in demand. The extensive, highly efficient capacity scheduled to come on stream in Brazil, China and India will enable us to capture all of the growth in these markets starting in 2012.

Technologically, we have proactively responded to these changes by structuring our Research & Development to address the emerging challenges. We're bringing to market lighter, higher-performance tires that use less raw material while still delivering greater safety, longer tread life and better fuel efficiency. This balanced performance and the ability to simultaneously improve all of the different performance factors are the hallmarks of the MICHELIN brand, whose "A Better Way Forward" signature clearly says that our Group wants to improve not only the performance of its products, but also their ability to address sustainable development concerns.

We are also pioneers in the sale of performance solutions and services, which have proven very popular with our large corporate customers. We believe that they will contribute more extensively to sustainable mobility in coming years, particularly in major cities where electric powertrains have a promising future.

Every day, our Michelin Performance and Responsibility process is demonstrating its strength and effectiveness in meeting the challenges of tomorrow. It already informs everything our company does, and the principles expressed in the Michelin Performance and Responsibility Charter are applied around the world, in every culture. That's why we decided in 2010 to pledge to support the United Nations Global Compact, so as to further highlight our commitment to human rights, rights at work, environmental stewardship and anti-corruption, all in a responsible and sustainable way.

Raw materials costs are rising sharply. Will you be able to pass them on in your prices?

That's what we did throughout 2010, for all of our products and in every market. We are absolutely determined to protect our margins and we're in a good position to do so. Why? Because the superior advantages that we offer both to carmakers, in terms of environmental performance, and to users, in terms of safety, longevity and fuel

MICHEL ROLLIER
Managing Partner

efficiency, are clearly recognized and appreciated. As regulations become stricter and raw materials and energy become more expensive, the quality of our products and services will become more valuable. As proof, just look at 2010, when we sold more MICHELIN brand passenger car and light truck tires than ever before, in both mature and fast growing markets.

In October, you presented your new phase of dynamic growth for the 2011-2015 period. What are your objectives in this phase?

Our strategy for the next five years hinges on three main objectives.

The first is strong, diversified growth. We're aiming to increase sales volumes by 25% by 2015 and by 50% by 2020, by capturing share in the new markets and adding value to our products and services in mature markets.

The second objective is to become more competitive. We now have increasingly efficient plants in the mature economies. We intend to build on these gains, by further improving flexibility and productivity and pursuing our continuous improvement process.

We plan to invest €1.6 billion a year between 2011 and 2015 to support our growth and competitiveness targets. This is a much bigger commitment than before.

The third objective is to maintain our business performance. Our target for 2015 is operating income well in excess of €2 billion, a ROCE of more than 9% and positive free cash flow generated over the entire period. In today's highly demanding environment, with aggressive competition and rising raw materials costs, these are ambitious objectives.

What are your growth drivers?

The first one is our ability to satisfy the real needs of our customers through innovation. This has always been Michelin's strength; it's what makes our products and services different from the competition's. Our innovation capabilities are very robust, and they're going to gain in strength with the new organizations set up to shorten development cycles and time-to-market.

Another powerful driver is the MICHELIN brand, with its extraordinary capital of trust and affinity. In fact, the brand will be the primary source of our growth, because it delivers the balanced performance that customers expect and society needs.

At the same time, we plan to develop the market for affordable high-performance tires, which represent more than 40% of the global market. Our growth in this segment will be spearheaded by our brand portfolio.

And lastly, our growth will also be driven by our services, which we plan to enhance and diversify.

To successfully impel this new phase of dynamic growth, our market access strategy will also play an important role. This will entail nurturing close relationships with all of our dealer and distribution stakeholders. We will also expand our corporate services offering by forging strategic partnerships with major dealers and enhancing our truck fleet solutions.

Our growth will also be responsible. Through our Michelin Performance and Responsibility process, we will pursue our commitment to improving working conditions, training, diversity, partner relationships and the environmental footprint of our plants.

Lastly, and most importantly, we are counting on the professionalism and dedication of our employees, who have enabled Michelin to grow and overcome obstacles to become a leader. With its 2011-2015 strategic plan, Michelin is embarking on its most ambitious project in 30 years. It will be supported by our Moving Forward Together program, which embodies our mutual commitments and dedication to success. I am quite confident that we will indeed succeed.

You have also announced that you are preparing your succession, even though your term runs until 2017. Isn't this premature?

On the contrary, I feel this is exactly the right time. Michelin is embarking on new phase of dynamic growth in excellent conditions. The reins should be handed over smoothly in the best interests of the Company, its shareholders and its employees.

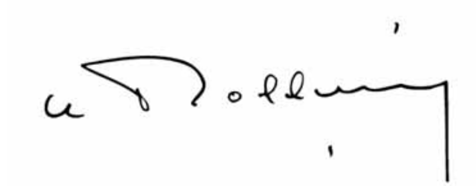
I discussed my decision thoughtfully and at great length with the Supervisory Board. Jean-Dominique Senard and I have worked closely together for six years, and I've come to appreciate his qualities, both as a person and as a business leader. I know that, when the time comes, I can pass him the baton in complete confidence. Shareholders will be asked to elect him as Managing General Partner at the Extraordinary Meeting on May 13, 2011.

I would also like Michelin's corporate governance to be adjusted, so I'm going to recommend limiting the term of future Managing Partners to four years, renewable one or more times. The Supervisory Board would continue to play the same role, but the bylaws would be changed to formally recognize its responsibility for gauging the quality of the partnership's management. Furthermore, instead of simply being consulted, as is the case today, the Board would have to approve the proposed re-election or removal of future Managing Partners, as well as their salary.

In practical terms, how will the transition be organized?

If shareholders approve these recommendations at the Extraordinary General Meeting, I will remain Managing General Partner, Jean-Dominique Senard will become Managing General Partner and Didier Miraton will remain Non-General Managing Partner.

I will continue to serve in my current position for 18 months to two years and, once the transition is completed, I can retire. I'm certain that Jean-Dominique Senard and Didier Miraton will then be able to lead the Group with the requisite skills and vision, in complete accordance with Michelin's values.



MICHEL ROLLIER

MICHELIN AT A GLANCE

1

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.

- 111,100 employees (105,100 full-time equivalents).
- Net sales: €17.9 billion.
- 70 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) *With a 15.5% share of the global market by value according to Tire Business 2010 Global Tire Company Rankings.*

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.

  176 million tires produced in 2010.
- **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 Maps and Guides** and **ViaMichelin mobility assistance services**.

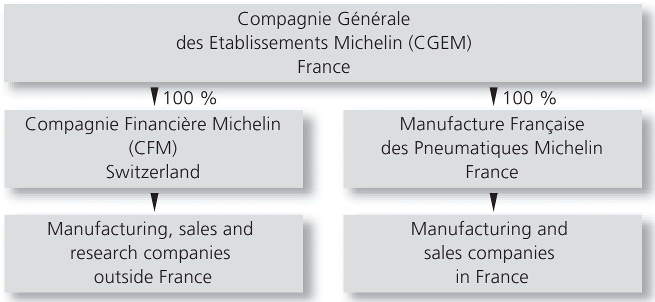
  Close to 10 million maps and guides sold in 2010.

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

1.1.3. AN EFFICIENT ORGANIZATION

- **8 Product Lines**, each with its own marketing, development, production and sales resources.
- **A Technology Center** in charge of research, development and process engineering, with operations in Europe, North America and Asia.
- **2 integrated tire dealership networks**: Euromaster and TCI.
- **2 Specialty units**: ViaMichelin and Michelin Lifestyle.
- **8 Regions**: North America, South America, Europe, Eastern Europe, ASEAN/Australia, China, Japan/South Korea and Africa/India/Middle East.
- **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



1.3_ HISTORY AND DEVELOPMENT OF THE COMPANY

Compagnie Générale des Etablissements Michelin traces its origins to Barbier, Daubrée et Cie, a partnership limited by shares (SCA) set up on July 15, 1863 in Clermont-Ferrand, in the Puy-de-Dôme region of France. The Company changed its name to Michelin et Cie in 1889, the year when the first patent for a "pneumatic tire" was filed.

Until 1951, the Company, which became Manufacture de Caoutchouc Michelin in 1940, managed its French business directly and its international manufacturing and sales operations indirectly, through a variety of subsidiaries.

On October 15, 1951, all of the Company's manufacturing assets in France were transferred to the newly created Manufacture Française des Pneumatiques Michelin, and Manufacture de Caoutchouc Michelin changed its name to Compagnie Générale des Etablissements Michelin.

In 1960, the foreign assets were consolidated into a holding company, Compagnie Financière Michelin, based in Granges-Paccot, Canton of Fribourg, Switzerland. Compagnie Financière Michelin is an intermediate holding company that also manages the Group's financing, sourced from banks and the financial markets.

Since then, Compagnie Générale des Etablissements Michelin, which has been the Group's parent company since 1951, has not been involved in any manufacturing operations.

1.3.1. ORGANIZATION OF THE GROUP

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. It invoices the corresponding services and research costs to the other Group companies based on a proportionate cost allocation key;
- 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.

1.3.2. DEVELOPMENT OF THE MICHELIN GROUP

Michelin began to extend its manufacturing base outside France very early, building plants in Italy in 1906, the UK in 1927, Germany in 1931 and Spain in 1934.

Beginning in the 1960's, expansion gained new momentum with the construction of a large number of plants, first in France, then in other countries, and particularly in the Americas in the 1970's. The Group has set up joint ventures since 1985 to establish a manufacturing base in Asia, and has been broadening its footprint in Eastern Europe since 1995.

In all, this global expansion lifted Michelin in the most widely accepted ranking of the world's tiremakers from number 10 in 1960 to number six in 1970 and number two in 1980, behind Goodyear. After Bridgestone acquired US-based Firestone and Michelin took over Uniroyal Goodrich in the late 1980s, the revenue gap among the world's leading tiremakers narrowed, and today annual rankings depend primarily on exchange rates and the calculation method, with three tire manufacturers – Bridgestone, Goodyear and Michelin – currently accounting for 46% of global tire sales.

1.4_ PRODUCTION FACILITIES

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

1.4.1. 70 PRODUCTION FACILITIES IN 18 COUNTRIES

1.4.1.a) 59 Tire Production Facilities in 18 Countries

Western Europe

Country	Location	Products
France	Avallon	Truck tires*
	Bourges	Aviation tires
	Cataroux(1)	Passenger car/Light truck tires
	Cholet	Passenger car/Light truck tires
	Combaude(1)	Truck tires*
	Gravanches(1)	Passenger car/Light truck tires
	La Roche-sur-Yon	Truck tires
	Le Puy en Velay	Earthmover tires
	Montceau-les-Mines	Earthmover tires
	Roanne	Passenger car/Light truck tires
	Tours	Truck tires
	Troyes	Agricultural tires
Germany	Bad-Kreuznach	Passenger car/Light truck tires
	Bamberg	Passenger car/Light truck tires
	Homburg	Truck tires
	Karlsruhe	Truck tires
	Oranienburg	Truck tires*
Spain	Aranda	Truck tires
	Lasarte	Two-wheel tires
	Valladolid	Passenger car/Light truck tires – Truck tires* - Agricultural tires
	Vitoria	Passenger car/Light truck tires - Earthmover tires
Italy	Alessandria	Truck tires
	Cuneo	Passenger car/Light truck tires
United Kingdom	Ballymena	Truck tires
	Dundee	Passenger car/Light truck tires
	Stoke on Trent	Truck tires*

(1) Plant located in Clermont-Ferrand
* Retread operations only

Eastern Europe

Country	Location	Products
Hungary	Budapest Nyiregyhaza	Truck tires Passenger car/Light truck tires
Poland	Olsztyn	Passenger car/Light truck tires – Truck tires - Agricultural tires
Romania	Victoria Zalau	Passenger car/Light truck tires Truck tires - Earthmover tires
Serbia	Pirot	Passenger car/Light truck tires – Two-wheel tires
Russia	Davydovo	Passenger car/Light truck tires

North America

Country	Location	Products
United States	Ardmore Asheboro Columbia-Lexington Covington Dothan Fort-Wayne Greenville 1 Greenville 2 Kansas City Norwood Spartanburg Tuscaloosa	Passenger car/Light truck tires Truck tires* Passenger car/Light truck tires - Earthmover tires Truck tires* Passenger car/Light truck tires Passenger car/Light truck tires Passenger car/Light truck tires Passenger car/Light truck tires Aviation tires Aviation tires Truck tires Passenger car/Light truck tires
Canada	Bridgewater Pictou Waterville	Passenger car/Light truck tires Passenger car/Light truck tires Truck tires
Mexico	Queretaro	Passenger car/Light truck tires

* Retread operations only.

South America

Country	Location	Products
Brazil	Campo Grande Resende	Truck tires - Earthmover tires Passenger car/Light truck tires – Truck tires*
Colombia	Bogota Cali	Truck tires Passenger car/Light truck tires

* Retread operations only.

Asia

Country	Location	Products
China	Shenyang Shanghai	Passenger car/Light truck tires – Truck tires Passenger car/Light truck tires
Thailand	Laem Chabang Nongkae Phrapadaeng	Passenger car/Light truck tires Truck tires - Aviation tires Passenger car/Light truck tires – Truck tires – Two-wheel tires

Africa-Middle East

Country	Location	Products
Algeria	Hussein-Dey	Truck tires

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
France	Bassens Golbey Vannes	Synthetic rubber Metal cables Metal cables
Germany	Treves	Metal cables
Italy	Fossano Torino	Metal cables Compounds
Romania	Zalau	Metal cables
United States	Anderson Louisville	Metal cables Synthetic rubber
China	Shanghai	Metal cables
Thailand	Rayong	Metal cables

The above list does not include:

- The natural rubber plants located on the Group's plantations;
- The Recamic and Michelin Retread Technologies (MRT) retreading plants.

REPORT OF THE MANAGING PARTNERS

2

2.1_ CHALLENGES AND STRATEGIC VISION

Michelin is stepping up the pace of expansion to harness the vibrant growth in major new markets and the expected increase in demand for more environmentally friendly tires – an area in which we are 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 CHANGING FACE 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: to develop cleaner, safer, more fuel-efficient road mobility solutions that make the most of information and communication technologies.

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. If nothing is done, 2.4 million people could be killed in accidents each year as from 2030. Governments, international organizations and businesses need to step up their efforts to improve safety for all road users.

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 by 2100 (compared with the pre-industrial period), CO_2 emissions will have to be halved by 2050 (compared with 2008), even though the number of vehicles on the road and number of kilometers traveled is expected to double.

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. A well-organized mix of individual and public transportation solutions can help to attenuate these threats, but more will be needed. As Michelin Challenge Bibendum has shown, hybrid and electric vehicles make it perfectly possible to achieve zero (or next-to-zero) emissions in city driving by 2030-2040.

2.1.1.c) More Fuel-efficient Mobility

More than 60% of the world's oil output is used in transportation. Oil's growing scarcity and rising cost represents a major geo-strategic challenge, raising doubts about the availability and price of oil-based fuels when the global vehicle fleet will have doubled. Swift action is required to reduce fuel consumption and speed the development of alternate propulsion energy sources.

Like oil, which is also used to make synthetic rubber, energy and non-renewable raw materials are becoming scarcer and more expensive. In 2010, raw material costs represented 27% of Michelin's net sales. Optimizing their use is essential if these resources are to be conserved over the long term and if tires are to remain affordably priced. The challenge: to meet all these goals without sacrificing tire performance.

2.1.1.d) Networked Mobility

The time it takes to travel from one point to another mainly depends on traffic, the itinerary, waiting times, the availability of a parking space and the speed of inter-modal connections. With a cell phone or onboard computer, travelers can access information to help them select the best options. Information and communication technologies (ICTs) can also be used to transmit technical data that allow motorists to schedule servicing, drive more safely and use less fuel.

Other technologies can be used to develop smart transportation systems that improve traffic flows, thereby reducing fuel consumption, CO_2 emissions and local pollution. The challenge: to integrate them more quickly into vehicles and infrastructure.

Fostering sustainable mobility will require carmakers to devise new business models suited to the increasing shift towards fleets and rental systems, as well as to the growing demand for ICT-enabled services. Users will have to think in terms of total cost of ownership, accept innovation and learn more flexible, more responsible behaviors. And public authorities will need to listen carefully to citizens and businesses so that solutions meet real needs and are technically and financially feasible. They will also have to be very consistent in their objectives and decisions to encourage the long-term investment that such a transition requires.

2.1.2. SUPPORTING NEW TYPES OF DEMAND

The shift in demand toward fast-growing countries and the increase in competition in mature markets are impacting manufacturing strategies, while today's unstable economic environment requires faster, more effective responses than ever before. The growing globalization of purchasing and production calls for heightened vigilance with regard to working conditions and respect for people. That's why instilling a real culture of diversity provides a significant competitive advantage.

2.1.2.a) Deepening Market Intimacy

The success of new Michelin tires has always been driven by our ability to listen attentively to the voice of the customer and to understand their needs and usage patterns.

Today, this capability is being broadened and deepened to create true intimacy with our markets by systematically developing demonstrators (prototype tires) to encourage input from vehicle manufacturers, motorists, dealers, fleet managers and other stakeholders. During the experimental phases, our research, development and process engineering (RDI) and marketing teams work hand-in-hand with customers to develop the future product range and identify the benefits and value of each proposed innovation.

The final offering is aligned as closely as possible with customer needs, while enabling the created value to be equitably shared.

2.1.2.b) Becoming More Competitive

In mature countries, the number of cars on the road will change only slightly, but government incentives and other factors will impel a shift towards more environmentally friendly vehicles. Most of the market's growth will come from China, the ASEAN[(1)] members, South America, India, Russia, the Middle East and, soon, Africa. To establish a firm foothold in these fast-growing countries and successfully compete against emerging local manufacturers exporting to Europe and North America requires highly competitive operations in every geography. In turn, this means lowering costs and increasing productivity in every aspect of our business.

Recent plants, most of which have been built in fast-growth countries, are optimally sized, organized and equipped. In 2010, 65% of the Car and Light truck tires produced in mature countries came from plants with assembly capacity exceeding 100,000 tonnes, compared with 54% in 2006. In mature markets, manufacturing and supply chain facilities are being upgraded through capacity additions, specialization, consolidation and the sustained deployment of productivity enhancement programs.

2.1.2.c) Getting Suppliers Involved

In this environment, purchases, which were funded by 60% of 2010 net sales, represent a major challenge. To be effective, purchasing must not only lower costs to make us more competitive but also guarantee quality, secure supply lines and promote responsible development. That's why our teams ensure that the social and environmental practices of suppliers comply with Group standards, especially in low-labor cost countries.

2.1.2.d) Becoming More Responsive

In every respect – demand, raw material prices, customer expectations, financing conditions – the economic environment has become structurally more volatile. Companies have to stay alert to foresee the often sudden shifts and respond very quickly. Maintaining the responsive, flexible ability of production facilities – and more generally the entire supply chain, from research to dealerships – to scale back or ramp up operations in response to demand is a constant challenge.

2.1.2.e) Leveraging Technology

The primary solutions to rising raw material and energy costs and stricter safety and environmental regulations will be technology driven. With the development of mobile information via the Internet and the growing variety of business models, this trend is gaining momentum and opening the door wide for innovation. The challenge: to stimulate innovation in every aspect of the business and deploy organizations and processes that make it possible to innovate better and faster.

2.1.2.f) A People-focused Change Process

Whether creating or expanding operations, specializing or reorganizing facilities or driving innovation, people are always at the heart of any change process. That's why Michelin makes sure that employees are kept fully informed, appropriately trained and actively involved in every initiative. For them to embrace change, they must be motivated and empowered to overcome obstacles and offered the opportunity to grow and gain fulfillment by contributing to the Company's success. The challenge for a global enterprise: to enable people, in all their diversity, to nurture their talent, so as to ensure growth and improve competitiveness.

2.1.3. LEVERAGING OUR STRENGTHS

To meet the challenges of sustainable mobility, while embarking on a new phase of dynamic growth in every geography and strengthening its global presence in the global marketplace, Michelin can count on its core strengths: a powerful brand, a global footprint, technological leadership, a solid balance sheet and a deep commitment to the Michelin Performance and Responsibility process to drive balanced growth benefiting all our stakeholders.

2.1.3.a) A Superior Brand, Widely Recognized and Constantly Enhanced

Our first strength is the MICHELIN brand, which in most major markets ranks among the world's top tire brands in terms of innovation equity. 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.

Carmakers and consumers can easily see that not all tires are created equal and that some outperform others. While generally priced higher, MICHELIN tires are safer, longer lasting and more fuel efficient, which reduces their environmental impact. Indeed, the savings in use mean that in the end, a MICHELIN tire is the least expensive in the market. We are committed to leveraging the brand's unique ability to express this performance balance, which is being maintained over time and whose components are being simultaneously improved so as to offer the most competitive total cost of ownership in the market.

(1) Association of Southeast Asian Nations

2.1.3.b) Solid Technological Leadership

Throughout its history, Michelin's development has been fueled by technical innovation. With such technological breakthroughs as the radial tire and the fuel-efficient tire, we have been a key driver of progress in the industry and enjoy a recognized lead in the most demanding technical segments.

In a business environment that is being continuously reshaped by stricter regulatory standards, heightened consumer expectations and critical technological developments to achieve sustainable mobility, a capacity for innovation represents a major strategic strength that provides real competitive advantage. As technological leader, Michelin is constantly raising the performance bar in ways that impact consumer standards. The technical leadership of MICHELIN tires means that we can act as a credible source of recommendations to help shape new tire regulations.

2.1.3.c) A Position as a 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. We also hold forefront positions in every tire segment, including cars, vans, trucks, farm and industrial handling equipment, earthmovers, motorcycles and bicycles, and aircraft. And because we partner original equipment manufacturers, pay close attention to both consumer and corporate tire users, and operate in a wide array of retail channels, we are particularly well positioned to understand customer expectations.

As one of the few global tire manufacturers, Michelin enjoys critical mass and synergies that foster innovation, productivity and fair, balanced relations with tire dealers. To make the most of these strengths, we work hard to standardize and share best practices worldwide. In particular, certain best practices deployed in the production plants with the Michelin Manufacturing Way program have been extended to other business processes, such as Purchasing and Research-Development-Process Engineering.

2.1.3.d) Balanced Growth

To fulfill its mission of helping to improve mobility, Michelin focuses on generating sustainable, responsible, profitable growth that creates value for customers, employees, shareholders and society as a whole. Actions by employees to achieve these goals are coordinated by the Michelin Performance and Responsibility process, whose balanced approach represents a competitive advantage that regularly demonstrates its effectiveness in addressing the challenges of the future.

2.1.3.e) A Solid Balance Sheet

From 2006 to the end of 2010, programs to optimize manufacturing facilities, achieve operational excellence and cut costs reduced the cost base by €1.2 billion [1]. Over the period, the Group substantially reduced working capital requirement, improved capital spending management and generated free cash flow that was used to pare down debt.

Following the successful €1.2 billion rights issue in October 2010, Michelin is embarking on a new phase of dynamic growth with an optimized balance sheet, showing a net debt-to-equity ratio of 20% at December 31, 2010.

2.1.4. OUR GROWTH STRATEGY: STRONG AND DIVERSIFIED, RESPONSIBLE AND SUSTAINABLE

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.

2011-2015 OBJECTIVES

- Unit sales growth of 25% by 2015 and 50% by 2020;
- Operating income[2] well in excess of €2 billion in 2015;
- Return on capital employed of more than 9%;
- Annual capital expenditure of around €1.6 billion;
- Positive free cash flow over the 2011-2015 period;
- A dividend payout rate of around 30%.

2.1.4.a) Innovation and Differentiation

To serve real customer needs, Michelin is focusing on innovation and clearly differentiated products and services. Since inventing the removable tire in 1891, we have regularly kept one step ahead of the market in meeting the emerging expectations of customers and society alike. For more than twenty years, our innovation programs have been designed to deliver sustainable mobility solutions. We are currently 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 rather than a product. 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. Indeed, we enjoy a solid lead in this new services-based economy, where we plan to drive further expansion by delivering targeted solutions combining innovative products and services.

Michelin has invested more heavily in innovation than any other tiremaker, driving the development of most of the technological advances that have shaped the tire industry. Innovation priorities are to:

- Bring new tire ranges to market more quickly;
- Continuously improve tire performance with each new range;
- Develop breakthrough solutions to address new mobility challenges.

Our Technology Center is going to continue deploying facilities around the world to better anticipate customer needs and align products and services with local demand. Dialogue between the Research and Development and Strategic Marketing units nurtures the creative process, leading to new offers and new business models, while new organizations have been introduced to enhance cooperation and support faster, more efficient innovation.

(1) Assuming Group manufacturing output in line with the initial growth target of 3.5 % a year.

(2) Before non-recurring income and expenses.

2.1.4.b) Driving Faster Growth

As illustrated by the worldwide advertising campaign conducted in 2010, the Group invests heavily in the MICHELIN brand, which expresses our quality and innovation. But while our growth strategy is underpinned by sales of MICHELIN-brand products and services, they are being enhanced by a multi-brand portfolio whenever necessary. 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. And because these brands are also designed to help us reach our profitability targets, they will be initially focused on the fast growing segment of competitively priced tires for high-performance vehicles. The BFGoodrich®, KLEBER, UNIROYAL, TIGAR, KORMORAN, RIKEN, TAURUS or WARRIOR brands will be used in their respective markets. Another growth driver is the steady improvement in market access. We are strengthening our integrated retail networks by acquiring new dealers and stepping up our franchising programs 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 1,000 outlets in nine countries.

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.

2.1.4.c) Stepping up Capital Expenditure

Michelin returned to an active capital expenditure strategy in 2010, investing €1.1 billion during the year. The program will be further expanded in the years ahead, with the commitment of some €1.6 billion a year from 2011 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 to improve their competitiveness;
- Develop the information systems needed to meet our operational excellence and quality of service targets.

Over the next five years, this new capacity will represent the equivalent of one new world-class plant per year. Three new high capacity plants are currently under construction, to serve booming markets in South America, with the Pau Brasil Passenger car and Light truck tire plant, in India, with the Chennai truck and earthmover tire plant, and in China, where passenger car and truck tire capacity will be significantly boosted by the new Shenyang 2 plant. Built at a total cost of €2.75 billion, these three plants are scheduled for production start-up in 2012.

2.1.5. IMPROVED COMPETITIVENESS

Since 2005, Michelin has been leading a transformation program to improve competitiveness and cut costs. In line with the target, the cost base was reduced by €1.2 billion(1) between 2006 and 2010, creating efficiencies that will deliver their full benefit as demand recovers.

2.1.5.a) Bulked up Production Plants in the West

The strategy pursued before the crisis 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 abrupt changes in market conditions and will have plants in Europe and North America that are highly competitive compared with their Asian counterparts.

As in the United States, Spain and Italy, the industrial reorganization programs underway in France over the past two years have been completed according to plan. Production at the Noyelle-lès-Seclins plant has been transferred to the Clermont-Ferrand facility, which manufactures Super Sport and racing tires. Metal ply production has been transferred from the Cholet plant, our European center of excellence for SUV and light truck tires, to the Montceau-les-Mines unit, which has become one of the largest facilities for blending rubber and metal fabrics in Europe and a center of expertise for earthmover tires. The Joué-lès-Tours plant specializes in truck tires and the Bourges plant in aircraft tires. All of the employees affected by these reorganization measures have been given personalized support.

2.1.5.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.

2.1.5.c) A Culture of Continuous Improvement

Every Michelin unit is deeply committed to achieving operational excellence, which is a key component of our competitiveness. Designed to enable Michelin to do things better, faster and at lower cost, the transformation process involves streamlining and standardizing processes, identifying and extending the use of best practices, improving safety and workstation ergonomics, simplifying, harmonizing and reducing the cost of information systems, pooling resources, strengthening cooperation agreements, training employees and aligning all of our teams with our priority objectives.

Standardization reduces capital expenditure and shortens ramp-up times, thereby freeing teams for other projects. Through deployment of the Michelin Manufacturing Way, all of the plants are now aligned with internal best practices. The main performance indicators are accident frequency and severity, workstation ergonomics, customer satisfaction, materials waste, product quality, Michelin's own cost and productivity metrics and the Michelin sites Environmental Footprint (MEF), a composite indicator that measures environmental impact.

From design, innovation and process engineering to project management, administration, logistics and customer relations, all of the major business processes are being reviewed to improve performance, with a focus on speed, simplicity, efficiency and individual empowerment.

(1) Assuming growth in line with initial targets.

2.1.5.d) An Efficient Manufacturing Base

More than half of our Passenger Car and Truck tires are manufactured in plants with annual production capacity of at least 100,000 tonnes, more than twice as much as in 2005.

Western Europe
32 plants
10 for passenger car and light truck tires
12 for truck tires
7 for specialty tires
6 for components and semi-finished products
51,356 employees*

Eastern Europe
8 plants
5 for passenger car and light truck tires
3 for truck tires
3 for specialty tires
1 for components and semi-finished products
12,085 employees*

North America
18 plants
10 for passenger car and light truck tires
4 for truck tires
3 for specialty tires
2 for components and semi-finished products
20,994 employees*

South America
4 plants
2 for passenger car and light truck tires plus 1 under construction
3 for truck tires
1 for specialty tires
5,086 employees*

Asia
7 plants
4 for passenger car and light truck tires plus 1 under construction
3 for truck tires plus 1 under construction
2 for specialty tires
2 for components and semi-finished products
14,458 employees*

Africa and the Middle East
1 plant
1 for truck tires
1,078 employees*

* Full-time equivalent employees at December 31, 2010.

2.1.6. 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.

2.1.6.a) A Mutual Commitment

At Michelin, we firmly believe that the Group's business performance and our employees' professional success go hand in hand, which is why we want every employee to find fulfillment in his or her job. Performance and potential are assessed with a view to the long-term, training policies allow each employee to continue to grow and develop throughout his or her career, and 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 benefit from performance-based compensation, with different bonus systems adapted to each country and job function. We have also set up a stock option plan open to many employees and other worldwide employee stock ownership plans.

2.1.6.b) Building a Close-knit Corporate Community Based on Mutual Respect

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.

2.1.6.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 our 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, project leaders were designated 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 our employees and their ability to work together to drive fast improvement has been recognized by several corporate sustainable development rating agencies, whose issued opinions have encouraged employees to take the process even further.

2.2_ TIRE MARKETS IN 2010

A global market worth some $126 billion[1]

The global tire market totaled $126.5 billion[1] in 2009, with Light-vehicle tires accounting for 60% and Truck tires 30%[2]. Worldwide volumes rose by almost 13%[2] in 2010, representing around 1.3 billion tires for cars and vans and 160 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 during the year confirmed that demand for mobility is accelerating in fast-growing economies. An estimated 69.9 million light vehicles[3] were produced in 2010, up from 57.5 million in 2009 and 66 million in 2008. High-growth markets contributed more than 30% of this output, compared with less than 19% in 2007. By 2012, these countries could account for half of global automobile production[3], with a corresponding knock-on effect on replacement markets. Over the long term, Michelin therefore expects demand for tires to grow by 1-2% a year in mature markets and by at least 9% 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, the recession, rising fuel prices and taxes on high-carbon vehicles are prompting consumers to turn to more affordable, fuel-efficient cars. This is particularly true in cities, where new driving habits are emerging. In 2010, the city car segment accounted for 47% of the European market[3], compared with 30% in 1990.

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 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 in 2012.

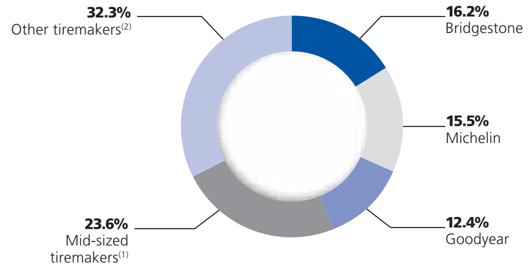
These developments are good news for low rolling resistance tires, a segment in which Michelin is the global leader. Original equipment sales of these tires are expected to increase from 300 million units in 2010 to 500 million in 2020.

(1) Source: Tire Business, September 2010.
(2) Michelin estimates.
(3) Source: PricewaterhouseCoopers.

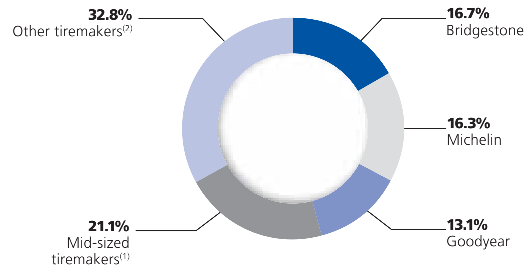
New approaches

At the 2010 Challenge Bibendum in Rio de Janeiro, Michelin shared its vision of addressing emerging demand for cleaner mobility with a range of innovative tire solutions. These include the conventional, yet ambitious, solution of constantly improving the rolling resistance of popular-size tires; a small-tire solution for city cars, with 10-inch tire/wheel assemblies that enable smaller, lighter designs; and a large-tire solution for executive models with narrow treads to optimize their aerodynamics. Another solution involves the Michelin Active Wheel as a replacement for the traditional tire-wheel assembly.

THE GLOBAL TIRE MARKET BY MANUFACTURER



Source: 2009 sales in US dollars, published in Tire Business, August 30, 2010



Source: 2008 sales in US dollars, published in Tire Business, August 31, 2009

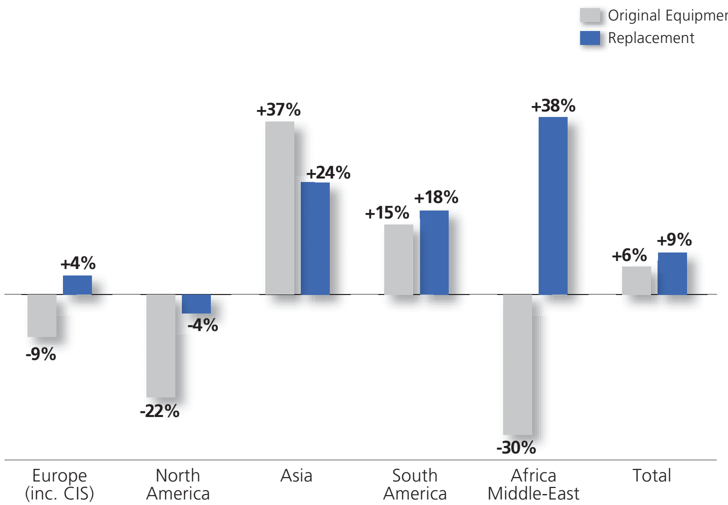
(1) Tiremakers with a 2-6% market share according to the Tire Business ranking.
(2) Tiremakers with a less than 2% market share according to the Tire Business ranking.

In 2010, tire demand rose sharply from prior-year levels in all of the Group's regional markets around the world. It continued to increase in new markets, which were relatively unaffected by the crisis in 2009, and rebounded sharply in mature markets, especially in Europe and North America. However, the recovery was faster than early-year expectations, creating a certain amount of pressure in the supply chain.

Demand in **Passenger car and Light truck tire** markets turned sharply upwards during the year, with stronger growth in original equipment (up 25%) than in the replacement segment (9%).

Mature markets, however, remained below 2007 levels, except in the European replacement segment.

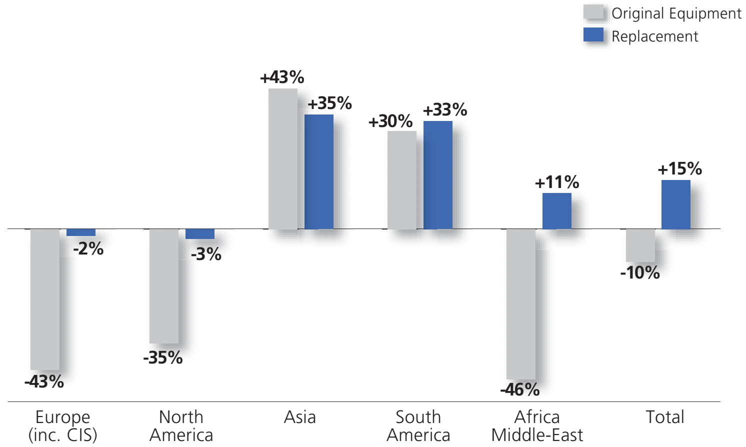
THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2010 VS. 2007



Source: Michelin estimates

Truck tire markets recovered sharply during the year in every region. In mature markets, the gains came off of low prior-year comparatives, particularly in the OE segment (up 33%). Nevertheless, these markets continued to lag pre-crisis levels, again particularly in the OE segment.

THE GLOBAL TRUCK TIRE MARKET, 2010 VS. 2007



Source: Michelin estimates – Radial tires

2.2.1. REPLACEMENT MARKETS

After their record collapse in 2009 under the impact of the recession and aggressive dealer inventory drawdowns, replacement markets turned clearly upwards in both the Passenger car and Light truck and Truck segments.

2.2.1.a) Passenger car and Light truck tires

Passenger car and Light truck markets Replacement *(in millions of tires)*	2010	2009	2010/2009	2nd-Half 2010/ 2nd-Half 2009	1st-Half 2010/ 1st-Half 2009
Europe(1)	310.2	285.8	+9%	+6%	+11%
North America(2)	266.4	255.5	+4%	+0%	+9%
Asia	206.5	181.4	+14%	+15%	+12%
South America	58.0	47.0	+23%	+26%	+21%
Africa Middle-East	75.5	72.8	+4%	+4%	+4%
TOTAL	**916.7**	**842.5**	**+9%**	**+7%**	**+11%**

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

Michelin estimates

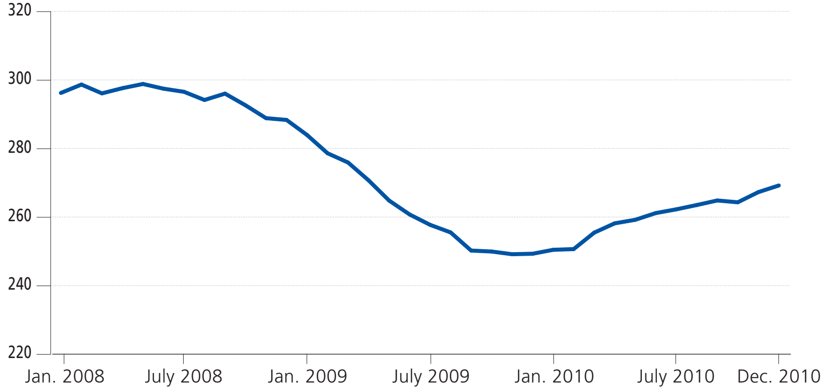
In Europe, demand rebounded faster than expected (up 9%), causing strains in the supply chain. It rose sharply in Western Europe (up 8% in France, 12% in Germany, 10% in Italy and 2% in Spain, while holding virtually steady in the United Kingdom), in the Nordic countries (up 14%), Eastern Europe (up 7% in Hungary and 16% in Russia) and Turkey (up 16%).

The market benefited from strong demand for winter tires (up 22%) during the harsh winter weather in the first and fourth quarters of 2010, as well as from dealer inventory rebuilding, following the massive recession-driven drawdowns in 2009 and ahead of the announced price increases.

As expected, growth in the high-performance tire segment (W,Y and Z speed ratings and SUV tires) continued to outpace the summer tire market.

THE EUROPEAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months – Excluding Russia

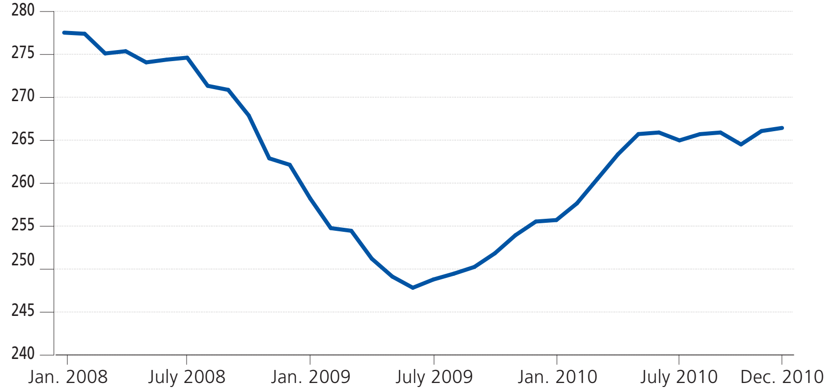


Michelin estimates

In North America, demand turned up more sharply than expected, rising 4% back to 2008 levels and putting tiremakers under pressure to increase output. In the United States, demand gained 6%, led by significant dealer restocking and the continued increase in the number of miles driven. The Canadian market declined by 13% after two years of growth supported by new winter tire regulations. In Mexico, the market expanded by 7%. The North American product mix continued to move up the value chain, with recreational tires accounting for nearly half of growth for the year.

THE NORTH AMERICAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates

In Asia, markets rose 14% overall during the year. Demand remained strong in China, up 24%, and rose 7% in Japan, buoyed by measures to encourage travel by car, such as toll-free motorways on the weekends. The market increased by 9% in India, where tire import licenses were abolished in late May, and by a further 7% in Southeast Asia.

In South America, replacement tire markets expanded by a brisk 23% overall. In Brazil, after a very short slowdown due to the end of the federal excise tax break on new car sales in March, the market ended the year up 34%, boosted by strong domestic demand in a buoyant economy, which spurred increases in total mileage driven and biofuel sales. Demand also rose noticeably in Argentina and Central America.

2.2.1.b) Truck tires

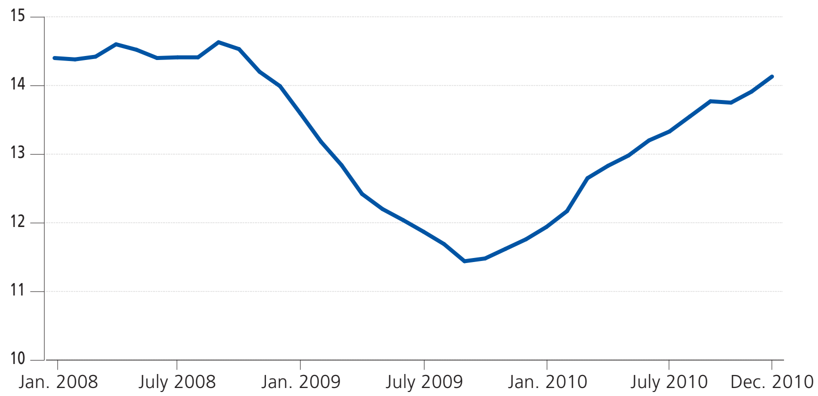
Truck markets* Replacement (in millions of tires)	2010	2009	2010/2009	2nd-Half 2010/ 2nd-Half 2009	1st-Half 2010/ 1st-Half 2009
Europe(1)	16.5	13.3	+24%	+17%	+35%
North America(2)	18.5	15.4	+20%	+18%	+22%
Asia	37.4	33.0	+13%	+12%	+14%
South America	8.9	6.4	+41%	+54%	+26%
Africa Middle-East	8.7	8.5	+2%	+2%	+2%
TOTAL	**89.9**	**76.6**	**+17%**	**+16%**	**+19%**

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

Michelin estimates

In Europe, markets rose a substantial 24%, led by dealer restocking against a backdrop of moderate growth in freight demand. They ended the year at nearly pre-recession levels (down 2% compared with 2007), as did the retread business, which grew by 15%. The upswing in demand put a certain amount of strain on the supply chain.

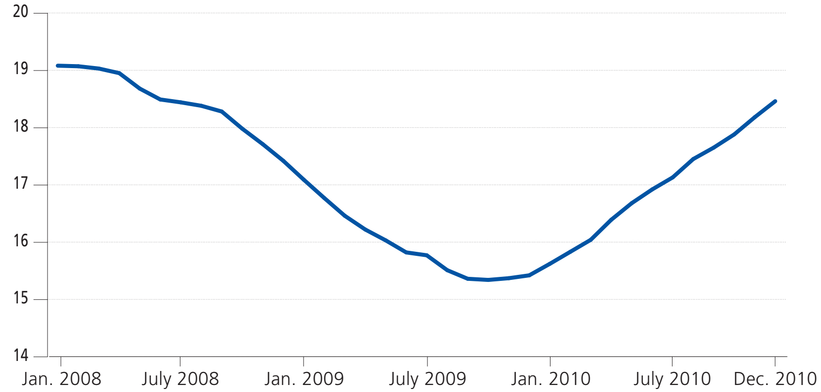
THE EUROPEAN REPLACEMENT TRUCK TIRE MARKET
In millions of radial tires – moving 12 months – Excluding Russia



Michelin estimates

In North America, demand rose steadily throughout the year, for a 20% gain that outpaced the recovery in freight transport, reflecting inventory rebuilding after the destocking in 2009. Growth was also supported by the continuing shift to radial tires in Mexico. Although supply strains emerged late in the year, the markets have not quite yet rebounded to pre-crisis levels.

THE NORTH AMERICAN REPLACEMENT TRUCK TIRE MARKET
In millions of radial tires – moving 12 months



Michelin estimates

In Asia, markets expanded throughout 2010, to end the year up 13% overall. Despite tire price increases to pass along rising raw materials costs, demand in China continued to grow, albeit at a slower pace due to higher prior-year comparatives. Growth in Southeast Asia was driven by low-cost radial tires from China. While the Japanese market recovered strongly, it still ended the year nearly 15% below pre-crisis levels.

In South America, the market soared 41%, led by demand in Brazil, Argentina, Chile and Colombia in a favorable economic environment. In Brazil, freight transport indicators are trending upwards and dealer inventories have returned to normal.

Markets in **Africa and the Middle East** saw more moderate growth than in other regions, rising 2% overall. In certain Gulf countries, demand even turned downwards, primarily as a result of the recession in the construction industry.

2.2.2. ORIGINAL EQUIPMENT MARKETS

Following the record collapse in 2009 that led to aggressive inventory drawdowns by vehicle manufacturers, **original equipment** markets rebounded faster than expected in 2010. Nevertheless, they remained lower than their 2007 levels in Europe and North America.

2.2.2.a) Passenger car and Light truck tires

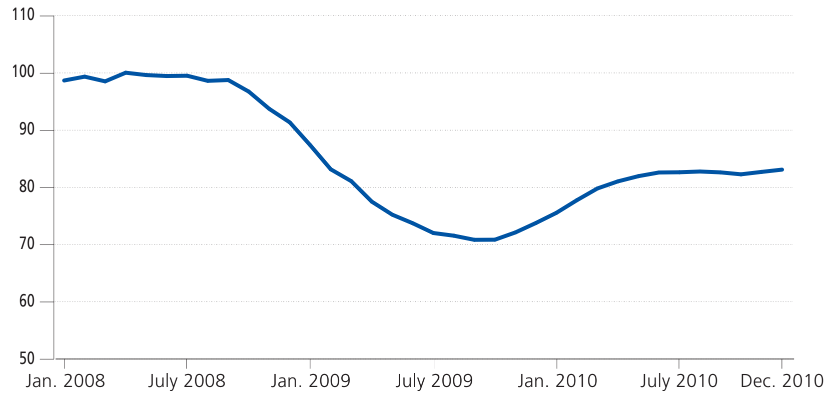
Passenger car and Light truck markets Original Equipment *(in millions of tires)*	2010	2009	2010/2009	2nd-Half 2010/ 2nd-Half 2009	1st-Half 2010/ 1st-Half 2009
Europe[(1)]	89.3	77.9	+15%	+5%	+26%
North America[(2)]	58.5	42.2	+39%	+17%	+71%
Asia	179.7	139.2	+29%	+16%	+47%
South America	20.6	18.2	+13%	+6%	+22%
Africa Middle-East	10.2	8.5	+21%	+42%	-1%
TOTAL	**358.3**	**285.9**	**+25%**	**+13%**	**+41%**

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

Michelin estimates

Markets in **Europe** continued to recover in line with automobile output, which was lifted, depending on the market, by auto industry support programs, resurgent demand for premium models or strong export sales. Demand was also boosted by rising inventories, which had been drastically cut during the crisis.

THE EUROPEAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET
In millions of tires – moving 12 months – Excluding Russia

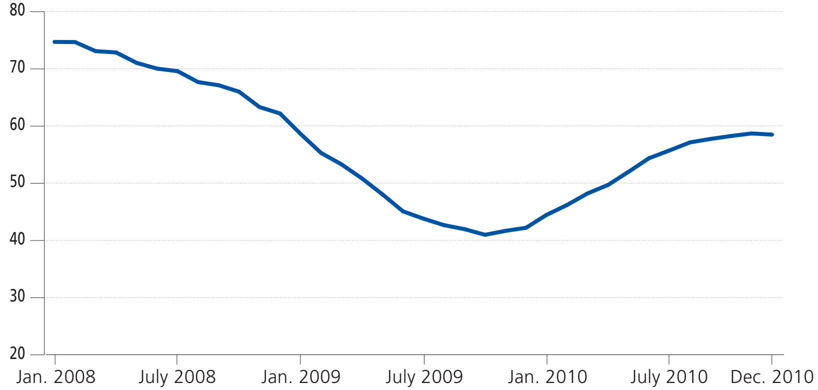


Michelin estimates

In North America, demand surged by 39% against very low prior-year comparatives, led by inventory rebuilding after 2009's excessive destocking, as well as by higher sales of US-made models compared to imports.

THE NORTH AMERICAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates

All of the markets in Asia rose during the year, lifted by the still growing demand for motor vehicles. The market expanded by 33% in China, where auto industry support measures were extended, and by 44% in Southeast Asia, while exports drove faster growth in the South Korean market. In Japan, demand rose by 21% despite the discontinuation in October of the program to support automobile sales and the slowdown in exports due to the rise in the yen against the dollar and the euro. Overall, the Asian market grew by 29% in 2010.

In South America, tire markets rose by 13% on the back of strong growth in the Brazilian and Argentine economies. Growth in demand was particularly robust in Brazil compared with previous years.

In Africa and the Middle East, the overall market returned to growth, expanding by 21% following a sharp decline in 2009.

2.2.2.b) Truck tires

Truck markets* **Original Equipment** *(in millions of tires)*	**2010**	**2009**	**2010/2009**	**2nd-Half 2010/ 2nd-Half 2009**	**1st-Half 2010/ 1st-Half 2009**
Europe(1)	4.0	2.6	+54%	+81%	+29%
North America(2)	3.4	2.7	+25%	+27%	+23%
Asia	8.7	6.9	+26%	+0%	+61%
South America	2.4	1.7	+47%	+43%	+53%
Africa Middle-East	0.4	0.3	+8%	+8%	+9%
TOTAL	**18.9**	**14.2**	**+33%**	**+24%**	**+44%**

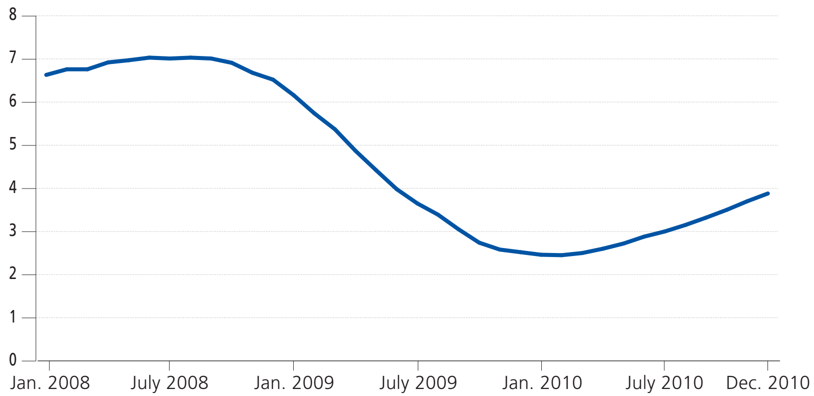
* Radial only.
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.

Michelin estimates

The **European** market experienced a strong 54% rebound off of low prior-year comparatives, led by the end of destocking and by new truck exports. While the pace of the recovery accelerated in the second half, the market remains depressed, at around 40% below its 2007 level.

THE EUROPEAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

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

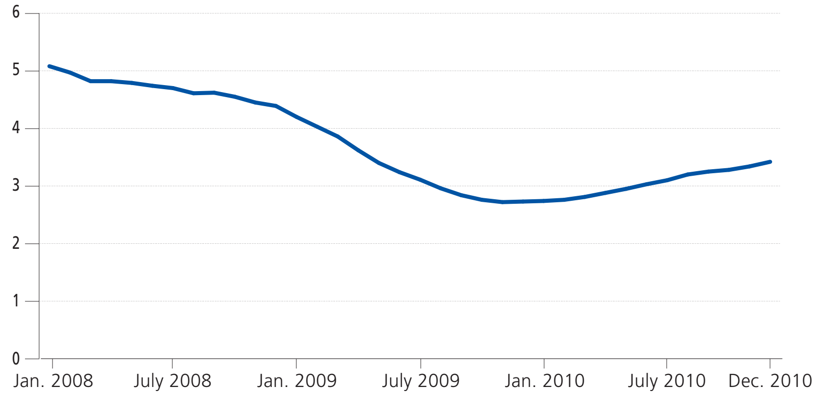


Michelin estimates

In North America, demand increased by 25% year-on-year but was still a substantial 35% below 2007 level. The upswing in 2010 marked the end of truck fleet aging.

THE NORTH AMERICAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months



Michelin estimates

In Asia, the market rose 26% during the year, with OE demand gaining a solid 23% in China, despite a second-half slowdown due to higher prior-year comparatives. In Southeast Asia, the market rose sharply throughout the year, boosted by the increasing shift to radials.

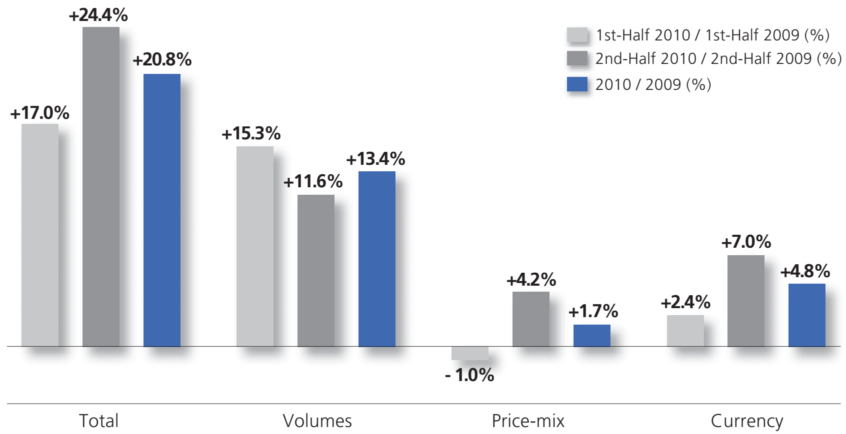
In South America, the market climbed 47% thanks to a buoyant economy and government incentives, such as tax breaks and low-interest loans to stimulate new truck purchases.

In Africa and the Middle East, OE market growth was slower than in other regions (up 8%).

2.3_ NET SALES

(in € million)	2010	2009	% change	2nd-Half 2010	2nd-Half 2009	% change	1st-Half 2010	1st-Half 2009	% change
Net sales	17,891	14,807	+20.8%	9,542	7,673	+24.4%	8,349	7,134	+17.0%
Excluding currencies			*+15.2%*			*+16.5%*			*+13.7%*

2.3.1. ANALYSIS OF NET SALES



Consolidated net sales amounted to €17,891 million in 2010, up 20.8% at current exchange rates from €14,807 million in 2009.

The increase primarily reflected the 13.4% improvement in sales volumes, which tracked the market rebound.

The improved price-mix added 1.7% to growth for the year.

- The price-mix effect swung from a negative 1% in the first half to a positive 4.2% in the second, impelled by the Group's commitment to raising prices.
  - The product mix was negative throughout the year, due to faster growth in OE volumes than in replacement sales.
  - Higher prices added €391 million to net sales and 2.6% to growth for the year. Their impact gained momentum quarter after quarter thanks to the implementation of price increases in every region and the application of contractual clauses indexing prices to raw materials costs.
- The 4.8% positive currency effect resulted mainly from gains in the US dollar, Brazilian real, Canadian dollar and Australian dollar against the euro.

(in € million and %)	2010/2009		2nd-Half 2010/ 2nd-Half 2009		4th-Quarter 2010/ 4th-Quarter 2009		3rd-Quarter 2010/ 3rd-Quarter 2009		1st-Half 2010/ 1st-Half 2009		2nd-Quarter 2010/ 2nd-Quarter 2009		1st-Quarter 2010/ 1st-Quarter 2009	
TOTAL CHANGE	**+3,084**	**+20.8%**	**+1,869**	**+24.4%**	**+975**	**+24.9%**	**+894**	**+23.8%**	**+1,215**	**+17.0%**	**+786**	**+21.7%**	**+429**	**+12.2%**
Volumes	+1,982	+13.4%	+887	+11.6%	+478	+12.2%	+409	+10.9%	+1,095	+15.3%	+559	+15.4%	+536	+15.3%
Price-mix	+278	+1.7%	+357	+4.2%	+210	+4.8%	+147	+3.5%	-79	-1.0%	+5	+0.1%	-84	-2.1%
Currency	+824	+4.8%	+625	+7.0%	+287	+6.2%	+338	+7.8%	+199	+2.4%	+222	+5.3%	-23	-0.6%
Scope	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2.3.2. NET SALES BY REPORTING SEGMENT

(in € million)	2010	2010/2009	2nd-Half 2010	2nd-Half 2010/ 2nd-Half 2009	1st-Half 2010	1st-Half 2010/ 1st-Half 2009
GROUP	**17,891**	**+20.8%**	**9,542**	**+24.4%**	**8,349**	**+17.0%**
Passenger car/Light truck and related distribution	9,790	+18.2%	5,169	+19.3%	4,621	+17.0%
Truck & related distribution	5,680	+26.3%	3,114	+28.4%	2,566	+23.9%
Specialty businesses(1)	2,421	+19.2%	1,259	+37.3%	1,162	+4.3%

(1) Specialty businesses include Specialty tires (Earthmover, Agricultural, Aircraft and Two-wheel); Maps and Guides; ViaMichelin and Michelin Lifestyle.

Net sales for each reporting segment rose significantly in 2010, led by volume gains and a responsive pricing policy that passed along higher raw materials costs.

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

In Europe, replacement sales rose sharply, led by the firm performance of the new MICHELIN lines, particularly the MICHELIN Alpin 4 winter tires. OE sales, on the other hand, were held back by tire shortages.

In North America, replacement sales increased significantly throughout the year but were nevertheless dampened by production issues. OE sales also benefited from a favorable customer mix. In all, the Group's market share in the region reached a record high during the year.

In South America, sales were boosted by very fast growing demand, with particularly good performances in Brazil, Chile and Central American countries.

In the buoyant **Asian** market, sales improved in every region, enabling the Group to further broaden and deepen its presence, especially in the Southeast. Sales continued to enjoy double-digit growth in China, where expansion is being focused on the burgeoning replacement market.

In Africa and the Middle East, sales were lifted by firmer demand.

In all, net sales in the Passenger car and Light truck tires and related distribution segment stood at €9,790 million for the year, up 18.2% on 2009. Led by a solid performance in winter tires and the strength of the MICHELIN brand, unit sales rose firmly during the year. The positive price-mix effect reflected i) the application of price increases throughout the year to pass along higher raw materials costs and ii) ongoing improvements in the segment/speed rating mix. It was only partly dampened by the unfavorable change in the OE/replacement mix.

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

In Europe, replacement sales outperformed the market despite some disruption caused by the price increases, while OE sales were supported by vigorous demand and Michelin's strong positions with the major truck manufacturers.

In North America, X One sales are at an all-time high, with more than one million tires sold. At a time of rising raw materials prices, substantial price increases were implemented in a commitment to preserving margins. In the OE segment, a positive customer mix enabled sales to outpace the market.

In South America, sales rose sharply and steadily throughout the year, putting pressure on the supply chain, particularly in the replacement market. In the original equipment segment, the quality of the Group's lineup fueled further market share gains.

Asian sales tracked the market, with robust gains in both the OE and replacement segments. In China, price increases to counterbalance the impact of higher raw materials costs did not hold back sales growth and market share gains in original equipment. Sales in both Japan and South Korea outperformed the market. Michelin also continued to expand in Southeast Asia, with the Vietnamese agency enjoying its first year of business in 2010.

In Africa and the Middle East, sales were boosted by rising demand.

In all, net sales in the Truck tires and related distribution segment amounted to €5,680 million for the year, up 26.3% on 2009. Sales volumes rose sharply against low prior-year comparatives, with faster growth at year-end creating certain supply issues in mature markets. Despite an unfavorable OE/replacement market mix, the price-mix improved quarter after quarter, thanks to the gradual application of price increases to pass along rising raw materials prices.

2.3.2.c) Specialty businesses – Analysis of net sales

Earthmover tires: After dodging the recession, the mining segment continued to expand on healthy demand for ore and energy in fast growing markets. The OE market practically doubled in the mature economies, although volumes failed to reach pre-recession levels. Despite strong growth in every region, the infrastructure market also lagged behind 2008 levels.

Michelin sales rose briskly in every segment. Application of commodity index-based adjustment clauses led to price increases in the second half of the year, which offset rising raw materials costs, albeit with a slight delay.

Agricultural tires: Although lower than in 2008, OE markets rose sharply during the year, with a more pronounced upturn in the high-powered farm machinery segment. In the overall agricultural tire market, the recovery picked up steam in the fourth quarter as a result of robust grain prices and a favorable outlook for 2011.

Michelin sales rose across-the-board, reflecting market share gains in the OE segment and the solid performance of the premium brands in the replacement market. The strategy of boosting sales of the MICHELIN and KLEBER brands was pursued during the year. The summer saw the launch of the MICHELIN CerexBib for harvesters and the MICHELIN SprayBib for row-crop sprayers, both of which feature the innovative MICHELIN UltraFlex technology.

Two-wheel tires: The motorized segments made gains in all mature economies except Japan. The pace of growth remained robust in emerging markets, particularly in Southeast Asia where demand is at a record high.

Group sales ended the year higher, leading to market share gains in North America, Brazil and also Europe, which saw the launch of the Power Pure tire in the performance segment. In the OE market, deliveries to Harley Davidson continued to ramp up during the period.

Aircraft tires: All of the markets returned to growth in 2010, with the uptrend particularly noticeable in the Commercial Aviation segment, which is seeing an improvement in load factors. After collapsing in 2009, the General Aviation business rebounded during the year, while the military segment remained stable. Demand for radial technology tires continued to grow.

For Michelin, the year was marked by the signing of long-term contracts with Air France, KLM and Turkish Airlines, for whom the Group's end-to-end solutions combining quality products and innovative services proved decisive. Penalized by unfavorable exchange rates, net sales were stable overall compared with 2009.

The **Maps and Guides** division continued to pursue development programs in its three businesses. After steadily declining in recent years, the Maps market seems to be stabilizing, as Michelin continues to develop partnership agreements. The Tourist Guides business pursued its commitment to publishing an increasing number of international guides and began to leverage content synergies between the Green Guides and the new ViaMichelin website travel section. MICHELIN Guide sales were stable in 2010.

The **ViaMichelin** website enjoyed a record 432 million visits during the year. The regularly enhanced services were revamped for the site's tenth version and now include a travel section featuring Green Guides content.

To develop the Group's travel information and advisory services, the Maps and Guides and ViaMichelin teams will be consolidated into a single unit and, ultimately, a single company. The new unit will be capable of rapidly developing integrated, multimedia (paper and digital) products and services for consumers and professionals that will further enhance the brand's vision of "a better way forward".

In all, net sales from the Specialty businesses came to €2,421 million, a gain of 19.2% on 2009. Growth was led by Michelin's powerful momentum in every tire market, as well as by the application of contractual clauses indexing prices to raw materials costs.

2.3.3. CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales rose by 20.8% in 2010. That growth includes an €824 million gain from changes in exchange rates during the year, primarily the appreciation of the US dollar, Brazilian real, Canadian dollar, Australian dollar and, to a lesser extent, the Mexican peso and Thai baht against the euro.

Average exchange rate	2010	2009	% change
Euro/USD	1.327	1.394	-4.8%
Euro/CAD	1.367	1.586	-13.9%
Euro/MXN	16.759	18.805	-10.9%
Euro/BRL	2.332	2.773	-15.9%
Euro/GBP	0.858	0.892	-3.8%
Euro/JPY	116.157	130.251	-10.8%
Euro/CNY	8.981	9.524	-5.7%
Euro/THB	42.021	47.812	-12.1%

2.3.4. NET SALES BY REGION

(in € million)	2010	2010/2009	2nd-Half 2010	1st-Half 2010
GROUP	**17,891**	**+20.8%**	**9,542**	**8,349**
Europe	7,682	+13.8%	4,042	3,640
North America (incl. Mexico)	6,148	+23.1%	3,348	2,800
Other	4,061	+32.7%	2,152	1,909

(in € million)	2010	% of total	2009	% of total
GROUP	**17,891**		**14,807**	
Europe	7,682	42.9%	6,752	45.6%
North America (incl. Mexico)	6,148	34.4%	4,994	33.7%
Other	4,061	22.7%	3,061	20.7%

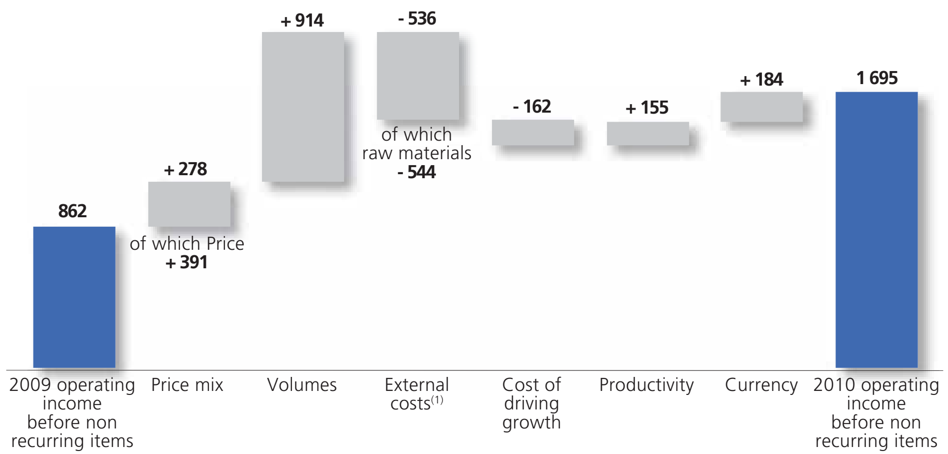
Consolidated net sales improved in every geography, but at a faster pace in high-potential growth markets. In tonnage, these markets accounted for 33% of 2010 sales volumes, versus 32% in 2009.

2.4_ CONSOLIDATED INCOME STATEMENT REVIEW

(in € million, except per share data)	2010	2009	2010/2009	2010 *(% of net sales)*	2009 *(% of net sales)*
Net sales	**17,891**	**14,807**	**+20.8%**		
Cost of sales	(12,403)	(10,527)	+17.8%	69.3%	71.1%
Gross income	**5,488**	**4,280**	**+28.2%**	**30.7%**	**28.9%**
Sales and marketing expenses	(1,847)	(1,650)	+11.9%	10.3%	11.1%
Research and development expenses	(545)	(506)	+7.7%	3.0%	3.4%
General and administrative expenses	(1,237)	(1,113)	+11.1%	6.9%	7.5%
Other operating income and expenses	(164)	(149)	+10.1%	0.9%	1.0%
Operating income before non-recurring income and expenses	**1,695**	**862**	**+96.6%**	**9.5%**	**5.8%**
Non-recurring expenses	-	(412)	NM	0.0%	2.8%
Operating income	**1,695**	**450**	**+276.7%**	**9.5%**	**3.0%**
Cost of net debt	(236)	(262)	-9.9%	1.3%	1.8%
Other financial income and expenses	10	10	+0.0%	0.1%	0.1%
Share of profit from associates	29	9	+222.2%	0.2%	0.1%
Income before taxes	**1,498**	**207**	**+623.7%**	**8.4%**	**1.4%**
Income tax	(449)	(103)	+335.9%	2.5%	0.7%
Net income	**1,049**	**104**	**+908.7%**	**5.9%**	**0.7%**
• Attributable to the shareholders of the Company	1,048	106	+888.7%	5.9%	0.7%
• Attributable to non-controlling interests	1	(2)			
Earnings per share *(in €)*					
• Basic	6.78	0.69	+882.6%		
• Diluted	6.64	0.69	+862.3%		

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

In € million



(1) Raw materials and logistics costs, at constant exchange rates.

Consolidated **operating income before non-recurring income and expenses** amounted to €1,695 million or 9.5% of net sales in 2010, compared with €862 million and 5.8% in 2009. There were no non-recurring items recognized for the year.

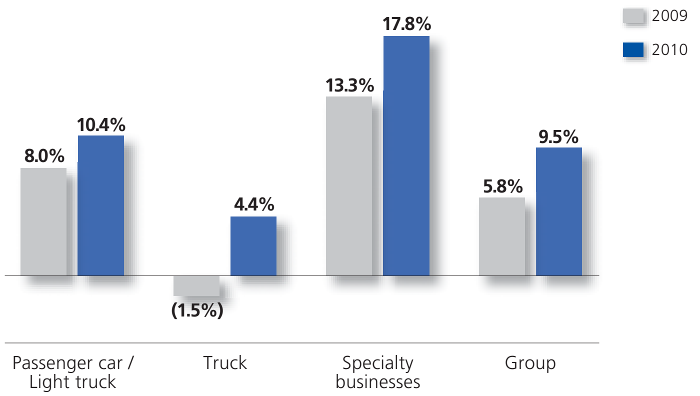
The €833-million improvement in operating income before non-recurring items, which added 3.7 points to operating margin, reflected the net impact of:

- A €914 million increase from the significant growth in sales volumes;
- A €278 million increase from the price-mix, as the unfavorable OE/replacement market mix was offset by the €391 positive impact from the price increases announced in every geography and application of contract clauses indexing prices to raw materials costs;
- A €536 million decrease from the rise in external costs, of which €544 million was attributable to higher raw materials prices;
- A €184 million positive currency effect;
- A €155 million gain from productivity improvements;
- €162 million in non-recurring expenses to drive new growth, primarily in the new markets.

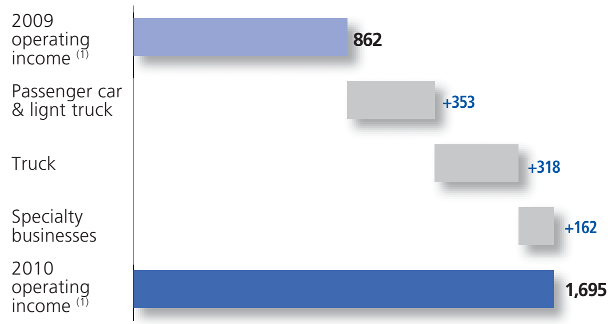
2.4.2. OPERATING INCOME BEFORE NON-RECURRING ITEMS BY REPORTING SEGMENT

(in € million)	2010	2nd-Half 2010	1st-Half 2010
PASSENGER CAR/LIGHT TRUCK AND RELATED DISTRIBUTION			
Net sales	9,790	5,169	4,621
Operating income before non-recurring items	1,014	517	497
Operating margin before non-recurring items	**10.4%**	**10.0%**	**10.8%**
TRUCK & RELATED DISTRIBUTION			
Net sales	5,680	3,114	2,566
Operating income before non-recurring items	249	123	126
Operating margin before non-recurring items	**4.4%**	**3.9%**	**4.9%**
SPECIALTY BUSINESSES			
Net sales	2,421	1,259	1,162
Operating income before non-recurring items	432	233	199
Operating margin before non-recurring items	**17.8%**	**18.5%**	**17.1%**
GROUP			
Net sales	17,891	9,542	8,349
Operating income before non-recurring items	1,695	873	822
Operating margin before non-recurring items	**9.5%**	**9.1%**	**9.8%**

2.4.2.a) Operating margin by reporting segment



In € million



(1) Before non-recurring items.

- Passenger car and Light truck tires and related distribution
- Truck tires and related distribution
- Specialty businesses: Specialty tires (Earthmover, Agricultural, Aircraft and Two-wheel); Maps and Guides; ViaMichelin and Michelin Lifestyle.

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)*	2010	2009	2010/2009	2010 (% of Group total)	2009 *(% of Group total)*
Net sales	9,790	8,280	+18.2%	55%	56%
Operating income before non-recurring items	1,014	661	+53.4%	60%	77%
Operating margin before non-recurring items	10.4%	8.0%	+2.4pts		

Operating income before non-recurring income and expenses from the Passenger car and Light truck tires and related distribution business amounted to €1,014 million or 10.4% of net sales in 2010, compared with €661 million and 8.0% in 2009.

The improvement was led by the following factors:

- The sharp increase in sales volumes, boosted by the upturn in demand in every Passenger car and Light truck market and by the performance of the MICHELIN brand;
- An amply positive price-mix, as price increases offset the negative trend in the OE/replacement sales mix;
- The unfavorable impact of high raw materials prices;
- The tight control over manufacturing costs at time of high capacity utilization.

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

Truck & related distribution *(in € million)*	2010	2009	2010/2009	2010 (% of Group total)	2009 *(% of Group total)*
Net sales	5,680	4,496	+26.3%	32%	30%
Operating income before non-recurring items	249	(69)	NM	15%	(8%)
Operating margin before non-recurring items	4.4%	(1.5%)	+5.9pts		

Operating income before non-recurring income and expenses from the Truck tires and related distribution business amounted to €249 million or 4.4% of net sales in 2010, versus an operating loss of €69 million in 2009.

At a time of rising prices for natural rubber and other raw materials, this improvement was mainly attributable to:

- The increase in volumes following the rebound in demand off of low prior-year comparatives;
- The improvement in the Truck tire segment's competitiveness;
- The responsiveness of the pricing policy in the face of rising raw materials prices.

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

Specialty businesses *(in € million)*	2010	2009	2010/2009	2010 (% of Group total)	2009 *(% of Group total)*
Net sales	2,421	2,031	+19.2%	13%	14%
Operating income before non-recurring items	432	270	+60.0%	25%	31%
Operating margin before non-recurring items	17.8%	13.3%	+4.5pts		

Operating income before non-recurring income and expenses from the Specialty businesses stood structurally high in 2010 at €432 million or 17.8% of net sales, compared with €270 million and 13.3% in 2009.

This growth primarily reflected the following factors:

- The increase in tonnages sold by each of the Specialty tires businesses, with a significant contribution from Earthmover tires;
- The favorable impact in the second half from applying contract clauses indexing prices to raw materials costs, after a negative impact in the first half.

2.4.3. OTHER INCOME STATEMENT ITEMS

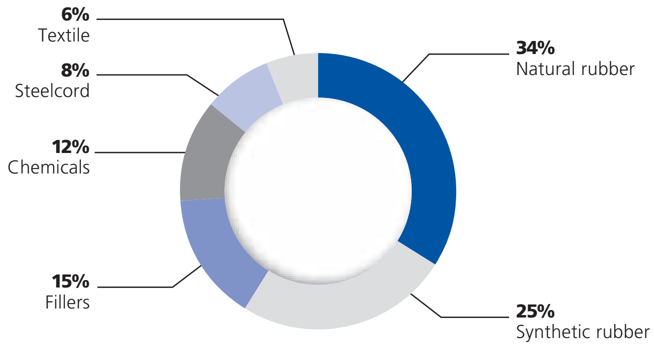
2.4.3.a) Raw materials

The cost of **raw materials** recognized in the income statement under "cost of sales" 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 2010, raw materials costs recognized in cost of sales amounted to €4, 799 million, rising by €544 million at constant exchange rates.

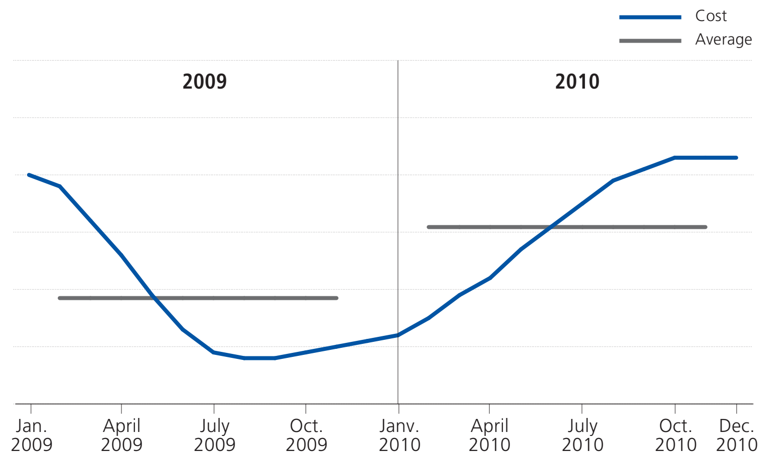
Overall, **external costs** (mainly raw materials and logistics) rose by a somewhat slower €536 million, thanks to continued tight control over logistics expense.

RAW MATERIALS RECOGNIZED IN 2010 COST OF SALES, BY TYPE AND IN €

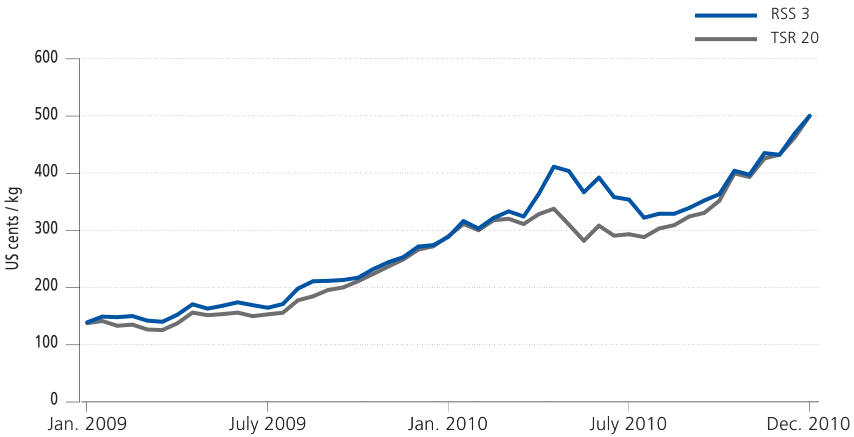


RAW MATERIALS COSTS RECOGNIZED IN 2010 COST OF SALES

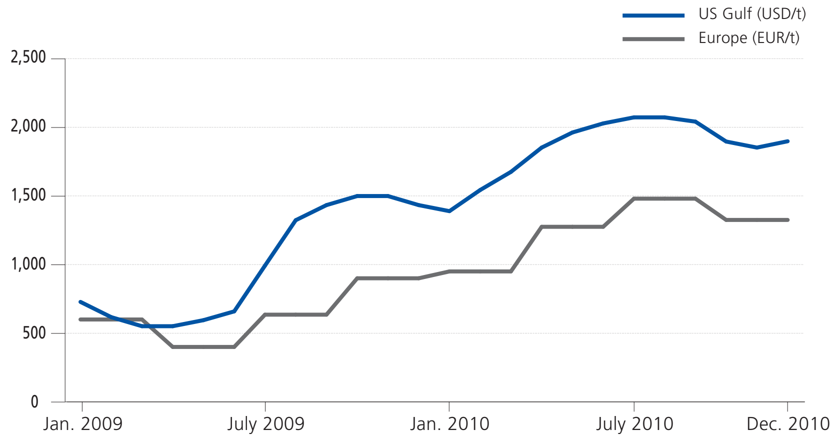
(In €/kg)



NATURAL RUBBER PRICES (SICOM)



BUTADIENE PRICES



2.4.3.b) Employee benefit costs and number of employees

(in € million and number of people)	2010	2009	% change
Employee benefit costs	4,836	4,515	+7.1%
As a % of net sales	27.0%	30.5%	-3.5pts
Total number of employees at December 31	111,100	109,200	+1.7%
Number of full time equivalent employees at December 31	105,100	102,700	+2.3%
Average number of full time equivalent employees	104,000	105,800	-1.7%

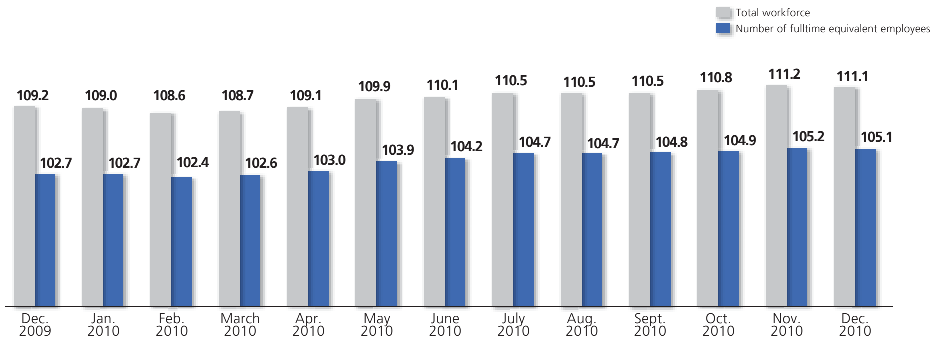
Employee benefit costs represented 27.0% of 2010 net sales, versus 30.5% in 2009, as net sales rose sharply during the period.

The **number of full-time equivalent employees** at December 31, 2010 rose by a net 2,400 people or 2.3% over the year. The workforce did not increase as fast as the 13.4% growth in sales volumes, however, attesting to the intrinsic gains in productivity.

The €321 million or 7.1% rise in employee benefit costs was primarily due to i) the increase in headcount and salaries during the year and ii) comparison with 2009, when costs were impacted by government measures to compensate short-time working hours and, in certain regions, a decline in wages in line with shorter hours.

NUMBER OF EMPLOYEES

In thousands

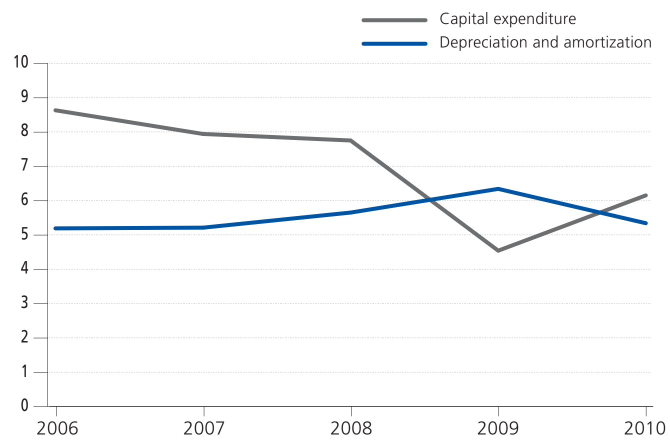


2.4.3.c) Depreciation and amortization

(in € million)	2010	2009	% change
Depreciation and amortization	955	939	+1.7%
As a % of capital expenditure	*87%*	*140%*	

Depreciation and amortization edged up 1.7% to €955 million in 2010, but fell back below capital expenditure for the year.

As a % of net sales



2.4.3.d) Transportation costs

(in € million)	2010	2009	% change
Transportation of goods	963	773	+24.6%
As a % of sales	*5.4%*	*5.2%*	

Transportation costs rose by 24.6% to €963 million, lifted by the 13.4% growth in sales volumes and the increase in exports at a time of rising maritime freight rates.

As a result, transportation costs represented 5.4% of net sales compared with 5.2% in 2009.

2.4.3.e) Sales and marketing expense

Sales and marketing expense rose by €197 million to €1,847 million or 10.3% of net sales in 2010, with much of the increase (€91 million) due to the rise in advertising costs following deployment of the global advertising campaign during the year.

2.4.3.f) Research and development expense

Research and development expense stood at €545 million, up 7.7% from 2009 and representing 3.0% of net sales, versus 3.4% the year before.

The slight increase in euro terms demonstrates the Group's dedication to strengthening its technological leadership at a time when customers increasingly perceive the benefits delivered by high performance tires.

2.4.3.g) General and administrative expense

At €1,237 million, **general and administrative expense** represented 6.9% of net sales, versus €1,113 million and 7.5% in 2009. The increase was led by the costs of setting up new administrative and sales offices in the fast growing markets.

2.4.3.h) Non-recurring expenses

No non-recurring expenses were recognized in the first half.

2.4.3.i) Cost of net debt

(in € million)	2010	2009	Value change
Cost of net debt	236	262	-26

The **cost of net debt** declined by €26 million compared with 2009, primarily due to the reduction in average net debt and the decrease in interest rates.

More specifically, the decline in net debt reflected the following factors:

- A €61 million decrease in net interest expense, of which:
  - A €44 million decrease attributable to the €955 million reduction in average net debt to €2.8 billion in 2010 from €3.8 billion in 2009,
  - A €29 million decrease from the reduction in the average gross interest rate on borrowings, to 4.6% in 2010 from 5.3% in 2009,
  - A €17 million increase from the negative carry, reflecting the increase in average invested cash and cash equivalents to €1,297 million from €794 million in 2009,
  - A €5 million decrease from other favorable factors;
- A €35 million increase from other unfavorable factors, including the mark-to-market adjustment of interest rate derivatives used by the Group to convert part of its variable rate debt into fixed rate instruments.

2.4.3.j) Other financial income and expenses

(in € million)	2010	2009	Value change
Other financial income and expenses	10	10	+0

Other financial income and expenses mainly included currency gains and losses, dividends, interest income and proceeds from the sale of financial assets.

2.4.3.k) Income tax

(in € million)	2010	2009	Value change
Income before taxes	1,498	207	+1,291
Income tax	**(449)**	**(103)**	**+346**
Current tax	(269)	(104)	+165
Withholding tax	(18)	(21)	-3
Deferred tax	(162)	22	+184

Income tax expense amounted to €449 million in 2010, corresponding to an effective tax rate of 30.0%. In 2009, the Group reported an income tax liability that was €346 million less, mainly because income before taxes for the year was much lower.

2.4.3.l) Consolidated net income and earnings per share

(in € million)	2010	2009	Value change
Net income	1,049	104	+945
As a % of net sales	*5.9%*	*0.7%*	*+5.2pts*
• Attributable to the shareholders of the Company	1,048	106	+942
• Attributable to non-controlling interests	1	(2)	+3
Earnings per share *(in €)*			
• Basic	6.78	0.69	+6.09
• Diluted	6.64	0.69	+5.95

Net income came to €1,049 million or 5.9% of net sales in 2010, compared with €104 million the year before. The improvement was led by the combination of the following factors:

- The €833 million increase in operating income before non-recurring income and expenses;
- The absence of any non-recurring expenses during the year, compared with €412 million in 2009;
- The €26 million reduction in the cost of net debt;
- The €20 million share of the profit from associates;
- The €346 million increase in income tax expense.

2.5_ CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

(in € million)	December 31, 2010	December 31, 2009	Total change	Currency effect	Movement
Goodwill	416	403	+13	+32	-19
Other intangible assets	360	321	+39	+9	+30
Property, plant and equipment (PP&E)	7,193	6,782	+411	+340	+71
Non-current financial assets and other assets	1,108	712	+396	+27	+369
Investments in associates and joint ventures	93	71	+22	+0	+22
Deferred tax assets	828	942	-114	+46	-160
Non-current assets	**9,998**	**9,231**	**+767**	**+454**	**+313**
Inventories	3,770	2,994	+776	+189	+587
Trade receivables	2,770	2,314	+456	+116	+340
Current financial assets	882	165	+717	+2	+715
Other current assets	653	583	+70	+25	+45
Cash and cash equivalents	1,590	1,231	+359	+37	+322
Current assets	**9,665**	**7,287**	**+2,378**	**+369**	**+2,009**
TOTAL ASSETS	**19,663**	**16,518**	**+3,145**	**+823**	**+2,322**

2

LIABILITIES AND EQUITY

(in € million)	December 31, 2010	December 31, 2009	Total change	Currency effect	Movement
Share capital	353	295	+58	-	+58
Share premiums	3,215	1,987	+1,228	-	+1,228
Reserves	4,556	3,210	+1,346	+295	+1,051
Non-controlling interests	3	3	+0	+0	+0
Equity	**8,127**	**5,495**	**+2,632**	**+295**	**+2,337**
Non-current financial liabilities	3,251	3,568	-317	+89	-406
Employee benefit obligations	2,457	2,374	+83	+103	-20
Provisions and other non-current liabilities	938	1,105	-167	+40	-207
Deferred tax liabilities	45	40	+5	+0	+5
Non-current liabilities	**6,691**	**7,087**	**-396**	**+232**	**-628**
Current financial liabilities	896	760	+136	+141	-5
Trade payables	1,813	1,249	+564	+63	+501
Other current liabilities	2,136	1,927	+209	+92	+117
Current liabilities	**4,845**	**3,936**	**+909**	**+296**	**+613**
TOTAL EQUITY AND LIABILITIES	**19,663**	**16,518**	**+3,145**	**+823**	**+2,322**

2.5.1. GOODWILL

Other than the impact of translation adjustments, there was no material change in **goodwill** at December 31, 2010 compared with December 31, 2009.

2.5.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €7.2 billion at December 31, 2010, a €411 million increase that reflected both the Group's sustained capital expenditure commitment, which once again exceeded depreciation and amortization for the year, and the impact of translation adjustments.

2.5.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets rose by €396 million, mainly due to:

- Fair value adjustments to available-for-sale financial assets;
- The pre-payment of contributions to different pension funds.

2.5.4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets declined by €114 million, primarily due to a reduction in timing differences by Group companies.

2.5.5. WORKING CAPITAL REQUIREMENT

(in € million)	2010	2009	Value change	2010 *(as a % of sales)*	2009 *(as a % of sales)*
Inventories	3,770	2,994	+776	21.1%	20.2%
Trade receivables	2,770	2,314	+456	15.5%	15.6%
Trade payables	(1,813)	(1,249)	-564	10.1%	8.4%
WORKING CAPITAL REQUIREMENT	**4,727**	**4,059**	**+668**	**26.4%**	**27.4%**

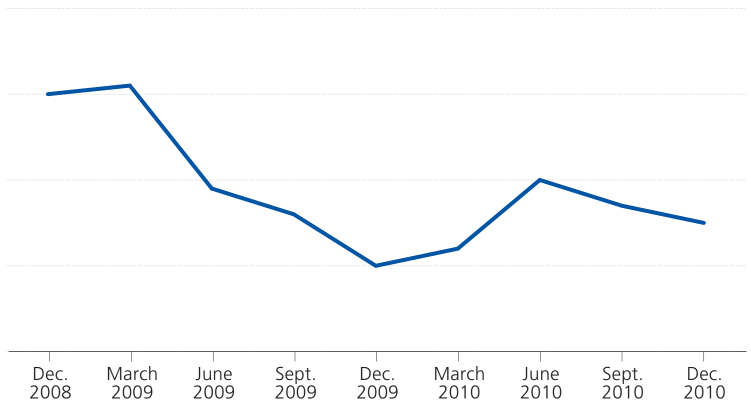
The upturn in business drove a 16.5% or €668 million increase in **working capital requirement,** which represented 26.4% of net sales for the year.

Inventory rose by €776 million and represented 21.1% of net sales at December 31, 2010. Around two-thirds of the increase was due to the rise in the value of raw materials inventory and the remaining third to the growth in output. In volume terms, inventory fell below normal levels in many of the operating units, primarily as a result of exceptionally robust sales in December.

The amount of finished product inventory rose by 6% over the year, while the amount of semi-finished product and raw materials inventory increased by 10%.

FINISHED PRODUCT INVENTORY

Quarterly change in volumes



Trade receivables rose by €456 million to €2,770 million, but eased slightly to 15.5% of sales at December 31, 2010 from 15.6% a year earlier. With payment terms still gradually growing shorter, the increase in value during the year primarily reflected the growth in sales volumes and, to a lesser extent, the price rises implemented to pass along the higher cost of raw materials.

Trade payables increased by €564 million, mainly due to the upturn in business and the renewed capital expenditure drive.

2.5.6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents rose by €359 million to €1,590 million at December 31, 2010, in line with €426 million in free cash flow generated during the year and the €1.2 billion in proceeds from the October rights issue.

2.5.7. EQUITY

Consolidated **equity** increased by €2,632 million to €8,127 million at December 31, 2010, reflecting the following main factors:

- Favorable factors:
  - €1,286 million in proceeds, primarily from the €1.2 billion rights issue carried out in October and, to a lesser extent, the issue of 1,735,759 new shares under the dividend reinvestment plan (€82 million) and on the exercise of stock options,
  - Comprehensive income for the period, in an amount of €1,506 million (€1,049 million in net income, plus €294 million in net translation gains and €163 million in other positive items);
- Unfavorable factors:
  - Dividends and other distributions, in an amount of €151 million.

At December 31, 2010, the share capital of Compagnie Générale des Établissements Michelin stood at €353,215,690, comprising 176,607,845 shares corresponding to 226,828,425 voting rights.

2.5.8. NET DEBT

Net debt amounted to €1,629 million at December 31, 2010, down €1,302 million from December 31, 2009 as a result of the following factors:

- The €426 million in free cash flow generated during the year;
- Proceeds of €1,192 million from the Compagnie Générale des Établissements Michelin rights issue, net of transaction costs;
- The €65 million payment of the cash portion of the dividend;
- The €191 million negative translation adjustment;
- The €32 million interest expense on the zero-coupon convertible bonds;
- The negative €28 million impact of other factors.

NET DEBT, DECEMBER 31, 2009 – DECEMBER 31, 2010

Following the investment of part of the proceeds from the rights issue in financial instruments not qualifying as cash or cash equivalents, the method used to calculate net debt was changed to ensure that it remains a meaningful indicator, albeit one that is not strictly aligned with accounting standards. To ensure comparability, the method was applied retrospectively.

Net debt now includes long and short-term debt, as recognized in the balance sheet, less:

- Cash, as recognized in the balance sheet;
- Derivative instruments recorded in assets as "non-current financial assets" and "current financial assets";
- Cash management instruments recorded in "current financial assets". These instruments are marketable, relatively insensitive to instrument rate risk and not exposed to exchange rate risk;
- Loan guarantees recorded in assets as "non-current financial assets" and "current financial assets".

(in € million)	2010	2009
At January 1	**2,931**	**4,273**
Translation adjustment	+191	+52
Free cash flow[(1)]	-426	-1,507
Rights issue	-1,204	-2
Dividends	+69	+71
Other change in equity	+36	+15
Commitments to purchase shares	-7	-17
New obligations under finance leases	+3	+7
Change in scope and other	+36	+39
AT DECEMBER 31	**1,629**	**2,931**
CHANGE	**-1,302**	**-1,342**

(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 (Net debt-to-equity ratio)

Thanks to the free cash flow generated during the year and the increase in equity, **gearing** was sharply reduced to 20% from 53% at December 31, 2009.

Ratings

As of the date of filing, solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin (CFM) were 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 declined to €938 million from €1,105 million at December 31, 2009, reflecting payments made in 2010 in respect of previously announced restructuring plans. No new major restructuring programs were announced in 2010.

2.5.10. EMPLOYEE BENEFITS

CHANGE IN FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other plans	2010	2009
Net amount at January, 1	**599**	**1,540**	**2,139**	**2,443**
Translation adjustments	(12)	94	82	26
Expenses recognized in the income statement (recurring items)	150	96	246	253
Contributions paid to the funds	(335)	-	(335)	(362)
Benefits paid directly to the beneficiaries	(23)	(83)	(106)	(146)
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	(75)
Changes in scope of consolidation	-	-	-	-
NET AMOUNT AT DECEMBER 31	**379**	**1,647**	**2,026**	**2,139**

The expense recognized in operating income in 2010 in respect of employee defined-benefit plans amounted to €246 million, up €68 million from the prior year. The increase was mainly attributable to the impact on defined-benefit obligations of restructuring plans implemented in North America and France in 2009, which resulted in a gain of €75 million.

Total Group contributions to employee defined-benefit plans during the year declined by €67 million to €441 million, of which:

- €335 million in contributions paid to fund management institutions;
- €106 million in benefits paid directly to employees.

As in 2009, the Group decided to pay in 2010 contributions normally due between 2011 and 2012 to North American fund management institutions, in an amount of $250 million, and to UK fund management institutions, in an amount of £46 million. Similarly, the Group decided to pay in 2010 contributions normally due between 2011 and 2016 to Canadian fund management institutions in an amount of C$50 million. The total amount of these pre-paid contributions came to €270 million.

The decision to pre-pay these contributions due in future years has improved the financial position of the fund management institutions and enabled the Group to qualify for significant tax advantages.

2.6_ CONSOLIDATED CASH FLOW STATEMENT REVIEW

2.6.1. CASH FLOW FROM OPERATING ACTIVITIES

(in € million)	2010	2009	Value change
EBITDA before non-recurring income and expenses	**2,660**	**1,802**	**+858**
Change in provisions, including employee benefit obligations	(423)	(372)	-51
Cost of net debt and other financial income and expenses paid	(177)	(207)	+30
Income tax paid	(297)	(19)	-278
Change in working capital, net of impairments	(441)	919	-1,360
Change in inventory	*(584)*	*759*	*-1,343*
Change in trade receivables	*(246)*	*176*	*-422*
Change in trade payables	*369*	*(190)*	*+559*
Other	*20*	*174*	*-154*
CASH FLOWS FROM OPERATING ACTIVITIES	**1,322**	**2,123**	**-801**

EBITDA before non-recurring income and expenses rose by €858 million to a record €2,660 million in 2010, in line with the increase in operating income before non-recurring items.

Provisions and employee benefit obligations declined by €423 million, corresponding mainly to pension fund contributions made during the year and payments of restructuring plan costs.

Change in working capital reduced cash flows from operating activities by €441 million, reflecting the increase in output in 2010.

2.6.2. CAPITAL EXPENDITURE

(in € million)	2010	2009	2010/2009	2010 (as a % of sales)	2009 as a % of sales
Gross purchases of intangible assets and PP&E	**1,100**	**672**	**+428**	**6.1%**	**4.5%**
Investment grants received and change in capital expenditures payables	(136)	35	-171	0.8%	0.2%
Proceeds from sale of intangible assets and PP&E	(61)	(47)	-14	0.3%	0.3%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**903**	**660**	**+243**	**5.0%**	**4.5%**

Gross purchases of intangible assets and property, plant and equipment amounted to €1,100 million at December 31, 2010, or 6.1% of net sales, versus €672 million and 4.5% of sales a year earlier. The increase was consistent with the Group's strategic commitment to driving faster growth and strengthening its presence in new markets.

New plant construction projects in high potential growth markets continued apace and on schedule in 2010. In Brazil, groundwork and building construction are underway; in China, the building permit has been granted, the first-phase foundations have been completed and team training has started; and in India, the building permit was granted in July.

The main capital projects by Product Line were as follows:

Passenger car and Light truck tires:

- Groundwork for the new plants in Brazil and China;
- Projects to add marginal capacity in Shanghai, China, as well as in Spain, Italy, Poland and other countries;
- Projects to improve productivity and refresh product lines.

Truck tires:

- New plant projects, with the Shenyang 1 pilot plant in China;
- Projects to add marginal capacity in Brazil;
- Projects to improve productivity;
- Projects to develop new molds to refresh the product lines.

Earthmover tires:

- In the United States, projects to increase mining tire capacity at the Lexington, SC plant;
- In Brazil, projects to increase capacity.

2.6.3. FREE CASH FLOW

Free cash flow is stated before dividend payments and financing transactions. It equals cash flows from operating activities less cash flows used in investing activities (excluding cash flows from cash management financial assets and borrowing collaterals).

(in € million)	2010	2009
Cash flows from operating activities (A)	**1,322**	**2,123**
Net additions to intangible assets and property, plant and equipment	(903)	(660)
Investments in shareholdings and other financial assets	(760)	(76)
Cash flows from investing activities (B)	**(1,663)**	**(736)**
Net cash flows from cash management financial assets and borrowing collaterals (C)	**(767)**	**(120)**
FREE CASH FLOW (A + B - C)	**426**	**1,507**

Free cash flow stood at a positive €426 million in 2010, versus €1,507 million in 2009, as favorable factors more than offset the impact of the increase in business, capital expenditure and higher raw materials prices.

The primary positive factor was the growth in EBITDA before non-recurring income and expenses, which surged €858 million to €2,660 million, lifted by growth in volumes and the Group's improved competitiveness.

The greater use of free cash flow was primarily attributable to:

- The €428 million increase in capital expenditure to €1,100 million for the year;
- The €584 million increase in inventory, reflecting both higher raw materials costs and the upturn in business volumes;
- The €246 million increase in trade receivables due to the growth in sales volumes and the price increases implemented since the start of the year to offset higher raw materials costs, which attenuated the impact of ongoing initiatives to reduce days sales outstanding.

2.7_ RETURN ON CAPITAL EMPLOYED (ROCE)

Achieving a 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.

(in € million)	2010	2009
Operating income before non-recurring income and expenses	1,695	862
Average standard income tax rate used for ROCE calculation	31%	31%
Net Operating Profit before non-recurring items After Tax (NOPAT)	**1,170**	**595**
Intangible assets and property, plant and equipment	7,969	7,506
Loans and deposits	577	351
Investments in associates and joint ventures	93	71
Non-current financial assets	8,639	7,928
Working capital requirement	3,093	2,604
Economic assets (end of period)	11,732	10,532
Average economic assets	**11,132**	**11,006**
Return on capital employed	**10.5%**	**5.4%**

2.8_ HORIZON 2010 PLAN

Launched in 2006 to support Michelin's strategic vision, the Horizon 2010 Plan was designed to meet three major objectives:

- Improve competitiveness by driving sustained productivity gains, reducing costs and achieving operational excellence.
- Step up expansion in fast growing markets.
- Enhance the differentiation of products and services through innovation.

Michelin teams worked assertively and enthusiastically to deploy this strategy, which was backed by ambitious growth, profitability and free cash flow objectives, and to implement the related transformation programs.

The Horizon 2010 plan was implemented in an environment shaped by:

- The deep recession in 2008 and 2009, which saw a historic contraction in tire demand, notably in mature markets. This prevented the Company from meeting its initial growth objectives.
- The steep upsurge in raw materials costs, which diluted operating margin despite the corresponding price increases.

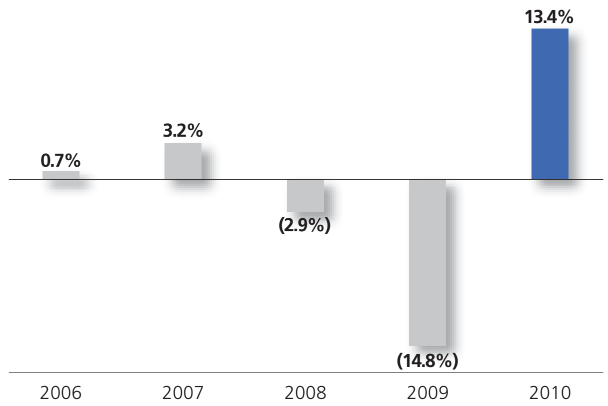
2.8.1. GROWTH

Thanks to the steady strong growth in demand in the new markets, global tire markets generally ended 2010 higher than in 2006. In the mature markets, however, demand has yet to recover its pre-recession levels. Michelin's sales volumes tracked its market share in each geography. The difference in growth rates between mature and new markets weighed on average market share for the 2006-2010 period.

As a result, 2010 sales volumes were down 3.2% on 2006 overall, reflecting the following annual growth rates:

ANNUAL GROWTH IN SALES VOLUMES

Target : 3.5%



Over the period, Michelin stepped up the pace of expansion in fast growing markets, which accounted for 33% of sales in 2010 compared with 26% in 2006.

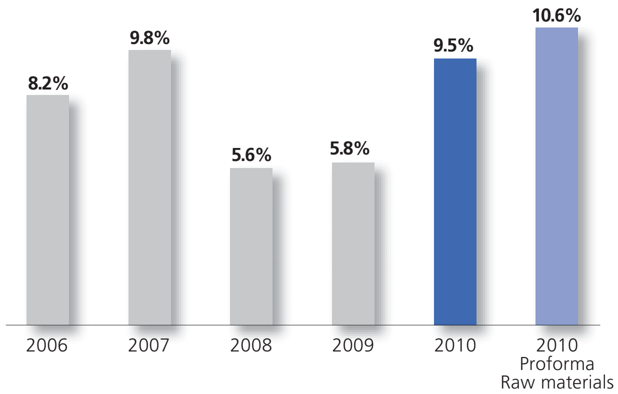
2.8.2. OPERATING MARGIN BEFORE NON-RECURRING INCOME AND EXPENSES

The chart below shows consolidated operating margin before non-recurring income and expenses from 2006 to 2010.

With raw materials prices rising steeply over the period, Michelin's pricing policy consisted in passing on these higher costs to customers, in order to preserve margins in absolute value. As a result, net sales rose in line with price increases, thereby diluting consolidated operating margin as reported.

Adjusted for the impact of price increases and higher raw materials costs, pro forma 2010 operating margin stood at 10.6% of net sales, in line with the Horizon 2010 target.

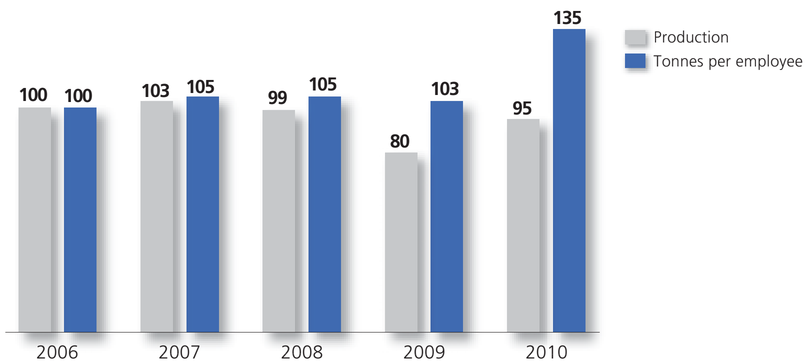
OPERATING MARGIN
2010 target: > 10%



The Group's transformation programs had a positive impact, reflecting sustained structural gains in productivity and cost control.

In 2010, the tonnes per employee ratio was 35% higher than in 2006, even though production volumes remained below the initial baseline.

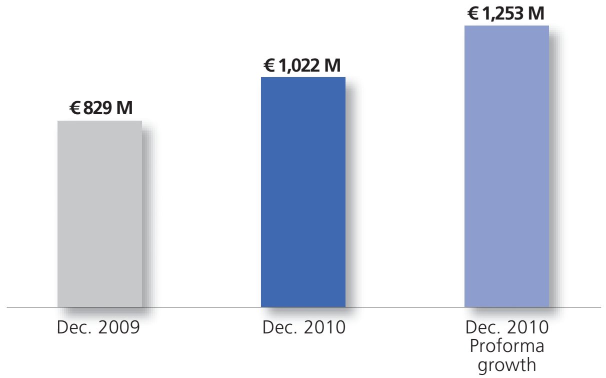
PRODUCTIVITY GAINS SINCE 2006
Base 100 in 2006



While dampened by the sharp fall-off in output in 2008 and 2009, the reductions in manufacturing costs, raw materials costs, and general, administrative, selling and logistics expense generated an aggregate gain of €1,022 million over the 2006-2010 period.

Had output remained in line with initial growth targets, an aggregate €1,253 million would have been saved.

TOTAL GAINS SINCE 2006



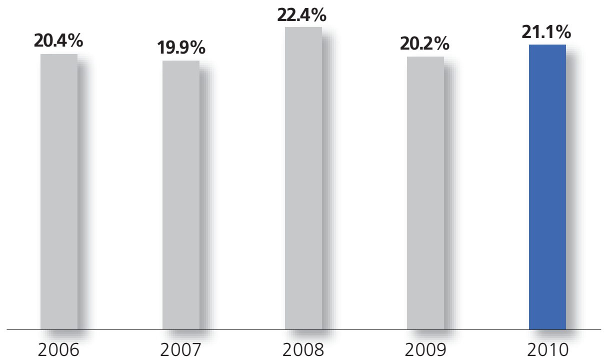
2.8.3. INVENTORIES

In euro terms, inventories represented 21.1% of 2010 net sales.

Their increase from 2006 to 2010 was hindered by the increase in raw materials costs, which currently account for nearly two-thirds of inventory value.

Consolidated inventories are continuing to improve both in tonnage and in average days sales.

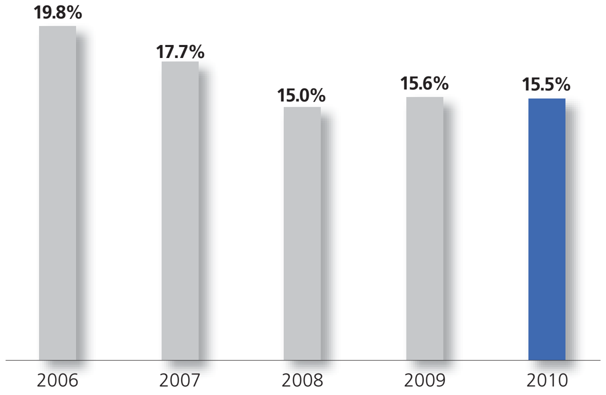
INVENTORIES (AS A % OF NET SALES)
2010 target: less than 16%



As a percentage of sales, trade receivables steadily improved over the period, to 15.5% at December 31, 2010 from 20% at year-end 2006, primarily as a result of the constant measures undertaken to reduce days sales outstanding.

TRADE RECEIVABLES (AS A % OF NET SALES)

2010 target: less than 16%



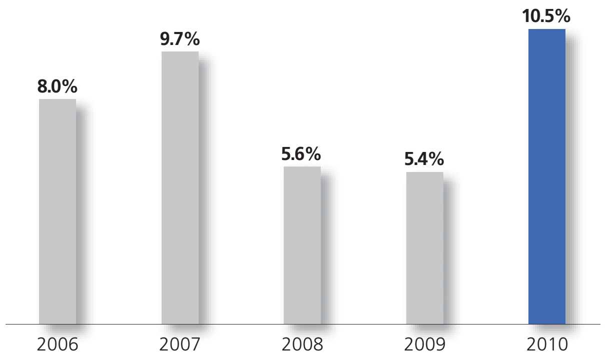
2.8.4. RETURN ON CAPITAL EMPLOYED

Return on capital employed is an effective yardstick for tracking the value created by the Group. Unlike operating margin, it is not affected by price increases and the resulting "dilution".

The increase in ROCE over the period reflected the Group's structural improvements and the firm resilience of its unit margins.

ROCE

2010 target: 10%



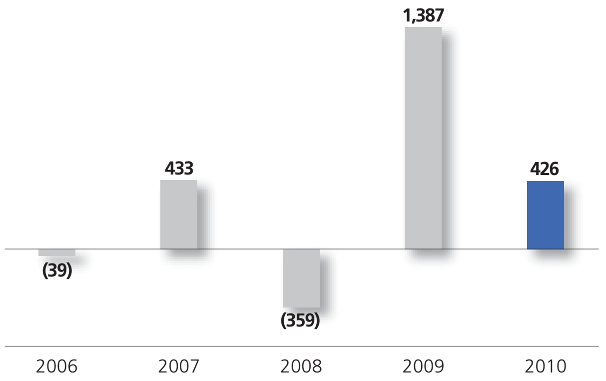
2.8.5. FREE CASH FLOW

Free cash flow varied widely from one year to the next over the period, reflecting the pronounced swings in output caused by the recession in 2009 and the ensuing strong market rebound.

In total, Michelin generated €1.8 billion in free cash flow from 2006 to 2010.

FREE CASH FLOW

(Target: positive)



Over the entire 2006-2010 period, and despite the recession in 2009, Michelin steadily improved its competitiveness in every area – research, development and process engineering, manufacturing, distribution, purchasing, marketing, etc. – while restoring a healthy balance sheet. These gains enabled the Group not only to weather the crisis, but also to emerge from it stronger than ever and ready to capture all of the market rebound. Conditions are therefore in place to successfully drive a new phase of dynamic growth.

2.9_ TREND INFORMATION

2.9.1. OUTLOOK FOR 2011

Michelin is committed to driving a new phase of faster, more dynamic growth, at a time of steadily increasing global tire demand and rising raw materials prices.

In this environment, Michelin enjoys a number of differentiating competitive strengths, including a powerful brand and the premium pricing power it confers; the technological leadership and balanced performance delivered by its tires, which are aligned with customer expectations; the competitiveness and flexibility of its manufacturing base, which has been considerably enhanced through the commitment of its teams; and a robust balance sheet capable of supporting its growth ambitions and weathering the ups and downs of the business cycle.

Backed by these strengths, and barring any major change in the economic environment, Michelin has set ambitious objectives for 2011.

Michelin aims to drive at least a 6.5% increase in unit sales, in line with the 2011-2015 growth targets.

Michelin will maintain a highly responsive pricing policy in the face of rising raw materials costs:

- The full-year impact of raw materials costs on operating income is estimated at €1,500 million, assuming Michelin's cost of natural rubber averages $4.8/kg;
- €850 million of this additional raw materials cost has already been offset by the full-year impact of the 2010 price increases and the 2011 implementation of the raw materials-based price indexation clauses;
- The new price increases already announced in 2011 are designed to cover €300 million;
- Therefore, 75% of the additional raw materials cost is already covered;
- The Group will continue to manage prices so as to pass along all of the additional raw materials costs.

Michelin expects to report higher operating income in 2011, despite the cost of stepping up its presence in new markets (around €150 million in temporary outlays for production start-ups, sales and marketing operations and advertising).

In light of the increase in raw materials costs and the unprecedented €1.6 billion capital expenditure program, free cash flow is expected to be temporarily negative in 2011. Nevertheless, Michelin confirms its objective of generating positive free cash flow over the entire 2011-2015 period.

2.9.2. PROFIT FORECASTS OR ESTIMATES

No precise earnings or operating margin forecasts or estimates were issued for 2011.

In light of the trend information provided in section 2.9.1 -, any previously published targets for 2011 do not take into account the current economic environment and are not achievable this year.

2.9.3. RECENT EVENTS

In response to rising raw materials costs, Michelin is maintaining its firm pricing policy and has announced price increases in all of its tire ranges and in every market. The main increases are as follows:

In Europe:

- Motorcycle and Scooter tires: up to a 7.5% increase, implemented as from March 1, 2011.
- Earthmover tires: up to a 7.5% increase implemented as from March 1, 2011 in most European markets*.
- New and retread Truck tires: an average 7% increase in Europe,** implemented gradually between March 1 and April 1, 2011.
- Replacement Agricultural tires: an average 4% increase in Europe,*** implemented between April 1 and May 1, 2011.
- Passenger Car and Light Truck tires: an average 5% increase across every brand and every market segment in Europe (summer and winter tires), applied gradually between April 1 and June 1, 2011.

In North America, with effect from May 1, 2011:

- Passenger Car and Light Truck tires: up to an 8.5% increase for the MICHELIN, BFGoodrich®, UNIROYAL, and associates and private brands sold in the United States.

In Africa, India and the Middle East, with effect from April 1, 2011:

- All Motorcycle and Scooter tires: up to an 8% increase.
- All new and retread Truck tires: up to a 12% increase.
- All Passenger Car and Light Truck tires: up to an 8% increase.
- All Agricultural tires: up to a 7.5% increase.
- All Earthmover tires: an average 6% increase.

In Japan:

- Passenger Car and Light Truck tires: an average 8% increase, implemented as from May 1, 2011.
- Motorcycle and Scooter tires: an average 7% increase, implemented as from July 1, 2011.

2.10_ OPERATING HIGHLIGHTS

2.10.1. STRATEGY – PARTNERSHIPS – ACQUISITIONS

Michelin Booth at 2010 Paris Auto Show Showcased Global Ad Campaign

At the 2010 Paris Auto Show, which this year focused on sustainable mobility solutions, the Michelin booth showcased the global ad campaign, with an innovative set design and 3-D animations to educate visitors that *the right tire changes everything*.

The booth was organized around the "balanced performance" of safety, durability and fuel efficiency delivered by MICHELIN tires, with special effects raising the impact of visuals from the associated advertisements.

The booth also displayed a selection of "GREEN X" labeled passenger car tires, including the recently launched MICHELIN Pilot Sport 3 and MICHELIN Alpin 4.

Michelin at the 2010 Detroit International Auto Show

Environmentally friendly automobile concepts of the future were showcased at the 22nd Detroit International Auto Show in January. True to its commitment to innovation, Michelin presented tires specially designed for hybrid vehicles and other products integrating "green" technologies, such as its low rolling resistance tires and the motorized Michelin Active Wheel.

Tire Performance Evaluation System Introduced in Japan

In February 2010, the Japanese tire manufacturers association (JATMA) published directives concerning fuel-efficient tires. The initiative, which involves measuring rolling resistance and braking distances, represents the first step in a gradual process that will ultimately cover all tires sold in Japan.

The 28 sizes in the premium MICHELIN Primacy LC car tire range and the 20 sizes in the safe, energy-efficient MICHELIN Energy™ Saver lineup are rated as fuel-efficient tires.

Thanks to an energy-efficiency labeling system, consumers can easily identify and choose tires that help to reduce fuel consumption.

Dealerships: Sustained Expansion of the Euromaster Franchise Program and TyrePlus Network

After being successfully launched in France, Poland and the Czech Republic, the Euromaster franchise program has now been extended to Germany, Italy and Spain. By joining the network of 1,700 Euromaster service centers in Europe, the new franchised units will strengthen Euromaster's position as the region's leading retailer of tires and related services.

The TyrePlus network now comprises more than 900 outlets in nine countries, with franchised units in China and Mexico, as well as in India, Thailand, Malaysia, Australia, the Arab Gulf, Russia and Taiwan.

2.10.2. PRODUCTS – SERVICES – INNOVATIONS

2.10.2.a) Passenger car and Light truck tires and Related distribution

MICHELIN Alpin 4 Takes Top Score in ADAC Test and Earns Highest 3-Star Rating

Launched in 2010, the fourth-generation MICHELIN Alpin was tested in September by German auto club ADAC (Allgemeiner Deutscher Automobil Club), which awarded the tire its highest rating of 3 stars, or "highly recommendable". The MICHELIN Alpin 4 also outperformed all of the 12 other tires tested, earning the top score.

The comparative test of 17" tires was carried out by ADAC, Europe's largest auto club, in partnership with its Austrian and Swiss counterparts, Österreischischer Automobil Motorrad und Touring Club (ÖAMTC) and Touring Club Suisse (TCS).

In addition, the Danish and Dutch auto clubs (FDM and ANWB) also gave the new MICHELIN Alpin 4 their highest ratings, of respectively 5 and 4 stars.

The MICHELIN Alpin 4 delivers an unrivaled balance of grip, tread life and energy efficiency performance in all types of winter driving conditions, including rain, snow and ice.

On-road, Environmental and Technological Performance: a Winning Trio with the New MICHELIN Pilot Sport 3

In early February 2010, the Group introduced the MICHELIN Pilot Sport 3, a new sports car tire that features exceptional grip. On wet surfaces, it holds the road better on corners and stops three meters shorter[(1)] than its predecessor, the reigning benchmark sports tire[(2)]. In addition to offering enhanced driving sensations, the tire also delivers more accurate steering as well as two new performance features – greater fuel efficiency and longer total mileage.

A World Excellence Award from Ford

Ford Motor Company has recognized Michelin with a World Excellence Award for having developed "new consumer-focused technologies". Every year, Ford presents the award to 40 of its leading suppliers who exceed its quality, cost and delivery standards.

This year's award was received for the technologies developed on the MICHELIN Energy™ Saver tire. Fitted on the Ford Fusion, it improves the car's rolling resistance by 24% versus a traditional fitment.

(1) *Test performed in 2009 by independent technical services firm TÜV SÜD Automotive on size 245/40 ZR 18 Y tires.*

(2) *The MICHELIN Pilot Sport certified for use on more than 200 models.*

A Supplier Quality Award from Renault

On October 4, Michelin was presented with a Renault Supplier Quality Award in recognition of the Group's quality performance, particularly its ability to consistently deliver superior quality products, both in Europe and around the world. The Award clearly demonstrates Michelin's commitment to meeting the highest standards of quality.

2.10.2.b) Truck tires and Related distribution

Delivering Balanced Performance to Meet the Needs of the Trucking Industry

With the presentation of its extended MICHELIN X® ENERGY™ SAVERGREEN lineup at the 63rd IAA Commercial Vehicles Show, held in Hanover on September 23 to 30, Michelin unveiled its latest Truck tire innovation: the first comprehensive solution that reduces fuel consumption by 1.7 liters per 100 km compared with the average of the other major tire brands(1), while also meeting the other fundamental expectations of European trucking companies.

The MICHELIN X® ENERGY™ SAVERGREEN range now includes new trailer tires, so that for the first time, Michelin is offering a single line-up of tires capable of equipping all five truck axles.

For Michelin, the challenge is to simultaneously improve performance in several areas. Unrivalled anywhere else on the market, this balance of performance factors is critical in an industry that is constantly looking for solutions to improve safety, reduce costs and shrink its environmental footprint.

Sales of MICHELIN X One Super Singles Top One Million

Sales of the MICHELIN X One Truck tire have passed the important one-million mark, as more and more customers choose the tire for its lighter weight and greater fuel efficiency.

Since 2000, X One tires have enabled truck fleet owners to cut their fuel bills by up to 10%, saving more than 238 million liters and avoiding the emission of 639,000 tonnes of CO_2. This means that a fleet of 1,000 trucks fitted with X One tires would reduce its carbon footprint by up to 17,000 tonnes a year, the equivalent of taking 3,400 cars off the road.

In early 2010, Michelin North America launched the latest-generation MICHELIN X ONE XDA Energy™ Super Single drive tire. According to a study in real conditions of use by an independent organization, the MICHELIN X ONE XDA Energy™ helps to reduce fuel consumption by at least 7% compared with the most fuel-efficient competing dual-mount tires.

Michelin North America's Truck tire Division Wins Award

At its annual conference, the American Trucking Associations (ATA) organization recently presented Michelin North America's Truck tire division with its best industry supplier award.

The award, which recognizes companies that creatively generate positive awareness of the trucking industry, celebrated the various Michelin initiatives underway in North America, including participation in the ATA Share the Road safety program, leadership of the North American Council for Freight Efficiency and leadership of the ATA Technology and Maintenance Council.

"We are pleased to recognize Michelin North America", said ATA President and CEO Bill Graves. "Michelin's efforts in enhancing and promoting the positive image of the trucking industry are significant."

A Japanese Law Boosts the Four Lives of MICHELIN Truck tires

Regrooving, which consists in renewing a tire's original tread, is one of the stages in a tire's four lives. In Japan, this stage is now considered as an environmentally friendly service under the Law on Promoting Green Purchasing.

Michelin is the only tiremaker offering regroovable Truck tires in the Japanese market. The legislative recognition will help to stimulate demand for the regrooving service, thereby developing a new market for Michelin Truck tires.

2.10.2.c) Specialty businesses

Earthmover Tires

MICHELIN X-TRACTION, a New Solution to Improve Worksite Productivity

The new MICHELIN X-TRACTION line was unveiled at the 29th Bauma International Trade Fair, held at the New Munich Trade Fair Centre from April 19 to 24. The new tire was developed to improve the productivity of rigid dump trucks, which are used in quarries and on infrastructure worksites. Lighter than competing tires, it also integrates two complementary technologies: the new "Cooling System" shoulder design and the "C² Technology" casing architecture, which together reduce heat build-up, thereby enabling trucks to operate continuously at higher speeds. The MICHELIN X-TRACTION is the latest expression of Michelin's commitment to innovation in the Earthmover segment, designed to deliver lighter and stronger tires that also improve fuel efficiency and environmental performance.

Michelin Named Komatsu Preferred Partner

On May 7, Komatsu Ltd. awarded Michelin its 2009 Grand Partner Award. Tokyo-based Komatsu is the world's second largest manufacturer of construction and mining equipment, and a market leader in a number of segments. The award, which was given to a non-Japanese company for the first time, was presented by Komatsu Chairman Kunio Noji before an audience of 600 company executives and representatives of its leading suppliers.

Agricultural Tires

Enhancing Agricultural Tire Performance with MICHELIN UltraFlex Technology

During the summer 2010, the Agricultural Tire Product Line launched two new products, the MICHELIN CerexBib for harvesters and the MICHELIN SprayBib for row-crop sprayers. Both incorporate the innovative MICHELIN UltraFlex technology, which is encouraging farm machinery manufacturers to fit MICHELIN agricultural tires as original equipment.

Michelin's patented UltraFlex technology, which features a new casing profile with a larger sidewall flexing area, means that the Group can offer agricultural tires capable of carrying heavier heavy loads, without compromising endurance and tread life. This in turn delivers such major benefits as soil protection, time-savings, fuel efficiency and a better ride.

(1) Compared with the average of its main competitors. Based on motorway tests conducted in July 2010 by TÜV SÜD Automotive with new 315/80 R 22.5 MICHELIN X® ENERGY™ SAVERGREEN XZ and XD tires and 385/65 R 22.5 MICHELIN X® ENERGY™ SAVERGREEN XT tires.

JCB Chooses MICHELIN Power CL

Construction equipment manufacturer JCB has chosen the MICHELIN Power CL as an OE tire on its latest 2CX, 3CX and 4CX backhoe loaders. This is in addition to the MICHELIN XMCL, which is already the OE option.

The MICHELIN Power CL was selected following extensive development testing at JCB's world headquarters in Rocester, UK, which put the tires through a series of severe tests to ensure they could cope with the rigors of life on and off the road. The tire features a damage-resistant tread with a robust, closely spaced central lug pattern that minimizes punctures, and a rubber compound that reduces tearing in harsh conditions.

Two-Wheel Tires

Michelin City Grip: Maintains Scooter Control, Even on Rain-Slick Roads

The new MICHELIN City Grip alleviates the main concern of scooter drivers, which is the fear of losing grip on wet surfaces. To enable them to take advantage of their scooters in any weather, Michelin has designed the first scooter tire that integrates MICHELIN Progressive Sipe Technology (PST). The MICHELIN City Grip features an innovative progressive tread pattern that enables the tire to deliver superior grip and tread life, thereby ensuring both safety and cost-savings.

In an unprecedented achievement, when the new MICHELIN City Grip went on sale in early 2010, it had already been certified for use on almost all of the scooters sold in Europe.

The MICHELIN Protek Max Self-Sealing Inner Tube

The new MICHELIN Protek Max inner tube for city and mountain bikes seals itself after a puncture, considerably reduces pressure loss when the bike is not in use and is incredibly easy to mount. In this way, it responds to bike users' three top priorities.

Market launch is scheduled for first-half 2011.

Aircraft Tires

New Contracts for MICHELIN Aircraft Tires

In July, two long-term contracts were signed with Air France and KLM. In all, MICHELIN tires will be fitted on nearly 425 aircraft operated both by the Air France-KLM Group and by other airlines for which Air France and KLM provide maintenance services. These contracts are invoiced on a per-landing basis. Michelin's end-to-end solution, based on the quality of its products and of its innovative services, played a decisive role in the signing of this long-term agreement.

MICHELIN Tires Certified For the Airbus A350 XWB

Michelin has been selected to develop and supply MICHELIN Air X NZG (Near Zero Growth) radial tires for the landing gear of the new Airbus A350 XWB wide-body jetliner.

Airbus reached the decision following a rigorous selection process that recognized the properties of MICHELIN's NZG technology tires and the quality of its organization. To meet the demands of Airbus and the two companies' common customers, Michelin had to meet a number of challenges, including fast time-to-market, maturity at first test flight, lower aircraft operating costs and a smaller environmental footprint.

MICHELIN Maps and Guides; ViaMichelin

The New MICHELIN Travel Solution

Michelin has introduced a new version of the MICHELIN Green Guide collection for tourists and its digital complement, the new travel section on the ViaMichelin website (www.travel.viamichelin.com). The new solution enables all types of travelers to plan, undertake and thoroughly enjoy their trip, anywhere around the world.

ViaMichelin Voyage offers the MICHELIN Green Guide selection of tourist sites and a wide range of services, such as the creation of a personalized travel guide and the ability to book a hotel, buy an airline ticket. It is available in five languages and covers more than 90 countries.

With the addition of eight new guides – New York, Turkey, Rajasthan, Vietnam, Mauritius (including Rodrigues Island), Guadeloupe, Martinique and Réunion – Michelin has expanded its MICHELIN Green Guide tourist guide collection to include new destinations around the world as part of the series revamping project that began in February 2010. The eight new titles will feature the collection's new layout as well as more practical organizational scheme that divides each destination into micro-regions.

2010: 100 Years of Michelin Mapmaking

One hundred years after publishing its first map, Michelin is still pursuing its mission of enhancing mobility with the release of its first interactive road map, which shows real-time traffic information for motorists in France. The new product has shown that paper maps can co-exist with digital input by integrating 22 new-generation barcodes into the paper version. In this way, iPhone users can access ViaMichelin traffic information simply by taking a picture of the barcode corresponding to the region of their choice.

Michelin Lifestyle

MICHELIN Easy Grip Snowchain Voted Product of the Year 2010 in France

The MICHELIN Easy Grip composite snow chain has been voted Product of the Year 2010 in France, in the Marketing Innovation category. The prestigious award was based on the results of an independent survey of 10,000 representative French households.

2.10.3. MICHELIN PERFORMANCE AND RESPONSIBILITY

Michelin Pledges to Support UN Global Compact

Michelin wanted to support the Global Compact in order to promote its Michelin Performance and Responsibility process, which already informs everything the Company does. In turn, this process is underpinned by the Michelin Performance and Responsibility Charter published in 2002 and reaffirmed at the International Bib Forum in October 2010. It addresses the Global Compact's ten principles through a holistic vision of the way the Company intends to lead its sustainable development strategy.

Launched by the United Nations in July 2000, the Global Compact asks companies to embrace, support and enact, within their sphere of influence, ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. This support demonstrates the commitment of participating businesses to embed responsible, sustainable practices into their strategy and corporate policies.

10th Michelin Challenge Bibendum Held in Rio de Janeiro

The 10th Michelin Challenge Bibendum was held this year in Rio de Janeiro, Brazil, from May 30 to June 3. Luiz Inácio Lula da Silva, President of Brazil attended the official opening ceremony.

Nearly 80 vehicles participated in the Rally, as well as in the acceleration, noise and handling tests that effectively showed how very little CO_2 is emitted by EVs and vehicles burning certain types of biofuels.

During the five-day event, the nearly 6,000 guests and participants had the opportunity to talk with each other, meet the international sustainable mobility experts in attendance, participate in some of the many road tests of the nearly 150 vehicles entered this year, take part in theme discussions and the Michelin Challenge Bibendum Forum and visit the Technology Exhibition Center.

To find out more, please visit www.michelinchallengebibendum.com.

Michelin Main Sponsor of the French Pavilion at Expo 2010 Shanghai

Michelin was the main sponsor of the French Pavilion at Expo 2010 Shanghai, which ran from May 1 to October 31, 2010. The Expo's theme – "Better City, Better Life" – resonated deeply with the MICHELIN brand signature "A Better Way Forward", which expresses the Group's commitment to making road mobility safer, better and more respectful of people and the environment.

To help international visitors get around during Expo 2010, Michelin also published a new guide to Shanghai in English.

2.10.4. RACING

2011 DAKAR RALLY: The Michelin Group on the podium's highest steps

The 33rd Dakar Rally, which took place in South America from December 30 to January 16, attracted more than 400 entries and saw MICHELIN tires take the spoils in both the motorbike and truck categories, while BFGoodrich® runners monopolized the sharp end of the final leaderboard in the car category.

This cross-country competition stands out as a first class, full-scale proving ground for tires. The extreme conditions delivered by the Dakar allow new technologies to be put through their paces in a uniquely exacting environment and provide a laboratory that directly benefits the users.

New Outlook for Michelin in Rally Racing

The Fédération Internationale de l'Automobile (FIA) has accepted Michelin's application to supply tires for the World Rally Championship (WRC) beginning in 2011.

Michelin's application was prompted by the FIA's decision to open the championship to more than one tire manufacturer and by the likelihood of a rule change.

Racing offers Michelin's teams the opportunity to validate their technological innovations in the most extreme conditions of use. These innovations will then be transferred to street tires, thereby helping to improve the performance balance and lower the environmental impact of Michelin's products. That's why Michelin supports the FIA in its commitment to integrating a more responsible vision of rallying by reducing the number of tires used in races, beginning in 2012.

Next season, tires supplied to the Group's rally partners will display the MICHELIN brand.

Michelin Scores 13th straight Victory at 24 Hours of Le Mans

Thanks to its longer-lasting, better performing tires, Michelin suppoed the winning efforts of its auto manufacturer partners in one of the world's best-known races, the 24 Hours of Le Mans, where Michelin notched its 13th consecutive victory while once again finishing first in every category. The new MICHELIN tires were both faster, setting a new single-lap speed record, and more durable, with a new total distance record and a reduction in the number of tires used during the race.

"Endurance racing is a technology laboratory for Michelin as well", said Nick Shorrock, Director, Michelin Group Racing Division. "It enables us to validate innovations that are then used in our series-produced tires, such as the recent MICHELIN Pilot Sport 3."

2.10.5. GOVERNANCE

2010 Annual Shareholders Meeting

The Joint Annual Meeting of Michelin shareholders was held on May 7, 2010 in Clermont-Ferrand. Despite the recessionary business environment in 2009, Michelin's ability to respond swiftly and agilely to the unprecedented crisis enabled it to strengthen its main financial metrics during the year. The Group entered 2010 with confidence. At a time of recovering demand, it continued to tightly manage operations and reaffirmed its objective of generating positive free cash flow for the year.

Shareholders adopted all of the resolutions submitted to their approval, in particular:

- The payment of a dividend of €1.00 a share, with a dividend reinvestment option. The dividend was paid or the shares settled on June 14, 2010;
- The re-election of Laurence Parisot and Pat Cox as members of the Supervisory Board;
- The appointment of PricewaterhouseCoopers Audit and Deloitte & Associés as the Company's Statutory Auditors;
- The renewal of financial authorizations.

2009 Dividend Reinvestment Plan

At the Joint Annual Meeting on May 7, 2010, shareholders approved the payment of a 2009 dividend of €1.00 a share, with a reinvestment option. The price of the new shares to be issued to shareholders electing to reinvest their dividend was set at €47.46.

By the close of the period, dividend reinvestment had saved the Group €82 million in cash and led to the issue of close to 1,736,000 new shares.

Rights Issue Successfully Completed

On September 28, Michelin launched a rights issue with pre-emptive subscription rights for existing shareholders. Proceeds from the issue will be used to:

- Finance more rapid expansion, which will lead to an increase in annual capital expenditure to approximately €1.6 billion in 2011 and subsequent years;
- Strengthen Michelin's credit rating and ability to raise funds on the financial markets;
- Generally improve the Group's financial flexibility.

The issue was around 2.5 times oversubscribed, with total demand amounting to some €4.3 billion. Final gross proceeds stood at €1.2 billion, resulting in the creation of more than 27 million new shares.

"Michelin is pleased with the issue's success and thanks all of our shareholders for the confidence they have demonstrated in our strategy and growth prospects", said Michel Rollier, Managing Partner.

Following settlement and delivery of the new shares on October 25, Michelin's share capital was comprised of 176,539,201 shares with a par value of €2 each.

Michelin Wins Corporate Governance Prize in France

Michelin was awarded the 2010 Corporate Governance Grand Prize and the Risk Strategy and Assessment Prize by French business and financial newspaper AGEFI. The Corporate Governance Grand Prize honors companies that meet investor expectations, with an emphasis on compelling corporate governance initiatives that heighten investor confidence and encourage the implementation of good governance rules and practices.

In this way, it also celebrated the Group's ability to recover from the recent recession. According the AGEFI, "Without a doubt, Michelin's real strength lies in its forward-looking vision of its business risks, its stakeholders and its competitors".

Michelin is preparing Michel Rollier's succession and adjusting its corporate governance

On February 11, 2011, Michel Rollier, Managing General Partner, announced his intention to begin preparing his succession.

At the Extraordinary Meeting on May 13, 2011, shareholders will be asked to elect Jean-Dominique Senard as Managing General Partner.

Shareholders will also be invited to approve resolutions to adjust the Group's corporate governance procedures.

Michel Rollier, the Managing General Partner who has led the Michelin Group since May 2006, has expressed his intention not to complete his term of office, which according to the bylaws ends when he turns 72. In agreement with the Supervisory Board, he will recommend that shareholders at the Extraordinary Meeting on May 13, 2011 elect Jean-Dominique Senard, one of the two Non-General Managing Partners elected in May 2007, to replace him as Managing General Partner.

Mr. Rollier remains Managing General Partner according to his current terms of election. He will decide when to leave once the hand-over has been completed.

"As the Group embarks on a new phase of dynamic growth, I wanted to prepare my succession," noted Mr. Rollier. Working closely with Jean-Dominique Senard over the past six years, I've come to appreciate his qualities, both as a person and as a business leader. If shareholders agree, I know that, when the time comes and after consulting with the Supervisory Board, I can pass him the baton in complete confidence. Jean-Dominique Senard will then be able to lead the Group with the requisite skills and vision, in complete accordance with Michelin's values."

The succession process also involves a proposal to adjust the Group's corporate governance procedures, as specified in several resolutions to be submitted to shareholders approval at the Extraordinary Meeting:

The terms of office of future Managing Partners, both General and Non-General, would be limited to four years, renewable. As a result, after Mr. Rollier leaves, all future Managing Partners, whether General or not, would be elected to limited terms.

The role of the Supervisory Board would be expanded. To strengthen the Supervisory Board's oversight role, the bylaws would be modified to formally recognize its responsibility for gauging the quality of the partnership's management. Instead of simply being consulted, as is the case today, the Board would have to approve the proposed re-election or removal of future Managing Partners, as well as their salary.

2.11_ RISK FACTORS

2.11.1. 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.

2.11.1.a) Operating Risks: Five Interrelated Levels of Responsibility

Organized in 12 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 Executive Council reviews the most significant risks, the prevention and protection systems in place to manage them and the related business continuity plans.

2.11.1.b) Mapping, Vigilance and Training

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 primary risk management tool is the risk map, which is regularly updated by the different units and consolidated once a year by the Group Risk Manager. It facilitates delineation of the major risks and the regular tracking of those deemed most critical.

In 2010, Michelin continued to build its business continuity plans, set up, train and drill the crisis management units and deploy an Environmental and Risk Prevention Management System on the production sites. The deployment process should be completed in 2011.

2.11.1.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 & 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 captive insurance companies

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

These companies provide coverage in the following areas, with limits commensurate with their resources:

- Property & 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 €54.9 million in 2010[1].

(1) Including premiums paid to the captive companies.

2.11.2. TIRE MARKET RISKS

Almost all of Michelin's business operations consist in selling Passenger car, Light truck, Truck and Specialty tires to vehicle manufacturers, dealer networks and end-users. The Group also offers electronic mobility support services, licensed products, and publishes travel guides, hotel and restaurant guides, road maps and atlases.

The replacement business, which accounts for around 75% of total 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 tire sales, depends on automobile 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.

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.

2.11.3. OPERATIONAL RISKS

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

The Group Risk Manager leads the process of analyzing and preventing these risks. The Group Executive Council met twice in 2010 to discuss the results of the risk mapping process and define specific plans for monitoring certain risks that could have a material impact on the organization. The Council plans to meet three times in 2011 to monitor these risks more closely and review the effectiveness of the related controls.

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;
- 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 4.6 -, below.

2.11.3.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.

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 system is gradually being rolled out at the production facilities and will be fully deployed by 2011. Michelin teams have been auditing the facilities since 2005 and 2006.

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, 2010, 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 59 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 59 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), 2 were classified top tier and 7 lower tier as of the end of 2010.

2.11.3.b) Occupational health and hygiene risks.

Please refer to section 6.2.5 of the present Registration Document.

2.11.3.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.

2.11.3.d) Raw Materials Risk

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

Raw materials, which represented 45% of all Group purchases in 2010, 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	2008	2009	2010
In EUR million	4,726	3,400	4,799
As a % of net sales	28.8%	23.0%	26.8%
Of which			
Natural rubber	31%	28%	34%
Synthetic rubber	25%	26%	25%
Reinforcing agents	16%	16%	15%
Chemicals	13%	13%	12%
Metal cables	9%	10%	8%
Textiles	6%	7%	6%

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,

taking into account the time required to transform the raw materials – from delivery and storage to manufacturing – and changes in exchange rates.

These two amounts are disclosed in the published information on the interim and annual results.

On the basis of 2011 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

- A \$0.10 increase in natural rubber prices would feed through to around a \$90 million increase in full-year purchasing costs;
- A \$1.00 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.

As of December 31, 2010, no financial instruments were being used on a recurrent basis to manage the Group's exposure to future increases in commodity and other raw material prices.

2.11.3.e) 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.

2.11.3.f) 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 is 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, employee-related obligations (particularly post-retirement benefits), intellectual property (infringement claims) and occupational disease.

In managing their day-to-day business, certain Group companies are parties to legal proceedings. For example, a number of suits have been filed by certain employees or former employees for alleged exposure to asbestos or for discrimination. Although the outcome of these proceedings is still pending, the Group currently considers that they will not have a material adverse effect on its financial condition.

Therefore, Michelin believes that as of the date this document was prepared there were no exceptional events or government, legal or arbitration proceedings – including any pending or threatened proceedings of which the Company was aware – that may have or have had in the past 12 months a material impact on the Group's financial position, results, operations or assets.

2.12_ MATERIAL CONTRACTS

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

2.13_ 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.

2.14_ INFORMATION CONCERNING SUPPLIER PAYMENTS

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

Trade payables *(including tax, in EUR thousand)*	Past due		Due within 60 days		Due beyond 60 days		Total trade payables	
	Dec. 31, 10	Dec. 31, 09	Dec. 31, 10	Dec. 31, 09	Dec. 31, 10	Dec. 31, 09	Dec. 31, 10	Dec. 31, 09
Foreign suppliers:								
Group	0	0	57	9,192	0	30	**57**	**9,222**
Non-Group	0	0	55	0	0	0	**55**	**0**
French suppliers:								
Group	0	0	119,676	71,269	9,296	27,441	**128,972**	**98,710**
Non-Group	0	0	1,688	0	0	0	**1,688**	**0**
TOTAL	**0**	**0**	**121,476**	**80,461**	**9,296**	**27,471**	**130,772**	**107,932**

Trade payables totaled €131 million at December 31, 2010 and €108 million at December 31, 2009. They are reported under "Other liabilities" which, including other payables, amounted to €178 million at year-end 2010 and €118 million at year-end 2009.

2.15_ MATERIAL CHANGES IN THE COMPANY'S BUSINESS OR FINANCIAL POSITION

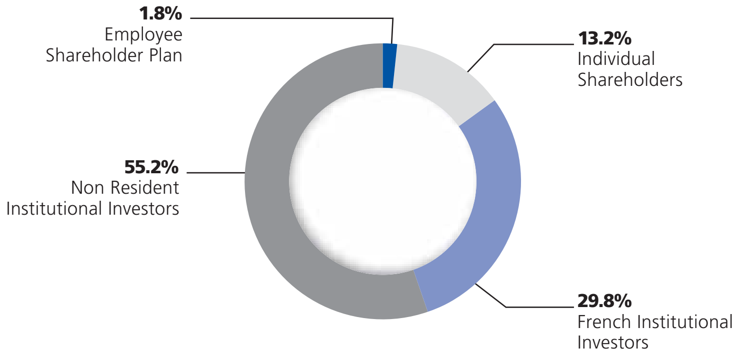
There were no material changes in the Company's business or financial position between February 7, 2011 (the date of the Statutory Auditors' Report) and the date on which this Registration Document was filed with the *Autorité des marchés financiers*.

2.16_ OWNERSHIP STRUCTURE AND VOTING RIGHTS

At December 31, 2010, Michelin's share capital amounted to €353,215,690, represented by 176,607,845 ordinary shares, all fully paid-up, with a total of 226,828,425 voting rights.

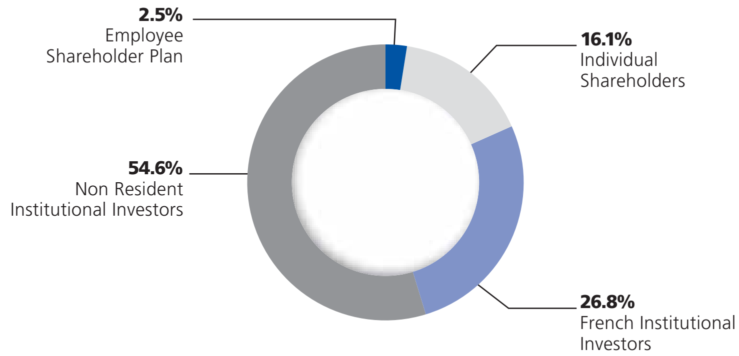
SHARE OWNERSHIP

At December 31, 2010



VOTING RIGHTS

At December 31, 2010



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

At December 31, 2010, 176,607,845 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:

- Capital Research and Management Company held 9,841,249 shares and the same number of voting rights as of August 4, 2010.
- Franklin Resources, Inc. held 14,486,544 shares and the same number of voting rights as of October 23, 2009.
- No other shareholder directly or indirectly holds more than 5% of capital and voting rights.
- There are no shareholders' agreements or pacts.

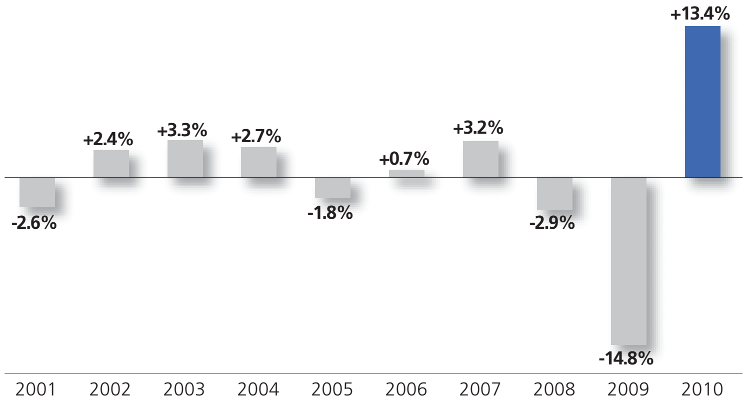
No Michelin shares are held in treasury. There has been no material change in the Company's ownership structure over the last three years.

FINANCIAL HIGHLIGHTS

3

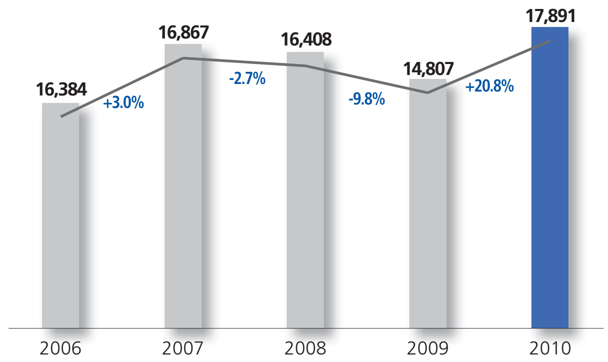
3.1_ SALES

UNIT SALES



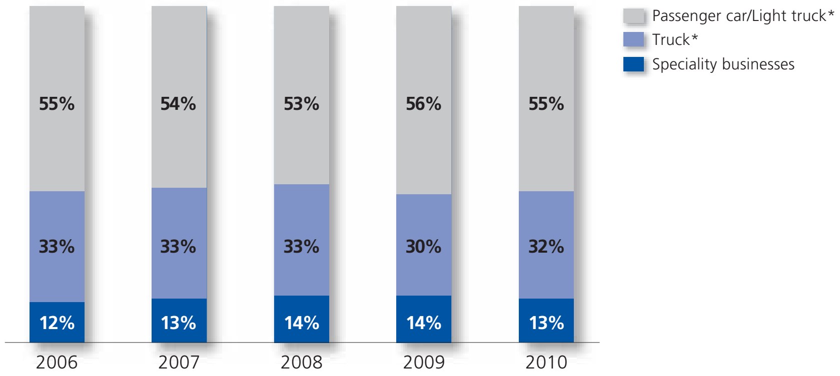
NET SALES

(in € million)



NET SALES BY REPORTING SEGMENT - BREAKDOWN

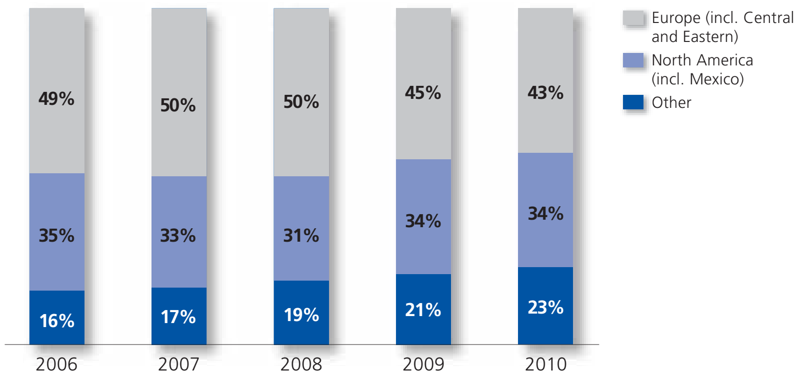
(in value)



* *and related distribution.*

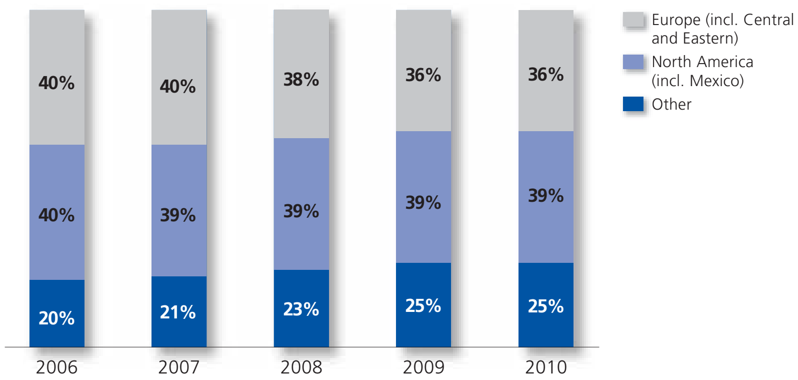
NET SALES BY REGION - BREAKDOWN

(in value)



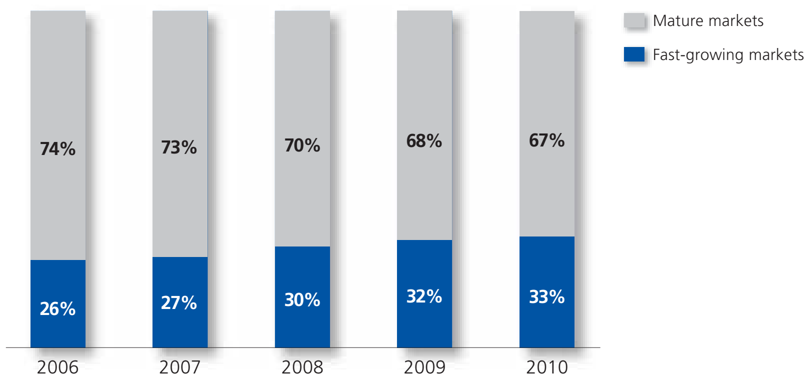
SALES BY REGION - BREAKDOWN

(in tons)



BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

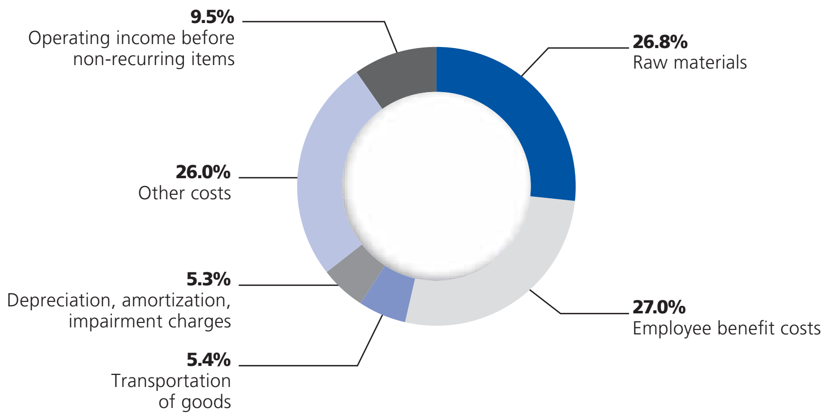
(in tons)



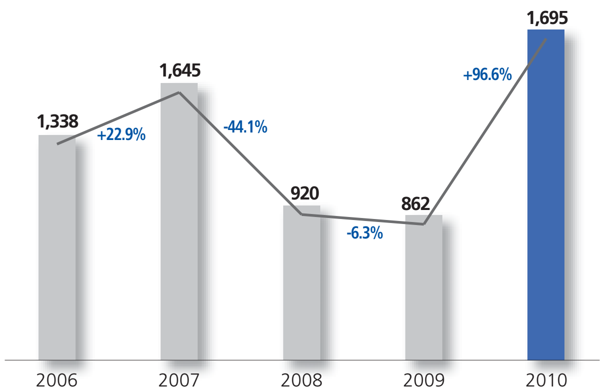
* *Mature markets: United States, Canada, Western Europe and Japan.*

3.2_ EARNINGS

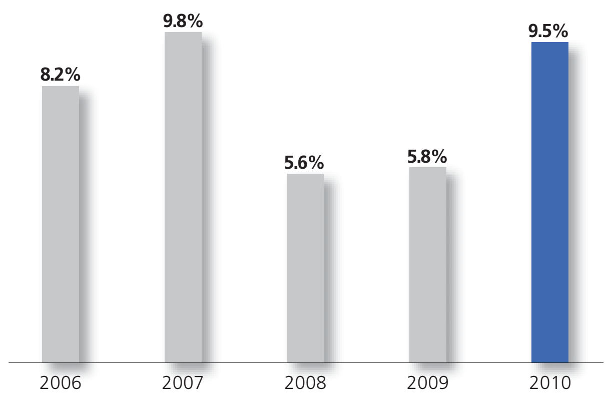
ANALYSIS OF OPERATING EXPENSES
(as a % of 2010 net sales)



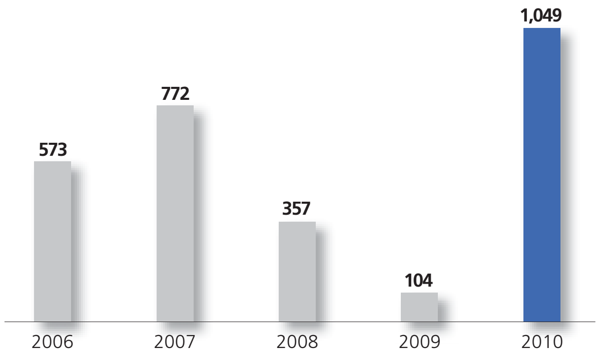
OPERATING INCOME BEFORE NON-RECURRING ITEMS
(in € million)



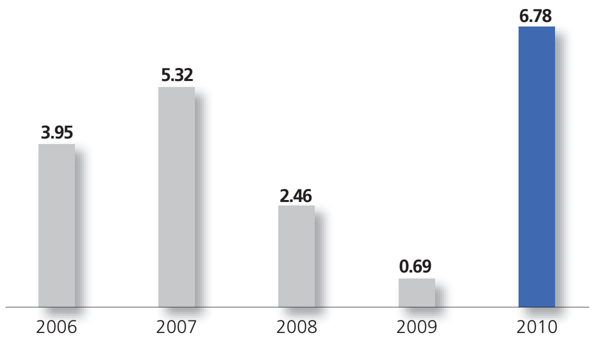
OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



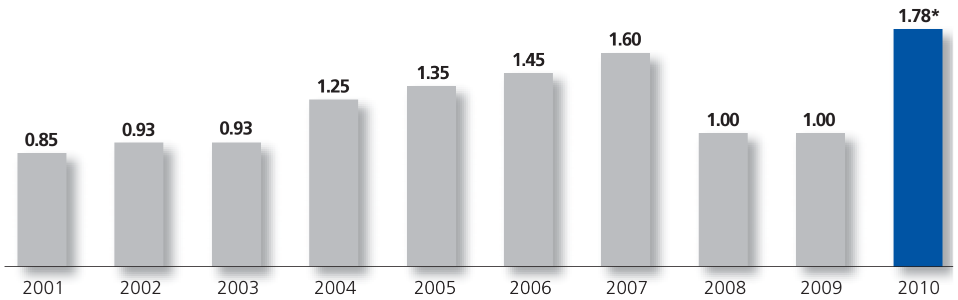
NET INCOME
(in € million)



BASIC EARNINGS PER SHARE
(in €)



DIVIDEND PER SHARE
(in €)

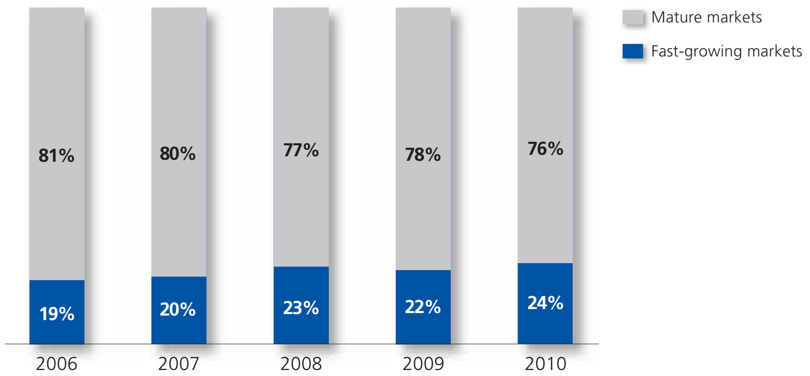


* *Subject to approval at the Annual Shareholders Meeting on May 13, 2011.*

3.3_ REPORTING SEGMENTS

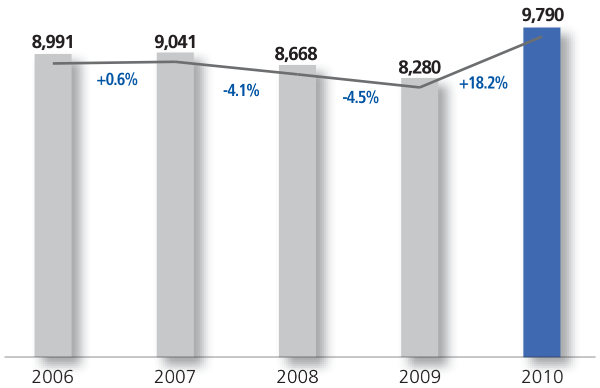
3.3.1 PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

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

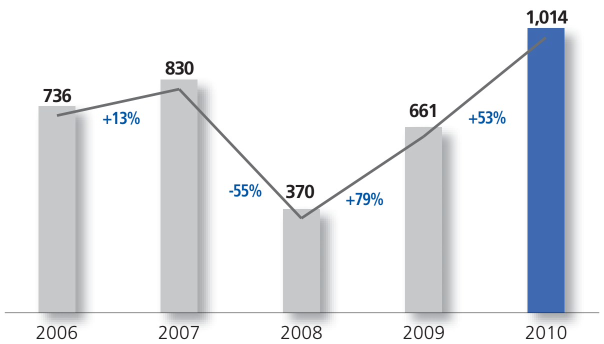


* *Mature markets: United States, Canada, Western Europe and Japan.*

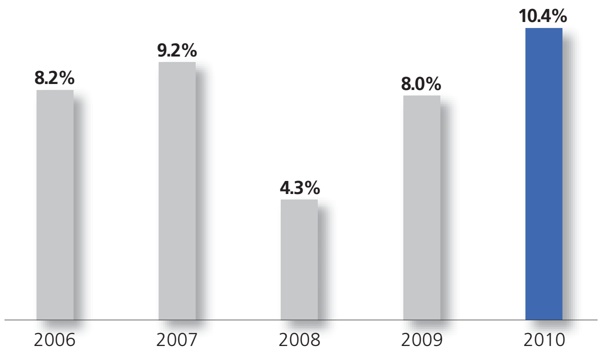
NET SALES
(in € million)



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

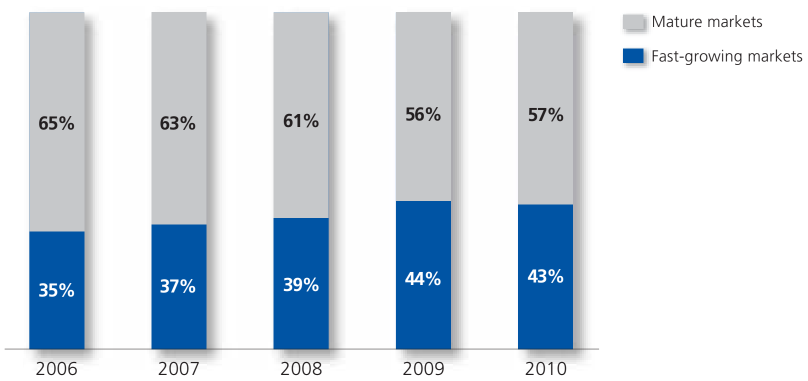


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



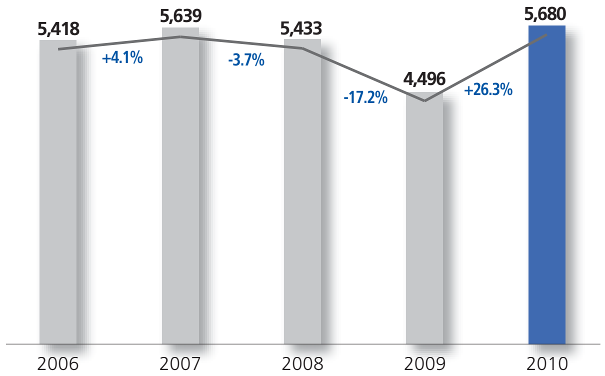
3.3.2 TRUCK TIRES AND RELATED DISTRIBUTION

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

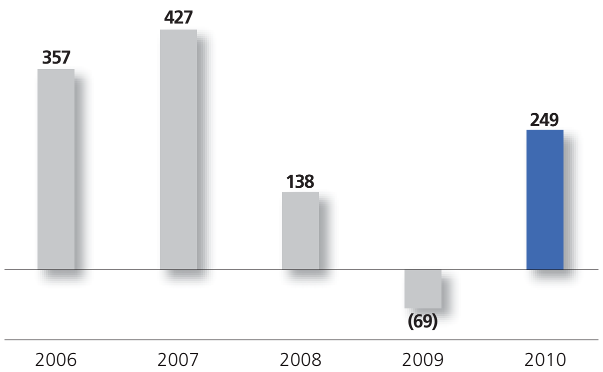


* *Mature markets: United States, Canada, Western Europe and Japan.*

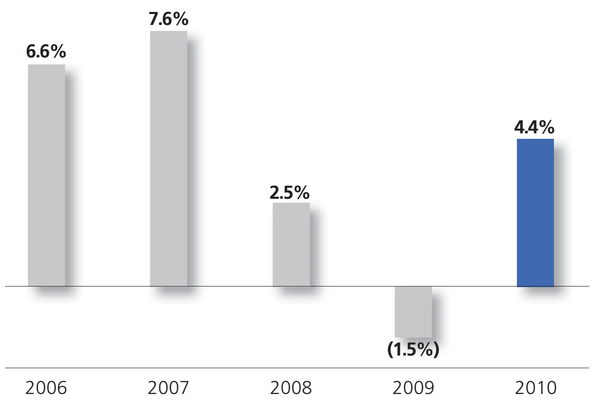
NET SALES
(in € million)



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

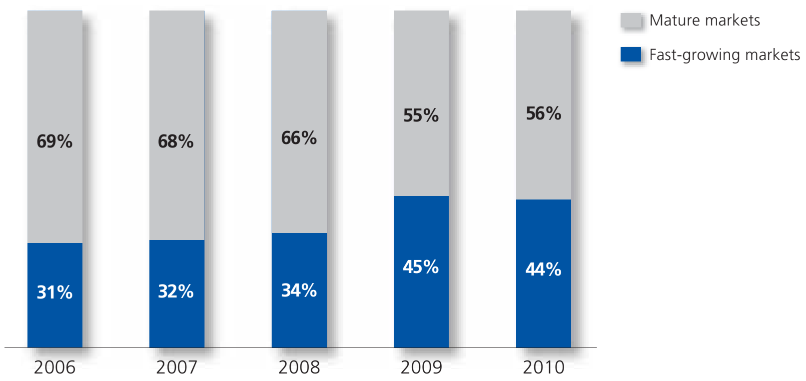


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)



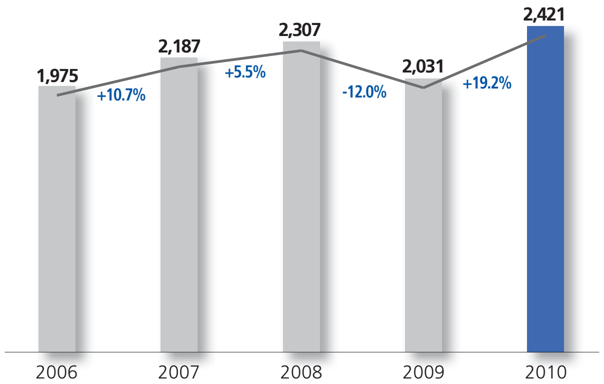
3.3.3 SPECIALTY BUSINESSES: SPECIALTY TIRES (AGRICULTURAL, AIRCRAFT, TWO-WHEEL, EARTHMOVER); MAPS AND GUIDES; VIAMICHELIN AND MICHELIN LIFESTYLE

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

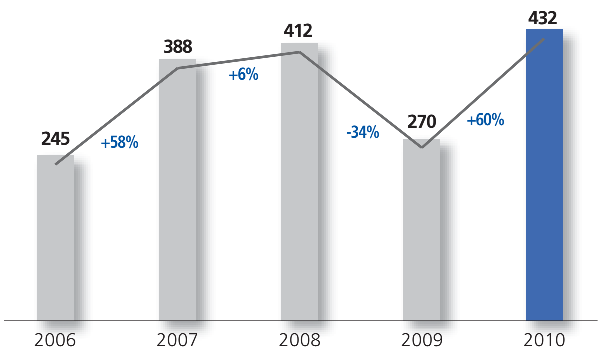


* *Mature markets: United States, Canada, Western Europe and Japan.*

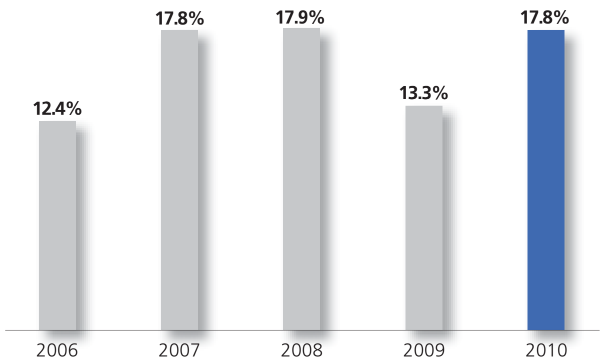
NET SALES
(in € million)



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

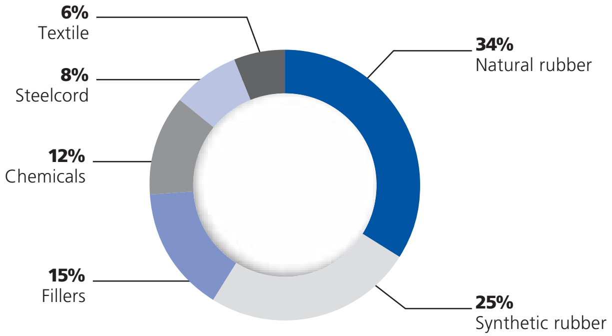


OPERATING MARGIN BEFORE NON-RECURRING ITEMS
(as a % of net sales)

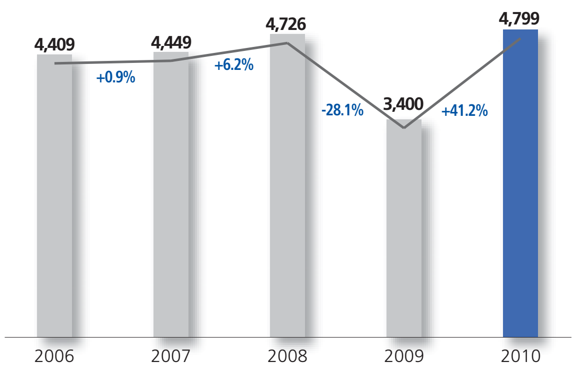


3.4_ COST STRUCTURE

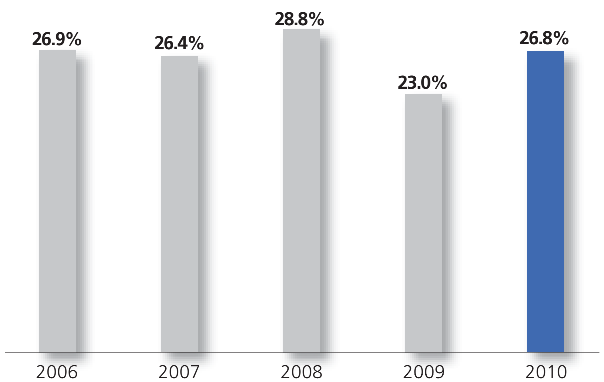
RAW MATERIAL COSTS (IN €)
(2010)



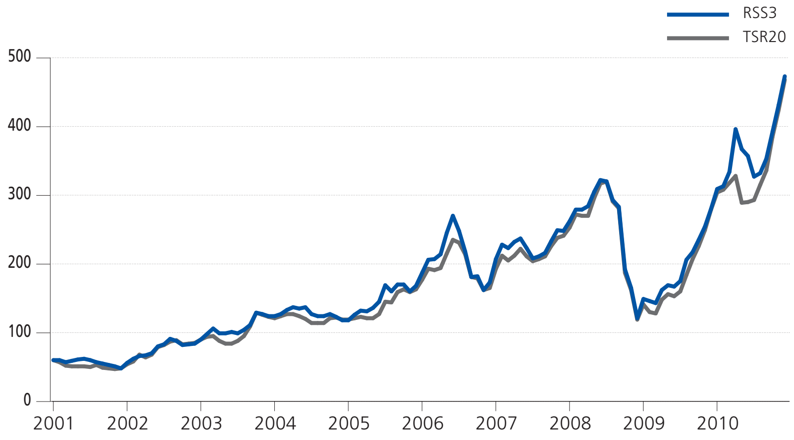
RAW MATERIAL COSTS
(in € million)



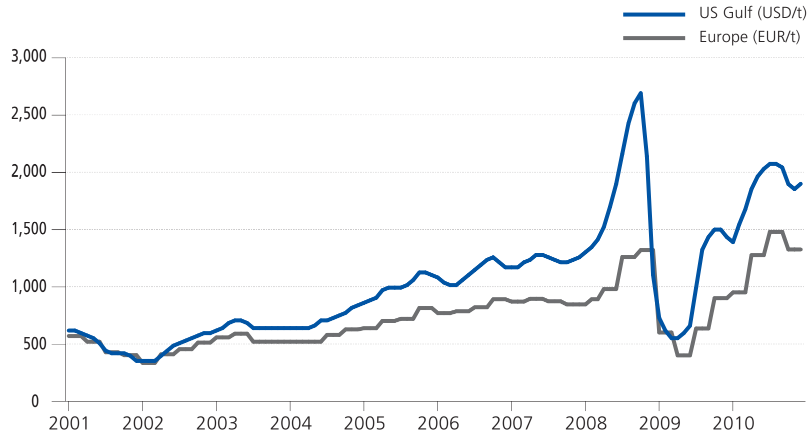
RAW MATERIAL COSTS
(as a % of net sales)



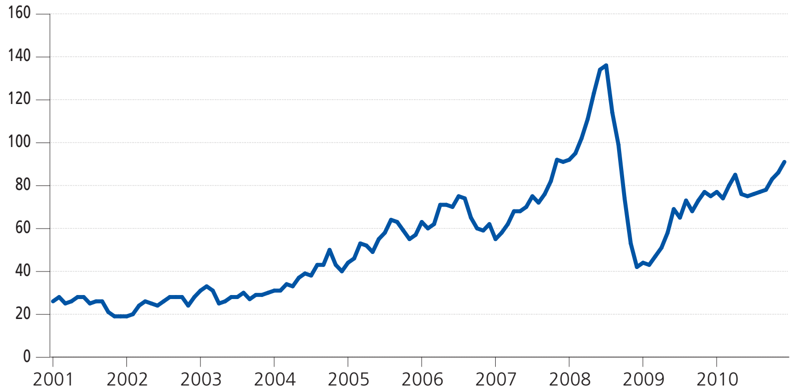
NATURAL RUBBER PRICES*
(US cents/kg)



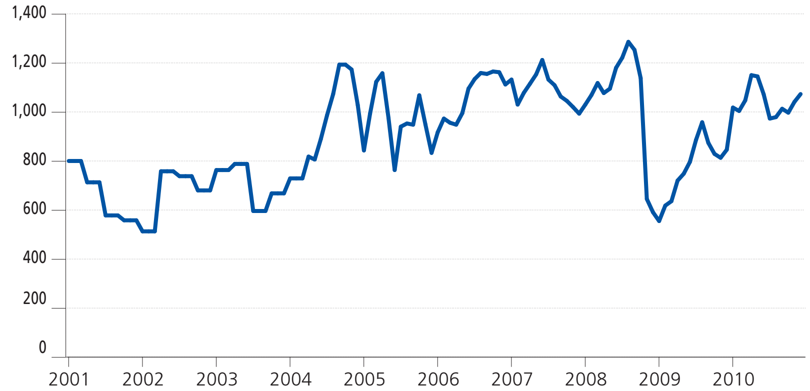
BUTADIENE PRICES*



BRENT OIL PRICES*
($/bbl)

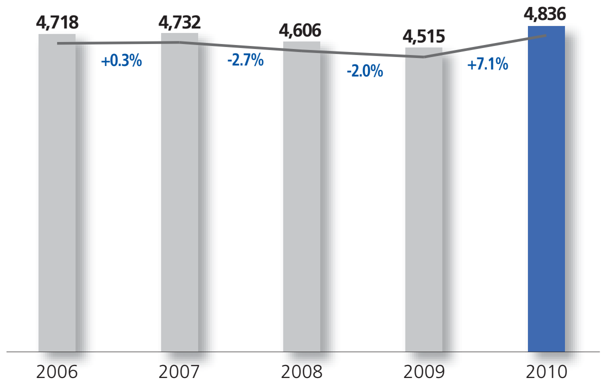


STYRENE PRICES*
(€/ton)

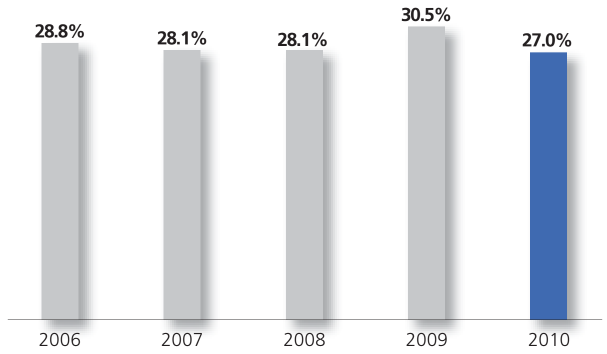


* *Monthly average.*

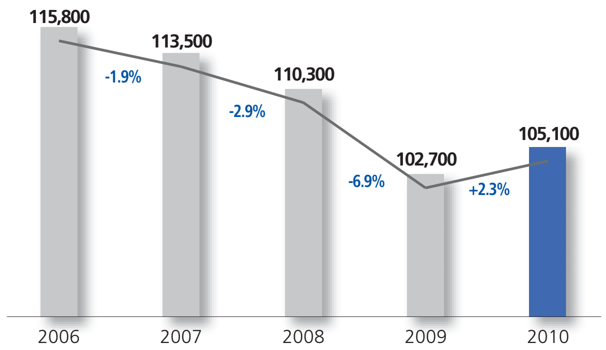
EMPLOYEE BENEFIT COSTS
(in € million)



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)

	2010	2009	2008	2007	2006
Western Europe	51,356	51,414	55,106	57,204	58,907
Eastern Europe	12,085	11,837	12,576	13,467	13,291
North America	20,994	20,315	22,215	22,351	22,078
South America	5,086	4,892	5,783	5,909	5,934
Asia	14,458	13,229	13,457	13,440	13,155
Africa Middle-East	1,078	1,005	1,115	1,158	2,390
TOTAL	**105,057**	**102,692**	**110,252**	**113,529**	**115,755**
including mature countries (1) (2)	65%	66%	66%	67%	67%
including fast-growing countries (1)	35%	34%	34%	33%	33%

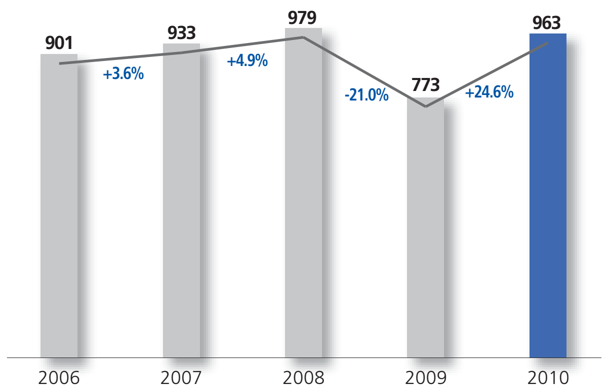
(1) Excluding distribution.
(2) Mature countries: United States, Canada, Western Europe, Japan.

EMPLOYEES BY JOB CATEGORY

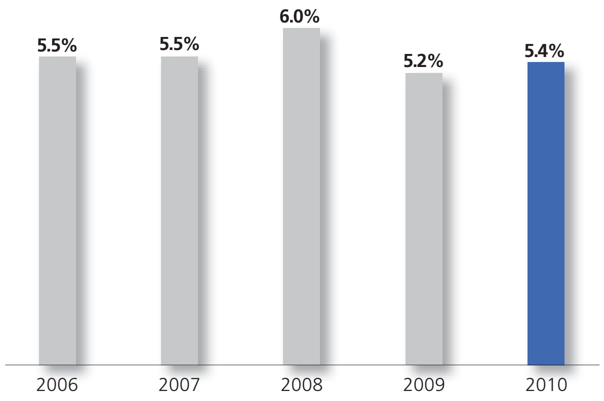
(total workforce at December 31, excluding distribution)

	2010	2009	2008	2007	2006
Production workers	64.5%	64.8%	66.7%	66.7%	67.6%
Administrative and technical staff	29.2%	29.3%	27.4%	27.6%	26.8%
Managers	6.3%	5.9%	5.9%	5.7%	5.6%

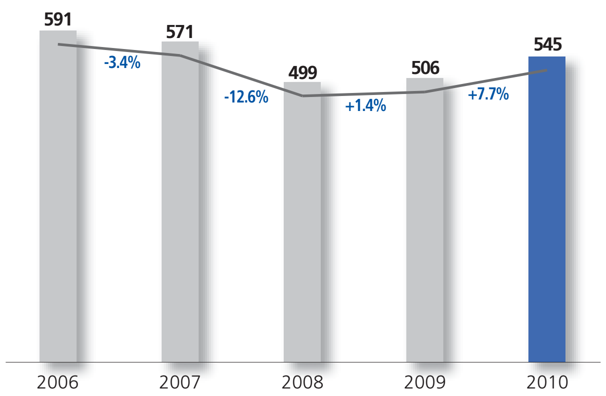
TRANSPORTATION COSTS
(in € million)



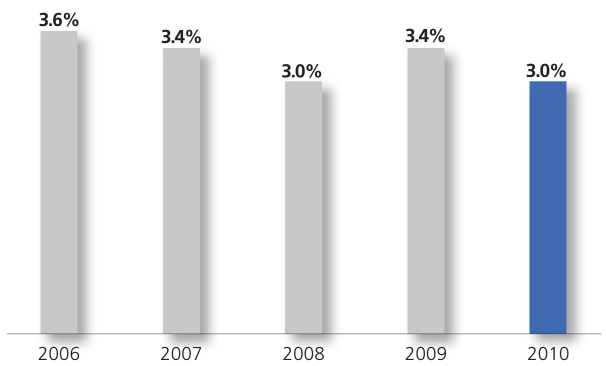
TRANSPORTATION COSTS
(as a % of net sales)



RESEARCH AND DEVELOPMENT COSTS
(in € million)

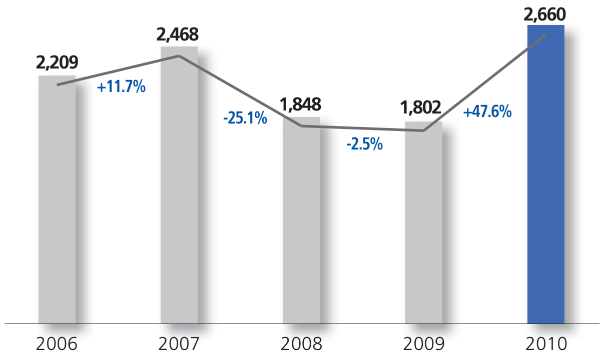


RESEARCH AND DEVELOPMENT COSTS
(as a % of net sales)



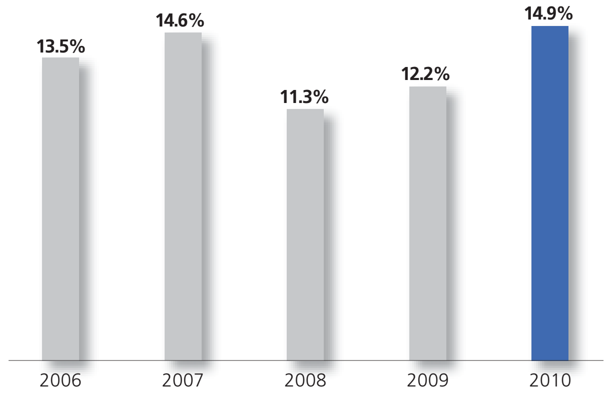
3.5_ CASH FLOW AND BALANCE SHEET

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

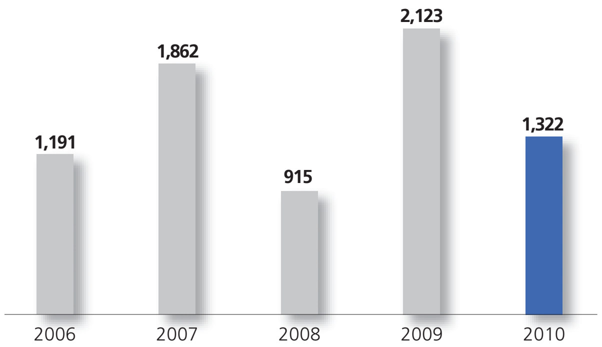


(1) This indicator is defined in the Consolidated cash flow statement and Note 3.7.2 to the Consolidated financial statements.

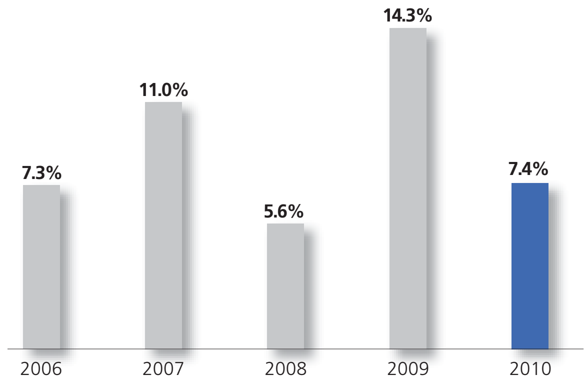
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES (1)
(as a % of net sales)



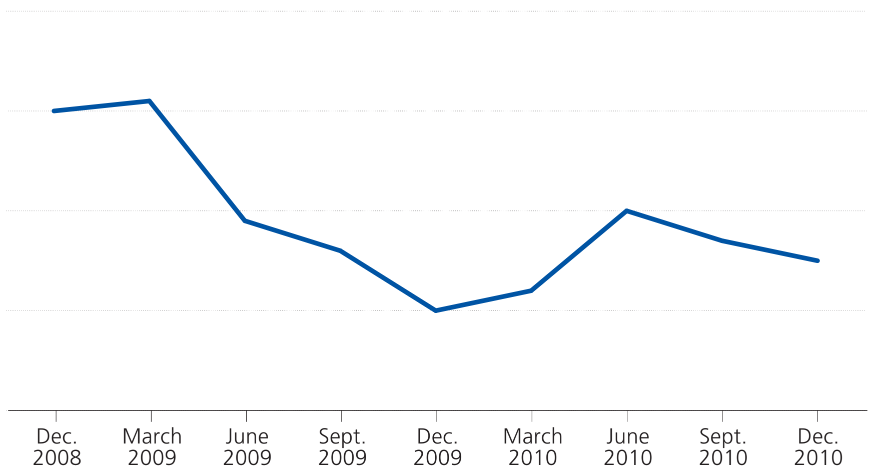
CASH FLOWS FROM OPERATING ACTIVITIES
(in € million)



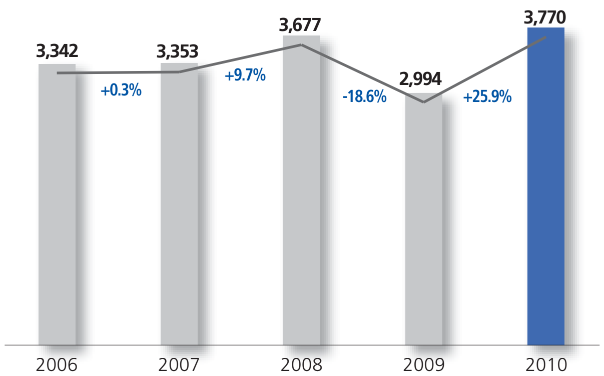
CASH FLOWS FROM OPERATING ACTIVITIES
(as a % of net sales)



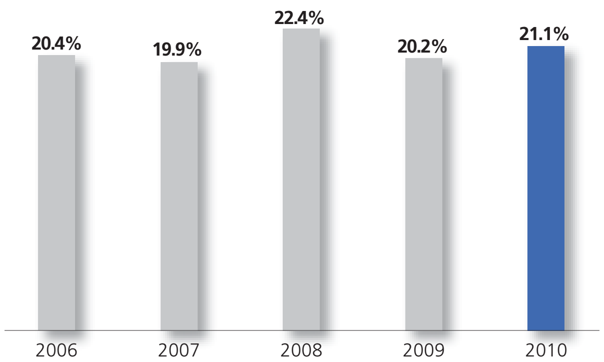
INVENTORIES (QUARTERLY CHANGE IN TONS)



INVENTORIES
(in € million)

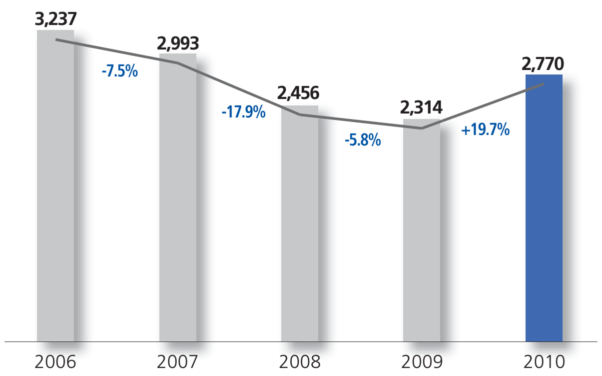


INVENTORIES
(as a % of net sales)

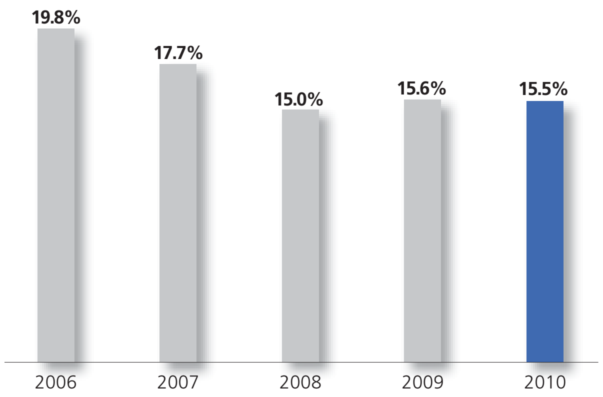


Group target: less than 16%.

TRADE RECEIVABLES
(in € million)

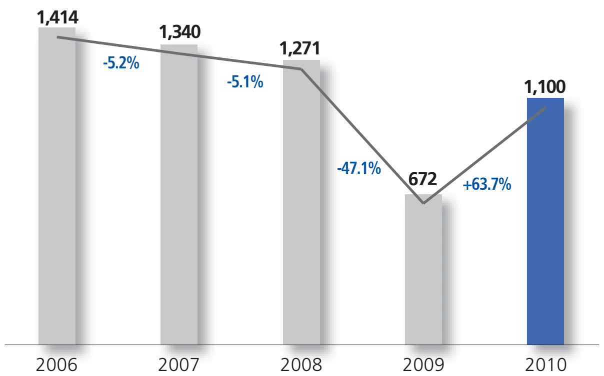


TRADE RECEIVABLES
(as a % of net sales)

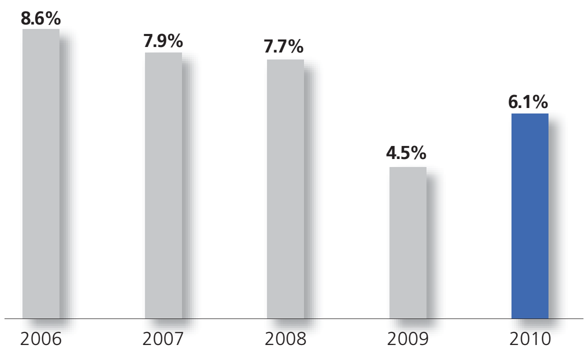


Group target: less than 16%.

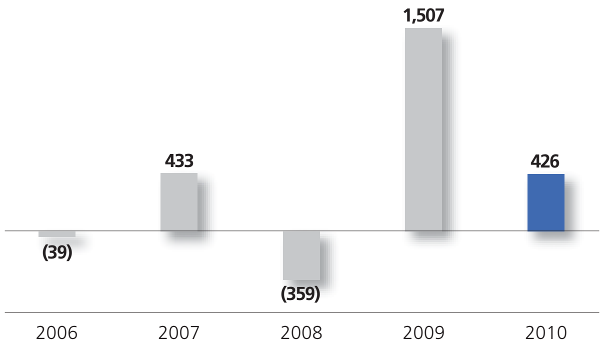
CAPITAL EXPENDITURE
(in € million)



CAPITAL EXPENDITURE
(as a % of net sales)

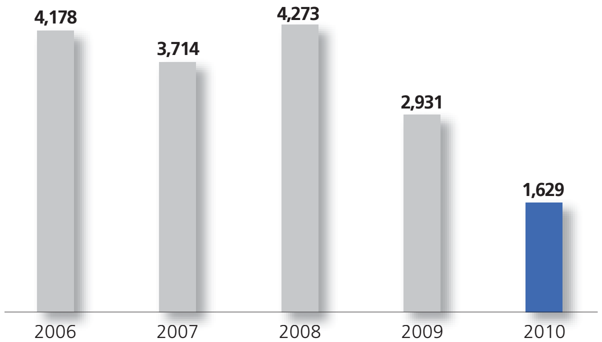


FREE CASH FLOW [1] (AFTER CAPITAL EXPENDITURE AND BEFORE PAYMENT OF DIVIDENDS)
(in € million)

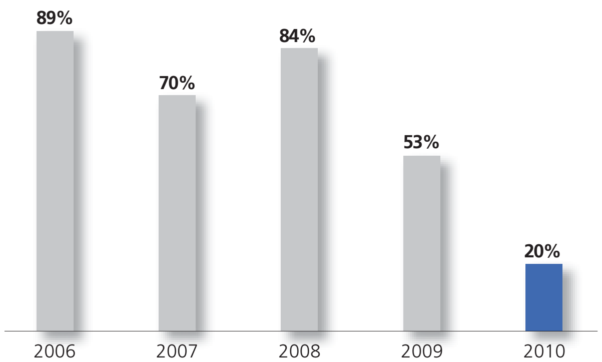


(1) This indicator is defined in section 2.6.3 of the present Registration Document.

NET DEBT [2]
(in € million)

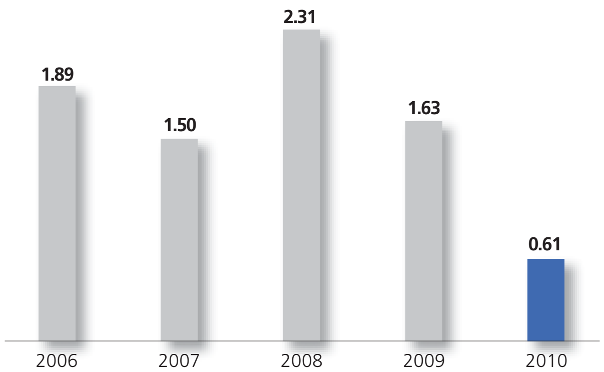


NET DEBT-TO-EQUITY RATIO [2]



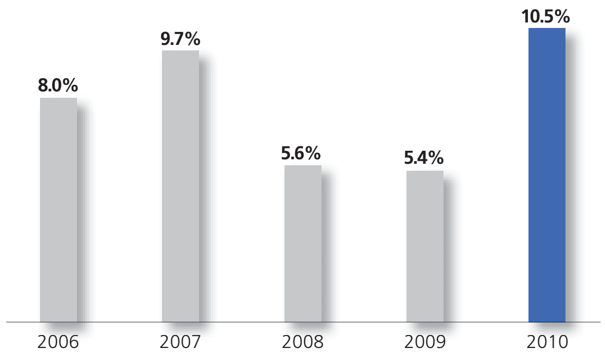
(2) 2009 net debt has been restated since the Group adopted a new definition of this indicator in 2010 (please refer to Notes 3.7.1 and 26 to the Consolidated financial statements).

NET DEBT-TO-EBITDA RATIO [(1)]



(1) 2009 net debt has been restated since the Group adopted a new definition of this indicator in 2010 (please refer to Notes 3.7.1 and 26 to the Consolidated financial statements).

RETURN ON CAPITAL EMPLOYED [(2)]
(after tax)



(2) This indicator is defined in section 2.7 of the present Registration Document.

3.6_ GROUP KEY FIGURES AND RATIOS

IFRS *(in € million)*	2010	2009	2008	2007	2006	2005	2004
Net sales	17,891	14,807	16,408	16,867	16,384	15,590	15,048
% change	+20.8%	-9.8%	-2.7%	+3.0%	+5.1%	+3.6%	N. App.
Total employee benefit costs	4,836	4,515	4,606	4,732	4,718	4,780	4,837
as a % of sales	27.0%	30.5%	28.1%	28.1%	28.8%	30.7%	32.1%
Number of employees (full time equivalent)	105,100	102,700	110,300	113,500	115,800	119,000	120,500
Research and development expenses	545	506	499	571	591	565	576
as a % of sales	3.0%	3.4%	3.0%	3.4%	3.6%	3.6%	3.8%
EBITDA before non-recurring income and expenses	2,660	1,802	1,848	2,468	2,209	2,171	2,030
Operating income before non-recurring income and expenses	1,695	862	920	1,645	1,338	1,368	1,303
Operating margin before non-recurring income and expenses	9.5%	5.8%	5.6%	9.8%	8.2%	8.8%	8.7%
Operating income	1,695	450	843	1,319	1,118	1,574	1,239
Operating margin	9.5%	3.0%	5.1%	7.8%	6.8%	10.1%	8.2%
Cost of net debt	236	262	330	294	315	310	N. App.
Other financial income and expenses	10	10	(3)	29	135	(280)	(235)
Income before taxes	1,498	207	520	1,071	942	1,300	985
Income tax	449	103	163	299	369	411	331
Effective tax rate	30.0%	49.8%	31.3%	27.9%	39.2%	31.6%	33.6%
Net income	1,049	104	357	772	573	889	654
as a % of sales	5.9 %	0.7%	2.2%	4.6%	3.5%	5.7%	4.3%
Dividends paid to shareholders (1)	147	145	230	208	193	179	133
Cash flows from operating activities	1,322	2,123	915	1,862	1,191	1,031	1,322
as a % of sales	7.4%	14.3%	5.6%	11.0%	7.3%	6.6%	8.8%
Gross purchases of intangible assets and PP&E	1,100	672	1,271	1,340	1,414	1,336	1,107
as a % of sales	6.1%	4.5%	7.7%	7.9%	8.6%	8.6%	7.4%
Financing cash flow (excluding cash management financial assets)	(896)	(616)	(1,274)	(1,429)	(1,230)	(1,155)	(1,056)
as a % of sales	5.0 %	4.2 %	7.8 %	8.5 %	7.5 %	7.4 %	7.0 %
Net debt (2)	1,629	2,931	4,273	3,714	4,178	4,083	3,292
Equity (3)	8,127	5,495	5,113	5,290	4,688	4,527	3,647
Gearing	20%	53%	84%	70%	89%	90%	90%
Net debt (2)/ EBITDA	0.61	1.63	2.31	1.50	1.89	1.88	1.62
Cash flows from operating activities / Net debt (2)	81.2%	72.4%	21.4%	50.1%	28.5%	25.3%	40.2%
Net interest charge average rate (4)	6.3%	6.2%	6.0%	6.4%	6.3%	6.9%	N. App.
Operating income before non-recurring items / Net interest charge (4)	9.1	3.5	3.5	6.1	4.2	4.4	N. App.
Free cash flow (5)	426	1,507	(359)	433	(39)	(124)	266
ROE (6)	12.9%	1.9%	7.0%	14.7%	12.2%	19.7%	18.5%
ROCE (7)	10.5%	5.4%	5.6%	9.7%	8.0%	N. App.	N. App.

IFRS	2010	2009	2008	2007	2006	2005	2004
Per share data (in €)							
Net assets per share (8)	46.0	37.2	35.2	36.7	32.6	31.5	24.2
Basic earnings per share (9)	6.78	0.69	2.46	5.32	3.95	6.13	4.46
Diluted earnings per share (9)	6.64	0.69	2.46	5.22	3.94	6.12	4.46
Price-earnings ratio (10)	7.9	77.7	15.3	14.8	18.4	7.7	10.6
Dividend for the year	1.78*	1.00	1.00	1.60	1.45	1.35	1.25
Pay-out ratio (11)	30.0%	140.8%	40.7%	30.1%	36.7%	22.0%	28.0%
Yield (12)	3.3%	1.9%	2.7%	2.0%	2.0%	2.8%	2.6%
Share turnover rate (13)	188%	199%	308%	216%	212%	151%	134%

(1) Including the dividends paid in shares.
(2) Net debt after implementation of IAS 32 and IAS 39, effective January 1st, 2005: financial liabilities - cash and cash equivalents - cash management financial assets - borrowing collaterals +/- derivative assets.
(3) Total equity after implementation of IAS 32 and IAS 39, effective January 1st, 2005.
(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).
(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).
(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.
(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 13, 2011 Annual General Meeting.

CORPORATE GOVERNANCE

4

4.1_ A PARTNERSHIP LIMITED BY SHARES

This following section describes the corporate governance system as applied in 2010.

On February 11, 2011, however, the Group's Managing General Partner, Michel Rollier, announced his intention to start preparing his succession. At the Extraordinary Meeting on May 13, 2011, shareholders will therefore be asked to elect Jean-Dominique Senard as Managing General Partner and to approve resolutions adjusting the Group's corporate governance procedures.

These resolutions would change the procedures as follows:

- The terms of office of future Managing Partners, both General and Non-General, would be limited to four years, renewable. As a result, after Mr. Rollier leaves, all future Managing Partners, whether General or not, would be elected to limited terms.
- The role of the Supervisory Board would be expanded. To strengthen the Supervisory Board's oversight role, the bylaws would be modified to formally recognize its responsibility for gauging the quality of the partnership's management. Instead of simply being consulted, as is the case today, the Board would have to approve the proposed re-election or removal of future Managing Partners, as well as their salary.

The related resolutions and their presentation may be found in section 10. below (Annual Shareholders Meeting of May 13, 2011).

4.1.1. A TRANSPARENT LEGAL STRUCTURE THAT PROMOTES ACCOUNTABILITY

Throughout its history, Compagnie Générale des Etablissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (*société en commandite par actions - SCA*). This legal structure has the advantages of:

- Facilitating the deployment of long-term strategies by a stable management team whose interests are aligned with those of the shareholders;
- Establishing a clear separation between management and oversight powers;
- Fostering direct ties with shareholders through the requirement for all shares to be registered.

4.1.2. 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. They receive a share of its income in the form of a dividend.
- The **General Partners** have unlimited personal liability for the Company's debts. They 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. They receive a statutory share of any profits subject to shareholder approval at the Annual Shareholders Meeting.

Michelin has two General Partners: Michel Rollier, Managing Partner, and Société Auxiliaire de Gestion (SAGES).

Société Auxiliaire de Gestion (SAGES) is a French *société par actions simplifiée* (joint stock company) chaired by Jacques de Chateauvieux. Its purpose is to:

- Act as General Partner of CGEM, and
- In the absence of a Managing Partner, to act as CGEM's Managing Partner and to call an Extraordinary Shareholders Meeting to elect a new Managing Partner.

SAGES is owned by members of the founding family, current and former Michelin executives and qualified persons from outside the Group, with each of these shareholder groups having the same number of seats on its Board.

To enable SAGES to assume its liability as CGEM General Partner, 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.

4.1.3. THE MANAGING PARTNERS, RESPONSIBLE FOR THE DAY-TO-DAY MANAGEMENT OF THE BUSINESS

The Managing Partners are elected by shareholders upon unanimous recommendation of the General Partners made after consulting the Supervisory Board. They are responsible for administering and managing the Company.

- **Managing General Partners** remain in office until they reach the statutory age limit. Any decision to stand down early must be accepted by shareholders in Extraordinary Meeting. They do not receive any salary, benefits in kind, directors' fees or supplementary pension benefits and they are not entitled to any severance package. Their compensation depends entirely on the Company's results and corresponds to the statutory share of profit (if any) they receive in their capacity as General Partners. As is the case for dividends, this compensation is paid in the year following the one in which the profit is generated. This ensures that Managing General Partners' interests are fully aligned with those of the shareholders. Their unlimited personal liability for the Company's debts offers shareholders the best possible guarantee that Michelin will be managed in their mid- to long-term interests.

  Michelin has one Managing General Partner, **Michel Rollier**.
- **The Non-General Managing Partners** are elected for a five-year renewable term. They have no personal liability for the Company's debts. Their compensation is set each year by the General Partners, after consulting the Supervisory Board. It comprises a variable portion linked to the Company's financial performance.

The Annual Shareholders Meeting of May 11, 2007 elected two Non-General Managing Partners, **Didier Miraton and Jean-Dominique Senard**.

4.1.4. THE SUPERVISORY BOARD, RESPONSIBLE FOR OVERSEEING THE MANAGEMENT OF THE BUSINESS

The Supervisory Board comprises three to ten members, each of whom is elected for a four-year term[1] by the Shareholders Meeting. Its internal rules stipulate that the majority of its members must be independent. All eight members of the current Supervisory Board are qualified as independent.

The independence criteria applied by Michelin correspond to those prescribed in the AFEP/MEDEF Corporate Governance Code for listed companies, except that the Code sets a 12-year limit on the aggregate period during which a member may serve 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 in line with a medium to long-term strategic vision.

To effectively carry out its oversight role, the Supervisory Board has the same powers as the Statutory Auditors and can access the same information and documents.

During Shareholders Meetings, the Supervisory Board expresses an opinion on the Managing Partners' recommendations and reports to the shareholders on its oversight activities.

(1) Five years prior to the Annual Shareholders Meeting of May 15, 2009 at which the term was reduced to four years for members elected or re-elected at future meetings.

4.2_ BOARD AND MANAGEMENT PRACTICES

The organizational principles of Compagnie Générale des Etablissements Michelin (CGEM), a *société en commandite par actions* (partnership limited by shares), are applied transparently and constructively by the Company and are fully aligned with both shareholder expectations and responsible corporate governance practices. These principles are designed to support the deployment of long-term strategies by a stable, responsible management team, with the oversight of an independent Supervisory Board whose functions are clearly separated from those of senior management.

In addition, Michelin is dedicated to fostering a close, personalized relationship with every shareholder, in particular by registering all of the Company's shares.

4.2.1. AN EXPERIENCED, STABLE AND RESPONSIBLE MANAGEMENT TEAM

4.2.1.a) Experience

In line with its bylaws, Michelin is managed by one or more Managing Partners who must be individuals and may or may not be General Partners.

The current Managing Partners are Michel Rollier (elected as Managing General Partner by the Annual Shareholders Meeting of May 20, 2005), Didier Miraton and Jean-Dominique Senard (both elected as Non-General Managing Partners by the Annual Shareholders Meeting of May 11, 2007).

Michel Rollier joined Michelin in 1996 as Vice President, Finance & Legal Affairs, after acquiring many years' management experience with a major international industrial group.

Didier Miraton, who joined Michelin in 1982, has spent most of his career working in Research and Innovation, in both France and North America.

Jean-Dominique Senard joined Michelin in 2005 as Chief Financial Officer, after holding a variety of management positions with major international groups.

4.2.1.b) Role and responsibilities

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

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 separate and consolidated financial statements of the Group;
- Define financial information policies;
- Draw up the various reports to shareholders.

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

The Managing Partners are assisted by a 7-member Executive Council currently comprising:

- **Éric de Cromières**, Senior Vice President, Marketing & Sales Performance; Director of Euromaster, TCI, Michelin Maps and Guides, ViaMichelin and Michelin Lifestyle, also responsible for overseeing Information Systems;
- **Claire Dorland-Clauzel**, Senior Vice President, Michelin Communication and Brands;
- **Jean-Christophe Guérin**, Senior Vice President, Manufacturing Performance, also responsible for overseeing Quality and Supply Chain Operations;
- **Jean-Michel Guillon**, Senior Vice President, Human Resources and Organization;
- **Florent Menegaux**, President, Passenger car & Light truck tire business, also responsible for overseeing Motorsport activities;
- **Pete Selleck**, President, Truck tire business;
- **Bernard Vasdeboncoeur**, President, Specialty businesses (Agricultural, Aircraft, Two-wheel, Earthmover, Components), also responsible for overseeing Procurement.

4.2.1.c) Responsibility

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

Underscoring the sustained nature of his commitment to the Company, the Managing General Partner can only be relieved of his liability as general partner by decision of the shareholders in Extraordinary Meeting and therefore fully assumes the long-term consequences of the Managing Partners' decisions.

The Managing General Partner is entitled to a statutory share of the Company's profits for the previous financial year, but does not receive any other form of compensation, such as a salary, benefits in kind, director's fees, stock options, pension benefits or other benefits or allowances. As a result, his compensation is entirely variable and depends wholly on the Company's performance.

The Non-General Managing Partners are elected by the Annual Shareholders Meeting for a five-year term. They may be re-elected by the Annual Shareholders Meeting on the recommendation of the General Partners supported by the Supervisory Board. Their compensation is set each year by unanimous decision of the Managing General Partner and the other General Partners, after consulting the Supervisory Board.

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 Supervisory Board's practices and on the Group's internal control and risk management procedures is presented in section 4.6 -.

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 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)**, Pat Cox, Barbara Dalibard, Louis Gallois, François Grappotte, Pierre Michelin, Laurence Parisot, 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 oversees the Company's management on an ongoing basis on behalf of the shareholders and presents 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 and implementing strategic roadmaps;
- Obtaining assurance that shareholders' rights are respected.

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

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[2].

During 2010 and up to the date of this report, all Supervisory Board members are qualified as independent based on the above criteria. In addition, they bring to the Board their extensive experience in management, manufacturing and finance.

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;
- Review of strategic roadmaps and 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.

(1) Biographical details of the Supervisory Board members are presented in section 4.3.3. b) -, and details of their compensation are provided in section 4.4.6 -.
(2) See the Supervisory Board's corporate governance statement in section 4.6.2 -.

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. 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 Supervisory Board's practices and on the Group's internal control and risk management procedures[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 the articles L.823-19 and L.823-20-4 of the French Commercial Code introduced by order 2008-1278 of December 8, 2008.

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.

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 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 Non-General Managing Partners,
  – Fixed and variable compensation paid to members of the Executive Council,
  – Variable compensation paid to other senior executives;
- Stock option and performance share policies.

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

Committee practices

The Compensation 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 Committee's activities[1].

(1) This report is presented in section 4.6 - of the present Registration Document.

4.2.2.d) Terms of office of Supervisory Board members

Name	First elected/re-elected	Current term expires	Independent[1]
Éric Bourdais de Charbonnière Chairman	June 11, 1999 May 14, 2004 May 15, 2009	2004 2009 2013	Yes
Pat Cox	May 20, 2005 May 7, 2010	2010 2014	Yes
Barbara Dalibard	May 16, 2008	2013	Yes
Louis Gallois	May 16, 2008	2013	Yes
François Grappotte	June 11, 1999 May 14, 2004 May 15, 2009	2004 2009 2013	Yes
Pierre Michelin	June 12, 1998 May 16, 2008	2003 2013	Yes
Laurence Parisot	May 20, 2005 May 7, 2010	2010 2014	Yes
Benoît Potier	May 16, 2003 May 16, 2008	2008 2013	Yes

(1) 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 4.1.4 -).

4.3_ ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

4.3.1. SENIOR MANAGEMENT

The Group is managed by Michel Rollier, Managing General Partner, and Didier Miraton and Jean-Dominique Senard, Non-General Managing Partners.

Michel Rollier

- Born in 1944.
- Graduate of Institut d'Etudes 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.
- Managing Partner since May 20, 2005.

Didier Miraton

- Born in 1958.
- Graduate of Ponts et Chaussées engineering school.
- Joined Michelin in 1982, spending most of his career working in research and innovation in France and the United States, in Truck, Earthmover and Handling Equipment tire technologies.
- Appointed Managing Director of the Michelin Technology Center and member of the Executive Council in 2001.
- Managing Partner since May 11, 2007.

Jean-Dominique Senard

- Born in 1953.
- 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.
- Managing Partner since May 11, 2007.

4.3.2. SUPERVISORY BODIES

4.3.2.a) Supervisory Board

The Supervisory Board oversees Michelin's management on an ongoing basis on behalf of the shareholders and reports to shareholders on its oversight activities at each Annual Meeting. It has eight members, each elected for a four-year term[1]. All of the members are qualified as independent.

The Supervisory Board as a whole performs the duties generally assigned to a Compensation 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.

Éric Bourdais de Charbonnière

Born in 1939 – French national

Business address: Michelin, 46 avenue de Breteuil, 75324 Paris Cedex 07

Independent Member

Chairman of the Supervisory Board

Member of the Audit Committee

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.

Pat Cox

Born in 1952 – Irish national

Business address: European Movement International, Square de Meeûs, 25, B-1000 Bruxelles

Independent Member

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.

(1) Five years prior to the Annual Shareholders Meeting of May 15, 2009 at which the term was reduced to four years for members elected or re-elected at future meetings.

Barbara Dalibard

Born in 1958 – French national

Business address: SNCF, Bureaux du CNIT, 2 place de la Défense, 92800 Puteaux

Independent Member

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.

Louis Gallois

Born in 1944 – French national

Business address: E.A.D.S., 37 boulevard de Montmorency, 75781 Paris Cedex 16

Independent Member

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.

François Grappotte

Born in 1936 – French national

Business address: Legrand, 128 avenue de Lattre de Tassigny, 87045 Limoges

Independent Member

Chairman of the Audit Committee

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.

Pierre Michelin

Born in 1949 – French national

Business address: Bull, rue Jean Jaurès, BP68, 78340 Les Clayes sous Bois

Independent Member

Member of the Audit Committee

After holding various positions within Philips' IT Department, Pierre Michelin moved to Groupe Bull, where he currently heads a division. Since 2003, he has also lectured on information systems technology at the Reims Management School (RMS), France.

Laurence Parisot

Born in 1959 – French national

Business address: Groupe Ifop, Immeuble Millénaire 2, 35 rue de la Gare, 75019 Paris

Independent Member

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.

Benoît Potier

Born in 1957 – French national

Business address: Air Liquide, 75 quai d'Orsay, 75321 Paris Cedex 07

Independent Member

Member of the Audit Committee

During a 25-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).

4.3.2.b) Statutory Auditors

Please refer to section 9.2 - on the Statutory Auditors.

4.3.3. DIRECTORSHIPS AND POSITIONS HELD IN OTHER COMPANIES DURING THE LAST FIVE YEARS BY THE MANAGING PARTNERS AND SUPERVISORY BOARD MEMBERS – NUMBER OF MICHELIN SHARES HELD

4.3.3.a) Managing Partners

Michel ROLLIER

23,272 Michelin shares owned as of December 31, 2010

2006

Partner of Compagnie Financière Michelin

Director of Moria SA

Member of the Supervisory Board of Altamo

2007

Partner of Compagnie Financière Michelin

Director of Moria SA

2008-2009-2010

Managing Partner of Compagnie Financière Michelin

Director of Lafarge *(from May 7, 2008)*

Director of Moria SA

Didier MIRATON

No Michelin shares [1]

2006

Managing Director of the Michelin Technology Center

2007

Managing Director of the Michelin Technology Center *(until his appointment as Managing Partner)*
Director of Vilmorin *(from December 12, 2007)*

2008-2009-2010

Director of Vilmorin

Jean-Dominique SENARD

No Michelin shares [1]

2006

Chief Financial Officer of Michelin

2007

Chief Financial Officer of Michelin *(until his appointment as Managing Partner)*
Director of Compagnie Financière Michelin

2008

Director of Compagnie Financière Michelin

2009-2010

Director of Compagnie Financière Michelin
Director of Groupe SEB *(from May 13, 2009)*

4.3.3.b) Supervisory Board Members

Éric BOURDAIS DE CHARBONNIÈRE

3,198 Michelin shares owned as of December 31, 2010

2006

Member of the Supervisory Board of Oddo et Cie
Member of the Board of Directors and Chairman of the Audit Committee of Thomson SA
Member of the Supervisory Board of ING Group

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

Member of the Supervisory Board of Oddo et Cie
Director of Faurecia *(from February 8, 2010)*

Pat COX

259 Michelin shares owned as of December 31, 2010

2006-2007

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

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

Barbara DALIBARD

433 Michelin shares owned as of December 31, 2010

2006-2007
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
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

300 Michelin shares owned as of December 31, 2010

2006
Chairman of SNCF *(until July 2, 2006)*
Executive co-Chairman of EADS NV *(from July 2, 2006)*
Chairman of Airbus *(from October 3, 2006)*

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 Airbus Shareholders Committee
Director of École Centrale des Arts et Manufactures
Chairman of Fondation Villette-Entreprises

François GRAPPOTTE

1,240 Michelin shares owned as of December 31, 2010

2006
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of the *Bureau* of F.I.E.E.C.[1]
Member of the *Bureau* of Gimélec[2]
Member of the Board of Promotelec[3]

2007
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of the Board of Promotelec[3]

2008-2009
Honorary Chairman of Legrand
Director of BNP Paribas

2010
Director and Honorary Chairman of Legrand
Director of BNP Paribas

(1) French Federation of the Electric, Electronics and Communication Industries.
(2) French Trade Association of the Electrical Equipment, Automation and Related Services Industries.
(3) A French trade association promoting responsible electrical contracting in new and existing buildings.

Pierre MICHELIN

1,747 Michelin shares owned as of December 31, 2010

2006-2007-2008-2009-2010
No other directorships

Laurence PARISOT

500 Michelin shares owned as of December 31, 2010

2006
Chairman of Ifop

Director of BNP Paribas

Director of Havas *(until June 2006)*

Member of the Supervisory Board of Euro Disney SCA *(until January 2006)*

President of MEDEF

2007
Chairman of Ifop

Director of BNP Paribas

Director of Coface SA *(from February 1, 2007)*

President of MEDEF

2008-2009-2010
Vice Chairman of the Management Board of Ifop

Director of BNP Paribas

Director of Coface SA

President of MEDEF

Benoît POTIER

3,117 Michelin shares owned as of December 31, 2010

2006
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 Société d'Oxygène et d'Acétylène d'Extrême-Orient (SOAEO) *(until March 2006)*

Director of Air Liquide Italia Srl, AL Air Liquide España

Chairman of the Audit Committee and Director of Groupe Danone

Director of École Centrale des Arts & Manufactures

Member of the French Council of Insead

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 & 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 & 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 & 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)*.

4.3.4. STATEMENTS

There are no family relationships between any of the Supervisory Board members or Managing Partners.

To the best of the Company's knowledge, no Supervisory Board member or Managing Partner has been convicted of fraud during the past five years. No Supervisory Board member or Managing Partner has been associated with a bankruptcy, receivership or liquidation during the past five years. No Supervisory Board member or Managing Partner has been 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 Supervisory Board member or Managing Partner 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 member of the Supervisory Board or as a Managing Partner. There are no conflicts of interest between the duties to the Company of the Supervisory Board members and the Managing Partners and their private interests and/or other duties. No Supervisory Board member or Managing Partner has agreed to any restriction on the disposal within a certain period of time of their holdings in Michelin's securities, except for those resulting from insider dealing rules and the rules applicable to Managing General Partners.

4.4_ COMPENSATION, BENEFITS AND STOCK OPTIONS AWARDED TO THE MANAGING PARTNERS AND SUPERVISORY BOARD MEMBERS (BY THE COMPANY AND ITS SUBSIDIARIES)

The data and tables in this section have been prepared in accordance with the AFEP/MEDEF Corporate Governance Code dated December 2008 and the AMF's recommendation of December 22, 2008 concerning the information about management compensation to be disclosed in Registration Documents and in compliance with the July 9, 2009 AMF Report guidelines concerning the compensation awarded to the senior executives of listed companies and the implementation of AFEP/MEDEF recommendations.

4.4.1. SUMMARY INFORMATION

4.4.1.a) Compensation, stock options and performance shares awarded to each Managing Partner *(in €)*

Michel Rollier, Managing General Partner with unlimited personal liability for the Company's debts	2010	2009
Compensation due for the year *(see table 4.4.1.b for details)*	4,500,000[2]	743,628[1]
Value of options granted during the year *(see table 4.4.1. d for details)*	0	0
Value of performance shares granted during the year	0	0
TOTAL	**4,500,000**	**743,628**
Reference consolidated net income	*1,049,000,000*	*104,000,000*

(1) Corresponding to Michel Rollier's statutory share of 2009 profit in his capacity as General Partner, as approved at CGEM's Annual Shareholders Meeting of May 7, 2010. This compensation is entirely variable to the extent that it depends on the profit reported by CGEM.

(2) This is an estimated total amount, proportional to 2010 consolidated earnings, that is subject to i) approval of the General Partners' statutory share of profits by CGEM shareholders at the Annual Shareholders Meeting of May 13, 2011 called to approve the 2010 accounts and appropriate profit, and ii) approval by the other General Partner (SAGES). Of this amount, an estimated €430,000 corresponds to Michel Rollier's statutory share of the 2010 profits of a company controlled by CGEM (Compagnie Financière Michelin), which is subject to approval by the company's shareholders at the Annual Meeting to be called in 2011 to approve the 2010 accounts and appropriate profit. This statutory share is entirely variable to the extent that it depends on the level of the company's profit.

Didier Miraton, Non-General Managing Partner	2010	2009
Compensation due for the year *(see table 4.4.1.b for details)*	1,429,571[1]	797,414
Value of options granted during the year	0	0
Value of performance shares granted during the year	0	0
TOTAL	**1,429,571**	**797,414**

(1) Including an amount of €461,586, which will not be paid out for a period of four years and which will be adjusted by applying a positive or negative indexation clause based on the long-term growth or decline in the Michelin share price.

Jean-Dominique Senard, Non-General Managing Partner	2010	2009
Compensation due for the year *(see table 4.4.1.b for details)*	1,885,444(1)	1,060,291
Value of options granted during the year	0	0
Value of performance shares granted during the year	0	0
TOTAL	**1,885,444**	**1,060,291**

(1) Including an amount of €609,294, which will not be paid out for a period of four years and which will be adjusted by applying a positive or negative indexation clause based on the long-term growth or decline in the Michelin share price.

4.4.1.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		2009	
	Due	**Paid**	**Due**	**Paid**
Fixed compensation	0	0	0	0
Variable compensation	4,500,000(3)	743,628	743,628(1)	2,478,760(2)
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**	**743,628**	**2,478,760**
Reference consolidated net income	*1,049,000,000*	*104,000,000*	*104,000,000*	*772,000,000*

(1) Corresponding to Michel Rollier's statutory share of 2009 profit in his capacity as General Partner, as approved at CGEM's Annual Shareholders Meeting of May 7, 2010. This compensation is entirely variable to the extent that it depends on the profit reported by CGEM. No other company controlled by CGEM paid any compensation to Mr. Rollier in respect of 2010.

(2) Of which a € 2,292,841 statutory share of 2008 profit attributable to Michel Rollier in his capacity as General Partner, as approved at the Annual Shareholders Meeting of May 15, 2009, and € 185,919 corresponding to his statutory share of the 2008 profit of CFM. These amounts are entirely variable to the extent that they depend on the level of each company's profit.

(3) This is an estimated total amount, proportional to 2010 consolidated earnings, that is subject to i) approval of the General Partners' statutory share of profits by CGEM shareholders at the Annual Shareholders Meeting of May 13, 2011 called to approve the 2010 accounts and appropriate profit, and ii) approval by the other General Partner (SAGES). Of this amount, an estimated €430,000 corresponds to Michel Rollier's statutory share of the 2010 profits of a company controlled by CGEM (Compagnie Financière Michelin), which is subject to approval by the company's shareholders at the Annual Meeting to be called in 2011 to approve the 2010 accounts and appropriate profit. This statutory share is entirely variable to the extent that it depends on the level of the company's profit.

	2010		2009	
Didier Miraton, Non-General Managing Partner[1]	**Due**	**Paid**	**Due**	**Paid**
Fixed compensation	500,000	500,000	420,004	469,988[2]
Performance bonus	461,586 [6]	371,105	371,105	0[3]
Long-term incentive bonus	461,586 [4]	0[5]	0[5]	0
Exceptional compensation	0	0	0	0
Director's fees	0	0	0	0
Fringe benefit (Car)	6,399	6,399	6,305	6,305
TOTAL	**1,429,571**[7]	**877,504**	**797,414**	**476,293**

(1) In accordance with the bylaws, Didier Miraton's total compensation package was decided by the General Partners after a favorable opinion was issued by the Supervisory Board.
(2) Including a foreign mobility bonus of € 49,984 in respect of 2008 (previously presented under "Fringe benefits").
(3) No performance bonus was payable to Didier Miraton in 2009 in respect of 2008 because the Group performance criteria for 2008 were not met.
(4) 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 long-term growth or decline in the Michelin share price. Details of the performance criteria and calculation formula are provided in sections 4.4.3 and 4.4.4, below.
(5) Didier Miraton waived the long-term incentive bonus due to him in respect of his 2009 performance.
(6) The performance bonus was determined based on quantitative and qualitative performance criteria. It will be 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.
(7) Including an amount of €461,586, which will not be paid out for a period of four years and which will be adjusted by applying a positive or negative indexation clause based on the long-term growth or decline in the Michelin share price.

	2010		2009	
Jean-Dominique Senard, Non-General Managing Partner[1]	**Due**	**Paid**	**Due**	**Paid**
Fixed compensation	660,000	660,000	560,001	658,464[2]
Performance bonus	609,294[6]	494,807	494, 807	0[3]
Long-term incentive bonus	609,294[4]	0[5]	0[5]	0
Exceptional compensation[4]	0	0	0	0
Director's fees	0	0	0	0
Fringe benefits (Car)	6,856	6,856	5,483	5,483
TOTAL	**1,885,444**[7]	**1,161,663**	**1,060,291**	**663,947**

(1) In accordance with the bylaws, Jean-Dominique Senard's total compensation package was decided by the General Partners after a favorable opinion was issued by the Supervisory Board.
(2) Including a foreign mobility bonus of €98,463 in respect of 2008 (previously presented under "Fringe benefits").
(3) No performance bonus was payable to Jean-Dominique Senard in 2009 in respect of 2008 because the Group performance criteria for 2008 were not met.
(4) 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 long-term growth or decline in the Michelin share price. Details of the performance criteria and calculation formula are provided in sections 4.4.3 and 4.4.4, below.
(5) Jean-Dominique Senard waived the long-term incentive bonus due to him in respect of his 2009 performance.
(6) The performance bonus was determined based on quantitative and qualitative performance criteria. It will be 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.
(7) Including an amount of €609,294, which will not be paid out for a period of four years and which will be adjusted by applying a positive or negative indexation clause based on the long-term growth or decline in the Michelin share price.

4.4.1.c) Directors' fees and other compensation received by the Supervisory Board members

See the table in section 4.4.6 -.

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

Stock options granted to the Managing Partners by the Company and any other Group companies	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	-	-
Didier Miraton	-	-	0	0	-	-
Jean-Dominique Senard	-	-	0	0	-	-

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

4.4.1.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	Plan 1 – May 11, 2002	8,289	42.470	2002
	Plan 2 – May 19, 2003	5,180	31.130	2003
Didier Miraton	Plan 4 – May 17, 2004	7,253	38.610	2004
Jean-Dominique Senard	-	0	-	-

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

4.4.1.f) Performance shares granted to the Managing Partners

Performance shares granted to the Managing Partners by the Company 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	-	-
Didier Miraton	-	0	0	-	-
Jean-Dominique Senard	-	0	0	-	-

4.4.1.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	-	-
Didier Miraton	-	0	-	-
Jean-Dominique Senard	-	0	-	-

4.4.1.h) Historical information about stock options

See table in section 5.5.4.

4.4.1.i) Stock options granted and exercised during the year[1]

Stock options granted by CGEM[2] 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 of the Managing Partners' decision to grant the options
Options granted	86,499[3][4]	€ 52.13	May 11, 2019	May 12, 2010
Options exercised	9,446[4]	€ 31.13 /€ 42.47	May 18, 2011/May 18, 2012	May 19, 2002/May 19, 2003

(1) 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) No options have been granted by any qualifying company apart from CGEM.
(3) Out of a total of 260,138 options granted (exercisable for new shares).
(4) See section 5.5.4 for more details.

Performance shares

No performance shares were granted during the year.

	Number of performance shares granted during the year	Date of the Managing Partners' decision to grant the performance shares
Performance shares granted by CGEM to the ten grantees other than the Managing Partners who received the greatest number of shares	0	-

4.4.1.j) 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 *(joined the Group in 1996)* Managing General Partner First elected: 2005 AGM Current term expires: 2017 AGM (due to age limit)	None	None	None	None
Didier Miraton *(joined the Group in 1982)* Non-General Managing Partner First appointed: 2007 AGM Current term expires: 2012 AGM	Suspended	• Defined benefit plan set up for all employees • Defined benefit plan set up for all senior executives	Compensation payable: • In the event of forced departure due to a change of strategy or of control • Subject to performance conditions being met • Limited to 2 years' fixed and variable compensation (including non-compete clause consideration and severance pay due on termination of suspended employment contract)	• In respect of his employment contract and in application of the rubber industry collective bargaining agreement • Included in the blanket ceiling of two years' fixed and variable compensation in the event of forced resignation
Jean-Dominique Senard *(joined the Group in 2005)* Non-General Managing Partner First elected: 2007 AGM Current term expires: 2012 AGM	Suspended	• Defined benefit plan set up for all employees • Defined benefit plan set up for all senior executives	Compensation payable: • In the event of forced departure due to a change of strategy or of control • Subject to performance conditions being met • Limited to 2 years' fixed and variable compensation (including non-compete clause consideration and severance pay due on termination of suspended employment contract) Contractual termination benefit, waived by Mr. Senard	• In respect of his employment contract and in application of the rubber industry collective bargaining agreement • Included in the blanket ceiling of two years' fixed and variable compensation in the event of forced resignation

(1) These items are described in more detail in section 4.4.3. a) for Didier Miraton and 4.4.3. b) for Jean-Dominique Senard.

4.4.2. AMOUNTS ALLOCATED TO THE MANAGING GENERAL PARTNER, MICHEL ROLLIER

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(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.

4.4.2.a) Compensation paid in 2010

The 70% drop in the compensation received by Michel Rollier in 2010 in respect of 2009 was the direct consequence of the fall in the Company's 2009 profit compared with 2008.

In 2010, Michel Rollier did not receive any salary, benefits in kind, director's fees, 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.

(1) The Group has two General Partners – Michel Rollier, Managing Partner, and SAGES (see presentation in section 4.1.2).

(2) See the provisions of article 30 of the bylaws (in section 5.1.2.e).

4.4.2.b) 2010 compensation

Consolidated net income amounted to €1,049 million in 2010, ten times the prior-year figure.

In light of these results, and after allocation of the statutory share of profit among the General Partners, Michel Rollier's 2010 compensation payable in 2011 will increase substantially, to €4.5 million from €743,000, but to a lesser degree than net income (see the table in section 4.4.1.b, above).

Michel Rollier will not be granted any stock options or performance shares in 2011, 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.

4.4.3. COMPENSATION AND BENEFITS RECEIVED BY THE NON-GENERAL MANAGING PARTNERS, DIDIER MIRATON AND JEAN-DOMINIQUE SENARD

4.4.3.a) Didier Miraton

The different components of Didier Miraton's compensation, decided by the General Partners after a favorable opinion was issued by the Supervisory Board, are presented in the table in chapter 4.4.1. b) and described in detail below.

Compensation paid in 2010

- Salary: Mr. Miraton's salary was adjusted in compliance with new French tax rules.
- Performance bonus: Mr. Miraton is entitled to a performance bonus of up to 120% of his fixed salary. It was calculated based on a set of quantitative and qualitative indicators related to the Group's business and financial performance in 2009, including the indicators used to set the portion of management bonuses tied to the Group's performance.

  These challenging indicators, which are not disclosed for reasons of confidentiality and business secrecy, were defined in detail during the first quarter of 2009 and submitted to the Supervisory Board, which expressed a favorable opinion.

  Mr. Miraton was considered as having met most of his targets, and the Supervisory Board concurred with this assessment at its meeting on February 8, 2010.
- Long-term incentive bonus: no incentive bonus was paid in 2010.
- Fringe benefits: company car.
- Director's fees – stock options: In 2010, 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.

Compensation due in respect to 2010

- Performance bonus: Mr. Miraton is entitled to a performance bonus of up to 120% of his fixed salary. It was calculated based on the 2010 performance in meeting a set of challenging indicators defined in detail during the first quarter of the year, which are not disclosed for reasons of confidentiality and business secrecy.

  These indicators are based on:
  - Quantitative criteria, including the consolidated business performance and market share targets used to calculate management performance bonuses;
  - Qualitative criteria concerning the deployment of the Group's priority transformation programs;
  - A qualitative management criterion;

  The determination of these criteria was submitted to the Supervisory Board, which issued a favorable opinion at its meeting on February 8, 2010.

  In light of:
  - The very strong recovery in the Group's business at a time of sharply rising raw materials prices;
  - The much higher-than-expected operating income, which exceeded the excellent results reported in 2007 on much lower output and
  - The significant progress in deploying the transformation programs,
  - Mr. Miraton was considered as having met almost all of his targets. At its meeting on February 7, 2011, the Supervisory Board concurred with this assessment and expressed a favorable opinion concerning the payment of the corresponding compensation.

  In recognition of his very good performance in 2010, Mr. Miraton has therefore been awarded a higher performance bonus than for 2009.
- Long-term incentive bonus: in accordance with the policy applied since 2009, Mr. Miraton will receive a long-term incentive bonus equal to the amount of his 2010 performance bonus.

  This incentive bonus may be cashed in between the fifth and ninth anniversaries of the reference year (2015-2019), unless Mr. Miraton is removed from office due to mismanagement.

  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.
- Supplementary pension benefits: Mr. Miraton does not participate in any pension plan set up specifically for the Managing Partners. He does, however, participate in the supplementary pension plan set up in 1996 for all MFPM and CGEM employees, who are entitled to plan benefits only if they are still employed by the Group when they retire and their benefit entitlement under compulsory plans represents a gross replacement rate of less than 55%. The cost of this supplementary plan is recognized as a liability in the balance sheet in accordance with IAS 19 – Employee Benefits. To facilitate the recruitment of older managers, the Company decided in 2010 to introduce a supplementary pension plan specifically for senior executives, which offers limited benefits to participants. The new plan, which is not restricted to Non-General Managing Partners, has the following characteristics:
  - 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%;
  - The replacement rate including benefit entitlements under compulsory plans is capped at 35%.

Based on the actuarial assumptions used to measure the Group's obligation in accordance with IAS 19, Mr. Miraton's total benefit entitlement under both the existing and new plans would represent a gross replacement rate of 15%.

- Compensation for loss of office: In the event that he is removed from office by decision of the General Partners for reasons other than mismanagement, Mr. Miraton is entitled to compensation for loss of office in an amount equivalent to his salary and bonuses paid in respect of the two previous 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 annual bonus for the period.

  Below this percentage, the compensation for loss of office would be reduced proportionately, with no compensation payable if his average annual bonus for the five-year period was less than 20% of the maximum.

  The compensation for loss of office would be reduced, if applicable, so that any other severance payment due as a result of terminating his suspended employment contract would not result in his receiving an aggregate severance package in excess of the ceiling of two years' salary and bonus, as recommended in the AFEP/MEDEF Corporate Governance Code.

  No such compensation for loss of office was payable in 2010.

- Termination benefit provided for in the suspended employment contract: 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, Mr. Miraton is bound by a non-compete clause in his employment contract, in compliance with the French rubber industry's collective bargaining agreement. If the company decided to apply the non-compete clause over a two-year period:

– It would have to pay consideration to Mr. Miraton of up to 16 months' compensation, in accordance with the above-mentioned agreement, unless it was decided to extend the application period;

– The compensation for loss of office as Non-General Managing Partner would be reduced or withheld so that the total severance package would not exceed two years' salary and bonus, in accordance with the AFEP/MEDEF Corporate Governance Code.

  No such termination benefit was payable in 2010.

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

4.4.3.b) Jean-Dominique Senard

The different components of Jean-Dominique Senard's compensation, decided by the General Partners after a favorable opinion was issued by the Supervisory Board, are presented in the table in chapter 4.4.1. b) and described in detail below.

Compensation paid in 2010

- Salary: Mr. Senard's salary was adjusted in compliance with new French tax rules.
- Performance bonus: Mr. Senard is entitled to a performance bonus of up to 120% of his fixed salary. It was calculated based on a set of quantitative and qualitative indicators related to the Group's business and financial performance in 2009, including the indicators used to set the portion of management bonuses tied to the Group's performance.

  These challenging indicators, which are not disclosed for reasons of confidentiality and business secrecy, were defined in detail during the first quarter of 2009 and submitted to the Supervisory Board, which 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 8, 2010.
- Long-term incentive bonus: no incentive bonus was paid in 2010.
- Fringe benefits: company car.
- Director's fees – stock options: In 2010, 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.

Compensation due in respect of 2010

- Performance bonus: Mr. Senard is entitled to a performance bonus of up to 120% of his fixed salary. It was calculated based on the 2010 performance in meeting a set of challenging indicators defined in detail during the first quarter of the year, which are not disclosed for reasons of confidentiality and business secrecy.

  These indicators are based on:

– Quantitative criteria, including the consolidated business performance and market share targets used to calculate management performance bonuses;

– Qualitative criteria concerning the deployment of the Group's priority transformation programs;

– A qualitative management criterion.

The determination of these criteria was submitted to the Supervisory Board, which issued a favorable opinion on February 8, 2010.

In light of:

- The very strong recovery in the Group's business at a time of sharply rising raw materials prices;
- The much higher-than-expected operating income, which exceeded the excellent results reported in 2007 on much lower output and
- The significant progress in deploying the transformation programs,

Mr. Senard was considered as having met almost all of his targets. At its meeting on February 7, 2011, the Supervisory Board concurred with this assessment and expressed a favorable opinion concerning the payment of the corresponding compensation.

In recognition of his very good performance in 2010, Mr. Senard has therefore been awarded a higher performance bonus than for 2009.

- Long-term incentive bonus: in accordance with the policy applied since 2009, Mr. Senard will receive a long-term incentive bonus equal to the amount of his 2010 performance bonus.

  This incentive bonus may be cashed in between the fifth and ninth anniversaries of the reference year (2015-2019), unless Mr. Senard is removed from office due to mismanagement.

  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. Senard 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.

- Supplementary pension benefits: Mr. Senard does not participate in any pension plan set up specifically for the Managing Partners. He does, however, participate in the supplementary pension plan set up in 1996 for all MFPM and CGEM employees, who are entitled to plan benefits only if they are still employed by the Group when they retire and their benefit entitlement under compulsory plans represents a gross replacement rate of less than 55%. The cost of this supplementary plan is recognized as a liability in the balance sheet in accordance with IAS 19 – Employee Benefits. To facilitate the recruitment of older managers, the Company decided in 2010 to introduce a supplementary pension plan specifically for senior executives, which offers limited benefits to participants. The new plan, which is not restricted to Non-General Managing Partners, has the following characteristics:

- 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%;
- The replacement rate including benefit entitlements under compulsory plans is capped at 35%.

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

- Compensation for loss of office: In the event that he is removed from office by decision of the General Partners for reasons other than mismanagement, Mr. Senard is entitled to compensation for loss of office in an amount equivalent to his salary and bonuses paid in respect of the two previous 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 had to represent more than 60% of the maximum annual bonus for the period.

  Below this percentage, the compensation for loss of office would be reduced proportionately, with no compensation payable if his average annual bonus for the five-year period was less than 20% of the maximum.

  The compensation for loss of office would be reduced, if applicable, so that any other severance payment due as a result of terminating his suspended employment contract would not result in his receiving an aggregate severance package in excess of the ceiling of two years' salary and bonus, as recommended in the AFEP/MEDEF Corporate Governance Code.

  No such compensation for loss of office was payable in 2010.

- Termination benefit provided for in the suspended employment contract: to avoid any risk of duplicate severance payments, when he was elected as Managing Partner, Mr. Senard unilaterally waived his entitlement to the termination benefit provided for in his suspended employment contract in the event that his employment were to be terminated by MFPM within six months of his ceasing to act as Non-General Managing Partner of CGEM.

  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, Mr. Senard is bound by a non-compete clause in his employment contract, in compliance with the French rubber industry's collective bargaining agreement. If the Company decided to apply the non-compete clause over a two-year period:

- It would have to pay consideration to Mr. Senard of up to 16 months' compensation, in accordance with the above-mentioned agreement;
- The compensation for loss of office as Non-General Managing Partner would be reduced or withheld so that the total severance package would not exceed two years' salary and bonus, in accordance with the AFEP/MEDEF Corporate Governance Code.

No such termination benefit was payable in 2010.

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

4.4.4. SUMMARY OF LONG-TERM INCENTIVE BONUSES AT DECEMBER 31, 2010

4.4.4.a) 2007 and 2008 long-term incentive bonuses[1]

	2008	2007
Date of the decision by the General Partners	May 19, 2008	Dec. 10, 2007
Total number of units awarded during the year		
• Michel Rollier	0	0
• Didier Miraton	17,611	14,502
• Jean-Dominique Senard	20,719	18,646
TOTAL	**37,000**	**32,000**
Starting date of exercise period	May 19, 2012	May 14, 2011
Expiry date	May 18, 2017	May 14, 2016
Exercise price *(in €)*	59.85	87.85
Fair value of the units *(in €)*[2]	0	0
Units exercised in 2009	0	0
Units cancelled	0	0
Units outstanding at December 31, 2009	38,330	33,148

(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) The fair value of the cash-settled liability is equal to the difference between the Michelin share price on December 31, 2010 and the exercise price of the long-term incentive plan units. As the exercise price is greater than the Michelin share price, the fair value of the liability is 0.

4.4.4.b) Long-term incentive bonuses awarded since 2009[1]

	2010 *(in €)*	2009 *(in €)*
Long-term incentive bonus:		
• Michel Rollier	0	0
• Didier Miraton	461,586[2][5]	0[3]
• Jean-Dominique Senard	609,294[2][5]	0[4]
TOTAL	1,070,880	**0**
Starting date of cash-in period	April 30, 2015	-
Expiry date	April 29, 2019	-
Fair value	1,070,880	0
Long-term incentive bonuses cashed in during 2010	0	0
Long-term incentive bonuses cancelled or lapsed	0	0
Long-term incentive bonuses outstanding at December 31, 2010	1,070,880	0

(1) The calculation method is described in section 4.4.3 -.

(2) Amount set in the first quarter of 2011, when the 2010 performance bonus was determined based on the terms and conditions defined by the General Partners on April 30, 2010.

(3) Didier Miraton waived the long-term incentive bonus due to him.

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

(5) These amounts were determined after the 2010 financial statements were closed and therefore no accrual was booked during the year.

4.4.5. STOCK OPTIONS[1]

Of the 260,138 stock options granted on May 12, 2010, 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) The Managing Partners' Special Report and details of current plans are presented in section 5.5.4 -.

4.4.6. SUPERVISORY BOARD

The total directors' fees awarded to the Supervisory Board were set by the Annual Shareholders Meeting on May 12, 2006. The Supervisory Board decides how to allocate this amount between its members.

DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY THE SUPERVISORY BOARD MEMBERS *(in €)*

	Directors' fees paid in 2009	Other compensation paid in 2009	Directors' fees paid in 2010	Other compensation paid in 2010
Éric Bourdais de Charbonnière	50,000	0	50,000	0
Pat Cox	30,000	0	30,000	0
Barbara Dalibard *(member since May 16, 2008)*	15,000	0	30,000	0
Louis Gallois *(member since May 16, 2008)*	15,000	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	**265,000**	**0**	**295,000**	**0**

4.4.7. EXECUTIVE COUNCIL

The aggregate gross compensation paid to the members of the Executive Council in 2010 amounted to € 3,842,038 (of which aggregate 2009 bonuses of € 801,867 paid in the second half of 2010) versus € 3,144,776 in 2009 (of which aggregate 2008 bonuses of € 218,003 paid in the second half of 2009). 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.

4.5_ TRADING IN MICHELIN SHARES BY MANAGING PARTNERS AND SUPERVISORY BOARD MEMBERS AND THEIR CLOSE RELATIVES IN 2010

4.5.1.a) Managing Partners

Michel Rollier

- On June 14, 2010, Michel Rollier acquired 354 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 3,590 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.
- On November 5, 2010, he exercised 8,289 stock options at a price € 42.470 per option.

Didier Miraton

- On December 6, 2010, Didier Miraton exercised 5,180 stock options at a price of € 31.130 per option and 7,253 stock options at a price of € 38.610 per option.
- On December 6, 2010, he sold 5,180 shares at a price of € 54.760 per share and 7,253 shares at a price of € 54.730 per share.

Jean-Dominique Senard

None.

4.5.1.b) Supervisory Board

Éric Bourdais de Charbonnière

- On June 14, 2010, Éric Bourdais de Charbonnière acquired 22 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 66 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

Pat Cox

- On June 14, 2010, Pat Cox acquired 4 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.

Barbara Dalibard

- On June 14, 2010, Barbara Dalibard acquired 7 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, she acquired 66 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

Louis Gallois

- On June 14, 2010, Louis Gallois acquired 4 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 46 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

François Grappotte

- On June 14, 2010, François Grappotte acquired 21 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 190 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

Pierre Michelin

- On June 14, 2010, Pierre Michelin acquired 28 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 200 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

Benoît Potier

- On June 14, 2010, Benoît Potier acquired 54 shares at a price of € 47.460 per share, corresponding to the reinvestment of dividends.
- On October 13, 2010, he acquired 480 shares at a price of € 45 per share, at the time of the share issue with pre-emptive subscription rights for existing shareholders.

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 reporting period.

4.6_ 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, 2010 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 (see press release dated December 8, 2008).

4.6.1. MEMBERSHIP OF THE SUPERVISORY BOARD AND SUPERVISORY BOARD PRACTICES

4.6.1.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 the Annual Shareholders Meeting for a term of four years[1]. All Supervisory Board members must be shareholders.

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

The Supervisory Board is currently made up of 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 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. The current members are as follows:

- 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 the European Movement International, member of the Board of Trustees 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 – Divisional Chief Executive, 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.

(1) Five years for members elected prior to 2009

4.6.1.b) Role and responsibilities

In 2010, the Supervisory Board fulfilled its role of overseeing the Company's management. In accordance with its internal rules, its oversight procedures include:

- Reviewing the annual and interim 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 and implementing the strategic roadmap;
- Obtaining assurance that shareholders' rights are respected.

In addition, the Supervisory Board receives regular information about the Group's strategy and outlook.

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

In accordance with its internal rules and with the AFEP/MEDEF Corporate Governance Code guidelines, in 2010 the Supervisory Board carried out an annual self-assessment of its procedures and practices to verify that Board members had received appropriate advance information about important matters and that these had been adequately discussed, and to 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.

The results were presented by the Chairman and discussed at the Board's meeting of February 7, 2011. In particular, the Board appreciated the scorecard introduced by the Managing Partners to track the main performance indicators.

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

Furthermore, the Board considers that all its members are independent, based on the criteria set out in its internal rules. These criteria correspond to those prescribed in the AFEP/MEDEF Corporate Governance Code for listed companies dated April 19, 2010, except that the Code sets a limit on the aggregate period during which a member may serve on the Board[1].

4.6.1.d) Report on the Supervisory Board's activities during 2010

The Supervisory Board met five times in 2010, on February 8, April 23, July 26, September 24 and December 6-7, with an attendance rate of 97.5%.

During each of these meetings, a detailed analysis of the Group's results was presented to the Board. On February 8 and July 26 respectively, the Board reviewed (i) the separate and consolidated financial statements for the year ended December 31, 2009 and (ii) the interim financial statements for the six months ended June 30, 2010. It also examined and expressed its opinion on the financial information communicated to the markets.

Specific presentations were made during the year to the Supervisory Board by the Managing Partners or by other senior executives on a number of topics, including:

- The Managing Partners' analysis of quarterly financial information and of interim and annual results;
- Internal control and risk management;
- Corporate strategy;
- Brand communication strategy;
- Competitor analysis;
- Compensation and appointment policies;
- Passenger car and Light truck tire market strategy;
- The Euromaster distribution business;
- The change in corporate governance procedures and the succession plan for Managing Partners;
- Preparations for the Annual Shareholders Meeting.

In addition, 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 May 2010 to one of the Group's major plants in Europe. The visit enabled the members of the Board to improve their understanding of semi-finished product and tire manufacturing operations, as well as of sales and marketing strategies deployed in Michelin's different markets.

4.6.1.e) Report on the Audit Committee's activities during 2010

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 and Director of Faurecia, former Chairman of JP Morgan in France;
- Pierre Michelin – Divisional Chief Executive, 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 Audit Committee met four times in 2010 (on February 8, April 23, July 26 and November 23), with a 93.8% attendance rate.

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

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

The main purpose of the meetings was to review:

- The audited consolidated financial statements for the year ended December 31, 2009 and the financial results analysis. In particular, the Audit Committee analyzed changes in inventory, debt, cash flows and financial assets. It noted that the audit of the accounts had gone smoothly and that the Statutory Auditors had issued an unqualified opinion on the Company's financial statements and the consolidated financial statements for 2009. The report on the Company's financial statements included a purely technical comment concerning the application of IAS 1 (revised);

(1) *See the corporate governance statement by the Supervisory Board in section 4.6.2 -.*

- The interim financial statements for the six months ended June 30, 2010, as reviewed by the Statutory Auditors. The Committee mainly analyzed changes in free cash flow and operating income for the period. The Statutory Auditors had no matters to report concerning the 2010 interim financial statements;
- The internal control system. The Committee took note of the internal control situation, the work undertaken at the end of 2009 and the objectives set for 2010 concerning the system's processes and organization;
- Risk management and internal audit. The Senior Vice President, Internal Audit and Risk Management and the Group Risk Manager presented the risk management organization and working methods, along with the related audit plans;
- Employee benefit plan commitments. The Audit Committee reviewed the current and future levels of the Group's benefit obligations in France and in other countries concerned by employee benefit plans;
- The call for bids launched with a view to re-appointing the incumbent Auditors or appointing new Auditors. Concluding the work carried out in 2009 by the Vice President, Accounting, of which it was regularly informed, the Audit Committee issued a final recommendation concerning the candidate firm to be proposed for appointment at the Annual Shareholders Meeting of May 7, 2010;
- Cash management issues relating to the rights issue. The Chief Financial Officer presented the options for the short and medium-term utilization of the proceeds from the rights issue decided on September 27, 2010;
- Creation of a new performance scorecard. To facilitate the Supervisory Board's appraisal of corporate strategy, the Audit Committee worked with Corporate Finance to draw up a special scorecard reporting long-term changes in the Group's main performance indicators.

The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 8, July 26 and December 6 and 7, 2010.

4.6.1.f) Report on the Compensation Committee's activities during 2010

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

The Compensation Committee met twice in 2010 (on February 8 and April 23), with a 100% attendance rate.

During the year, the Committee approved the Managing Partners' decision to launch a stock option plan, in which the Managing Partners are not entitled to participate.

The Committee examined the indicators used to determine the portion of the bonus based on the Group's 2009 performance payable in 2010.

It reviewed the Non-General Managing Partners' performance in relation to their personal objectives, and noted their decision to waive payment of their long-term incentive bonuses for 2009 due to the crisis and the measures taken to deal with its effects.

The Committee also reviewed proposed adjustments to the compensation packages of the Non-General Managing Partners and the members of the Group Executive Council, to be made in 2011, and the criteria for determining management bonuses.

Lastly, the Compensation Committee discussed senior executive and Managing Partner compensation policies, career development plans and succession plans.

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

4.6.2. CORPORATE GOVERNANCE STATEMENT

The Supervisory Board considers that Michelin complies with the AFEP/MEDEF recommendations issued on October 6, 2008 concerning executive directors' compensation (which the Board examined at its meeting on December 4, 2008) and that these recommendations are reflected in the Company's corporate governance processes.

Although these recommendations state that they apply to "managing partners of partnerships limited by shares", from a legal and economic standpoint they cannot directly apply to the share of the Company's profit paid to the Managing General Partner in accordance with the Company's bylaws. This statutory share of profit, which represents the Managing General Partner's sole form of compensation, consists of consideration for the risk incurred by the General Partners by virtue of their unlimited personal liability for the Company's debts. It is determined by the shareholders in General Meeting on the basis of the prior year's profit and is therefore entirely variable.

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

Nevertheless, in practice, the characteristics of the share of profit allocated to General Partners by CGEM comply with the spirit of the AFEP/MEDEF recommendations:

- Either because the profit shares comply with certain of the requirements set out in the recommendations, *i.e.*:
  - The criteria applicable for determining Managing Partners' compensation, and
  - Full disclosure;
- Or because the other prohibitions or ceilings in the recommendations already form part of the underlying partnership approach adopted by Michelin for its Managing General Partners, including:
  - 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.

As regards the Non-General Managing Partners' long-term incentive bonuses and compensation for loss of office, the measures adopted in 2008 and applied in 2009 were carried over to 2010, as follows:

On the one hand, the method used for calculating Non-General Managing Partners' long-term incentive bonuses – as determined by the General Partners after consulting the Supervisory Board – is based on their annual performance bonuses. The bonus is adjusted by applying a positive or negative indexation clause based on the long-term growth or decline in the Michelin share price. It may be cashed in between the fifth and ninth anniversaries of the reference year, unless the Managing Partner is removed from office due to mismanagement. The indexation adjustment is determined by comparing the average share price for the quarter preceding the bonus award date to the average price for the quarter preceding the date when the Managing Partner elects to cash in the bonus. The amount of the indexation adjustment may not exceed 100% of the performance bonus used as the basis for calculating the long-term incentive.

On the other hand, the compensation for loss of office payable to Non-General Managing Partners is capped at two years' fixed and variable compensation and is also 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 variable compensation for the previous five years. To be entitled to the maximum compensation for loss of office, his average annual variable compensation for the five-year period would have to represent over 60% of the maximum annual variable compensation for the period. Below this percentage, the compensation for loss of office would be reduced proportionately, with no compensation payable if his average annual variable compensation for the five-year period was less than 20% of the maximum.

The compensation for loss of office payable to 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 the ceiling of two years' fixed and variable compensation.

Performance bonuses are determined by reference to business and financial indicators that are defined in detail at the beginning of each year and submitted to the Supervisory Board for opinion. The Managing Partners' performance is assessed annually by the Supervisory Board for the purpose of determining the amount of their bonus.

Concerning 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 (which is not the case for the Group's current Non-General Managing Partners), as stated in the last two registration documents, the Board considers that the major drawbacks of combining a corporate office with an employment contract have 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; and
- The absence of any special pension arrangements for Managing Partners.

The Board will re-examine the consequences of combining a corporate office with an employment contract when the current Non-General Managing Partners whose employment contracts have been suspended stand for re-election as Managing Partners.

As its corporate governance reference framework, the Company has elected to use the latest version (dated April 19, 2010) of the AFEP/MEDEF Corporate Governance Code applicable to listed companies.

The Supervisory Board hereby states that the Company applies all of the principles of said Code, with the necessary adjustments to take account of its corporate structure as a partnership limited by shares, apart from 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 Code's 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 has not considered it necessary to make part of the fee payable to its members contingent upon their attendance at meetings.

More generally, the Board notes that throughout the year, and especially at its meeting on 6-7 December, it actively pursued discussions concerning the succession plan for Managing Partners and the change in corporate governance procedures.

The specific rules concerning shareholder participation at General Meetings are presented in section 5.1.2. f) below and in the 2010 Shareholders Guide (in the section entitled "Your rights as a Shareholder"), which may be downloaded from the www.michelin.com/corporate website.

4.6.3. MICHELIN GROUP INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

4.6.3.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 distribution 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 Procurement, 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, 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 drawn up 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.

The Group 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 our business and the guidelines to be followed by Group employees when making decisions on ethical issues.

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.

In June 2010, guidelines on combating fraud were issued jointly by the Legal Affairs and Finance Departments. Their aim is to strengthen early-warning and risk tracking processes as well as the processes for dealing with any cases of fraud. Anti-fraud committees have been set up in the various regions and operational areas.

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

4.6.3.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; and
- 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 that:

- Laws and regulations are complied with;
- The instructions and directional guidelines fixed by the Managing Partners, the Executive Council and the Company's corporate governance structures are applied;
- The Company's internal processes function correctly, particularly those involving the security of its assets;
- Financial information is reliable.

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 Company ensures that subsidiaries have set up internal control procedures that are aligned with the subsidiaries' individual characteristics as well as with their transactions with the Company.

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.

Statutory and management accounting data are reported simultaneously by the subsidiaries and programmed controls check that the main indicators – such as revenue and operating income – are consistent between the two sets of data. Statutory accounting data received from the subsidiaries 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 Group 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 Corporate Finance Department, is responsible for drawing up and relaying to the financial markets all of the Group's financial communications, which primarily comprise:

- 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 Head of Investor Relations 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.

4.6.3.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 management control teams and reported to the relevant managers for inclusion in the scorecards used to monitor 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 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. The Internal Audit and Risk Management Department regularly carries out reviews 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. The internal auditors issue recommendations to the entities concerned, based on their observations, and perform follow-up reviews to ensure that the action plans drawn up by the audited entities to address the identified weaknesses have been duly implemented. 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 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.

4.6.3.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 also draws up internal control standards, coordinates and sets up internal control information systems and day-to-day procedures, and assists the Group's network of internal controllers within the various regions and main business lines to help teams with implementing the related processes.

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 internal control guidelines and manuals and 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.

A worldwide software application for monitoring financial 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 the Michelin Group as a whole in 2004. They were gradually integrated into the financial internal control system in the period to 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.

The other processes that were integrated as from 2010 are as follows:

- Human resource management (compensation, benefits and travel expenses);
- Consolidation;
- Financial communications;
- 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.

Target companies

The first phase involved a sample of companies that account for around 80% of the Group's consolidated accounting balances. This sample also spanned all of the Group's regions and operations, including manufacturing, sales and distribution networks.

Since 2010, the system 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 managers in charge of the relevant processes, operational areas and regions.

The Audit Committee provides the Supervisory Board with status reports on the assessment process.

4.6.3.e) Risk assessment and control

The Group's objectives are set by the Managing Partners and relate not only to financial performance but also to the areas in which the Group aims to achieve 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 entities 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.

4.6.3.f) Risk management and mapping

The Group also ensures that its operational risks are effectively managed.

These risks are divided into the following twelve categories: accounting and finance; business continuity; the environment; fraud and ethics; skills and expertise; reputation and brand image; information technology; legal and tax; products and services; continuity of supply; safety and security; and labor relations.

Within these twelve categories, operating risks are managed at five different levels:

- Line managers (Operating Units, Product Lines and Geographic Regions) are responsible for identifying and managing their entity's risks in line with Group standards covering risk prevention and protection and business continuity.

  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 twelve risk categories, the relevant Corporate Department (Procurement, Legal Affairs, IT systems, Environment and Prevention, etc.) or Performance Division (Supply Chain and Logistics, Manufacturing, Sales and Marketing…) 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 seven senior executives responsible for Product Lines, Corporate Departments and Performance Divisions, and the three Managing Partners jointly review

the most significant risks identified during the risk-mapping process and decide which risks require close monitoring.

During 2010, 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.

After the process was finalized and the risk map updated, the Group Executive Council and the three Managing Partners met twice during the year to review the most significant risks highlighted by the process. They decided to closely track a certain number of risks that could have a material impact along with the related preventive and protective measures and continuity plans. They 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 7, 2011.

Éric Bourdais de Charbonnière

Chairman of the Supervisory Board

4.7_ 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, 2010

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

To the shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, 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, 2010.

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 8, 2011

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

INVESTOR RELATIONS

5

5.1_ INFORMATION ABOUT THE COMPANY

5.1.1. GENERAL INFORMATION

Legal and Commercial Name of the Company

- Compagnie Générale des Etablissements 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 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. SAGES's corporate purpose is i) to act as General Partner of CGEM, and ii) in the absence of a Managing Partner, to act as CGEM's Managing Partner and call an Extraordinary Shareholders Meeting to elect a new Managing Partner. SAGES is owned by members of the founding family, current and former Michelin executives, and qualified persons from outside the Group, with all three categories represented equally on the Board.

To enable SAGES to assume its liability as CGEM General Partner, 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.

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 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, 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

- €9.484 billion at December 31, 2010.

Average daily trading volume

- 1,116,722 shares in 2010.

Indices

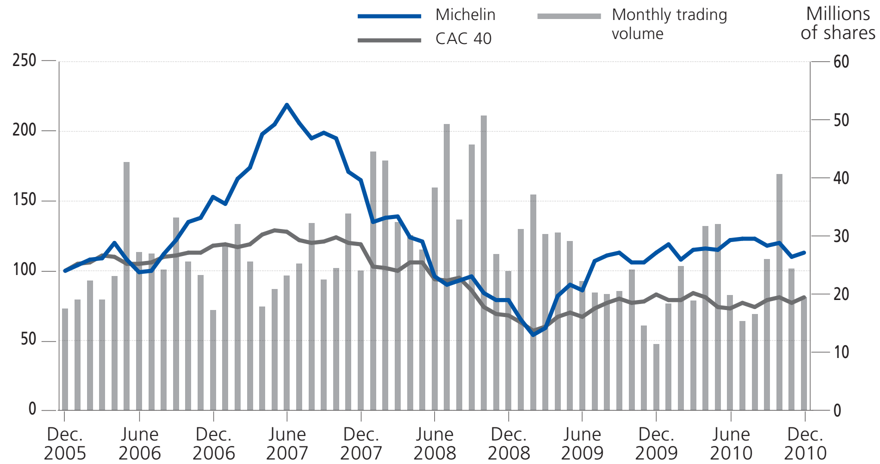
The Michelin share is included in two leading stock market indices. As of December 31, 2010, it represented

- 1.34% of the CAC 40 index;
- 0.57% 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 31, 2010)



Base 100: December 31, 2005

5.2.2. SHARE DATA

Share price *(in €)*	**2010**	**2009**	**2008**	**2007**	**2006**
High	64.51	58.67	79.90	106.70	73.30
Low	48.13	22.69	30.65	67.75	43.21
High/low ratio	1.34	2.59	2.61	1.57	1.70
Closing price, end of period	53.70	53.58	37.57	78.50	72.50
Change over the period	+0.2%	+42.6%	-52.1%	+8.3%	+52.7%
Change in the CAC 40 index over the period	*-3.3%*	*+22.3%*	*-42.7%*	*+1.3%*	*+17.5%*
Market value at end of period *(in € billion)*	**9.48**	**7.90**	**5.45**	**11.30**	**10.41**
Average daily trading volume over the period	1,116,722	1,138,691	1,740,267	1,217,949	1,191,679
Average shares outstanding	152,902,704	146,184,080	144,495,251	143,770,101	143,390,450
Volume of shares traded over the period	288,114,287	291,504,866	445,508,266	310,577,078	303,878,126
Share turnover ratio	**188%**	**199%**	**308%**	**216%**	**212%**

Sources: NYSE Euronext Paris, Michelin

5.2.3. PER-SHARE DATA

(in € per share, except ratios)	**2010**	**2009**	**2008**	**2007**	**2006**
Net assets per share	46.0	37.2	35.2	36.7	32.6
Basic earnings per share	6.78	0.69(1)	2.46	5.32	3.95
Diluted earnings per share(2)	6.64	0.69(1)	2.46	5.22	3.94
Price-earnings ratio	**7.9**	**77.7**	**15.3**	**14.8**	**18.4**
Dividend for the year	1.78*	1.00	1.00	1.60	1.45
Pay-out ratio	30.0%	140.8%	40.7%	30.1%	36.7%
Yield(3)	3.3%	1.9%	2.7%	2.0%	2.0%

* *Dividend proposed to the Shareholders at the May 13, 2011 Annual General Meeting.*
(1) *2009 earnings per share have been restated to take into account the impact of the October 2010 rights issue.*
(2) *Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.*
(3) *Dividend/Share price at December 31.*

5.2.4. CAPITAL AND OWNERSHIP STRUCTURE

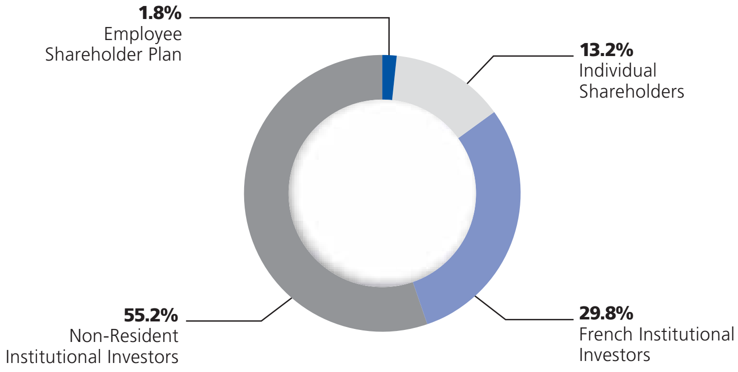
At December 31, 2010:

- Share capital: €353,215,690;
- Shares outstanding: 176,607,845, all fully paid-up;
- Voting rights outstanding: 226,828,425.

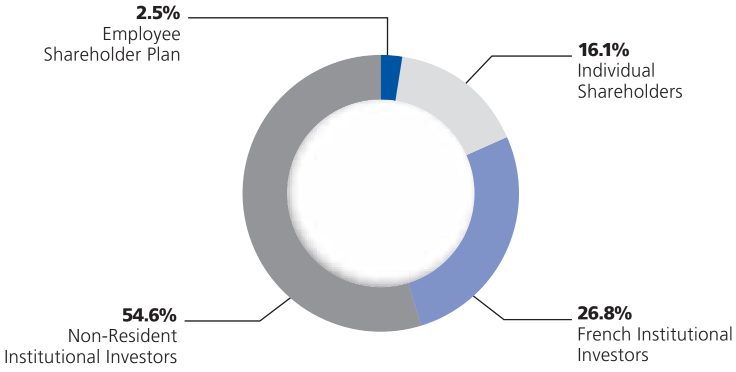
Number of shareholders: 232,471, of which:

- 3,965 institutional investors;
- 158,719 individual shareholders;
- 69,787 employee shareholders.

CAPITAL STRUCTURE
At December 31, 2010



VOTING RIGHTS STRUCTURE
At December 31, 2010



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 2010, in Bordeaux, Nantes, Nice, Paris, Perpignan, Reims and Strasbourg, and on November 19 and 20, 2010, Michelin attended the Actionaria retail investor fair in Paris to meet with individual shareholders and present the Group to prospective shareholders.

At the same time, close to 300 group and individual meetings were organized during the year with 800 institutional investors and financial analysts in 17 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 2010.

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 €)*
2006	**At December 31, 2006**	**143,652,318**	**287,304,636**	
2007	Conversion of OCEANE bonds	21	42	2,138
	Exercise of stock options	346,830	693,660	6,032,866
	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**	

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)	17th	38 months (July 2012)	• Managing Partners excluded • Exercise price set without a discount • Capped at 3 million shares	Grant of 260,138 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 of 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	Capital increased by € 54,319,752(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) Please refer to the statement of changes in note 24 to the Consolidated Financial Statements and sections 2.10.5 and 5.5.1.
(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 of 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).

Share buyback program

Corporate action	Resolution	Duration (expiry date)	Ceilings	Utilization during the year
Share buybacks	11th	18 months (November 2011)	Statutory limit of 10% of issued capital Maximum purchase price: € 100	None
Capital reduction by canceling shares	20th	18 months (November 2011)	10% of issued capital	None

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 number 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: 6,742,100.
- 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 shares 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. a).

5.5.3.b) Estimated maximum number of potential new shares at December 31, 2010

(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, 2010		353,215,690
OCEANE bonds In the event that all of the 6,742,100 bonds outstanding as of December 31, 2010 are redeemed for new shares on the basis of 1.036 shares for 1 bond with a nominal value of € 103.82 (the bonds may also be redeemed for existing shares).[1] Maturity: January 2017	6,984,815	

STOCK OPTIONS OUTSTANDING AS OF DECEMBER 31, 2010[2]

Grant date	Adjusted exercise price *(in euros)*	Vesting date	Expiry date	Number of shares outstanding	
May 19, 2002	42.47	May 19, 2006	May 18, 2011	147,472	
May 19, 2003	31.13	May 19, 2007	May 18, 2012	48,977	
November 24, 2003	32.82	November 24, 2007	November 23, 2012	113,419	
May 17, 2004	38.61	May 17, 2008	May 16, 2013	102,900	
July 5, 2004	42.96	July 5, 2008	July 4, 2013	101,691	
May 23, 2005	46.34	May 23, 2009	May 22, 2014	217,557	
November 7, 2005	46.34	November 7, 2009	November 6, 2014	807,632	
May 15, 2006	55.99	May 15, 2010	May 14, 2015	136,863	
May 14, 2007	87.85	May 14, 2011	May 13, 2016	1,183,652	
May 19, 2008	59.85	May 19, 2012	May 18, 2017	319,095	
November 23, 2009	51.16	November 23, 2013	November 22, 2018	1,434,823	
May 12, 2010	52.13	May 12, 2014	May 11, 2019	260,138	
Total stock options outstanding				**4,874,219**	
Maximum potential shares as of December 31, 2010 (+6.7%)					**376,933,758**

(1) Of the 6,742,438 bonds issued in total, 21 were converted into shares in 2007 and 317 in 2010 (after adjustment of the conversion ratio and leading to the creation of 346 shares).
(2) 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 placed on record on October 25, 2010.

5.5.4. STOCK OPTIONS

Michelin regularly grants options to purchase new or existing shares of Company stock, based on a conservative and fair allocation policy in place since 2002. 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, 2010[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
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
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
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	942,193	141,463	1,230,323	321,095	1,447,372	260,138
Of which options granted to[2]:												
Michel Rollier	8,289	10,360	0	7,253	0	10,359	0	0	0	0	0	0
Didier Miraton	8,000	10,180	0	7,253	0	10,359	0	6,216	0	0	0	0
Jean-Dominique Senard	0	0	0	0	0	10,359	0	6,207	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
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
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
Exercise terms:												
Number of options exercised as of December 31, 2010	517,647	190,870	99,657	79,188	20,881	6,000	82,761	1,800	0	0	1,658	0
Number of options cancelled	57,516	5,200	17,310	2,000	10,200	2,500	51,800	2,800	46,671	2,000	10,891	0
Number of options outstanding as of December 31, 2010	**147,472**	**48,977**	**113,419**	**102,900**	**101,691**	**217,557**	**807,632**	**136,863**	**1,183,652**	**319,095**	**1,434,823**	**260,138**

(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.

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 260,138 options to purchase new shares of common stock to 67 grantees, exercisable from May 12, 2014 at a price of € 52.13.

None of the Managing Partners were granted any stock options in 2010.

The ten employees other than Managing Partners who were granted or exercised the greatest number of options:

- Received 86,499 options (three grantees received 11,913, four received 8,805 and three received 5,180).
- Exercised 9,446 options at a unit price of € 31.13 or € 42.47 (options granted respectively on May 19, 2002 and May 19, 2003).

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.

Clermont-Ferrand – February 7, 2011

MICHEL ROLLIER **DIDIER MIRATON** **JEAN-DOMINIQUE SENARD**

Managing Partners

5.5.5. EMPLOYEE SHARE OWNERSHIP

Following the three Employee Shareholder Plans, nearly 70,000 employees and former employees in 67 countries and five continents are now shareholders. At December 31, 2010, employees owned 1.8% of issued capital.

5.5.6. INFORMATION CONCERNING A SHARE BUYBACK PROGRAM CURRENTLY IN EFFECT

In 2010 and until the date of filing in 2011, 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.

5.5.7. DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL MEETING OF MAY 13, 2011

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 13, 2011.

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.* 17,660,000 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 € 1,766,000,000.

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 13, 2011 Shareholders Meeting, i.e. until the close of trading on November 12, 2012.

MICHELIN PERFORMANCE AND RESPONSIBILITY

6

6.1_ 2010 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. To further support its practical application, a summary handbook was published in 2010. A core component of this process is Michelin's understanding of its social and environmental challenges, which enables it to identify the most effective ways to drive balanced, responsible growth both in its own business and in its industry as a whole, and to support better, more sustainable mobility.

Published in February 2011, the 2010 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 all of its responsibilities. Readers are strongly encouraged to consult the report, which is available upon request from the Investor Relations Department or at www.michelin.com.

The 2010 Annual and Sustainable Development Report is a combined document presenting the Group's 2010 strategy and results in every aspect of its business, thereby expressing the seamless integration of all of its performance and responsibility objectives.

The employee and environmental information in sections 6.2 and 6.3 below comply 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 its indicators, which are used by its 70 production facilities in 18 countries and by its sales and marketing operations. The Group is committed to obtaining as accurate an understanding as possible of each site's social and environmental responsibilities and to driving continuous improvement, year after year, in the quality of this information. Unless otherwise specified, the scope of reporting is the entire Group.

For the fifth consecutive year, PricewaterhouseCoopers was commissioned to review the procedures used to prepare the indicators presented in this document.

The 2010 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_ 2010 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

Employees on payroll at December 31, 2010

(regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Number of employees on payroll**	68,057	21,778	5,673	14,502	1,080	111,090

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Full-time equivalent employees at December 31, 2010

(regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Number of full-time equivalent employees**	63,441	20,994	5,086	14,458	1,078	105,057

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Employees on payroll by gender**

(regardless of work contract)

WOMEN AS A PERCENTAGE OF EMPLOYEES ON PAYROLL AT DECEMBER 31, 2010

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Production workers	7.7%	13.4%	4.5%	4.7%	0.6%	8.3%
Administrative and technical staff	27.5%	27.8%	27.4%	28.1%	20.9%	27.5%
Managers	16.9%	15.2%	15.9%	19.9%	11.5%	16.7%

Scope of reporting: Group excluding Euromaster and TCI.

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Since 2010, full data from the distribution networks are being gradually integrated into the reporting system.

Overall, women accounted for 14.4% of total employees on payroll, compared with 14.0% in 2009 and 13.9% in 2008.

Employee movements in 2010

(employees on payroll regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Natural attrition	2,345	942	255	1,309	144	4,995
Negotiated redundancies	2,003	914	240	749	17	3,923
Early retirement	466	540	0	4	1	1,011
New hires	4,770	2,713	922	3,169	345	11,919

Scope of reporting: Group excluding Euromaster and integrating TCI, Brazil and Serbia.

Excluding temporary workers, 11,700 people were hired in 2010.

Fixed-term contracts

In 2010, fixed-term contracts accounted for 1% 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 2010, overtime accounted for 5.2% of the total number of hours worked by production workers in the Group, with the rate varying from 2% in Europe to 9.9% in Asia.

Overtime pay for all job categories amounted to 2.1% of total payroll for the year.

Contractor employees working on Group sites (excluding Euromaster and TCI) represented an average 2.8% of full-time equivalent employees in 2010, with the proportion ranging from 0% in Africa and the Middle East, where subcontractors are not used, to 5.7% 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 Eastern Europe, Asia and South America while enhancing competitiveness in the developed, mature markets of Western Europe, North America and Japan.

Restructuring and employee support measures in 2010

A number of programs to reorganize the manufacturing base were undertaken in North America and Europe. They were announced eight to fourteen months in advance so that the employees concerned could be properly prepared and appropriate support measures defined with employee representatives. All of the employees were offered opportunities within the Group or individual support if an outside solution was preferred or unavoidable. Despite the recession, there were no layoffs attributable to the weak economy and the Group successfully maintained social cohesion while retaining the capabilities needed to support the recovery in demand. Having emerged from this unprecedented crisis stronger than ever, Michelin can now step up its capital programs to become more competitive and capture growth in emerging markets.

Restructuring programs were systematically accompanied by a wide range of initiatives, generally exceeding the minimum legal requirements, to avoid outright dismissals wherever possible and to support each employee concerned. These included:

- An ongoing process of foreseeing and facilitating opportunities for transfers and outplacement in France and Italy, 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 2010, inplacement is the preferred solution and is generally supported with assistance in finding housing and jobs for spouses;
- Early retirement systems, such as the CATS program in France, 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. These systems all helped to avoid separations during the year;
- Group-financed outplacement services by employment offices and outplacement consultants.

In France, an innovative employee support program based on Career Transition Workshops (ATP) is systematically deployed whenever a plant is reorganized or closed. The outcomes at the Toul plant have been particularly encouraging, with 94% of the people concerned having found a new job as of December 31, 2010. Building on this experience, new Career Transition Workshops have been also introduced at Vendeville, near Lille, to support employees from the Noyelles-lès-Seclin plant.

In Europe, Canada and the United States, the Michelin Development program is designed to help create jobs in the Group's host regions (see section 6.2.10 below on the regional impact of targeted job and economic development initiatives). Its projects can facilitate career transitions outside the Group, while maintaining or stimulating local economic growth by creating a large number of new jobs.

Voluntary separation plan in France

In 2009, a voluntary separation plan was presented and implemented to support the announced developments in Michelin's operations in France. By proposing early or pre-retirement arrangements and outplacement support, the plan aimed to free up jobs for employees affected by site reorganizations. It was offered to all employees under permanent contracts on the payrolls of MFPM, SEAM and SODG as of October 1, 2009.

As of October 31, 2010, 1,874 employees had volunteered for the plan, with 1,801 opting for early or pre-retirement arrangements and 73 for outplacement support. Of these 1,874 employees, nearly 1,400 were still counted in the Group's workforce at December 31, 2010. The plan enabled the Group to adjust its workforce in France, in terms of both numbers and skills, as part of the human resources planning process and to give jobs to 212 employees from reorganized sites who wanted to pursue their careers at Michelin through inplacement.

Career change support in Italy

Launched in October 2008, the plan to reorganize the Italian manufacturing base will run through 2009-2013. To facilitate the transfer or outplacement of affected employees, a job transition office has been maintained at the Turin-Stura plant. By the end of 2010, new career opportunities had been found for 90% of the people concerned, through in and outplacements, support in creating a business, retraining and placement assistance and early retirement plans.

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 1,690 hours in Hungary to 2,224 hours per year in Colombia, and 213 days in France and Hungary 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. On a Group-wide basis, more than 63,000 people work in shifts, mostly 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. While a review of the past 18 months has shown that 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 find commuting to work physically straining. If correctly explained and managed, telecommuting can also attract younger employees and may therefore be a factor in developing generational diversity.

6.2.2.b) Part-time work

Part-time contracts, which are common in many host countries, concerned 2.2% of the total workforce, across all job categories, in 2010.

Part-time employees by gender and job category as a percentage of total employees at December 31, 2010

	Women	Men	Total
Production workers	4.3%	1.5%	1.8%
Administrative and technical staff	8.2%	1.3%	3.2%
Managers	8.3%	0.4%	1.7%
TOTAL	**6.7%**	**1.4%**	**2.2%**

Scope of reporting: Group excluding Euromaster.

6.2.2.c) Production worker 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 absence, regardless of the cause, represented 3.8% of the expected number of hours worked.

Sick leave**	Lost time due to occupational injury	Long-term leave	Group Total
2.05%	0.11%	1.65%	3.8%

** Data related to these indicators have been audited 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 2010 *(in € millions)*	Production workers	Administrative and technical staff	Managers	Fixed-term contracts	Reversals of surplus provisions	Taxes, provisions and advances
4,836	1,883	1,752	766	61	(7)	381

"Taxes, provisions and advances" includes taxes, provisions for post-retirement benefits, stock-option advances and other long-term advances.

6.2.3.a) Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €4,836 million or 27.0% of net sales in 2010, of which €1,043 million in employer payroll taxes.

The total may be analyzed as follows:

(in € millions)		
Wages and salaries	3,419	70.7%
Employer payroll taxes	1,043	21.6%
Benefit contributions, pensions, severance and retraining costs	365	7.5%
Share-based payments	9	0.2%
TOTAL	**4,836**	**100.0%**

Michelin is committed to offering competitive compensation and raises in every host country by seeking 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 withstand competitive pressure. 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 widely varying local conditions (such as inflation ranging from a negative 2.4% in Qatar to a positive 29.1% in Venezuela), the average pay rise for the year is not a meaningful indicator. However, in France, which has the largest number of employees (around 25,000 on the payroll at December 31, 2010, including Euromaster) and where inflation ran at 1.5%, pay increases in 2010 were as follows:

Production workers	+2.3%
Administrative and technical staff	+2.5%
Managers	+3.6%

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.

Group average pay differential between men and women employees

Category	Differential
Production workers	-2.77%
Administrative and technical staff	-1.10%
Managers	-5.53%

The differential stems from the fact that women employees tend to have less seniority than men, and therefore less experience and lower job responsibility. In addition, statistical monitoring is difficult given the number of entry-level hires now underway following the retirement of older employees. 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 Michelin's standards manuals. Any failure to do so would violate the Group's most fundamental principles of fairness.

6.2.3.c) Discretionary and non-discretionary profit-sharing, employee savings plans and employee share issues

In October 2010, Michelin carried out a €1.22 billion share issue to finance its faster growth. However, the time required to complete legal formalities in certain countries prevented the Managing Partners from offering the shares to all employee shareholders. As a result, only 29% of employee shareholders subscribed the new shares, reflecting the following factors:

- Employees in eligible countries held shares representing a little less than 50% of the pre-emptive subscription rights;
- Of these employees, 60% exercised their pre-emptive subscription rights.

Employee shareholders who did not participate in the share issue were still able to protect their interests by selling their pre-emptive subscription rights.

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 2008-2010 discretionary profit-sharing agreement signed with the trade unions uses multiple indicators to calculate profit-shares, as follows: i) the number and success rate of Progress Ideas; ii) the reduction in the Group's environmental footprint, as measured by the decline in waste produced, waste landfilled, CO_2 and volatile organic compounds (VOC) emitted, and energy and water consumed, all per tonne of tires produced; iii) the frequency of workplace accidents; and iv) 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 2010 in respect of 2009 profit-shares in France came to approximately €23.6 million, representing an average 3% of gross salary.

6.2.4. EMPLOYEE RELATIONS AND COLLECTIVE BARGAINING AGREEMENTS

Michelin is committed to frank, open dialogue with employee representatives. In 2010, some 2,089 meetings were held with union representatives and 47 collective bargaining agreements were signed, covering 56,500 employees at 22 sites. In several countries, collective agreements signed in previous years remained in effect in 2010.

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 crisis' evolving impact on the Group and the wide range of employee support measures being deployed. Overall, the Group's flexibility and inventiveness enabled it to avoid the worst of the recession's consequences. Social funds were created or reinforced in certain countries, like Hungary, Romania, Poland and the United States, to attenuate the impact of production scalebacks on employees. A large number of hours were also allocated to training programs, employees were temporarily transferred to certain subsidiaries, and exceptional agreements were signed with employee representatives in almost every geography to devise solutions, week after week, in response to the deep recession.

In the United States, meetings are held regularly with the United Steelworkers of America. 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 was signed with employee representatives calling for a consultation process and regular discussions about overall working conditions.

Today, one or more collective bargaining agreements are in effect in 17 countries: Algeria, Brazil, Colombia, France, Germany, Italy, Japan, Mexico, the Netherlands, Poland, Romania, Serbia, Spain, Sweden, Thailand, the United Kingdom, and the United States. In all, these agreements cover 56,600 employees.

6.2.4.a) Examples of agreements signed in 2010

Europe

- Italy: mobility agreements at the Cuneo, Fossano and Turin plants and agreements on flexible working hours at all sites nationwide.
- Germany: agreement on the employee time saving account system.
- Spain: an equal opportunity agreement integrating the treatment of psychosocial risks into the workstation analysis process.
- France: an agreement on hiring and retaining employees over 50, agreements on the Mandatory Annual Salary Negotiations (NAO), discretionary and non-discretionary profit-sharing, death and disability insurance coverage and employee savings plans, an amendment to the 35-hour workweek agreement, an agreement concerning Works Council information, a geographic mobility agreement; at Manufacture Française des Pneumatiques Michelin, an agreement on preventing psychosocial risks in the workplace signed on July 15, 2010 and an agreement on compensation policy; at Pneu Laurent, an agreement to introduce a meal allowance as part of the bonus paid to night-shift workers and a human resources planning and development agreement; at Kleber, a unit-wide agreement on the new allocation of discretionary profit-shares.
- Poland: an agreement concerning salary increases.
- United Kingdom: the 2009-2011 Pay and Conditions Agreement for production workers.
- 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: a 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 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 workers.

Asia

- Thailand: agreement on pay during absences, such as sick leave and maternity leave.

6.2.4.b) A wide variety of information and consultation processes

Michelin is deeply committed to fostering effective communication with employees, both directly and through their representatives. To share and exchange information with employees, Group facilities have deployed a broad array of processes, whose percentage of implementation in each country is reviewed every year.

Today, around 20 distinct communication channels and a dozen different consultation processes are in general use across the Group. On average, each country uses 12 of them, including the Intranet, e-mail, Family Day events, site, country and unit magazines, specialized pamphlets, daily, weekly and monthly team meetings, newscasts such as the Group's *Forward weekly* news program and the *Bib Magazine* sent to all employees in France, meetings with employee representatives, Intranet surveys and polls, roundtables, forums, bulletin boards and information display stands.

In October 2010, 3,000 Group managers representing 70 different nationalities gathered in Paris for the 2010 International Bib Forum. Over two days, conferences, testimonials, videos, exhibitions and documents were used to illustrate the Group's strategy to drive a "New Phase of Dynamic Growth" in the 2011-2015 period. Forum participants were given a set of reference documents, including *Michelin Performance and Responsibility: A Better Way Forward*; Michelin's commitments as an employer with *Moving Forward Together: The Trademark of Mutual Commitment*; the Corporate Governance manual and the Michelin Code of Ethics. The main presentations were webcast live over the Group intranet and managers shared the key strategic messages with their teams.

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 team 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. These vestiges date back to the 1960s and 1970s, when, like many companies, Michelin used asbestos as 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 2011. 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.

Preparing for a possible Influenza A pandemic

To protect employees and prevent business interruptions in the event of an Influenza A pandemic, a wide range of measures were devised to minimize the disease's spread in the workplace. While there was little contagion across the Group, the various protection and prevention measures enabled teams to test the responsiveness and effectiveness of the health care systems in place. Some sites, including corporate headquarters, also offered onsite vaccinations.

Preventing stress-related risks

While realizing that stress related risks are not confined to the workplace, Michelin recognizes the importance of addressing this issue. In 2010, for example, a new milestone was reached in the assessment and tracking of 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. However, 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. In recent years, 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. A second center will open in 2011 at the Greenville manufacturing facility. The centers offer employees and their families exceptionally high quality, affordable and convenient check-ups, medical exams, analyses and treatment follow-up services.

For the second year in a row, Michelin received the Best Employer for Healthy Lifestyles award in the United States for its *Choose Well–Live Well* program, which encourages employees and their families to make the good choices with regard to their health and well-being.

In France, employees at corporate headquarters in Clermont-Ferrand could attend relaxation and stress-management workshops as part of the *Oxygène* program, which offers opportunities to practice a variety of physical activities in the workplace. In addition, an initial series of conferences on nutrition and health, led by a dietician from the local ASM sports club, was launched in November 2010.

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

Michelin continued to deploy HIV/AIDS prevention programs in 2010, focusing on the worst hit countries. The Group also conducts a large number of HIV/AIDS awareness campaigns for employees and host communities in areas where such awareness is lacking or denied.

Improving workplace safety

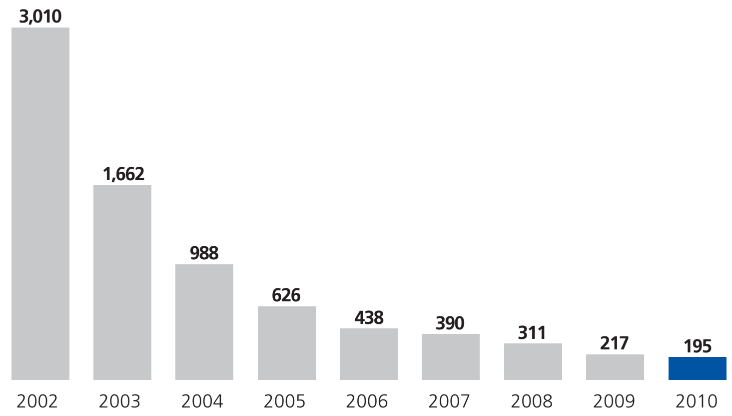
In 2010, more than half of all employees were involved in workplace safety programs, while six plants nominated initiatives for a Michelin Safety Award. According to a survey presented to Development Institute International in September 2010, Michelin's safety performance is ten times better than that of other industries.

In 2010, the Group-wide lost-time incident frequency rate (LTIFR) continued to trend downward from 2.0, while the lost-time incident severity rate (LTISR) fell below 0.15 for the year.

	2004	2005	2006	2007	2008	2009	2010
LTIFR**	5.73	3.61	2.55	2.39	1.85	1.41	1.19
LTISR**	0.32	0.25	0.21	0.21	0.21	0.18	0.14

** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).

Number of incidents resulting in more than one day's lost time, Group-wide



The number of accidents has been divided by more than 15 in eight 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, production island 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 and other facilities 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 have received first aid training and attend refresher courses once a year.

In 2010, 34 Group sites reported no lost-time injuries for the year, of which 13 for the third year in a row. Operations in North America went an entire month without any accidents, in August. In Europe, LTIFR improved noticeably in Germany, Italy, Poland, Romania and the United Kingdom, but was stable to slightly higher in other countries.

In the sales and marketing operations, LTIFR has leveled out at slightly more than 2, thanks to a dedicated road safety program and the work carried out by technicians assigned to trucking companies.

2010 saw sustained improvement in safety performance:

- Employee involvement in the safety commitment continued to increase, with more than half of employees taking part in a safety initiative each month;
- On every site, programs have been deployed to eliminate risks related to in-plant traffic, working at heights, power distribution and lockout procedures during maintenance work. 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;

- Following on from the *Managing Safety in My Shop* course attended by all of the Group's workshop managers, the *Managing Safety in My Self-Managed Team* course was pursued for front-line supervisors. The course helps 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;
- There has been a significant increase in the number of people working with a workstation accident prevention file and applying the Preventive Safety Observations;
- In addition to LTIFR and LTISR, new accident prevention indicators are gradually being introduced. A study was initiated in 2008 to identify key success factors (notably the employee participation rate), which will be integrated into a prevention indicator to be deployed across the Group in coming years;
- By transposing product quality best practices, closed loop applications have been defined to systematically check compliance with safety rules and guidelines. They will gradually be rolled out to every plant;
- The Group's health and safety policies have been restructured and enhanced to identify the responsibilities, deliverables and resources associated with each level of management in the production facilities. Training for the 80,000 plant employees concerned is scheduled for 2011 and 2012. The new policies are now being adapted to marketing and sales operations.

Sadly, the Group experienced three deaths in 2010, including two Michelin employees – one at the Montceau-les-Mines plant and the other at the Shanghai logistics warehouse – and a sub-contractor at the Valladolid plant.

Improving workstation ergonomics

Despite the challenging economic environment, the ergonomics expert network continued to improve the working conditions of production workers in 2010, focusing 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.

The Group's commitment to ergonomics has also 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 mold maintenance stations. The dedicated budget was renewed in 2010 to allow new solutions to be developed.

Working with temporary employment agencies

The workplace health and safety programs initiated with temporary employment agencies were pursued in 2010 with the sustained deployment of the action plan 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 declining by two-thirds over the past four years. However, the cutback in production volumes has sharply reduced the number of temporary employees, so that the program will now focus on maintaining the virtuous dynamic once business recovers.

Leveraging internal communication to improve workplace safety

Internal communication plays a critical role in deploying the Group's workplace safety policies. Several campaigns were undertaken in 2010, with an emphasis at every plant on the Group Safety Programs, fire prevention and 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 road safety

The growing number of motor vehicles is leading to an unprecedented increase in road safety issues. Created by the World Bank and the World Health Organization and chaired by Michelin since 2007, the Global Road Safety Partnership helps fast-growing countries to deploy effective road safety programs.

Among many other initiatives, Michelin supports programs for young people – the main direct and indirect victims of road accidents – through Youth for Road Safety (YOURS), an association dedicated to building and leading a prevention network organized by and for young people, ages 18 to 24.

In March 2010, the Group responded to the United Nations' call for a Decade of Action for Road Safety 2011-2020 by including the topic in the program for the 10th Michelin Challenge Bibendum. A working group met in Rio de Janeiro in June 2010 and the following month submitted a white paper to the World Health Organization that was used to define a framework for the Decade of Action for Road Safety.

Targeting occupational road safety

In addition to its general initiatives to promote safer, more sustainable mobility, Michelin pursued its occupational road safety program in 2010, working alongside public and private partners in national and international programs aimed at curbing road accidents.

The risks of accidents while commuting or driving on business were addressed with internal campaigns promoting safer driving practices and more efficient travel management.

A half-day road safety training course was also added to the orientation program for new marketing and sales employees in 2009. Information tools include a road safety awareness kit offered to employees in countries where Michelin has manufacturing operations, 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 was also sent to employees' homes.

All of these initiatives embody Michelin's long-term commitments, expressed in particular in the Road Safety Charters signed with national and European bodies.

Driving in a more environmentally sensitive manner delivers many benefits, including longer tire and vehicle life, fuel savings and enhanced road safety. This is why Michelin offers eco-driving courses to employees in Spain, the United Kingdom and now France, where the initial focus has been on employees who drive as part of their jobs. The courses, which comprise several hours of classroom and behind-the-wheel training, help to improve fuel efficiency by an average 8% while also lowering driving risk by encouraging drivers to think ahead.

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, driven by superior quality products and services. Widely recognized outside the Group, this investment in human capital reflects the technological complexity of Michelin's products and processes and the high standards expected of a global market leader.

The constant focus on training is also illustrated by the percentage of training hours per total hours worked, which was 4.2% in 2010 and 3.9% in 2009**. The 2010 percentage represents more than six million hours of training, ranking Michelin well above average among the world's 500 largest companies.

Total training hours amounted to 6.56 million in 2010 (5.95 million in 2009), for an average of 64 hours per employee (60 in 2009) and 77 hours per trainee (72 in 2009).

Training hours by employee category

	Production workers	Administrative and technical staff	Managers	Total
Number of training hours	4,677,217	1,606,884	275,432	6,559,534
Percentage of total	71%	25%	4%	100%

Job-specific courses accounted for the bulk of the training program in 2010, in line with the Group's commitment to helping to develop people's skills and employability.

These statistics were calculated using monthly employment figures averaged over the year and a quota per employee of 1,700 hours worked per year.

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.2.7. DIVERSITY

Michelin's diversity process is led by a Group level manager and a Diversity Steering Committee, with the support of host country correspondents and a worldwide network of 600 people. It is being deployed with a focus on fostering diversity in five areas: gender, age, physical abilities, ethnicity, and cultures and nationalities.

6.2.7.a) Sensitivity training for everyone

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. Between 2005 and 2010, diversity training courses were attended by executive committee members, managers, human resources teams and production workers.

In France, 2,000 managers, 120 human resource officers and 400 production workers have been trained. The goal is to extend the program to the 24,000 employees in France by 2015. Around 30% had already attended by end-2010.

Combining theory, practice, individual assignments and role-playing, the training programs 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 work as members of diverse teams. They also encourage participants to undertake meaningful initiatives that promote diversity.

6.2.7.b) Gender equality

Gender equality is actively promoted at all levels of responsibility. The Group is also committed to making the industry more appealing to women, who are under-represented in the schools that provide training in these particular job families. 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 appealing to women, new organizational arrangements and adjustments to workstation ergonomics. A study is underway to determine the best ways of increasing the number of women in the sales forces. Mentoring, as practiced in the United States, Germany and France, provides new hires with effective support.

However, women still accounted for just 8.3% of production workers at end-2010. Women are more represented among administrative and technical staff (27.5%) and management (16.7%), where their percentage is rising thanks to pro-active career management policies. All of these processes are being driven by the Personnel Department.

6.2.7.c) Ethnic origins

Diversity issues related to ethnic origins are addressed by Group programs underway in North America, but also in Europe, particularly with regards to hiring and orientation procedures. Other programs are being deployed locally, for example in Nova Scotia, Canada, where an agreement has been signed with the local African Canadian community and the provincial government to facilitate the hiring and retention of people of African origin in the Group.

6.2.7.d) Cultures and nationalities

Management is becoming increasingly international as non-French and non-European employees acquire experience and move up the career ladder. This is the case in Asia, for example, where Michelin's operational presence is more recent. Today, 46.1% of Michelin's senior management are non-French nationals. The entire manager population is also becoming more international with the integration of non-European managers who contribute their specific cultural capital.

6.2.7.e) Employment of disabled people

Formally defined in 2006, Group policies clearly express a commitment to non-discrimination and to hiring and retaining the disabled. Significant progress has been made in this area in a number of countries, such as Brazil and France.

From a legal standpoint, the issue of hiring the disabled is particularly complex, since each country has its own legislation. Fourteen host countries require employers to hire a certain percentage of disabled people – ranging from 0.5% in Thailand to 7% in Italy – while others, including Canada, the United States, Russia and Serbia, have no such requirement. The Netherlands and Colombia, on the other hand, have only incentive-based policies. Several countries, including France, levy a financial penalty if the required percentage is not respected. Generally speaking, the disabled are protected by law (such as in the United Kingdom, Canada or the United States) with respect to both the confidential nature of the disability and the right to continued employment.

Disabilities are recognized based on a declaration by the person concerned, which, in certain countries, such as Brazil, France and Russia, must be validated by a medical commission. In some countries, like the United States, the declaration is necessary for a person to be included in the company's disabled employee statistics. Given that some people prefer not to declare a disability for cultural or personal reasons, the statistics should be interpreted cautiously. They probably underestimate reality, but it is impossible to determine to what extent.

Taking into account these significant statistical limitations, Michelin believes that 2.8% of the 92,447 employees in the global scope of reporting may be qualified as disabled. The percentage varies widely among regions, ranging from 4.0% in Europe to 1.0% in North America, 4.8% in South America, 0.3% in Asia and 0% in Africa/Middle East. There are also significant differences among countries, with qualified disabled employees representing 0% of the workforce in several countries, 7.3% in France, 4.9% in Brazil, 5.9% in Canada and 4.4% in Germany.

In France, ten plants took part in the country's Diversity Week in 2010, organizing conferences with diversity experts and conducting workshops with the disabled (for example, hearing tests performed with the hearing impaired in attendance).

6.2.7.f) Older employees

Managing older employees is becoming an increasingly important issue for Michelin in Western Europe, as one third of its workforce – mostly production workers based in France – are now over 50, and their numbers will continue to rise in coming years. Measures taken to address this issue include improving workstation ergonomics, offering new job opportunities or international assignments lasting several months to leverage the employee's acquired experience, and setting up a mentoring system for new hires. The mentoring program clearly demonstrates that Michelin values the skills and abilities of its older employees and recognizes the educational needs of its new hires, in line with its core value of respecting people.

6.2.8. EMPLOYEE BENEFITS

In every host country, Michelin contributes financially to a wide range of activities, services and other benefits for its 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 2010, subcontractor fees for work unrelated to production operations amounted to the equivalent of 14.8% of payroll, versus 14.5% in 2009. 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 is dedicated to supporting economic growth in the Group's host communities. Over the past twenty years, it has helped to create more than 22,500 jobs in France, eight other European countries, Canada and the United States. Michelin is effectively supporting economic development by encouraging the creation of sustainable job opportunities in its host production regions. This commitment is fulfilled with even greater determination when an industrial reorganization program has to be implemented.

Over the past 20 years, SIDE, which changed its name to Michelin Development in 2010, has helped to create more than 16,500 jobs in France. In 2002, the initiative was extended into the rest of Europe with Michelin Development units set up in host communities in the United Kingdom, Germany, Spain, Italy, Poland, Russia, Hungary and Romania.

Two Michelin Development programs are currently being deployed in North America. The first, to offset the closing of the Opelika plant in eastern Alabama, has granted 12 loans totaling $1.7 million to 12 companies with the goal of creating 439 jobs.

The second, which is a proactive, ongoing initiative, was launched in September 2009 in Greenville, in upstate South Carolina, where Michelin North America headquarters is located. Dedicated to supporting small disadvantaged businesses, the program has already loaned nearly $1.4 million to 30 companies that could create more than 600 jobs.

Through Michelin Development, Group experts may be assigned for up to a week to help a CEO address a particular technical issue, such as information systems, workplace safety, energy efficiency, quality management, marketing, finance, hiring tourism or international expansion.

Job creation is supported by five-year, low-interest, collateral-free loans, which may be granted to companies in any industry as long as the project is sound and its champion is competent and motivated. In 2010, for example, support was provided to a very broad array of projects in such areas as carbon-fiber bicycles, air quality measurement systems, spectrometric analysis systems for oil and gas exploration, a new-generation digital photo frame, a mobile dog grooming van and a spa.

Michelin's backing helps entrepreneurs to earn the trust of banks and local development organizations. In turn, this opens doors to other sources of financing and a broad support network comprising government agencies, local and regional authorities, economic development agencies, chambers of commerce, economic expansion committees and partner associations.

Michelin Development also plays an active role in developing these networks. In Italy, for example, the Group helped to found a *Réseau Entreprendre* chapter in the Piedmont region. Since May 2010, some 50 volunteer CEOs have provided the association with leadership and financing. They are personally involved in supporting new entrepreneurs who are setting up or acquiring businesses capable of creating new jobs.

In another example, this time near corporate headquarters in France's Puy-de-Dôme region, Michelin and two other companies – Limagrain and Volvic – are coordinating their respective initiatives and expertise to contribute more effectively to regional development. Underway for more than ten years now, the "Milivo" program offers local project champions, chief executives and entrepreneurs free access to experts and the combined support of the three member companies.

6.2.11. RELATIONSHIPS WITH COMMUNITIES, SCHOOLS AND NON-PROFIT ASSOCIATIONS

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, Michelin participates in their activities, by sharing its expertise or providing financial support. In particular, the Group takes a long-term interest in projects concerning the mobility of people and goods, education-related projects and a wide range of cultural, sports and charity activities.

Michelin plants and their employees work to improve living conditions where the need is greatest and provide assistance following natural disasters, for example by contributing food aid, helping to build homes and set up playgrounds and parks for children, and donating tires for emergency service vehicles.

In 2010, Group employees devoted more than 19,218 days to these outreach activities, and the Group donated €11.7 million to outside organizations. In each region, the number of participating employees was generally proportional to the number of local employees.

Education projects accounted for 32% or almost 6,500 days of service directly contributed by Michelin employees, mobility projects for 9% and miscellaneous causes for 58%.

Most of the financing was channeled into teaching and education (63%), with another 27% going towards health-related, social and charity causes as well as sports and cultural programs and 10% towards road safety and other mobility initiatives.

Community service programs are an extremely popular form of outreach, with more than 2,400 underway Groupwide. While their diversity makes an exhaustive overview very difficult, significant examples include:

North America: Shortly after the devastating earthquake struck Haiti, Michelin North America donated $100,000 to the American Red Cross and agreed to further match employee contributions. After employees in Canada and the United States gave more than $56,000, Michelin's total contribution exceeded $213,000. In another example, the company challenged each of its facilities in North America to adopt a local, public elementary school (preferably a Title 1 school) as part of the Michelin Challenge Education program, launched in 2009. By forming a deep partnership, the facilities can meet the adopted school's needs through the active involvement of Michelin employees, many of whom tutor local children. In 2010, the Michelin Challenge Education program was honored with the Innovision *Innovation in Education* award and Michelin was named Public Education Partner of the Year. 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, disabled, elderly or needy as well as for 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.

South America: For the fifth straight year, Michelin Brazil participated in a multi-faceted education initiative to improve the prospects of people living near Michelin plants in Campo Grande and Itatiaia in the Rio de Janeiro State. *Ação Educativa* offers teenagers and adults remedial courses taught by Michelin volunteers in such areas as mechanics, logistics, information technology, English and French. Other examples in the region include a program supporting family farming in Bahia State, funding for biodiversity research in Bahia, donation of fire extinguishers to the Resende fire department; 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 the city's schools; and in Colombia, a program for struggling public school students.

Europe: Support for sports clubs and sporting events; Training Night in Germany; funding for offices for non-profit organizations; road safety classes for schoolchildren, in-school presentations by map-makers to improve children's awareness of mobility issues, the *Vado a piedi e uso la testa* (Go on Foot and Use

Your Head) road safety event for primary school children in Italy; support for the *Pedibus* walking school bus program; sponsorship of road safety campaigns in cooperation with local automobile clubs, support for *Ta Route… Ta Sécurité* road safety day, anti-drunk driving campaigns; partnership to promote electric vehicles; the revamping of homes for the disabled; organization of sporting events, donations to non-profit sports programs for the disabled, donation of information technology equipment, donations to local Red Cross organizations, donations to help the homeless, blood drives, job-search training for the long-term 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; sponsoring of organizations for the disabled; furniture donations to a pediatric hospital, tire donations to emergency, charity or health services, funding for medical equipment such as defibrillators or for hospital vehicles; supporting 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; participation in a Girls' Day campaign to encourage young women to pursue vocational training; partnerships with several universities and schools to promote science courses; funding for local library books; donations of maps and guides to 100 Alliance Française branches, prizes for contests, raffles, charity events; and advertising in local non-profit magazines.

In Clermont Ferrand, Michelin has been highly involved in the *Association Sportive Montferrandaise* (ASM) since the multi-sports club was founded by Marcel Michelin in 1911, 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: 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 Thailand, the Michelin Children's Art Contest encourages participants to apply their artistic talents to showcase the need for environmental protection, while Michelin Yod Nak Kid enables engineering students to apply their classroom knowledge in a workplace environment during the summer. In China, Michelin provides 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; educational campaign on climate change, funding for playgrounds and green spaces for children; tire donations for emergency service vehicles. In South Korea, a road safety program targeting the blind and in India, funding for an eye clinic.

Helping to improve road safety

In line with its commitment to the European Road Safety Charter, which it signed in 2004 and again in 2009, Michelin is helping to improve road safety by communicating directly with road users. In 2010, 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 the year. 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. ROSYPE includes in-school initiatives, a wide range of events and a high-performance driving simulator.

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. Prevention initiatives were undertaken in the state of Rio de Janeiro in Brazil, with playing cards and video games used to educate young people about road safety. 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. 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.

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. 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 in June – several roundtables focused on road safety issues and particularly on how to make business travel safer. As a result of these discussions, in July the Road Safety Task Force published a White Paper for Safe Roads in 2050, combining 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 inspired the World Health Organization's action plan for 2011-2020.

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.

6.2.12. SUPPLIER RELATIONSHIPS

Michelin believes that it has a responsibility to practice sustainable development principles in dealings with outside suppliers, particularly in light of its extensive purchases, which represent 60% of revenue. Considerable resources have been deployed to enhance the professionalism of our procurement teams and to make purchasing processes more efficient. Over the past two years, 380 buyers have attended the Michelin Purchasing University training program, to enhance their awareness of the role they play in the Group's sustainable development process.

In addition, the deployment of the Supplier Relationship Management process has helped to strengthen ties with suppliers. Partnerships with strategic suppliers have been broadened and deepened in a commitment to jointly developing the right solutions, supported by periodic performance reviews. Suppliers also conduct a reciprocal assessment of Michelin's performance. In 2010, the process was honored by the European Institute of Purchasing Management, which presented Michelin with its Award for Excellence in the Supplier Relationship Management category, selecting the Group among 100 companies.

By nurturing meaningful dialogue, Michelin can select its suppliers not only on the basis of their product or service's value for money, but also according to their overall performance in terms of social, environmental and ethical criteria.

The principles applied by the Purchasing Department in its relationships with suppliers are entirely consistent with the Group's values, as expressed in the Michelin Performance and Responsibility process. In particular, the Group is committed to developing sustainable relationships with suppliers and to preventing the risks associated with environmentally harmful practices or labor law violations.

These principles are presented in the Michelin Purchasing Code, a document published six years ago that requires suppliers to comply with a set of labor-related and environmental principles, such as International Labour Organization conventions and the ability to assess and manage their environmental impact.

Alongside these external programs, the Purchasing Department has set up an Internal Control unit tasked with identifying and eliminating risks of fraud while ensuring compliance with the Group's Purchasing Ethics guidelines. This process is supported by the systematic risk identification procedures deployed by the Internal Audit Department.

The Group's commitments in terms of business ethics are clearly defined in the Michelin Code of Ethics, published in 2010, and the related anti-fraud guidelines.

The Purchasing Department continued to integrate specific criteria aligned with the values of the Michelin Performance and Responsibility process into the guidelines and methods used to negotiate contracts and evaluate suppliers.

In the case of raw materials, 64% of supplier sites, accounting for 80% of purchasing volume, are ISO 14001-certified.

In addition to performance reviews, every year Michelin teams conduct 30 to 40 detailed supplier audits, during which they systematically discuss the Group's workplace safety or ergonomics practices.

This approach meets the needs of suppliers, who appreciate Michelin's positive attitude and unrivaled support in helping them to make progress in these areas.

An additional supplier evaluation tool was tested in 2010, via an independent company specialized in sustainable supply chain management solutions, which assessed compliance with Michelin's values among suppliers of various products based in different parts of the world.

In 2010, the Group selected several areas in which bids and the various available options were examined more closely. These included energy procurement, building and corporate fleet energy performance, promotional items, supplier diversity and commercial printing.

Michelin also extensively reviewed European REACH legislation with suppliers during the year, both to help suppliers register and obtain authorization for their chemicals and to manage its own risks if certain substances are replaced.

Lastly, the Purchasing Quality Department, which is responsible for deploying the Michelin Performance and Responsibility process in Purchasing Departments worldwide, prepared a roadmap that should enable the Group to become a benchmark in purchasing quality by 2015.

6.2.13. SUMMARY TABLE OF EMPLOYEE DATA

Unless otherwise indicated, the following employee data have been reported from all of the compagnies controlled by Michelin worldwide.

	2010	2009	2008	2007	2006	GRI
Total workforce at December 31**	111,090	109,193	117,565	121,356	123,975	LA1
Total workforce by region						
Europe [(1)]	*68,057*	*68,344*	*73,784*	*77,326*	*79,318*	*LA1*
North America	*21,778*	*21,141*	*22,987*	*23,095*	*22,923*	*LA1*
South America	*5,673*	*5,454*	*6,201*	*6,322*	*6,172*	*LA1*
Asia-Pacific	*14,502*	*13,246*	*13,476*	*13,455*	*13,172*	*LA1*
Africa-Middle East	*1,080*	*1,008*	*1,117*	*1,158*	*2,390*	*LA1*
Workforce by gender						
Male	*85.6%*	*86.0%*	*86.1%*	*86.1 %*	*86.3%*	*LA13*
Female	*14.4%*	*14.0%*	*13.9%*	*13.9 %*	*13.7%*	*LA13*
Workforce by employee category [(2)] (in %)						
Production workers	*64.5%*	*64.8%*	*66.7%*	*66.7 %*	*67.6%*	*LA1*
Administrative and technical staff	*29.2%*	*29.3%*	*27.4%*	*27.6 %*	*26.8%*	*LA1*
Managers	*6.3%*	*5.9%*	*5.9%*	*5.7 %*	*5.6%*	*LA1*
Workforce by age (in %)						
24 and under	*6.1%*	*4.9%*	*6.1%*	*6.7%*	*6.8%*	
25-34	*26.6 %*	*26.0%*	*26.2%*	*27.1%*	*26.7%*	
35-44	*26.0%*	*25.9%*	*24.9%*	*25.1%*	*24.4%*	
45-54	*25.4%*	*26.8%*	*27.1%*	*28.7%*	*30.0%*	
55-64	*15.7%*	*16.2%*	*15.6%*	*12.2%*	*12.0%*	
Over 65	*0.2%*	*0.2%*	*0.1%*	*0.1%*	*0.1%*	
Workforce by length of service (in %)						
Less than 2 years	*17.9%*	*9.9%*	*N/A*	*N/A*	*N/A*	
2-5 years	*13.1%*	*14.7%*	*N/A*	*N/A*	*N/A*	
5-10 years	*16.8%*	*18.2%*	*N/A*	*N/A*	*N/A*	
10-15 years	*13.0%*	*13.8%*	*N/A*	*N/A*	*N/A*	
15-20 years	*5.9%*	*6.3%*	*N/A*	*N/A*	*N/A*	
Over 20 years	*33.3%*	*37.1%*	*N/A*	*N/A*	*N/A*	

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

(1) Including Russia and Turkey

(2) Excluding distribution

	2010	2009	2008	2007	2006	GRI
Movements during the year						
New hires	*11,919*	*5,705*	*11,458*	*11,642*	*10,895*	
Natural attrition	*4,995*	*5,425*	*7,755*	*7,738*	*8,240*	
Negotiated redundancies	*3,923*	*5,514*	*5,513*	*6,693*	*4,381*	
Pre-retirement	*1,011*	*1,446*	*1,932*	*2,673*	*2,988*	
Part-time contracts (in %)	*2.2%*	*1.8%*	*2.0%*	*2.2%*	*4.5%*	
Training						
*Percentage of training hours per total hours worked ***	*4.2%*	*3.9%*	*4.2%*	*3.7%*	*2.9%*	*LA10*
Percentage of employees who received training	*83%*	*83%*	*83%*	*77%*	*70%*	
Number of training hours per employee per year	*64*	*60*	*64*	*63*	*52*	*LA10*
Type of training						
Specific professional training	*91%*	*80%*	*78%*	*80%*	*77%*	
Management training	*4%*	*8%*	*12%*	*11%*	*14%*	
General training	*5%*	*12%*	*10%*	*8%*	*9%*	
Absenteeism (production workers) **	*3.8%*	*3.9%*	*4.2%*	*4.0%*	*4.0%*	
Sick leave	*2.0%*	*2.1%*	*2.3%*	*2.5%*	*2.2%*	
Injury leave	*0.1%*	*0.1%*	*0.2%*	*0.2%*	*0.7%*	
Long-term leave	*1.7%*	*1.7%*	*1.8%*	*1.3%*	*1.1%*	
Occupational accidents						
Number of lost-time injuries, Groupwide	*195*	*217*	*311*	*390*	*438*	
*Lost time injury frequency rate***	*1.19*	*1.41*	*1.85*	*2.39*	*2.55*	*LA7*
*Severity rate***	*0.14*	*0.18*	*0.21*	*0.21*	*0.21*	*LA7*
Number of plants with zero recordable incidents	*34*	*32*	*30*	*18*	*7*	
Percentage of disabled people in the workforce	2.8%	2.5%	2.2%	2.6%	2.8%	
Percentage of women in management positions	16.7%	15.8%	15.9%	15.1%	14.8%	LA13
Percentage of women among top managers	11.6%	10.5%	8.9%	9.3%		LA13
Percentage of women among senior managers	7.0%	6.5%	5.2%	4.9%	4.8%	LA13
Percentage of non-French people among top managers	46.1%	45.7%	44.2%	43.5%	43.6%	LA13
Percentage of non-French people among senior managers	36.7%	36.5%				LA13
Number of collective bargaining agreements	47	49	48	35	39	

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.3_ 2010 ENVIRONMENTAL INFORMATION

6.3.1. MICHELIN'S ENVIRONMENTAL MANAGEMENT PROCESS

Michelin's environmental management process has been built on the findings of impact studies of its business operations. In particular, life-cycle assessments have shown that most of a tire's environmental impact occurs during use, with the tire and raw material manufacturing phase and end-of-life recovery and reuse having comparatively a much weaker impact.

These assessments also take into account health indicators.

To drive improvement in environmental performance, Michelin is focusing on both its products and its production facilities.

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 and tread-life. Reducing a tire's rolling resistance also improves its fuel efficiency, which in turn reduces CO_2 and other emissions during use. Extending tread-life enables 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 160 vehicles. Compared to the preceding generation, it improves fuel consumption in an average European vehicle by 0.2-liters/100 km, for an average 4g/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, 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 2010, the MICHELIN fuel-efficient tires sold since 1992 had saved more than 13 billion liters of fuel and prevented the emission of more than 33 million tonnes of CO_2.

Further reducing rolling resistance, while improving or at least maintaining at their peak the other tire performance factors, remains the primary objective of the Group's research and development process.

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.

For more details, please refer to the 2010 Annual and Sustainable Development Report.

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 holistically. 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

MEF site

Objective : *A 35% reduction by 2015 compared with 2005*

	Component	Weighting
Resource consumption	Energy	15
	Water	15
Air emissions	VOCs	25
	CO_2	15
Waste	Total weight generated	15
	Total weight landfilled	15

Since 2005, the Group has steadily reduced the environmental impact of its facilities by tracking MEF performance. 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.

In 2009, the business environment forced the Group to sharply reduce production volumes to bring them in line with demand, which masked progress in the MEF to a certain extent. In 2010, progress is clearly visible, with a reduction in MEF of more than 10% and particularly significant improvements in waste management and energy consumption.

6

The following table shows the performance of the six MEF components since 2005.

Performance of the Michelin site Environmental Footprint (MEF) indicator, 2005 to 2010

	2015 target compared with 2005	2005	2006	2007	2008	2009	2010	% change 2005-2010
MEF**	-35%	100	92.9	83.6	78.6	78.1	70.0	-30%

Component	Unit	2005	2006	2007	2008	2009	2010	% change 2005-2010
Energy consumption**	GJ/t TP	17.4	17.2	15.6	15.3	16.1	14.4	-17%
Water consumption**	cu.m/t TP	15.0	14.9	13.3	12.8	13.3	11.8	-21%
VOC emissions	kg/t TP	4.27	3.97	3.48	3.13	3.04	2.89	-32%
CO_2 emissions**	t/t TP	1.53	1.48	1.37	1.35	1.43	1.28	-16%
Waste generated**	kg/t TP	140	130	128	127.5	121.2	109.5	-22%
Waste landfilled**	kg/t TP	33	26	20	16.2	13.3	10.2	-69%

t TP = tonne of tires produced.
** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

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. By the end of 2010, carbon emissions from all of the Group's manufacturing operations, per tonne of product, had been reduced by 16% 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. 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.

Examples include the photovoltaic roof panels installed on four facilities in Germany (in Bad Kreuznach, Homburg, Bamberg and Landau), whose output has risen from 9 MWp in 2006 to 12 MWp in 2009 and to 14 MWp in 2010. In Valladolid, Spain, 21,000 square meters of solar panels were commissioned in July 2010, representing total capacity of 2 MWp.

Since 2007, wind turbines have been generating around 20% of the electricity used by the Dundee plant in Scotland.

The Ballymena plant in Northern Ireland was awarded the Carbon Trust Standard for reducing its carbon emissions by 21% between January 2007 and December 2009.

Two biomass-fired boilers installed to replace natural gas-fired systems at the Cholet and Bourges plants were commissioned in October 2010. Together, the two units are expected to avoid the emission of up to 19,000 tonnes of CO_2 per year.

Other projects underway include the installation of two wind turbine units in Ballymena, Northern Ireland, and the installation of solar power panels at Puy-en-Velay in France. A project to use the heat generated by a household waste incinerator at the Dundee plant is also being explored.

6.3.1.d) Scope of environmental data reporting

The figures presented below cover all of the Group's manufacturing operations, research and development activities and support functions. The quality and completeness of the reported environmental data is regularly audited.

A working group on energy consumption was set up in 2009. The initial results of its research indicate that it is possible to reduce energy consumption across the process by 10% in 2015, compared with 2008.

6.3.2. REVIEW OF COMPLIANCE INDICATORS

6.3.2.a) Air emissions

Greenhouse gas emissions

Total CO_2 emissions amounted to 1.28 tonnes per tonne of finished product in 2010, a decrease of 16% compared to 2005.

Direct emissions from Group boilers stood at 0.58 tonnes per tonne of finished product, down 23% versus 2005.

In European Union countries, carbon emissions are subject to allowances issued under the EU's Emissions Trading System, which has integrated Kyoto Protocol mechanisms since entering its Second Trading Period (2008-2012). As in previous years, carbon emissions from Michelin's facilities in Europe were below allocated allowances, with a reduction of more than 40,000 tonnes of CO_2 emitted into the atmosphere in 2010 compared to 2008.

Indirect CO_2 emissions through the purchase of electricity and steam are estimated at 0.70 tonnes per tonne of finished product. The decrease of 4% on the 0.73 tonnes reported in 2009 reflects the efforts made to improve the energy efficiency of Group plants.

Optimized operations management and deployment of the Group's best manufacturing practices drove a reduction in the use of electricity, which declined 11% in gigajoules per tonne of tires produced in 2010 compared with 2009.

On-site renewable energy installations avoided the emission of the more than 24,000 tonnes of CO_2 in 2010.

Plant	Technology	CO_2 emissions avoided
Bamberg, Homburg, Bad Kreuznach and Landau (Germany)	Photovoltaic panels	-6,000 tonnes/year – indirect
Dundee (United Kingdom)	Wind turbine	-3,000 tonnes/year – indirect
Bassens (France)	Heat recovery from an incineration CHP plant located 1 km away	-15,000 tonnes/year – direct

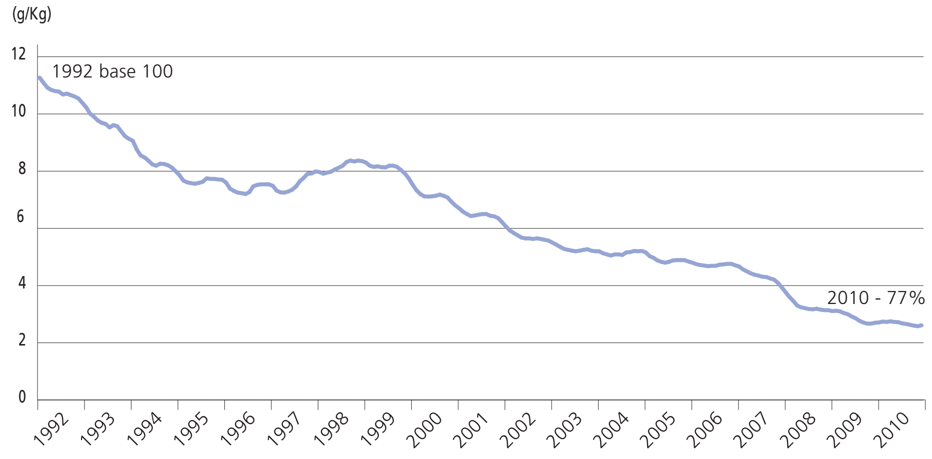
Other air emissions*

VOLATILE ORGANIC COMPOUNDS (VOCS)

VOC emissions declined by 5% to 2.89 kg per tonne of finished product in 2010, 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 77% 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 OPERATIONS (G/KG)



NITROGEN OXIDES (NO_x)**

Specific NO_x emissions from Group boilers stood at 0.83 kg per tonne of finished product in 2010 (0.82 kg/t in 2009).

SULFUR OXIDES (SO_x)**

SO_x emissions declined to 0.96 kg per tonne of finished product from 1.17 kg per tonne in 2009.

The 18% improvement during 2010 reflects the optimization of the Group's energy facilities in favor of 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. After proper treatment, this process water is discharged either to the environment or to local wastewater treatment plants.

Water consumption amounted to 11.8 cubic meters per tonne of finished product in 2010. The 21% decrease on 2005 primarily reflected the assertive programs deployed by the three facilities that use the most water, which have reduced their consumption by an average 26% since 2005.

* *Corresponding to substances contributing to acidification or photochemical pollution as defined by French ministerial order of April 30, 2002.*

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

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.

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 2010, when gross weight of waste generated per tonne of tires produced declined 9.6% to 109.5 kg and the weight of landfilled waste improved by 23% to 10.2 kg from 13.3 kg in 2009. In all, since 2005, the weight of waste generated per tonne of tires produced has been reduced by 22% to 109.5 kg from 140 kg and the weight of landfilled waste has fallen by 69% to 10.2 kg from 33 kg.

To help meet the target of reducing the MEF by 35% from 2005 to 2015, Michelin is committed to reducing the weight of generated waste by 30% and that of landfilled waste by 85% over the period.

6.3.2.e) Energy consumption

The Group's energy consumption by tonne of tires produced decreased 11% from 16.1 GJ in 2009 to 14.4 GJ in 2010.

Progress is partly due to the efficacy 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 2010, initial audits had been performed and action plans prepared at 84 sites. Follow-up audits are now underway, which show that an average 85% of the best practices are being applied. Energy performance indicators have been introduced in facilities in North America and Europe,

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 environment 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 50% 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 that are more energy efficient and longer lasting.

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.

At the Louisville facility in the United States, the Group has joined forces with Waste Management, Inc and 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 has already obtained Wildlife at Work certification from the Wildlife Habitat Council, even though it is not scheduled for completion until end-2011.

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 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.

The test center has been ISO 14001-certified since 2005.

6.3.2.g) Managing risks of pollution

Pollution risk management processes, presented in the paragraphs above, are also discussed in section 2.11.3 a) on industrial and environmental risk.

6.3.2.h) Continuous improvement process

Ensuring compliance through certification processes and audits

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 in some cases exceed 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 2010, the system was up and running in 98% of the Group's 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. To date, 97.4% of existing facilities have been audited.

At the end of 2010, 99.1% of the Group's tires were made in ISO 14001 certified plants**. The figure is down slightly on 2009 because of an increase in capacity at the new earthmover tire plant in Brazil, which will be certified in 2011. All of the natural rubber production units, main Technology Center facilities and semi-finished product plants had been certified at end-2010. While not a prerequisite, deployment of the MEMS has clearly helped to earn ISO 14001 certification.

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 Group's 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's Executive Council.

Every year, the Annual Plan defines a target for improvement in the MEF indicator (see section 6.3.1. b), whose Group objective has been raised to a 35% reduction by end-2015 (versus 2005) from a 20% reduction by end-2011. Systematic deployment of the target across the organization ensures that it is realistic. Progress towards the target is reviewed quarterly by the Prevention and Manufacturing Performance Division and is reported in the Group's management indicators.

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.

*** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

6.3.2.i) Provisions for environmental risks and environment-related expenditure

Aggregate provisions for environmental risk amounted to €5.2 million as of December 31, 2010.

As analyzed in the table below, nearly €21 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).

(in € thousands)	Capital expenditure	Operating expense	Total expenditure	
	2010	2010	2010	2009
Air pollution prevention	3,301	1,587	4,888	2,237
Surface water pollution prevention	1,448	248	1,696	1,996
Soil and subsurface water pollution prevention	1,634	880	2,514	1,439
Other	7,114	4,578	11,691	8,231
TOTAL	**13,496**	**7,293**	**20,790**	**13,903**

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 our Ladoux Testing and Research Center near Clermont-Ferrand.

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 until the program ended in 2009. 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	2010/2009	GRI Indicator
Water consumption** *(cu.m/t)*	15.0	14.9	13.3	12.8	13.3	11.8	-11.3%	EN8
Energy consumption** *(GJ/t)*	17.4	17.2	15.6	15.3	16.1	14.4	-10.6%	EN3-EN4
of which:								
Michelin stationary installations	*10.6*	*10.5*	*9.0*	*8.5*	*9.0*	*8.0*	*-11.1%*	*EN3*
Steam	*1.0*	*1.1*	*1.2*	*1.3*	*1.2*	*1.2*	*0%*	*EN4*
Electricity	*5.7*	*5.6*	*5.4*	*5.5*	*5.9*	*5.2*	*-11.9%*	*EN4*
Greenhouse gas emissions** *(t/t)*	1.53	1.48	1.37	1.35	1.43	1.28	-10.5%	EN16
of which:								
Direct emissions from Michelin stationary installations	*0.75*	*0.73*	*0.64*	*0.60*	*0.64*	*0.58*	*-9.4%*	*EN16*
Indirect emissions, steam generation	*0.11*	*0.12*	*0.13*	*0.15*	*0.13*	*0.12*	*-7.7%*	*EN16*
Indirect emissions, electricity generation	*0.66*	*0.63*	*0.59*	*0.60*	*0.66*	*0.58*	*-12.1%*	*EN16*
Total Michelin direct and indirect emissions avoided			12,400	31,200	23,300	24,000	+3.0%	EN18
Sulfur dioxide emissions** *(kg/t)*	1.65	1.22	1.27	1.08	1.17	0.96	-17.9%	EN20
Nitrogen dioxide emissions** *(kg/t)*	1.01	0.85	0.89	0.82	0.82	0.83	+1.2%	EN20
Volatile organic compound emissions** *(kg/t)*	4.27	3.97	3.48	3.13	3.04	2.89	-4.9%	EN20
Total weight of waste produced** *(kg/t)*	140	130	128	127.5	121.1	109.5	-9.6%	EN22
Total weight of waste landfilled** *(kg/t)*	33	26	20	16.2	13.3	10.2	-23.3%	EN22
Environmental management (% of finished products manufactured in ISO 14001 certified facilities)**	94.8%	99.4%	99.5%	99.5%	99.5%	99.1%		

** 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 2010 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 Registration Document for 2010:

- social information includes indicators for "Frequency rate" and "Severity rate" for workplace accidents, "Headcount", "Full-time equivalent Headcount", "Absenteeism", "Training access rate", and "Male/female distribution by status and geographic zone";
- environmental indicators include "Water consumption", "Energy consumption", "Volatile organic compound emissions", "Sulfur dioxide emissions", "Nitrogen dioxide emissions", "CO_2 emissions", "Total weight of waste produced", "Total weight of waste landfilled", "Percentage of finished products manufactured in ISO-14001 certified facilities", "MEF".
- 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 133, 135, 139, 141, 146, 147, 150, 151, 153 and 155 of this 2010 Registration Document).

These processes, together with the indicators set forth in this 2010 Registration Document, are the responsibility of the Michelin Group "Manufacturing Performance Division", the "Personnel Group Department", and the "New Projects and Sustainable Devleopment 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 theses 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: the "Finance Group Department", the "Personnel Group Department / Training"; the; "Personnel Group Department / Global Compensation", the "Manufacturing Performance Division / Environment and Hygiene", the "Manufacturing Performance Division / Persons and Goods Safety";
- 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 2010 Registration Document we selected a sample of industrial plants (Ardmore, Bad Kreuznach, Bridgewater, Dundee, Fossano, La Combaude, Louisville, Phrapradaeng, Shenyang, Spartanburg) 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: 22%; water consumption: 26%; SO_x emissions: 29%; NO_x emissions: 29%; VOC emissions: 23%; tire manufacturing: 17%; Waste production: 23%; Waste disposal volume: 24%.

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 2010:

- 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 2010; and
- the indicators reviewed (marked "**" in this 2010 Registration Document) in accordance with the Group's internal reporting standards applicable in 2010.

Neuilly-sur-Seine, February 15, 2011

PricewaterhouseCoopers Audit

Christian Marcellin
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable Development Department

CONSOLIDATED FINANCIAL STATEMENTS

7

7.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

DETAILED SOMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Year ended December 31, 2010	Year ended December 31, 2009
Net sales	5	17,891	14,807
Cost of sales		(12,403)	(10,527)
Gross income		**5,488**	**4,280**
Sales and marketing expenses		(1,847)	(1,650)
Research and development expenses		(545)	(506)
General and administrative expenses		(1,237)	(1,113)
Other operating income and expenses	8	(164)	(149)
Operating income before non-recurring income and expenses	5	**1,695**	**862**
Non-recurring income and expenses	9	-	(412)
Operating income/(loss)		**1,695**	**450**
Cost of net debt	10	(236)	(262)
Other financial income and expenses	10	10	10
Share of profit/(loss) from associates		29	9
Income/(loss) before taxes		**1,498**	**207**
Income tax	11	(449)	(103)
NET INCOME/(LOSS)		**1,049**	**104**
• Attributable to the shareholders of the Company		1,048	106
• Attributable to the non-controlling interests		1	(2)
Earnings per share *(in €)*	12		
• Basic		6.78	0.69
• Diluted		6.64	0.69

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, 2010	Year ended December 31, 2009
Net income/(loss)		**1,049**	**104**
Available-for-sale financial assets – unrealized gain/(loss)		166	131
Tax effect – available-for-sale financial assets – unrealized gain/(loss)	18	(2)	(8)
Available-for-sale financial assets – realized (gain)/loss recognized in income statement		-	(5)
Cash flow hedges – change in fair values		(3)	4
Cash flow hedges – (gain)/loss recognized in income statement		1	-
Currency translation differences		294	216
Other		1	(1)
Other comprehensive income		**457**	**337**
COMPREHENSIVE INCOME		**1,506**	**441**
• Attributable to the shareholders of the Company		1,505	443
• Attributable to the non-controlling interests		1	(2)

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(in € million)	Note	December 31, 2010	December 31, 2009
Goodwill	13	416	403
Other intangible assets	13	360	321
Property, plant and equipment (PP&E)	14	7,193	6,782
Non-current financial assets and other assets	15	1,108	712
Investments in associates and joint ventures	17	93	71
Deferred tax assets	18	828	942
Non-current assets		**9,998**	**9,231**
Inventories	19	3,770	2,994
Trade receivables	20	2,770	2,314
Current financial assets	21	882	165
Other current assets	22	653	583
Cash and cash equivalents	23	1,590	1,231
Current assets		**9,665**	**7,287**
TOTAL ASSETS		**19,663**	**16,518**
Share capital	24	353	295
Share premiums	24	3,215	1,987
Reserves	25	4,556	3,210
Non-controlling interests		3	3
Equity		**8,127**	**5,495**
Non-current financial liabilities	26	3,251	3,568
Employee benefit obligations	27.1	2,457	2,374
Provisions and other non-current liabilities	29	938	1,105
Deferred tax liabilities	18	45	40
Non-current liabilities		**6,691**	**7,087**
Current financial liabilities	26	896	760
Trade payables		1,813	1,249
Other current liabilities	30	2,136	1,927
Current liabilities		**4,845**	**3,936**
TOTAL EQUITY AND LIABILITIES		**19,663**	**16,518**

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, 2009	**290**	**1,944**	**2,874**	**5**	**5,113**
Comprehensive income	-	-	443	(2)	441
Issuance of shares (note 24)	5	77	-	-	82
Dividends and other allocations	-	-	(150)	-	(150)
Stock option plans – cost of services rendered (notes 7 & 8)	-	-	10	-	10
Other	-	(34)	33	-	(1)
At December 31, 2009	**295**	**1,987**	**3,210**	**3**	**5,495**
Comprehensive income	-	-	1,505	1	1,506
Issuance of shares (note 24)	58	1,228	-	-	1,286
Dividends and other allocations	-	-	(150)	(1)	(151)
Stock option plans – cost of services rendered (notes 7 & 8)	-	-	9	-	9
Acquisition of non-controlling interests (China, Shanghai Michelin Warrior Tire Co., Ltd)	-	-	(18)	-	(18)
Other	-	-	-	-	-
AT DECEMBER 31, 2010	**353**	**3,215**	**4,556**	**3**	**8,127**

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, 2010	Year ended December 31, 2009
Net income		1,049	104
Adjustments			
• Cost of net debt	10	236	262
• Other financial income and expenses	10	(10)	(10)
• Income tax	11	449	103
• Amortization, depreciation and impairment of intangible assets and PP&E	6	965	940
• Non-recurring income and expenses	9	-	412
• Share of loss/(profit) from associates		(29)	(9)
EBITDA before non-recurring income and expenses	3.7.2	2,660	1,802
Other non-cash income and expenses	31	(14)	(28)
Change in provisions, including employee benefit obligations		(423)	(372)
Cost of net debt and other financial income and expenses paid	31	(177)	(207)
Income tax paid		(297)	(19)
Change in working capital, net of impairments	31	(427)	947
Cash flows from operating activities		**1,322**	**2,123**
Purchases of intangible assets and PP&E	31	(964)	(707)
Proceeds from sale of intangible assets and PP&E		61	47
Equity investments in consolidated companies, net of cash acquired		(4)	(1)
Disposals of equity investments in consolidated companies, net of cash sold		-	10
Purchases of available-for-sale investments		(14)	(5)
Proceeds from sale of available-for-sale investments		1	29
Cash flows from other financial assets	31	(743)	(109)
Cash flows from investing activities		**(1,663)**	**(736)**
Proceeds from issuance of shares	24	1,204	2
Dividends paid to the shareholders of the Company		(65)	(65)
Cash flows from financial liabilities	31	(437)	(667)
Other cash flows from financing activities		(39)	(20)
Cash flows from financing activities		**663**	**(750)**
Effect of changes in exchange rates		**37**	**2**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**359**	**639**
Cash and cash equivalents as at January 1		**1,231**	**592**
Cash and cash equivalents as at December 31	23	**1,590**	**1,231**

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 7, 2011.

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE FROM JANUARY 1, 2010

The following standards, amendments and interpretations to existing standards have been published and are applicable for the Group accounting periods beginning on or after January 1, 2010:

- IAS 27 (revised) "Consolidated and separate financial statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss. The Group has applied the revised standard prospectively to transactions with non-controlling interests;
- IFRS 3 (revised) "Business combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied the revised standard prospectively to all business combinations.

All 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, 2010, are currently not relevant to the Group operations.

2.4. NEWLY PUBLISHED STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

IFRS 9 "Financial instruments", was issued in November 2009. This standard is the first step in the process to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 and has not been early adopted by the Group, which is yet to assess its full impact. Moreover, the standard has not yet been endorsed by the EU.

All 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, 2011, are currently not relevant to the Group operations.

2.5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires that management should use assumptions and estimates reflected in the value of assets and liabilities at the balance sheet date and in the amount of income and expenses for the reporting period. The actual results could differ from those estimates.

The main critical accounting estimates requiring key assumptions and judgments are the impairment of non-financial assets and the employee benefit obligations.

2.5.1. Impairment of Non-Financial Assets

The cash generating units' (CGU) future cash flows used in the calculation of value in use (note 3.15) are derived from the Group rolling five-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 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.

2.5.2. 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 chosen using local market indicators to the extent that they are in line with the guidance of IAS 19 such as iBoxx, Reuters and Bloomberg, as well as models developed by our actuaries. If a number of these indicators are considered to be less relevant as they may include corporate bonds of a lower quality than those required by IAS 19 (when information concerning the computation of such indicators is available and it is confirmed that such indicators are of a lower quality), 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. One of the main sources is provided by Reuters, taking the spread between inflation-linked bonds and conventional securities. The rate is 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 current data (such as inflation, turnover, 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 the income statement over the expected average remaining working lives of the employees participating in the plans, only to the extent that the net cumulative difference exceeds 10% of the greater of (1) the present value of the defined benefit obligation or (2) the fair value of the plan assets.

Quantitative information is provided in note 27.

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).

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 recognised 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 euros (EUR), 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:	**2010**	**2009**	**2010**	**2009**
US dollar (USD)	1.335	1.444	1.327	1.394
Canadian dollar (CAD)	1.334	1.516	1.367	1.586
Mexican peso (MXN)	16.539	18.899	16.759	18.805
Brazilian real (BRL)	2.215	2.512	2.332	2.773
British pound (GBP)	0.862	0.895	0.858	0.892
Chinese yuan (CNY)	8.803	9.855	8.981	9.524
Thai baht (THB)	40.119	48.097	42.021	47.812

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;
- The fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3.7. PERFORMANCE INDICATORS

3.7.1. Net Debt

Since the proceeds of the capital increase (note 24) has been partially invested in financial instruments which do not meet the definition of cash and cash equivalents (note 3.19), the Group has modified the components of its net debt in order to preserve the relevance of this not strictly accounting indicator.

In order to maintain the comparability of this indicator, this new definition has been applied retroactively.

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) non-recurring 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 Nr. 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.

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 equipments 5-12 years
- Computer and telecommunication equipments 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 ViaMichelin) This approach allows to have UGTs with cash flows that are separately identifiable from cash flows of other UGTs.

CGUs are tested annually as long as a goodwill is allocated to them. For most CGUs, recoverable amount is based on value in use, which is equal to future discounted cash flows using the Weighted Average Cost of Capital (WACC) as a discount rate. Future cash flows are based on the CGU's five-year cash flow forecasts plus a terminal value, measured by dividing projected cash flows by the WACC.

The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt capital and a risk premium reflecting the risks of the countries where the assets are located. Those rates are adjusted in order to determine a pre-tax discount rate, consistent with the pre-tax cash flow forecasts.

The gearing is based on target information. The beta is calculated according to the variance and the covariance between the Company stock price and the CAC 40 index using a 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. 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 the gains and losses are incurred as part of fair value hedges and therefore included in the income statement 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.

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 taking into account any unrecognized actuarial gains or losses and past service costs.

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 or losses arise mainly from changes in actuarial assumptions and differences between assumptions and actual experience. They are recognized in the income statement as a component of the Group net benefit plan cost only to the extent that, as of the beginning of the year, their net cumulative amount exceeds 10% of the greater of (1) the present value of the defined benefit obligation or (2) the fair value of the plan assets. In such case, the portion of actuarial gains or losses recognized in the income statement is the resulting excess divided by the expected average remaining working lives of the employees participating in the plan.

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 Partner 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.

EMPLOYEE SHARE PURCHASE PLANS

The Group may offer to substantially all 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 the 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 2010, trade receivables represent less than 16% 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 2010, the Group Credit Department continued the reduction of the term of payment.

4.2. FINANCIAL RISK DATA

4.2.1. Liquidity Risk

As at December 31, 2010, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2011	2012	2013	2014	2015	2016	2017 and beyond
Bonds	278	564	77	783	13	13	1,287
Loans from financial institutions and other	784	139	672	14	70	1	9
Obligation under finance lease	20	17	17	16	16	9	16
Derivative instruments	6	12	2	2	1	-	-
Repayment schedule of financial debts	**1,088**	**732**	**768**	**815**	**100**	**23**	**1,312**
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 EUR at closing rates). Thus displayed amounts are not discounted.

The last column (2017 and beyond) includes the super-subordinated notes issued by CGEM in 2003 and redeemable in cash (TSDR) for a nominal amount of €196 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, and thereafter at quarterly intervals until the maturity date of the notes in December 2033.

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 (€1,590 million) as well the cash management financial assets (€843 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, 2010						December 31, 2009					
(in € million)	USD	EUR	BRL	CHF	SEK	Other	USD	EUR	BRL	CHF	SEK	Other
Monetary assets	4,036	1,410	26	106	273	2,214	3,285	1,069	20	100	219	1,720
Monetary liabilities	(2,998)	(1,459)	(9)	(51)	(245)	(1,678)	(2,350)	(1,473)	-	(30)	(190)	(1,182)
Net position before hedging	**1,038**	**(49)**	**17**	**55**	**28**	**536**	**935**	**(404)**	**20**	**70**	**29**	**538**
Hedges	(1,121)	11	(26)	(63)	(23)	(540)	(975)	320	(21)	(64)	(33)	(397)
NET POSITION AFTER HEDGING	**(83)**	**(38)**	**(9)**	**(8)**	**5**	**(4)**	**(40)**	**(84)**	**(1)**	**6**	**(4)**	**141**

An unfavorable change in each of the foreign currencies mentioned in the table above against the funtional currencies of the companies which have the currency exposure would have a negative aggregate impact, after hedging, of €1 million (2009: less than €1 million) in the consolidated income statement for every cent change. A favorable change would have a totally symmetrical impact. This relativety low sensibility to the transaction currency risk is due to the objective described in paragraph 4.1.3.

Because of the low volume of cash flow hedge derivatives (note 16), 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, 2010	December 31, 2009
EUR	4,677	2,740
USD	1,102	901
BRL	837	713
CAD	368	358
THB	257	152
GBP	237	184
Other	649	447
TOTAL	**8,127**	**5,495**

4.2.3. Interest Rate Risk

Net debt as at December 31, 2010 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	2,165	(1,010)	**1,155**	(1,594)	2,165	(2,604)	**(439)**	(810)	810	1,355	(1,794)	**(439)**
USD	3	39	**42**	613	(47)	702	**655**	487	(487)	440	215	**655**
THB	-	181	**181**	191	-	372	**372**	299	(299)	299	73	**372**
CNY	-	113	**113**	151	-	264	**264**	-	-	-	264	**264**
BRL	-	18	**18**	166	-	184	**184**	-	-	-	184	**184**
Other currencies	11	52	**63**	473	11	525	**536**	-	-	11	525	**536**
Total before derivatives	**2,179**	**(607)**	**1,572**	**-**	**2,129**	**(557)**	**1,572**	**(24)**	**24**	**2,105**	**(533)**	**1,572**
Fair value of derivatives included in net debt			57				57					57
NET DEBT (NOTE 26)			**1,629**				**1,629**					**1,629**

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2010:

	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	**5**	(34)	-	(54)	**(88)**
1-point upward shift	**(5)**	22	-	54	**76**

(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, 2010	December 31, 2009
Carrying amount (note 15.1)	493	321
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	**(46)**	**(29)**

4.2.5. Counterparty Risk

As at December 31, 2010, 53% 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 90% of the remainder is invested directly in 15 of the main international banking groups which credit rating is equal or greater than "single A".

Most of the derivative contracts also lie with the same banking groups.

4.2.6. Credit Risk

As at December 31, 2010, net receivable balances from the 10 largest customers amounted to €415 million (2009: €362 million). 5 of these customers are located in North America and 5 in Europe. At the same date, 51 customers (2009: 43) had been granted credit limits in excess of €10 million. Out of these, 25 are located in Europe, 21 in North America, 2 in Asia, 2 in Middle-East and 1 in South America. There was no significant collateral received to limit credit risk. In 2010, credit losses represented 0.16% of sales (2009: 0.27%).

4.2.7. Commodities Derivatives

In 2010, the Group did not have any significant hedges of commodities purchases.

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 (note 24). This capital increase will be used principally to:

- Finance the acceleration of the Group's growth including, and notably, its increased annual capital expenditure;
- Enhance the Group's credit rating and its access to financing; and
- Generally reinforce the Group's financial flexibility.

The gearing ratios are as follows:

(in € million)	December 31, 2010	December 31, 2009
Net debt (note 26)	1,629	2,931
Total equity (as shown in the balance sheet)	8,127	5,495
Gearing ratio	**0.20**	**0.53**

As mentioned in note 3.7.1, the 2009 net debt has been restated since the Group adopted a new definition of this indicator in 2010.

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;
- Specialty businesses (Earthmover, Agricultural, Two-wheel and Aircraft tires; Maps and Guides, ViaMichelin 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. 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:

(in € million)	2010				2009			
	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	9,790	5,680	2,421	**17,891**	8,280	4,496	2,031	**14,807**
Operating income before non-recurring income and expenses	1,014	249	432	**1,695**	661	(69)	270	**862**
In percentage of net sales	*10.4%*	*4.4%*	*17.8%*	**9.5%**	*8.0%*	*(1.5%)*	*13.3%*	**5.8%**
Depreciation and amortization	(517)	(283)	(155)	**(955)**	(513)	(286)	(140)	**(939)**
Impairment	10	(14)	(6)	**(10)**	7	(6)	(2)	**(1)**
Segment assets								
Intangible assets and PP&E	4,035	2,487	1,447	**7,969**	3,682	2,546	1,278	**7,506**
Finished products inventories	1,148	831	417	**2,396**	973	674	344	**1,991**
Trade receivables	1,451	1,005	314	**2,770**	1,251	813	250	**2,314**
Total	**6,634**	**4,323**	**2,178**	**13,135**	**5,906**	**4,033**	**1,872**	**11,811**
Other information								
Capital expenditure	599	292	209	**1,100**	322	178	172	**672**

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, 2010	December 31, 2009
Segment assets	**13,135**	**11,811**
Non-current financial assets and other assets	1,108	712
Investments in associates and joint ventures	93	71
Deferred tax assets	828	942
Other net inventories (raw materials and supplies, work in progress)	1,374	1,003
Current financial assets	882	165
Other current assets	653	583
Cash and cash equivalents	1,590	1,231
TOTAL GROUP ASSETS	**19,663**	**16,518**

The geographic information is broken down by zone hereunder:

	2010				2009			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	7,682	6,148	4,061	**17,891**	6,752	4,994	3,061	**14,807**
Intangible assets and PP&E	4,430	1,607	1,932	**7,969**	4,409	1,549	1,548	**7,506**
Capital expenditure	664	186	250	**1,100**	423	152	97	**672**

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.

No single external customer amounted to 10% or more of the Group sales in 2010 and 2009.

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, 2010	Year ended December 31, 2009
Raw materials and consumables used and changes in finished products inventories	(7,389)	(5,943)
Employee benefit costs (note 7)	(4,836)	(4,515)
Transportation of goods	(963)	(773)
Depreciation, amortization and impairment charges	(965)	(940)
Other expenses	(2,043)	(1,774)
EXPENSES BY NATURE	**(16,196)**	**(13,945)**

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, 2010	Year ended December 31, 2009
Wages and salaries	(3,541)	(3,248)
Payroll taxes	(953)	(914)
Defined benefit plan costs (note 27.1)	(246)	(253)
Defined contribution plan costs (note 27.2)	(87)	(90)
Share-based payments (note 25)	(9)	(10)
EMPLOYEE BENEFIT COSTS	**(4,836)**	**(4,515)**

The average number of employees in 2010 was 110,007 (2009: 112,527).

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, 2010	Year ended December 31, 2009
Gain/(loss) on disposal of intangible assets and property, plant and equipment	5	20
Net restructuring costs	(11)	(22)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	(10)	(2)
Retiree benefit costs	(97)	(104)
Share-based payments (note 25)	(9)	(10)
Other operating income/(expenses)	(42)	(31)
OTHER OPERATING INCOME AND EXPENSES	**(164)**	**(149)**

NOTE 9 NON-RECURRING INCOME AND EXPENSES

In 2010, no expense or income has been recognized in non-recurring items.

Non-recurring income and expenses recognized in 2009 (€412 million) can be detailed as follows:

9.1. FRANCE

The Group announced, in the first half of 2009, a project aiming a new specialization of some of its industrial operations in France. A provision has been recognized for a net amount of €172 million related to the social costs, the equipment impairments and the costs necessary to deploy the revitalization plan for the impacted regions.

In addition to this specialization plan, the Group signed on November 12, 2009 with the trade unions a new workforce streamlining plan in France. A provision for a net amount of €41 million has been recognised covering the measures of this workforce streamlining plan.

9.2. NORTH AMERICA

North America implemented in the first half of 2009 an industrial and commercial restructuring plan. A provision for an amount of €127 million has been recognized to cover in particular the severance expenses and the equipment impairments.

9.3. JAPAN

The Group announced in the second half of 2009 a restructuring plan of its Ota manufacturing plant. A provision for an amount of €72 million has been recognized related to the social costs and the equipment impairments.

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, 2010	Year ended December 31, 2009
Interest expenses	(197)	(258)
Interest income	10	9
Interest rate derivatives	(49)	(10)
Other	-	(3)
COST OF NET DEBT	**(236)**	**(262)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	8	19
Currency remeasurement (including currency derivatives)	-	(13)
Other	2	4
OTHER FINANCIAL INCOME AND EXPENSES	**10**	**10**

The Group has slightly modified the presentation of its financial income and expenses in order to improve the meaning of the cost of net debt indicator. The impact of currency remeasurement has therefore moved from the cost of net debt to other financial income and expenses. The 2009 figures have been restated according to the new presentation.

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) and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 4.1.4).

As a consequence:

- Borrowings are essentially raised in euros (note 26);
- 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).

This process is described in the summary table in note 4.2.3.

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). Fluctuations in the derivatives' fair values are therefore accounted for in the income statement. The decrease in fair value during the year amounted to €48 million (2009: €10 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 amounting to less than 1 million euro (2009: 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 (2009: nil).

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	Year ended December 31, 2010	Year ended December 31, 2009
Current tax expense	(287)	(125)
Deferred tax income/(expense) (note 18)	(162)	22
INCOME TAX	**(449)**	**(103)**

Current tax includes €18 million of withholding tax on royalties and distribution of retained earnings between Group companies (2009: €21 million).

Reconciliation of the Group effective income tax:

(in € million)	Year ended December 31, 2010	Year ended December 31, 2009
Income before tax	**1,498**	**207**
Tax calculated using domestic tax rates applicable to income in the respective countries	**(449)**	**(37)**
Tax effect from:		
• Untaxed transactions	10	-
• Changes in unrecognized temporary differences	17	(32)
• Changes in unrecognized tax losses	(19)	(26)
• Change in tax rates	7	(2)
• Tax credits and withholding tax	5	2
• Other items	(20)	(8)
INCOME TAX	**(449)**	**(103)**

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 two types of dilutive potential shares: convertible bonds (note 26.1) and stock options (note 28.1). 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.

Following the share capital increase with preferential subscription rights issued in October 2010 and in order to maintain the comparability of past data, the weighted average number of shares used in the calculation of earnings per share has been restated to take into consideration an adjustment coefficient resulting from a capital increase at a price below the market value. This coefficient is based on the ratio between the value of the share before detaching the preferential subscription right and the value of share after detaching the preferential subscription right. The adjustment coefficient has been applied until the date of the capital increase.

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

	Year ended December 31, 2010	Year ended December 31, 2009
Net income/(loss) *(in € million)*, excluding the non-controlling interests	1,048	106
• Less, estimated grants to the General Partners	(12)	(2)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	**1,036**	**104**
• Plus, interest expenses on convertible bonds	27	-
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	**1,063**	**104**
Weighted average number of shares (thousands of shares) outstanding used in the calculation of basic earnings per share	**152,903**	**151,390**
• Plus, adjustment for share option plans	366	72
• Plus, adjustment for convertible bonds	6,742	-
Weighted average number of shares used in the calculation of diluted earnings per share	**160,011**	**151,462**
Earnings per share *(in €)*		
• Basic	6.78	0.69
• Diluted	6.64	0.69

2009 earnings per share as reported last year (€0.71 for basic earnings per share and €0.71 for diluted earnings per share) have been restated this year to take into account the impact of the capital increase with preferential subscription rights issued in October 2010. Thus, earnings per share are comparable for the two years presented.

Since the convertible bonds, as described in the note 26.1, are dilutive in 2010, they have been considered in the calculation of diluted earnings per share (they were antidilutive in 2009 and therefore they have not been considered in the calculation of diluted earnings per share). Taking into account the evolution of the average share price in 2010, the stock option plans of May 2006, May 2007, May 2008, November 2009 and May 2010, as described in the note 28.1 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 2010 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, 2009	**401**	**936**	**1,337**
Translation adjustments	1	-	1
Additions	1	77	78
Disposals	-	(22)	(22)
Changes in scope of consolidation	-	-	-
Transfers and other	-	2	2
Gross carrying amounts at December 31, 2009	**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**
Amortization and impairment at January 1, 2009	**-**	**(626)**	**(626)**
Translation adjustments	-	(1)	(1)
Amortization	-	(53)	(53)
Net impairment	-	-	-
Disposals	-	8	8
Changes in scope of consolidation	-	-	-
Transfers and other	-	-	-
Amortization and impairment at December 31, 2009	**-**	**(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)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2010	**416**	**360**	**776**
Net carrying amounts at December 31, 2009	**403**	**321**	**724**

13.1. GOODWILL

The amounts allocated to the CGUs are as follows:

(in € million)	December 31, 2010	December 31, 2009
CGU Passenger car and light truck tires North America	105	99
CGU Passenger car and light truck tires Southeast Asia/ Australia	118	102
CGU Passenger car and light truck tires Europe	66	70
Other CGUs (including CGUs Truck tires)	127	132
GOODWILL	**416**	**403**

The impairment tests have been done taking into account the two main following assumptions:

- The terminal value measured with a 1.5% growth rate for the CGUs located in mature countries, and 3% growth rate for the CGUs located in emerging countries;
- The pre-tax discount rate used to discount the future cash flows of the CGUs ranged between 11% and 13%.

Since the amount of goodwill is quite 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 2010, additions to intangible assets, amounting to €111 million (2009: €77 million) break down into the following categories:

- Software €83 million
- Emission rights – allowances granted €12 million
- Other €16 million

13.2.1.Software

The net carrying amount of software at December 31, 2010 was €244 million (2009: €211 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, 2010 amounts to 1.9 million metric tons representing a value of €28 million. The liability related to actual emissions in 2010 amounts to 0.6 million metric tons representing a value of €7 million. It will be offset by the delivery of the allowances granted.

13.2.3.Development Costs

In 2010 and 2009, 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, 2010 amounted to €36 million (2009: €15 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, 2009	**3,939**	**11,830**	**1,331**	**17,100**
Translation adjustments	95	241	29	365
Additions	104	462	43	609
Disposals	(65)	(566)	(87)	(718)
Changes in scope of consolidation	6	8	4	18
Transfers and other	2	1	(9)	(6)
Gross carrying amounts at December 31, 2009	**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**
Depreciation and impairment at January 1, 2009	**(1,854)**	**(7,237)**	**(963)**	**(10,054)**
Translation adjustments	(33)	(114)	(22)	(169)
Depreciation	(114)	(705)	(67)	(886)
Net impairment	(35)	(110)	(8)	(153)
Disposals	42	562	83	687
Changes in scope of consolidation	(1)	(8)	(2)	(11)
Transfers and other	-	(3)	3	-
Depreciation and impairment at December 31, 2009	**(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)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2010	**2,236**	**4,592**	**365**	**7,193**
Net carrying amounts at December 31, 2009	**2,086**	**4,361**	**335**	**6,782**

PP&E pledged as collateral amounted to €35 million (2009: €40 million) and PP&E under construction amounted to €1,225 million (2009: €978 million).

Accumulated impairment losses amounted to €155 million (2009: €229 million).

The borrowing costs capitalized in 2010 in PP&E amounted to €2 million (2009: less than €1 million).

14.1. FINANCE LEASES

Capitalized PP&E held under finance leases amounted to €99 million (2009: €106 million). The gross carrying amounts of these assets totaled €133 million (2009: €138 million).

The future minimum payments under finance leases by maturity are shown in the following table:

	December 31, 2010		December 31, 2009	
(in € million)	Present value	Undiscounted value	Present value	Undiscounted value
Within one year	16	20	12	15
Between one and five years	48	57	53	58
More than five years	28	40	35	48
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	**92**	**117**	**100**	**121**

14.2. OPERATING LEASES

Total operating lease rents recognized in the income statement in 2010 amounted to €279 million (2009: €259 million).

Future minimum payments under non-cancelable operating leases by maturity are as follows (not discounted):

(in € million)	December 31, 2010	December 31, 2009
Within one year	143	139
Between one and five years	338	330
More than five years	97	105
TOTAL FUTURE MINIMUM PAYMENTS	**578**	**574**

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, 2010	December 31, 2009
Available-for-sale financial assets (note 15.1)	493	321
Loans and deposits (note 15.2)	136	107
Derivative instruments (note 16.1)	37	39
Other	11	10
Financial assets	**677**	**477**
Other non-current assets – Defined benefit plans – plan surpluses (note 27.1)	**431**	**235**
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	**1,108**	**712**

15.1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consist essentially of a portfolio of equities, which are mostly quoted on a stock exchange.

Movements in the portfolio during the year are broken down in the table below:

(in € million)	2010	2009
At January 1	**321**	**218**
Translation adjustments	(2)	(2)
Net additions	9	6
Disposals	(1)	(32)
Fair value changes	166	131
AT DECEMBER 31	**493**	**321**

No significant available-for-sale financial asset has a book value below its historical cost.

The portfolio by currency can be broken down as follows:

(in € million)	December 31, 2010	December 31, 2009
KRW	322	230
EUR	73	57
USD	28	21
Other currencies	70	13
TOTAL	**493**	**321**

15.2. LOANS AND DEPOSITS

The carrying amount of loans and deposits is analyzed in the table below:

(in € million)	December 31, 2010	December 31, 2009
Gross loans and deposits	202	172
• Less impairments	(66)	(65)
TOTAL	**136**	**107**

Loans and deposits include borrowing collaterals (note 26) for €40 million (2009: nil). The balance includes loans to employees and customers.

The breakdown by currency and maturity is presented in the table below:

	December 31, 2010			December 31, 2009		
(in € million)	Between one and five years	More than five years	Total	Between one and five years	More than five years	Total
EUR	85	17	**102**	59	20	**79**
CHF	6	-	**6**	4	-	**4**
USD	6	-	**6**	4	-	**4**
Other currencies	22	-	**22**	20	-	**20**
TOTAL	**119**	**17**	**136**	**87**	**20**	**107**

15.3. FAIR VALUE MEASUREMENT HIERARCHY

The following table presents the Group assets and liabilities that are measured at fair value at December 31, 2010 by level of the fair value measurement hierarchy:

(in € million)	Level 1	Level 2	Level 3	Total
Derivatives (note 16.1)	-	41	-	41
Available-for-sales financial assets	414	-	79	493
TOTAL ASSETS	**414**	**41**	**79**	**534**
Derivatives (note 16.2)	-	98	-	98
TOTAL LIABILITIES	**-**	**98**	**-**	**98**

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, 2010:

(in € million)	
At January 1, 2010	**68**
Additions	9
Disposals	(1)
Transfers from other level into 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	5
Others	(2)
AT DECEMBER 31, 2010	**79**

NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS

As mentioned in note 3.5, some derivatives, while complying with the Group financial risk management policies, do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

16.1. DERIVATIVES RECOGNIZED IN ASSETS

	December 31, 2010		December 31, 2009	
(in € million)	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	36	810	22	810
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	-	-	11	300
• Interest-rate derivatives	1	162	-	69
• Other derivatives	-	-	6	100
Non-current derivative instruments (note 15)	**37**	**972**	**39**	**1,279**
Interest-rate derivatives qualifying as fair value hedges	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	2	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	4	342	5	310
• Interest-rate derivatives	-	-	2	154
• Other derivatives	-	-	-	-
Current derivative instruments (note 21)	**4**	**344**	**7**	**464**
TOTAL ASSETS	**41**	**1,316**	**46**	**1,743**

16.2. DERIVATIVES RECOGNIZED IN LIABILITIES

	December 31, 2010		December 31, 2009	
(in € million)	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	12	300	-	-
• Interest-rate derivatives	53	1,110	34	943
• Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	**65**	**1,410**	**34**	**943**
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	3	42	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	29	2,389	18	1,955
• Interest-rate derivatives	1	50	17	194
• Other derivatives	-	-	-	-
Current derivative instruments (note 26)	**33**	**2,481**	**35**	**2,149**
TOTAL LIABILITIES	**98**	**3,891**	**69**	**3,092**

The contractual amounts of the currency derivatives are presented by currency in the table below:

	December 31, 2010								December 31, 2009							
	Currencies purchased forward								Currencies purchased forward							
(in € million)	EUR	USD	JPY	THB	CAD	GBP	Other	Total	EUR	USD	JPY	THB	CAD	GBP	Other	Total
Currencies sold forward																
USD	961	-	-	118	-	-	71	**1,150**	787	-	9	64	22	5	69	**956**
JPY	305	45	-	1	-	-	-	**351**	253	-	-	1	-	-	-	**254**
THB	32	37	255	-	-	-	-	**324**	8	17	216	-	-	-	-	**241**
EUR	-	8	-	13	71	51	109	**252**	-	-	-	5	-	-	152	**157**
CNY	33	119	-	-	-	-	-	**152**	2	79	-	-	-	-	-	**81**
BRL	42	83	-	-	-	-	-	**125**	17	40	-	-	-	-	-	**57**
Other	513	199	-	1	-	-	8	**721**	745	71	-	3	-	-	-	**819**
TOTAL	**1,886**	**491**	**255**	**133**	**71**	**51**	**188**	**3,075**	**1,812**	**207**	**225**	**73**	**22**	**5**	**221**	**2,565**

The contractual amounts of other derivative financial instruments are presented by currency in the table below:

	December 31, 2010				December 31, 2009			
(in € million)	less than 1 year	between 1 and 3 years	more than 3 years	Total	less than 1 year	between 1 and 3 years	more than 3 years	Total
• EUR	-	60	750	**810**	4	-	810	**814**
• USD	-	861	75	**936**	344	208	554	**1,106**
• Other currencies	50	249	87	**386**	-	104	146	**250**
Interest-rate derivatives (including cross currency swaps)	**50**	**1,170**	**912**	**2,132**	**348**	**312**	**1,510**	**2,170**
• EUR	-	-	-	-	-	-	100	**100**
• USD	-	-	-	-	-	-	-	-
• Other currencies	-	-	-	-	-	-	-	-
Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**100**
TOTAL	**50**	**1,170**	**912**	**2,132**	**348**	**312**	**1,610**	**2,270**

At closing date, the Group has outstanding short term "futures" contracts for 4,155 tons of natural rubber. The market value of these contracts is an 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 €93 million (2009: €71 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)	2010	2009
Assets	501	430
Liabilities	149	166
Net sales	723	476
Net income	108	24

NOTE 18 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes in the balance sheet are as follows:

(in € million)	December 31, 2010	December 31, 2009
Deferred tax assets	828	942
Deferred tax liabilities	(45)	(40)
NET DEFERRED TAX ASSET	**783**	**902**

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € million)	December 31, 2010	December 31, 2009
Intangible assets	23	25
Financial instruments	118	128
Inventories	71	50
Receivables/payables	58	113
Employee benefits	723	693
Provisions	147	99
Unused tax losses	182	168
Unused tax credits	(31)	(12)
Deferred tax assets by type of temporary difference	**1,291**	**1,264**
Property, plant and equipment	(508)	(362)
Deferred tax liabilities by type of temporary difference	**(508)**	**(362)**
NET DEFERRED TAX ASSET	**783**	**902**

The change in the net deferred tax asset over the year is as follows:

(in € million)	2010	2009
At January 1	**902**	**857**
Translation adjustments	46	15
Deferred tax income/(expense) (note 11)	(162)	22
Tax recognized in the comprehensive income	(2)	(8)
Other	(1)	16
AT DECEMBER 31	**783**	**902**

The deferred tax asset utilization in 2010 comes essentially from temporary differences in the United States of America.

The deferred income tax recognized in equity is as follows:

(in € million)	December 31, 2010	December 31, 2009
Available-for-sale financial assets (statement of comprehensive income)	(11)	(8)
Compound financial instruments (convertible bond)	(16)	(16)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN EQUITY	**(27)**	**(24)**

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, 2010	December 31, 2009
Deductible temporary difference	**39**	**92**
Tax losses		
• Of which expiring in less than one year	8	5
• Of which expiring between one to five years	64	62
• Of which expiring in more than five years	59	13
• Of which evergreen	66	66
Total tax losses	**197**	**146**
Tax credits	**61**	**62**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**297**	**300**

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	December 31, 2010	December 31, 2009
Raw materials and supplies	1,093	801
Work in progress	322	241
Finished goods	2,461	2,058
Total gross inventory	**3,876**	**3,100**
Write-downs on raw materials and supplies	(40)	(38)
Write-downs on work in progress	(1)	(1)
Write-downs on finished goods	(65)	(67)
Total write-downs	**(106)**	**(106)**
NET INVENTORY	**3,770**	**2,994**

Sub-activity reduces the inventory balance and increases the operating expenses in cost of sales. The expense amounts to €33 million for the year ended December 31, 2010 (2009: €405 million). The impact of sub-activity in the inventory balance at December 31, 2010 is estimated at €7 million (2009: €85 million).

Movements in inventory write-downs were as follows:

(in € million)	2010	2009
At January 1	**(106)**	**(119)**
Translation adjustments and other	(4)	(2)
Write-downs of inventories recognized as an expense in the period	(42)	(91)
Reversals of write-downs	46	106
AT DECEMBER 31	**(106)**	**(106)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	December 31, 2010	December 31, 2009
Gross trade receivables	2,879	2,442
Impairment	(109)	(128)
TRADE RECEIVABLES	**2,770**	**2,314**

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2010:

(in € million)	Gross	Impairment	Net
Current trade receivables	2,574	(28)	2,546
Overdue			
• From less than three months	198	(2)	196
• Between three and six months	30	(6)	24
• From more than six months	77	(73)	4
Overdue trade receivables	305	(81)	224
TRADE RECEIVABLES	**2,879**	**(109)**	**2,770**

Movements in impairment are broken down in the table below:

(in € million)	2010	2009
At January 1	**(128)**	**(130)**
Translation adjustments	(7)	(1)
Impairment charges	(55)	(85)
Impairment reversals	81	88
AT DECEMBER 31	**(109)**	**(128)**

Impairment reversals in 2010 include write-offs of €28 million (2009: €39 million).

The Group runs three 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 €530 million (2009: €758 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 €381 million as at December 31, 2010 (2009: €594 million), has been accounted for as collateralized loans (note 26.2). As at December 31, 2010, the programs provide overcollateralization of €157 million (2009: €137 million) to the financial institutions.

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of the current financial assets is broken down in the table below:

(in € million)	December 31, 2010	December 31, 2009
Loans and deposits	35	38
Cash management financial assets (note 26)	843	120
Derivative instruments (note 16.1)	4	7
CURRENT FINANCIAL ASSETS	**882**	**165**

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). They are therefore accounted for at fair value through profit or loss (note 3.16). The average effective interest rate on cash management financial assets was 1.16% in 2010.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is analyzed in the table below:

(in € million)	December 31, 2010	December 31, 2009
Suppliers – advances	77	75
Current tax – advance payments	94	99
Other tax receivables	341	260
Other	149	159
Less impairment	(8)	(10)
OTHER CURRENT ASSETS	**653**	**583**

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, 2010	December 31, 2009
Cash at bank and in hand	211	193
Short-term bank deposits of less than three months and other cash equivalents	1,379	1,038
CASH AND CASH EQUIVALENTS	**1,590**	**1,231**

The average effective interest rate on short-term bank deposits was 0.94% in 2010 (2009: 1.23%).

Cash and cash equivalents are denominated in the following currencies:

(in € million)	December 31, 2010	December 31, 2009
EUR	1,346	835
USD	55	215
BRL	52	44
INR	26	37
Other	111	100
CASH AND CASH EQUIVALENTS	**1,590**	**1,231**

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2009: 144,997,422 shares outstanding	**290**	**1,944**	**2,234**
Issuance of 2,371,623 shares from the partial payment of dividend in shares	5	75	80
Issuance of 67,312 shares from the exercise of share options	-	2	2
Other	-	(34)	(34)
At December 31, 2009: 147,436,357 shares outstanding	**295**	**1,987**	**2,282**
Issuance of 27,159,876 shares from the October share capital increase (see below)	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**

The par value per share amounts to €2 (2009: €2). All outstanding shares are fully paid and registered. Shares held for more than 4 years have a double voting right.

As part of its capital risk management (note 4.3), the Group made in October 2010 a share capital increase with preferential subscription rights. 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 subscription price represented a 31.0% discount to the closing price of the share on September 27, 2010 and a 27.6% discount to the theoretical ex-right price. The gross issuance proceeds amount to €1,222 million, including €1,168 million of premium. The issuance costs (€35 million) net of the tax impact (€5 million) are deducted from the share premiums. The net issuance proceeds are invested in cash and cash equivalents (note 23) or in cash management financial assets (note 21).

The dividend granted to the shareholders during the period was €1 per share. The shareholders had the possibility to receive their dividend cash or the equivalent value in shares. It was settled as follows:

- Cash payment of €65 million;
- Issuance of new shares for a net amount of €82 million.

NOTE 25 RESERVES

	Translation reserve	Other reserves	Retained earnings	Total
At January 1, 2009	**(300)**	**78**	**3,096**	**2,874**
Dividends and other allocations	-	-	(150)	(150)
Stock option plans – cost of services rendered (notes 7 & 8)	-	-	10	10
Other	-	(1)	34	33
Transactions with the shareholders of the Company	**-**	**(1)**	**(106)**	**(107)**
Net income/(loss) attributable to the shareholders of the Company	-	-	106	106
Available-for-sale financial assets – unrealized gain/(loss)	-	131	-	131
Tax effect – available-for-sale financial assets – unrealized gain/(loss)	-	(8)	-	(8)
Available-for-sale financial assets – realized (gain)/loss recognized in income statement	-	(5)	-	(5)
Cash flow hedges – change in fair values	-	4	-	4
Cash flow hedges – (gain)/loss recognized in income statement	-	-	-	-
Currency translation differences	216	-	-	216
Other	-	-	(1)	(1)
Comprehensive income	**216**	**122**	**105**	**443**
At December 31, 2009	**(84)**	**199**	**3,095**	**3,210**
Dividends and other allocations	-	-	(150)	(150)
Stock option plans – cost of services rendered (notes 7 & 8)	-	-	9	9
Acquisition of non-controlling interests (China, Shanghai M WARRIOR Tire Co., Ltd)	-	-	(18)	(18)
Other	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**(159)**	**(159)**
Net income/(loss) attributable to the shareholders of the Company	-	-	1,048	1,048
Available-for-sale financial assets – unrealized gain/(loss)	-	166	-	166
Tax effect – available-for-sale financial assets – unrealized gain/(loss)	-	(2)	-	(2)
Available-for-sale financial assets – realized (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
Currency translation differences	294	-	-	294
Other	-	1	-	1
Comprehensive income	**294**	**163**	**1,048**	**1,505**
AT DECEMBER 31, 2010	**210**	**362**	**3,984**	**4,556**

NOTE 26 FINANCIAL LIABILITIES

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

(in € million)	December 31, 2010	December 31, 2009
Bonds	2,152	2,158
Loans from financial institutions and other	958	1,288
Finance lease liabilities (note 14.1)	76	88
Derivative instruments (note 16.2)	65	34
Non-current financial liabilities	**3,251**	**3,568**
Bonds and commercial paper	168	185
Loans from financial institutions and other	679	528
Finance lease liabilities (note 14.1)	16	12
Derivative instruments (note 16.2)	33	35
Current financial liabilities	**896**	**760**
FINANCIAL LIABILITIES	**4,147**	**4,328**

The Group net debt is analyzed in the table below:

(in € million)	December 31, 2010	December 31, 2009
Financial liabilities	4,147	4,328
Derivatives recognized as assets (note 16.1)	(41)	(46)
Borrowing collaterals – non-current portion (note 15.2)	(40)	-
Borrowing collaterals – current portion	(4)	-
Cash management financial assets (note 21)	(843)	(120)
Cash and cash equivalents (note 23)	(1,590)	(1,231)
NET DEBT	**1,629**	**2,931**

As mentioned in note 3.7.1, the 2009 net debt have been restated since the Group adopted a new definition of this indicator in 2010.

The fair value of non-current financial liabilities, calculated in accordance with note 3.6, is presented in the table below:

(in € million)	December 31, 2010	December 31, 2009
Bonds	2,384	2,454
Loans from financial institutions and other	958	1,288
Finance lease liabilities	76	88
Derivative instruments	65	34
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**3,483**	**3,864**

26.1. BONDS AND COMMERCIAL PAPER

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

Description	Effective interest rates at December 31, 2010	Carrying amount (in € million)			
		December 31, 2010		December 31, 2009	
		Current	Non-current	Current	Non-current
Subordinated bonds issued by Compagnie Générale des Établissements Michelin • nominal value of €196 million (2009: €231 million) • issued in December 2003 and due in December 2033, unless the Group elects to redeem them earlier between December 2013 and maturity • nominal interest rate of 6.375% until December 2013 and 3-month Euribor +2.95% thereafter • option to defer coupon payments when the Company does not distribute dividends • partially hedged through a €60 million interest rate swap (2009: €60 million) expiring in December 2013 (fair value hedge) (note 16)	6.60% (5.38%)(1)	-	199	-	233
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% • conversion and/or exchange ratio of 1 bond for 1,036 ordinary share(2) • issued in March 2007 and due in January 2017 • amount redeemable at maturity date: €941 million	4.67%	-	712	-	679
Bonds issued by Michelin Luxembourg SCS • nominal value of €750 million • issued in April 2009 and due in April 2014 • nominal interest rate of 8.625% • step-up of 125bp if downgraded below investment grade by at least one rating agency • hedged through a €750 million interest rate swaps (2009: €750 million) expiring in April 2014 (fair value hedge) (note 16)	8.88% (7.28%)(1)	-	764	-	747
Bonds issued by Michelin Luxembourg SCS • nominal value of €478 million (2009: €500 million) • issued in April 2002 and due in April 2012 • nominal interest rate of 6.5%	6.63%	-	477	-	499
Commercial paper issued by Compagnie Générale des Établissements Michelin • nominal value of €168 million (2009: €185 million)	0.86%	168	-	185	-
WEIGHTED AVERAGE EFFECTIVE INTEREST RATE AND TOTAL CARRYING AMOUNTS	**6.33% (5.71%)(1)**	**168**	**2,152**	**185**	**2,158**

(1) After hedging.
(2) The conversion ratio was updated due to the capital increase described in note 24. The previous ratio was one bond for one share.

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 20 and liabilities arising from put options granted to minority shareholders of subsidiaries.

Loans from financial institutions and other at December 31, 2010 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	THB	CNY	COP	BRL	USD	Other	Total
Fixed rates	1	-	-	-	-	-	-	1
Floating rates	1,050	183	119	73	70	63	78	1,636
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**1,051**	**183**	**119**	**73**	**70**	**63**	**78**	**1,637**
Weighted average effective interest rate	**1.73%**	**1.54%**	**5.00%**	**7.37%**	**7.28%**	**1.12%**	**5.96%**	**2.61%**

The exposure of loans from financial institutions and other to interest rate changes and the contractual repricing dates are as follows:

(in € million)	December 31, 2010	December 31, 2009
6 months or less	1,636	1,815
6-12 months	-	-
1-5 years	1	1
Over 5 years	-	-
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	**1,637**	**1,816**

26.3. RATING

At December 31, 2010, 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	Stable*	Stable*

* Positive outlook since January 12, 2011.

NOTE 27 EMPLOYEE BENEFITS

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 and contributions to general insurance schemes.

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 steepness of the yield curve. 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 2025 with Scale AA; Annuitants projected to 2017 with Scale AA); (ii) Canada 1994 UP projected 10 years to 2004; (iii) UK: Generational PA92 mc + 3yrs 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, 2010	December 31, 2009
Present value of fully or partly funded obligations	5,389	-	5,389	4,923
Fair value of plan assets	(4,681)	-	(4,681)	(3,867)
Funded status deficit/(surplus)	**708**	**-**	**708**	**1,056**
Present value of unfunded obligations	592	1,662	2,254	2,056
Unrecognized past service cost	(2)	65	63	65
Unrecognized actuarial gains and losses	(924)	(80)	(1,004)	(1,043)
Unrecognized asset due to application of asset ceiling	5	-	5	5
NET DEFINED BENEFIT OBLIGATION	**379**	**1,647**	**2,026**	**2,139**
Amounts recognized in the balance sheet:				
• As assets in Non-current financial assets and other assets (note 15)			(431)	(235)
• As liabilities in Employee benefit obligations			2,457	2,374
NET LIABILITY			**2,026**	**2,139**

Unrecognized actuarial gains and losses (corresponding to changes in the present value of projected defined benefit obligations or the fair value of defined benefit plan assets) arise primarily from:

- changes in long-term actuarial assumptions such as inflation rate, discount rate, future salary levels and mortality tables; and
- differences between actuarial assumptions and actual experience.

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 net actuarial losses and 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.

At December 31, 2010, unrecognized actuarial losses amounted to €1,004 million (2009: €1,043 million) and unrecognized past service cost amounted to €63 million (2009: €65 million).

At December 31, 2010, the application of the asset ceiling led the Group not to recognize an asset for an amount of €5 million (2009: €5 million).

Movements in net defined benefit obligations recognized in the balance sheet:

(in € million)	Pension plans	Other plans	2010	2009
At January 1	**599**	**1,540**	**2,139**	**2,443**
Translation adjustments	(12)	94	82	26
Expenses recognized in the income statement (recurring items) (note 7)	150	96	246	253
Contributions paid to the funds	(335)	-	(335)	(362)
Benefits paid directly to the beneficiaries	(23)	(83)	(106)	(146)
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	(75)
Changes in scope of consolidation	-	-	-	-
AT DECEMBER 31	**379**	**1,647**	**2,026**	**2,139**

In 2010, the net amount recognized in the consolidated income statement was an expense of €246 million (2009: €178 million), broken down as follows:

(in € million)	Pension plans	Other plans	Year ended December 31, 2010	Year ended December 31, 2009
Cost of services rendered during the year	59	36	95	88
Interest cost	323	82	405	401
Expected return on plan assets	(299)	-	(299)	(238)
Amortization of actuarial gains/losses during the year	58	(8)	50	24
Past service cost recognized during the year	-	(14)	(14)	15
Effect of plan curtailments and settlements	8	-	8	(40)
Effect of applying the asset ceiling	1	-	1	3
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	(75)
TOTAL RECORDED IN THE INCOME STATEMENT	**150**	**96**	**246**	**178**

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 ("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);
- Gain/loss resulting from the effect of applying the asset ceiling.

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 and the RRSP plan in Canada.

The following table analyzes changes in the financial position of the Group defined benefit pension plans:

				2010				2009
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	2,821	2,626	41	**5,488**	2,360	2,180	24	**4,564**
Translation adjustments	267	73	4	**344**	29	124	4	**157**
Changes in scope of consolidation	-	-	-	**-**	2	16	-	**18**
Current service cost	34	17	1	**52**	28	16	1	**45**
Interest cost	174	146	3	**323**	166	137	2	**305**
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	2	7	-	**9**	9	(16)	10	**3**
• Unrecognized costs	-	-	-	**-**	-	-	-	**-**
Benefits paid	(198)	(113)	1	**(310)**	(182)	(143)	-	**(325)**
Other items	(2)	4	2	**4**	-	-	1	**1**
Unrecognized actuarial (gains)/losses generated during the year	110	(40)	1	**71**	409	312	(1)	**720**
Present value of the obligations at the end of the year	**3,208**	**2,720**	**53**	**5,981**	**2,821**	**2,626**	**41**	**5,488**
Fair value of plan assets at the beginning of the year	2,259	1,589	19	**3,867**	1,838	1,350	12	**3,200**
Translation adjustments	219	59	3	**281**	39	107	3	**149**
Changes in scope of consolidation	-	-	-	**-**	-	17	-	**17**
Expected return on plan assets	191	105	2	**298**	148	87	2	**237**
Contributions paid to the plans	247	88	1	**336**	309	46	1	**356**
Administration costs	-	(5)	-	**(5)**	-	(7)	-	**(7)**
Benefits paid by the plans	(197)	(92)	2	**(287)**	(181)	(122)	-	**(303)**
Other items	-	-	-	**-**	-	-	-	**-**
Unrecognized actuarial gains/(losses) generated during the year	107	88	(4)	**191**	106	111	1	**218**
Fair value of plan assets at the end of the year	**2,826**	**1,832**	**23**	**4,681**	**2,259**	**1,589**	**19**	**3,867**
DEFICIT/(SURPLUS) AT THE END OF THE YEAR	**382**	**888**	**30**	**1,300**	**562**	**1,037**	**22**	**1,621**
Deferred items at the beginning of the year	795	231	(4)	**1,022**	544	19	(1)	**562**
Translation adjustments	69	9	(1)	**77**	(10)	5	-	**(5)**
Changes in scope of consolidation	-	-	-	**-**	(1)	-	-	**(1)**
Unrecognized asset due to application of the asset ceiling generated during the year	-	-	-	**-**	(4)	-	-	**(4)**
Amortization of actuarial gains/losses during the year	53	5	-	**58**	37	(6)	-	**31**
Amortization of plan reorganization costs during the year	-	-	-	**-**	-	-	-	**-**
Unrecognized actuarial gains/losses generated during the year	(104)	(138)	5	**(237)**	229	213	(3)	**439**
Unrecognized plan reorganization costs generated during the year	-	-	1	**1**	-	-	-	**-**
DEFERRED ITEMS AT THE END OF THE YEAR	**813**	**107**	**1**	**921**	**795**	**231**	**(4)**	**1,022**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**(431)**	**781**	**29**	**379**	**(233)**	**806**	**26**	**599**

In 2010, the present value of defined benefit pension obligations increased by €-493 million. This increase is due to:

• The effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	€-344 million	(2009: €-157 million)
• Actuarial losses from changes in actuarial assumptions and the difference between assumptions and actual experience	€-71 million	(2009: €-720 million)
• The difference between the costs (service cost and interest cost) and the benefits paid during the year	€-65 million	(2009: €-25 million)
• Changes in plan regulations	€-9 million	(2009: €-3 million)
• Changes in the scope of consolidation	€– million	(2009: €-18 million)
• Other items	€-4 million	(2009: €-1 million)

The fair value of plan assets amounted to €4,681 million at December 31, 2010, showing an increase of €814 million compared to December 31, 2009. The factors behind this increase are as follows:

• The effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	€281 million	(2009: €149 million)
• The difference between the contributions paid to the funds and the benefits paid by the funds	€ 44 million	(2009: €46 million)
• The actual return on plan assets	€489 million	(2009: €456 million)
• Changes in the scope of consolidation	€– million	(2009: €17 million)
• Other items	€– million	(2009: €– million)

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 2010 and the previous four periods:

(in € million)	2010	2009	2008	2007	2006
Defined benefit obligation	(5,981)	(5,488)	(4,564)	(5,580)	(6,205)
Plan assets	4,681	3,867	3,200	4,744	4,858
SURPLUS/(DEFICIT)	**(1,300)**	**(1,621)**	**(1,364)**	**(836)**	**(1,347)**
Experience adjustment to:					
• Plan liabilities	86	(10)	(80)	(31)	(2)
• Plan assets	191	219	(1,073)	64	192

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:

Experience adjustment to:	2010	2009	2008	2007	2006
• Plan liabilities in percentage of the present value of the obligation (DBO)	1.44%	-0.18%	-1.75%	-0.56%	-
• Plan assets in percentage of the fair value of the assets	4.08%	5.66%	-33.53%	1.35%	3.95%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2010			December 31, 2009		
	North America	Europe	Other	North America	Europe	Other
Discount rate	5.25%	5.36%	10.56%	5.76%	5.50%	10.65%
Rate of salary increases	2.64%	3.46%	6.30%	2.81%	3.49%	6.39%
Average remaining service lives (in years)	10.3	10.8	10.5	10.5	11.2	12.4
Expected return on plan assets	7.43%	6.67%	10.56%	8.00%	6.49%	10.65%

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 2010 would have the following effect:

	1-point increase	1-point decrease
Effect of discount rate change on the defined benefit obligation (DBO)	-12.20%	15.10%
Effect of discount rate change on the aggregate of current service cost and interest cost	1.00%	-2.30%
Effect of inflation rate change on the defined benefit obligation (DBO)	8.20%	-8.10%
Effect of inflation rate change on the aggregate of current service cost and interest cost	8.70%	-8.60%
Effect of salary increase rate change on the defined benefit obligation (DBO)	3.00%	-2.70%
Effect of salary increase rate change on the aggregate of current service cost and interest cost	4.10%	-3.50%
Effect of interest rate change on the fair value of plan assets	-3.70%	4.10%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

(in € million)	Year ended December 31, 2010 North America	Europe	Other	Total	Year ended December 31, 2009 North America	Europe	Other	Total
Cost of services rendered during the year	34	23	2	**59**	**27**	23	3	**53**
Interest cost	173	146	4	**323**	**169**	138	1	**308**
Expected return on plan assets	(191)	(105)	(3)	**(299)**	**(150)**	(86)	(2)	**(238)**
Amortization of actuarial gains/losses during the year	53	5	-	**58**	**24**	(6)	-	**18**
Past service cost recognized during the year	-	-	-	**-**	**-**	6	9	**15**
Effect of plan curtailments and settlements	2	7	(1)	**8**	**-**	(22)	-	**(22)**
Effect of applying the asset ceiling	1	-	-	**1**	**3**	-	-	**3**
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	**-**	**24**	-	-	**24**
TOTAL DEFINED PENSION BENEFIT EXPENSES	**72**	**76**	**2**	**150**	**97**	**53**	**11**	**161**
Actual return on plan assets	**299**	**193**	**(2)**	**490**	**254**	**198**	**3**	**455**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2010 Canada	USA	UK	Other	December 31, 2009 Canada	USA	UK	Other
Equities	52%	42%	49%	10%	56%	40%	54%	8%
Alternative investments[(1)]	11%	18%	7%	-	9%	18%	-	2%
Real estate	6%	3%	-	8%	-	4%	-	7%
Fixed income and cash	31%	37%	44%	82%	35%	38%	46%	83%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Duration in years of the fixed income portfolio	**12**	**8**	**11**	**N/A**	**15**	**11**	**12**	**N/A**

(1) Hedge funds and private equity.

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 portfolio.

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 2010 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Contributions paid/payments made				
2010	247	110	1	358
Estimates of contributions expected to be paid and payments to be made				
2011	19	54	2	75
2012	81	48	1	130
2013	169	80	2	251
2014	165	79	2	246
2015	159	83	3	245
2016-2020	258	419	15	692

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 2010, on top of the ordinary contributions, it was decided to make advanced contributions in the USA and the UK for amounts which are due in 2011 and 2012 and in Canada for amounts which are due between 2011 and 2016.

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, France and Italy. "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:

	December 31, 2010				December 31, 2009			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligation at the beginning of the year	858	632	1	**1,491**	763	702	1	**1,466**
Translation adjustments	80	1	-	**81**	4	1	-	**5**
Changes in scope of consolidation	-	-	-	**-**	-	(3)	-	**(3)**
Current service cost	11	23	-	**34**	8	24	-	**32**
Interest cost	52	29	-	**81**	52	40	-	**92**
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	-	(2)	-	**(2)**	-	(109)	-	**(109)**
• Unrecognized costs	-	-	-	**-**	-	(4)	-	**(4)**
Benefits paid	(56)	(26)	-	**(82)**	(52)	(66)	-	**(118)**
Other items	2	1	-	**3**	(1)	2	-	**1**
Unrecognized actuarial (gains)/losses generated during the year	57	(1)	-	**56**	84	45	-	**129**
Present value of the obligations at the end of the year	**1,004**	**657**	**1**	**1,662**	**858**	**632**	**1**	**1,491**
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	-	-	-	**-**	-	-	-	**-**
Unrecognized actuarial gains/(losses) generated during the year	-	-	-	**-**	-	-	-	**-**
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
DEFICIT/(SURPLUS) AT THE END OF THE YEAR	**1,004**	**657**	**1**	**1,662**	**858**	**632**	**1**	**1,491**
Deferred items at the beginning of the year	(164)	115	-	**(49)**	(279)	104	-	**(175)**
Translation adjustments	(13)	-	-	**(13)**	-	2	-	**2**
Changes in scope of consolidation	-	-	-	**-**	1	-	-	**1**
Amortization of actuarial gains/losses during the year	-	-	-	**-**	(8)	11	-	**3**
Amortization of plan reorganization costs during the year	(3)	(5)	-	**(8)**	21	(19)	-	**2**
Unrecognized actuarial gains/losses generated during the year	22	(8)	-	**14**	101	22	-	**123**
Unrecognized plan reorganization costs generated during the year	63	8	-	**71**	-	(5)	-	**(5)**
DEFERRED ITEMS AT THE END OF THE YEAR	**(95)**	**110**	**-**	**15**	**(164)**	**115**	**-**	**(49)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	**1,099**	**547**	**1**	**1,647**	**1,022**	**517**	**1**	**1,540**

In 2010 the present value of other defined benefit plans increased by €-171 million, due to:

• The effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	€-81 million	(2009: €-5 million)
• Changes in plan regulations	€2 million	(2009: €113 million)
• The difference between the costs (service cost and interest cost) and the benefits paid during the year	€-33 million	(2009: €-6 million)
• Actuarial losses due to changes in actuarial assumptions and to the difference between assumptions and actual experience	€-56 million	(2009: €-129 million)
• Changes in the scope of consolidation	€– million	(2009: €3 million)
• Other items	€-3 million	(2009: €-1 million)

The present value of the defined benefit obligation and experience adjustments are as follows for 2010 and the previous four periods:

(in € million)	2010	2009	2008	2007	2006
Defined benefit obligation	(1,662)	(1,491)	(1,466)	(1,650)	(1,754)
Experience adjustments to plan liabilities	(27)	33	18	19	26
Experience adjustments to plan liabilities (in% of present value of the obligation (DBO)	1.62%	2.21%	1.23%	1.15%	1.48%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	December 31, 2010			December 31, 2009		
	North America	Europe	Other(1)	North America	Europe	Other(1)
Discount rate	5.25%	4.92%	-	5.74%	4.63%	-
Average remaining service lives (in years)	11.1	13.9	-	12.3	12.3	-

(1) The Group has no "Other Defined Benefit Plans" requiring the use of actuarial assumptions outside North America and Europe.

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2010		December 31, 2009	
	USA	Canada	USA	Canada
Expected growth in healthcare costs in the first year	7.84%	5.00%	8.17%	6.35%
Minimum long-term rate of annual growth in healthcare costs	5.00%	5.00%	5.00%	5.00%
Year in which the minimum growth rate will be achieved	2017	2011	2015	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 2010 would have the following effect:

	1-point increase	1-point decrease
Effect of the discount rate change on the defined benefit obligation (DBO)	-10.3%	12.4%
Effect of the discount rate change on the aggregate of current service cost and interest cost	1.0%	-1.6%
Effect of the healthcare cost trend on the healthcare defined benefit obligation	6.9%	-6.0%
Effect of the healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plans	7.6%	-6.4%

Net income and expenses recognized in the income statement are as follows:

	Year ended December 31, 2010				Year ended December 31, 2009			
(in € million)	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	11	25	-	**36**	8	26	1	**35**
Interest cost	53	29	-	**82**	53	40	-	**93**
Expected return on plan assets	-	-	-	**-**	-	-	-	**-**
Amortization of actuarial gains/losses during the year	(3)	(5)	-	**(8)**	(5)	11	-	**6**
Past service cost recognized during the year	(23)	9	-	**(14)**	(22)	22	-	**-**
Effect of plan curtailments and settlements	-	-	-	**-**	-	(18)	-	**(18)**
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	**-**	(4)	(95)	-	**(99)**
TOTAL OTHER DEFINED BENEFIT EXPENSES	**38**	**58**	**-**	**96**	**30**	**(14)**	**1**	**17**

Group payments made under other defined plans in 2010 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Payments made				
2010	57	26	-	83
Estimates of payments to be made				
2011	68	24	-	92
2012	69	21	-	90
2013	68	26	-	94
2014	69	43	-	112
2015	70	66	-	136
2016-2020	357	364	-	721

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 2010, the contributions paid to such defined contribution plans and expensed amounted to €87 million (2009: €90 million)

NOTE 28 SHARE-BASED PAYMENTS

28.1. STOCK OPTION PLANS

Data related to plans issued before October 2010 (number of options and exercise prices) have been restated to take into account the impact of the capital increase with preferential subscription rights (note 24).

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2010		2009	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**59.86**	**4,767,721**	**62.18**	**3,468,763**
Granted before the October 2010 capital increase	54.00	251,100	53.00	1,398,310
Adjusted as part of the October 2010 capital increase	58.60	171,079	-	-
Forfeited before the October 2010 capital increase	61.78	(37,120)	59.79	(32,040)
Forfeited after the October 2010 capital increase	75.17	(3,054)	-	-
Exercised before the October 2010 capital increase	41.91	(206,890)	36.78	(67,312)
Exercised after the October 2010 capital increase	40.11	(68,617)	-	-
AT DECEMBER 31	**58.49**	**4,874,219**	**59.86**	**4,767,721**

1,676,511 of the 4,874,219 options outstanding as at December 31, 2010 are exercisable (2009: 4,767,721 in total and 1,770,591 exercisable).

Assumptions used to value the share options granted in 2010 are as follows:

Grant date	May 12, 2010
Number of options granted	251,100
Weighted average share price (euros per share)	53.56
Exercise price (euros per share)	54.00
Volatility	37.70%
Risk free interest rate	3.78%
Market value of the option at grant date (in euros per option)	9.08

The maximum gain allowed is limited to 100% of the exercise price.

Stock option plans have the following exercise prices and expiry dates:

			December 31, 2010		December 31, 2009	
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	42.47	147,472	44.00	202,236
May 2003	May 2007	May 2012	31.13	48,977	32.25	75,275
November 2003	November 2007	November 2012	32.82	113,419	34.00	157,700
May 2004	May 2008	May 2013	38.61	102,900	40.00	145,300
July 2004	July 2008	July 2013	42.96	101,691	44.50	116,200
May 2005	May 2009	May 2014	46.34	217,557	48.00	216,000
November 2005	November 2009	November 2014	46.34	807,632	48.00	857,880
May 2006	May 2010	May 2015	55.99	136,863	58.00	133,900
May 2007	May 2011	May 2016	87.85	1,183,652	91.00	1,154,920
May 2008	May 2012	May 2017	59.85	319,095	62.00	310,000
November 2009	November 2013	November 2018	51.16	1,434,823	53.00	1,398,310
May 2010	May 2014	May 2019	52.13	260,138	-	-
OUTSTANDING STOCK OPTIONS				**4,874,219**		**4,767,721**

28.2. SHARE PURCHASE PLAN

No share purchase plan has been implemented in 2010.

7

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

The carrying amount of provisions and other long-term liabilities is analyzed in the table below:

(in € million)	December 31, 2010	December 31, 2009
Restructuring provisions	366	573
Litigation provisions	121	111
Other provisions	86	90
Provisions	**573**	**774**
Deferred revenue – Government grants	129	128
Other deferred revenue	151	119
Debts towards employees and social security authorities	85	84
Non-current liabilities	**365**	**331**
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	**938**	**1,105**

Movements in provisions during the year:

(in € million)	Restructuring	Litigation	Other provisions	Total
At January 1, 2010	**573**	**111**	**90**	**774**
Additional provisions	40	66	36	142
Provisions utilized during the year	(229)	(54)	(40)	(323)
Unused provisions reversed during the year	(27)	(5)	(9)	(41)
Translation adjustments	10	3	2	15
Other effects	(1)	-	7	6
AT DECEMBER 31, 2010	**366**	**121**	**86**	**573**

29.1. RESTRUCTURING

As at December 31, 2010, the remaining restructuring provisions were mainly related to restructuring taking place in the following countries:

(in € million)	December 31, 2010	December 31, 2009
• France	176	283
• Spain	109	154
• Italy	28	42
• North America	28	50
• Germany	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 the heading "general and administrative costs".

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 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, 2010	December 31, 2009
Customers – Deferred rebates	825	694
Employee benefits	370	318
Social security liabilities	290	284
Restructuring liabilities	23	57
Current income tax payable	120	136
Other taxes	235	176
Other	273	262
OTHER CURRENT LIABILITIES	**2,136**	**1,927**

NOTE 31 DETAILS OF THE CASH FLOW STATEMENT

Details of the cash flow statement are presented in the table below:

(in € million)	Year ended December 31, 2010	Year ended December 31, 2009
(Gains)/losses on disposal of non-financial assets	(5)	(20)
Other	(9)	(8)
Other non-cash income and expenses	**(14)**	**(28)**
Interest and other financial expenses paid	(229)	(258)
Interest and other financial income received	32	39
Dividends received	20	12
Cost of net debt and other financial income and expenses paid	**(177)**	**(207)**
Change in inventory	(584)	759
Change in trade receivables	(338)	182
Change in other receivables and payables	495	6
Change in working capital, net of impairments	**(427)**	**947**
Purchases of intangible assets	(99)	(70)
Purchases of PP&E	(1,001)	(602)
Government grants received	4	3
Change in capital expenditure payables	132	(38)
Purchases of intangible assets and PP&E	**(964)**	**(707)**
Increase in other non-current financial assets	(19)	(26)
Decrease in other non-current financial assets	34	32
Net cash flows from cash management financial assets	(723)	(120)
Net cash flows from borrowing collaterals	(44)	-
Net cash flows from other current financial assets	9	5
Cash flows from other financial assets	**(743)**	**(109)**
Bonds issued by Michelin Luxembourg SCS, maturing in 2014	-	750
Other Increases in non-current financial liabilities	150	368
Decrease in non-current financial liabilities	(201)	(709)
Repayment of finance lease liabilities	(11)	(87)
Repayment of bonds issued by Michelin Luxembourg SCS, matured in 2009	-	(470)
Net cash flows from current financial liabilities	(402)	(664)
Derivatives	27	145
Cash flows from financial liabilities	**(437)**	**(667)**
Details of non cash transactions:		
• Finance leases	3	7
• Put options granted to minority shareholders of subsidiaries	(5)	(17)
• New emission rights	12	7
• Dividends paid in shares (note 24)	82	80

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1. 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, 2010, the discounted guaranteed amount in excess of the amount already recognized in the financial statements amounts to €217 million.

32.2. OTHER COMMITMENTS

The Group has various purchase commitments for materials and services as well as for the acquisition of equipment. These commitments primarily relate to the forecasts of investments and to the level of activity expected in the first half of 2011. They are established under normal market conditions and arise in the course of the Group ordinary activities.

32.3. OTHER CONTINGENCIES

In the course of their ordinary activities, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and the cash outflows probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims. In the opinion of Group management, the outcome of these actions will not have a material adverse effect on the Group financial position or cash flows.

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.

NOTE 33 ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

There were no significant acquisitions or divestments in 2010.

NOTE 34 RELATED PARTY TRANSACTIONS

34.1. SUBSIDIARIES AND ASSOCIATES

The list of the major Group subsidiaries is included in note 36. 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)	2010	2009
Income statement		
Expenses for the purchase of products or supply of services	(151)	(79)
Balance sheet		
Financial liabilities	(10)	(21)
Accounts payable	(11)	(9)

34.2. SENIOR MANAGEMENT AND SUPERVISORY BOARD

In 2010, the Managing General Partner received in respect of 2009, an aggregate amount of €0.7 million, proportional to and dependent upon profit (2009 in respect of 2008: €2.5 million). The Managing General Partner has not received any other compensation.

The compensation paid to the non-general Managing Partners in 2010 totaled €3.4 million (2009: €2.0 million). This amount breaks down as follows:

(in € million)	2010	2009
Short term benefits	2.5	1.5
Post-employment benefits	0.9	0.4
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	0.1
COMPENSATION PAID TO NON-GENERAL MANAGING PARTNERS	**3.4**	**2.0**

The variable compensation to be paid for 2010 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 compensation paid to the members of the Group Executive Council in 2010 totaled €6.6 million (2009: €5.3 million). This amount breaks down as follows:

(in € million)	2010	2009
Short term benefits	4.5	4.1
Post-employment benefits	1.4	0.6
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	0.7	0.6
COMPENSATION PAID TO MEMBERS OF THE GROUP EXECUTIVE COUNCIL	**6.6**	**5.3**

The following fees were paid in 2010 to the Supervisory Board Members (for services rendered in 2009): €0.3 million (2009 for services rendered in 2008: €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 2010 consolidated financial statements.

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
S.O.D.G.	Clermont-Ferrand	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
ViaMichelin	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

Companies	Registered office	Nature	% of interest
Ireland			
Mireis Limited	Dublin	Miscellaneous	100.00
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
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

Companies	Registered office	Nature	% of interest
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	New Delhi	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
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

Companies	Registered office	Nature	% of interest
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
Siam Tyre Phra Pradaeng Co., Ltd.	Samutprakarn	Manufacturing	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 Warrior 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	Manufacturing & 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, 2010

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of Compagnie Générale des Etablissements Michelin
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing 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, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French commercial code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2 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, 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 and social environments.
- Note 18 to the accounts "Deferred tax assets and liabilities" presents net deferred tax assets amounting to EUR 783 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 8, 2011

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

COMPANY FINANCIAL STATEMENTS

8

8.1_ REVIEW OF THE FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN

Compagnie Générale des Etablissements 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. It invoices the corresponding services and research costs to the other Group companies based on a proportionate cost allocation key.
- 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 €184,932,000 in 2010, up €69.3 million from the €115,592,000 reported in 2009.

8.1.1.a) Operating income

Operating income amounted to €155.0 million, compared with €51.3 million in 2009. On a constant scope of consolidation basis, royalty revenue rose by 28% during the year, while operating expenses increased to €325.1 million from €307.0 million, primarily as a result of the higher research expenses re-invoiced to CGEM and the costs of organizing the Michelin Challenge Bibendum in Rio de Janeiro and the International Bib Forum in Paris.

8.1.1.b) Financial income

Financial income stood at €59.1 million, versus €71.2 million in 2009. The slight decline in dividend income in 2010 was offset by the increase in income from loans and advances to subsidiaries and affiliates, whereas in 2009 financial income was exceptionally high due to the retirement of part of the subordinated notes.

8.1.2. BALANCE SHEET

Equity amounted to €6,102 million at December 31, 2010, compared with €4,780 million a year earlier. In addition to the growth in net income for the year, the increase primarily reflected the rise in share capital and paid-in capital in excess of par following the €1.2 billion share issue in September 2010 and, to a lesser extent, the issue of shares on dividend reinvestment and the exercise of stock options.

8.2_ FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

BALANCE SHEET AT DECEMBER 31, 2010

Assets *(in € thousand)*	Note	December 31, 2010 Cost	December 31, 2010 Depreciation, amortization & provisions	December 31, 2010 Net	December 31, 2009 Net
Non-current assets					
Intangible assets					
Patents, licenses and other rights		26,095	25,995	100	189
Other intangible assets		62	58	4	5
	5	**26,157**	**26,053**	**104**	**194**
Property and equipment					
Land		102		102	102
Buildings		1,837	1,811	26	32
Other		346	336	10	21
	5	**2,285**	**2,147**	**138**	**155**
Investments(1)					
Shares in subsidiaries and affiliates	5-6-7-22-23	5,780,536	91	5,780,445	5,070,566
Loans and advances to subsidiaries and affiliates	5-7-9	900,821		900,821	855,616
Other equity interests	5-7-9-22	3,181		3,181	3,497
	5	**6,684,538**	**91**	**6,684,447**	**5,929,679**
(I)		**6,712,980**	**28,291**	**6,684,689**	**5,930,028**
Current assets					
Receivables	9	284,050		284,050	163,719
Marketable securities		1	0	1	1
Cash		464,457		464,457	154
		748,508	**0**	**748,508**	**163,874**
Accruals					
Prepaid expenses		121		121	114
(II)		**748,629**	**0**	**748,629**	**163,988**
Deferred charges and bond call premiums (III)		**940**		**940**	**1,157**
Conversion losses (IV)					
TOTAL ASSETS (I)+(II)+(III)+(IV)		**7,462,549**	**28,291**	**7,434,258**	**6,095,173**
(1) of which: short-term				270,821	225,616
of which: long-term				630,020	630,000

Equity and Liabilities *(in € thousand)*		Note	**December 31, 2010**	**December 31, 2009**
Equity				
Share capital		13	353,216	294,873
Paid in capital in excess of par		2	3,214,615	1,987,165
Revaluation reserves		11	624,772	624,772
Other reserves		12	1,277,527	1,277,039
Retained earnings			385,212	418,584
Net income for the year			184,932	115,592
Untaxed reserves		6	61,598	61,598
	(I)		**6,101,872**	**4,779,623**
Provisions				
Provisions for charges	**(II)**			
Liabilities[1]				
Convertible bonds		10	784,821	761,492
Other bonds			13	15
Subordinated notes		10	197,235	232,483
Other borrowings		10	168,500	185,150
Other financial liabilities[2]		7-10	33	17,629
Accrued taxes and payroll costs		10	3,668	656
Other liabilities		7-10	178,116	118,125
			1,332,386	**1,315,550**
Accruals				
Deferred income				
	(III)		**1,332,386**	**1,315,550**
Conversion gains	**(IV)**			
TOTAL EQUITY AND LIABILITIES	**(I)+(II)+(III)+(IV)**		**7,434,258**	**6,095,173**
(1) of which: long-term			981,096	992,627
of which: short-term			351,290	322,923
(2) of which short-term bank loans and overdrafts			0	1

Notes 1 to 23 are an integral part of the financial statements of Compagnie Générale des Etablissements Michelin.

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

(in € thousand)		Note	2010	2009
Revenue				
Royalties (of which, export revenues: €427,628)		14	479,974	355,783
Other revenue			73	2,538
Total revenue	**(I)**		**480,047**	**358,321**
Operating expenses				
External charges			315,592	300,878
Taxes other than on income			5,516	2,551
Wages and salaries		17-18	2,706	2,027
Payroll taxes			824	726
Depreciation and amortization			108	509
Other expenses			326	330
Total operating expenses	**(II)**		**325,072**	**307,021**
Operating income	**(I)-(II)**		**154,975**	**51,300**
Financial income				
Dividends from subsidiaries and affiliates[1]			98,196	98,273
Interest income[1]			1,647	24,456
Provision reversals				
Exchange gains			1,657	2,535
Total financial income	**(III)**		**101,500**	**125,264**
Financial expense				
Amortization and provision expense			217	1,690
Interest expense[2]			40,019	49,194
Exchange losses			2,128	3,225
Total financial expenses	**(IV)**		**42,364**	**54,109**
Net financial income	**(III)-(IV)**		**59,136**	**71,155**
Income before non-recurring items and tax	**(I-II+III-IV)**		**214,111**	**122,455**

(in € thousand)		Note	2010	2009
Non-recurring income				
From revenue transactions			108	22
From capital transactions			382	
Provision reversals				648
Total non-recurring income	**(V)**		**490**	**670**
Non-recurring expenses				
From revenue transactions			99	6,559
From capital transactions			383	
Total non-recurring expenses	**(VI)**		**482**	**6,559**
Net non-recurring income (expense)	**(V-VI)**		**8**	**-5,889**
Income tax expense	**(VII)**	**15**	**29,187**	**974**
Total revenue	(I+III+V)		582,037	484,255
Total expenses	(II+IV+VI+VII)		397,105	368,663
Net income			**184,932**	**115,592**
(1) of which: income from related parties			98,196	98,137
(2) of which: expenses paid to related parties			29	454

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF NOTES TO THE FINANCIAL STATEMENTS

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 7, 2011 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

In October 2010, the Company carried out a rights issue as part of its capital management strategy. Rights to a total of 27,159,876 shares were offered at a price of €45 per share (€2 par value plus a premium of €43), on the basis of 2 new shares for 11 existing shares. The issue was priced at a 31.0% discount to the closing Michelin share price on September 27, 2010, or 27.6% based on the theoretical ex-rights price. The gross issue proceeds totaled €1,222 million, including premiums of €1,168 million. The related costs, in the amount of €35 million less the €5.5 million tax benefit, were charges against the premium. Part of the net proceeds was used to increase Compagnie Financière Michelin's equity by €710 million, and the balance was added to the Company's cash reserves.

NOTE 3. BASIS OF PREPARATION

The financial statements of Compagnie Générale des Etablissements 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, amortized over 10 years;
- 2003 subordinated note call premiums, amortized over 10 years.

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, 2010	Additions, new loans increases in accrued interest	Disposals, decommissioning reduction in loans and accrued interest	Cost at December 31, 2010
Intangible assets	26,157			26,157
Property and equipment	2,285			2,285
	28,442			**28,442**
Shares in subsidiaries and affiliates	5,070,657	709,879[1]		5,780,536
Loans and advances to subsidiaries and affiliates	855,616	45,205		900,821
Other equity interests	3,477	68	384	3,161
Other investments	20			20
	5,929,770	**755,152**	**384**	**6,684,538**
TOTAL	**5,958,212**	**755,152**	**384**	**6,712,980**

(1) As explained in note 2, Compagnie Générale des Etablissements Michelin underwrote a share issue by Compagnie Financière Michelin.

5.2. Depreciation and amortization

(in € thousand)	At January 1, 2010	Increase for the year	Decrease for the year	At December 31, 2010
Accumulated amortization (intangible assets)	25,962	91	--	26,053
Accumulated depreciation (property and equipment)	2,130	17	--	2,147
TOTAL	**28,092**	**108**	**--**	**28,200**

NOTE 6. PROVISIONS

(in € thousand)	At January 1, 2010	Increase for the year	Decrease for the year	At December 31, 2010
Untaxed provisions	61,598	--	--	61,598
Provisions for contingencies and charges				
Provisions for impairment	91	--	--	91
TOTAL	**61,689**	**--**	**--**	**61,689**
Of which movements recognized in:				
• Non-recurring expense/income		--	--	
• Transfers to revaluation reserves			--	

NOTE 7. ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS

	Transactions involving		
Balance sheet items *(in € thousand)*	Related companies	Other companies in which Michelin holds an equity interest	Payables or receivables represented by trade notes
Shares in subsidiaries and affiliates (net book value)	5,780,445	--	--
Loans and advances to subsidiaries and affiliates	900,821	--	--
Other equity interests		3,161	--
Other receivables	225,145	--	--
Other financial liabilities	33	--	--
Other liabilities	168,369	--	--

NOTE 8. TREASURY STOCK

At December 31, 2010, 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	900,821	270,821	630,000
Other investments	20		20
Current Assets			
Receivables	284,050	284,050	
TOTAL	**1,184,891**	**554,871**	**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	784,821	--	--	784,821 (1)
Other bonds	13	13	--	--
Subordinated notes	197,235	960	--	196,275 (2)
Other borrowings	168,500 (3)	168,500	--	--
Other financial liabilities	33	33	--	--
Accrued taxes and payroll costs	3,668	3,668	--	--
Other liabilities	178,116 (4)	178,116	--	--
Deferred income	--	--	--	--
TOTAL	**1,332,386**	**351,290**	**--**	**981,096**

(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) In 2006, the Company set up a €1 billion commercial paper program. The nominal amount outstanding under the program at December 31, 2010 was €168.5 million.
(4) Including €2,506 thousand charges to be paid.

8

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. OTHER RESERVES

(in € thousand)

Reserves at December 31, 2010 break down as follows:

• Legal reserve, of which €26,943 thousand allocated to long-term capital gains	29,487
• Special long-term capital gains reserve	881,419
• Other reserves	366,621
TOTAL	**1,277,527**

NOTE 13. SHARE CAPITAL

The Company's share capital breaks down as follows:

	Number of shares	Par value
Shares outstanding at January 1, 2010	147,436,357	€2
October 25, 2010 share issue	27,159,876	€2
Other shares issued during the year	2,011,612	€2
Share capital at December 31, 2010	176,607,845	€2

Stock option plan

Stock option plans in effect at December 31, 2010

			December 31, 2010		December 31, 2009	
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	42.47	147,472	44.00	202,236
May 2003	May 2007	May 2012	31.13	48,977	32.25	75,275
November 2003	November 2007	November 2012	32.82	113,419	34.00	157,700
May 2004	May 2008	May 2013	38.61	102,900	40.00	145,300
July 2004	July 2008	July 2013	42.96	101,691	44.50	116,200
May 2005	May 2009	May 2014	46.34	217,557	48.00	216,000
November 2005	November 2009	November 2014	46.34	807,632	48.00	857,880
May 2006	May 2010	May 2015	55.99	136,863	58.00	133,900
May 2007	May 2011	May 2016	87.85	1,183,652	91.00	1,154,920
May 2008	May 2012	May 2017	59.85	319,095	62.00	310,000
November 2009	November 2013	November 2018	51.16	1,434,823	53.00	1,398,310
May 2010	May 2014	May 2019	52.13	260,138	-	-
NUMBER OF OPTIONS OUTSTANDING				4,874,219		4,767,721

Data related to plans issued before October 2010 (number of options and exercise prices have been restated to take into account the impact of the capital increase with pre-emptive subscription rights.

NOTE 14. REVENUE

(in € thousand)

Revenue for the year totaled €479,974 thousand, consisting entirely of royalties received from:

France	52,346
Outside France	427,628
TOTAL	**479,974**

NOTE 15. INCOME TAX

Compagnie Générale des Etablissements Michelin is the parent company of a tax group that also comprises 14 French subsidiaries (4 in 2009) 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 Etablissements Michelin.

The income tax that would be payable by the 14 subsidiaries if they were taxed on a stand-alone basis amounted to €6,368 thousand for 2010.

Income tax includes current taxes and deferred taxes.

Income tax expense reported in the income statement can be analyzed as follows:

(in € thousand)	
Current tax due by Compagnie Générale des Etablissements Michelin	15,807
Effect of charging tax on share issuance costs against the related premium	5,543
Deferred tax expense	1,103
Other (including Group relief)	6,734
TOTAL	**29,187**

Effective from 2010, royalty revenues are presented at their gross amount. This reclassification has no impact on reported income, because the resulting increase in revenues (€15,166 thousand in 2010) is offset by an equivalent increase in income tax expense corresponding to withholding tax deducted by tax administrations in some countries where foreign licensees are located.

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, 2010, the Company had receivables corresponding to royalties with a net book value of €219 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 whose compensation is paid by the Company.

The statutory share of 2009 profit allocated to the Managing General Partner in 2010 amounted to €0.7 million (2009: €2.5 million in respect of 2008 profit).

Total benefits expense for the Non-General Managing Partners amounted to €3.4 million in 2010 (2009: €2.0 million). This amount breaks down as follows:

(€ millions)	2010	2009
Short term benefits[1]	2.5	1.5
Post-employment benefits[2]	0.9	0.4
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	0.1
Total benefits expense for Non-General Managing Partners	**3.4**	**2.0**

(1) 2010 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.
(2) Included in retirement benefits, see note 19.

A detailed description of the bonus scheme for Non-General Managing Partners is provided in section 4.4 of the Registration Document.

NOTE 18. AVERAGE NUMBER OF EMPLOYEES

	Employees on the payroll	Employees seconded to the Company
Managing Partners	2	
Managers	4	
Technical staff	--	
Administrative employees	11	
Maintenance staff	1	1
TOTAL	**18**	1

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, 2010 was around €3.4 million (2009: €3.5 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, 2009	7,121	1,103
Cancellation of withholding tax	(5,404)	(837)
C3M patent license amortization	(1,143)	(177)
"ORGANIC" tax payment	(574)	(89)
Net deferred tax asset at December 31, 2010 (15.5% tax rate)	**0**	**0**

NOTE 21. FEES PAID TO THE STATUTORY AUDITORS

Audit fees recognized in the 2010 financial statements amount to €412 thousand.

NOTE 22. SECURITIES PORTFOLIO AT DECEMBER 31, 2010

(in € thousand)	Number of securities	Book value
Shares in subsidiaries and affiliates		
Compagnie Financière Michelin	25,022,827 shares	4,324,989
Manufacture Française des Pneumatiques Michelin	7,999,898 shares	1,414,296
Société de Technologie Michelin	100,000 shares	15,245
Spika S.A.	200,000 shares	25,915
		5,780,445
Other equity interests		
Siparex Croissance	43,222 shares	677
Siparex Associés	140,991 shares	2,149
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786 shares	335
Other		20
		3,181
Other (aggregate)		n.m.
Marketable securities:		
Treasury stock	-- shares	--
Marketable securities		**1**

NOTE 23. LIST OF SUBSIDIARIES AND AFFILIATES

Subsidiaries and affiliates *(in € thousand, unless otherwise specified)*	Share capital(1)	Other equity excl. income(1)	% interest	Book value of shares		Outstanding loans and advances	Guarantees given by the Company	Last published revenue	Last published profit/(loss)(1)	Dividends received during the year
				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 (Switzerland)	2,502,355 (CHF thousand)	5,813,330 (CHF thousand)	99.99	4,324,988	4,324,988	821,495	--	--	241,607 (CHF thousand)	70,305
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand (France)	304,000	550,817	99.99	1,414,296	1,414,296	--	--	4,604,409	89,047	--
Société de Technologie Michelin 23, rue Breschet, 63000 Clermont-Ferrand (France)	15,200	2,713	100.00	15,245	15,245	35,879	--	215,078	3,746	3,000
Spika S.A. 23, rue Breschet, 63000 Clermont-Ferrand (France)	3,000	57,174	100.00	25,915	25,915	19,676	--	--	(22,344)	--
2 – Affiliates (10 to 50%-owned)										
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, 2010

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying financial statements of Compagnie Générale des Etablissements Michelin;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Managing 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, 2010 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 8, 2011

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, 2010

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as statutory auditors of your Company, we hereby report on regulated agreements and commitments with third parties.

It is our responsibility to communicate to you, based on information provided to us, the principal terms and conditions of these agreements and commitments brought to our attention which we or may have identified as part of our engagement, without expressing an opinion on their usefulness or their merit or searching for other agreements or commitments. It is your responsibility, pursuant to Article R. 226-2 of the French commercial code (code de commerce), to assess the interest of entering into these agreements with a view to approving them.

Where applicable, it is our responsibility to communicate to you the information pursuant to Article R. 226-2 of the French commercial code (code de commerce) relating to carrying out the agreements and commitments already approved by the shareholders' meeting during the year.

We conducted the procedures we deemed necessary in accordance with professional standards applicable in France; those standards require that we check that the information provided to us agree with the relevant source documents.

Agreement to be authorized by the shareholders' meeting

Pursuant to Article L. 226-10 of the French commercial code (code de commerce), we hereby advise you that we have been informed that the following agreement has been authorised by your Supervisory Board.

AGREEMENT ENTERED INTO WITH BNP PARIBAS

Members of the Supervisory Board: Mrs Laurence Parisot and Mr François Grapotte

At its meeting of September 24, 2010, Michelin's Supervisory Board authorized the signing of an underwriting agreement with a group of banks led by BNP Paribas in connection with the rights issue carried out by Michelin during the year.

The signatory banks undertook to use their best efforts to place the shares not taken up by shareholders exercising their pre-emptive rights and to purchase any such shares directly if necessary to ensure the success of the issue. In exchange, Michelin gave various commitments to the banks, including lock-up commitments, representations and warranties and commitments to pay the banks' underwriting fees.

Underwriting fees paid to BNP Paribas in respect of this agreement amounted to € 29.7 million.

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 8, 2011

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

The Statutory Auditors

Members of "Compagnie Régionale de Versailles"

8.5_ STATEMENT OF CHANGES IN EQUITY

(in € thousand and in € per share)	2010	2009
Net income		
Income		
Total income	184,932	115,592
Earnings per share	1.05	0.78
Recommended dividend		
Total	314,362	147,436
Per share	1.78	1.00
Statement of changes in equity *(in € thousand)*		
A)		
1 – Equity at December 31, 2009	4,779,623	4,730,573
2 – Dividend approved by the Annual Shareholders Meeting	(148,476)	(148,571)
B) Equity at January 1, 2010	4,631,147	4,582,002
C) Movements for the year:		
1 - Par value of shares issued during the year	58,343	4,878
2 - Increase in paid-in capital in excess of par	1,227,450	77,151
3 - Change in revaluation reserves	--	--
4 - Change in other reserves	--	--
5 - Change in untaxed provisions	--	--
6 - Change in retained earnings	--	--
7 - Net income for the year	184,932	115,592
Equity at December 31, 2010 before dividends	6,101,872	4,779,623
E) Total changes in equity during the year	**1,470,725**	**197,621**
F) of which: changes in equity due to structural changes		
G) Changes in equity during the year excluding structural changes	**1,470,725**	**197,621**

8.6_ APPROPRIATION OF 2010 NET INCOME

(in € thousand)		
Amount to be appropriated		
Retained earnings brought forward from prior year		385,212
Net income for the year		184,932
Recommended appropriations		
Legal reserve	5,834	
Special long-term capital gains reserve	--	
Dividends	314,362[1]	
Statutory share of income attributed to the General Partners	10,495	
Tax on distributed earnings	--	
Other reserves	--	
Retained earnings	239,453	
TOTAL	**570,144**	**570,144**

(1) 2010 dividend recommended at the Annual Shareholders' Meeting of May 13, 2011.

8.7_ FIVE-YEAR FINANCIAL SUMMARY

(in € thousand and in € per share, unless otherwise specified)	2006	2007	2008	2009	2010
I - Capital at December 31					
a) Share capital	287,305	287,998	289,995	294,873	353,216
b) Number of common shares outstanding	143,652,318	143,999,169	144,997,422	147,436,357	176,607,845
c) Number of preferred non-voting shares outstanding	--	--	--	--	--
d) Maximum number of future shares to be created	--	--	--	--	--
II - Results of operations					
a) Net revenue	419,121	429,238	401,938	355,783	479,974
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	252,768	336,793	169,247	118,118	214,443
c) Income tax	193	2,938	(19)	974	29,187
d) Employee profit-sharing	--	--	--	--	--
e) Net income	225,095	277,548	286,147	115,592	184,932
III - Per share data					
a) Earnings per share after tax, before depreciation amortization and provision expenses (EBDA)	1.76	2.32	1.17	0.79	1.05
b) Basic earnings per share	1.57	1.93	1.97	0.78	1.05
c) Dividend per share	1.45	1.60	1.00	1.00	1.78(1)
IV – Employee information					
a) Average number of employees	29	29	25	20	18
b) Total payroll	1,113	1,956	2,290	2,027	2,706
c) Total benefits	379	693	762	726	824

(1) 2010 dividend recommended at the Annual Shareholders' Meeting of May 13, 2011.

ADDITIONAL INFORMATION

9

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, 2010 have been audited by the Statutory Auditors. Their report is provided in section 7.2 - of this Registration Document.

The consolidated financial statements for the year ended December 31, 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.

The consolidated financial statements for the year ended December 31, 2008, incorporated by reference in Section 9.3 of this Registration Document, have been audited by the Statutory Auditors.

Clermont-Ferrand, March 7, 2011

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 Etablissements 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, 79, villa Houssay, 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 ETABLISSEMENTS MICHELIN (CGEM)

The following tables set out the details of fees, excluding tax, paid in 2009 and 2010 by the Michelin Group to its Statutory Auditors. CGEM consolidates 198 subsidiaries in 59 countries.

9

TABLE OF 2010 FEES, EXCLUDING TAX, PAID TO COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN (CGEM)'S STATUTORY AUDITORS

	PricewaterhouseCoopers		Deloitte		Total	
	(in € thousand)	*(%)*	*(in € thousand)*	*(%)*	*(in € thousand)*	*(%)*
Audit						
Statutory audits, opinions, reviews of standalone and consolidated financial statements						
• CGEM	206	*5.6%*	206	*7.5%*	412	*6.4%*
• French subsidiaries	527	*14.5%*	549	*20.0%*	1,076	*16.9%*
• Foreign subsidiaries	2,395	*65.7%*	1,690	*61.8%*	4,085	*64.1%*
Other services directly linked to the statutory audit work						
• CGEM	55	*1.5%*	50	*1.8%*	105	*1.6%*
• Subsidiaries	34	*0.9%*	64	*2.3%*	98	*1.5%*
Sub-total Audit	**3,217**	***88.2%***	**2,559**	***93.4%***	**5,776**	**90.5%**
Other services rendered by auditors networks to subsidiaries						
Legal, tax and social	260	*7.1%*	169	*6.2%*	429	*6.7%*
Others	169	*4.7%*	11	*0.4%*	180	*2.8%*
Sub-total Others	**429**	***11.8%***	**180**	***6.6%***	**609**	**9.5%**
TOTAL	**3,646**	***100.0%***	**2,739**	***100.0%***	**6,385**	**100.0%**

In 2010, the Group has changed its joint statutory auditors as well as the organization of its subsidiaries' audits. Previously, these audits were performed by most of the worldwide audit firms, whereas in 2010 they were concentrated on the joint statutory audit firms. The 2009 fees table disclosed below is therefore not comparable since it includes the fees of all the firms and not only those of the joint statutory audit firms like in 2010.

TABLE OF 2009 FEES EXCLUDING TAX, PAID TO COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN (CGEM)'S STATUTORY AUDITORS

	PricewaterhouseCoopers		Corevise		Others		Total	
	(in € thousand)	*(%)*	*(in € thousand)*	*(%)*	*(in € thousand)*	*(%)*	*(in € thousand)*	*(%)*
Audit								
Statutory audits, opinions, reviews of standalone and consolidated financial statements								
• CGEM	185	*4.3%*	185	*48.2%*	-	*0.0%*	370	*4.0%*
• French subsidiaries	528	*12.2%*	148	*38.5%*	157	*3.5%*	833	*9.1%*
• Foreign subsidiaries	2,748	*63.7%*	-	*0.0%*	1,774	*39.8%*	4,521	*49.4%*
Other services directly linked to the statutory audit work								
• CGEM	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*
• Subsidiaries	256	*5.9%*	51	*13.3%*	(51)	*(1.1%)*	256	*2.8%*
Sub-total Audit	**3,717**	***86.1%***	**384**	***100.0%***	**1,880**	***42.2%***	**5,980**	**65.3%**
Other services rendered by auditors networks to subsidiaries								
Legal, tax and social	178	*4.1%*	-	*0.0%*	1,658	*37.2%*	1,836	*20.1%*
Others	421	*9.8%*	-	*0.0%*	916	*20.6%*	1,337	*14.6%*
Sub-total Others	**599**	***13.9%***	**-**	***0.0%***	**2,574**	***57.8%***	**3,173**	**34.7%**
TOTAL	**4,316**	***100.0%***	**384**	***100.0%***	**4,454**	***100.0%***	**9,153**	**100.0%**

9.3_ 2008 AND 2009 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, 2008 as well as the relevant Statutory Auditors' report contained in the Registration Document filed with AMF on March 2, 2009 (D.09-0089), pages 81 to 142 and 143 respectively.
- 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.

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
Financial Agenda 2009/2010 - February 10, 2010 update	February 10, 2010
Financial Information for the Year Ended December 31, 2009	February 12, 2010
Publication of the 2009 Registration Document	March 2, 2010
Publication of the preparatory documentation for the Annual Shareholders Meeting of May 7, 2010	April 9, 2010
Financial Information for the Quarter Ending March 31, 2010	April 29, 2010
2010 Annual Shareholders Meeting	May 7, 2010
2009 Dividend Reinvestment Plan	May 7, 2010
Financial Information for the Six Months Ended June 30, 2010	July 30, 2010
Michelin launches a €1.2 billion rights issue	September 28, 2010
Successful completion of Michelin's €1.2 billion rights offering	October 21, 2010
Financial Information for the Nine Months Ended September 30, 2010	October 26, 2010
Financial Information for the Year Ended December 31, 2010	February 11, 2011
Michelin is preparing Michel Rollier's succession and aligning its corporate governance	February 11, 2011

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, 2010	February 8, 2010
• At February 28, 2010	March 12, 2010
• At March 31, 2010	April 12, 2010
• At April 30, 2010	May 12, 2010
• At May 31, 2010	June 11, 2010
• At June 30, 2010	July 7, 2010
• At July 31, 2010	August 5, 2010
• At August 31, 2010	September 10, 2010
• At September 30, 2010	October 13, 2010
• At October 31, 2010	November 16, 2010
• At November 30, 2010	December 10, 2010
• At December 31, 2010	January 11, 2011
• At January 31, 2011	February 8, 2011
2010 Interim Financial Report	July 30, 2010
2009 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, 2010
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
Prospectus for the issue of new shares for cash, with pre-emptive subscription rights, to be listed on NYSE Euronext Paris, approved by the AMF	September 27, 2010
Update to the 2009 Registration Document (first-half 2010 financial report, information about investments, trends and the outlook)	September 27, 2010

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 3, 2010
Avis de convocation de l'Assemblée générale mixte des actionnaires	April 9, 2010
Avis d'approbation des comptes annuels et consolidés 2009 et rapports des Commissaires aux Comptes	May 28, 2010
Avis de suspension aux titulaires d'options de souscription d'actions	September 29, 2010
Avis aux porteurs d'OCEANE – Ajustement du ratio d'attributions d'actions	October 27, 2010

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 nouveaux Commissaires aux Comptes titulaire et suppléant	May 27, 2010
Augmentation de capital du 7 juin 2010 résultant du paiement du dividende en actions	June 10, 2010
Augmentation de capital du 9 juillet 2010 résultant de levées d'options de souscription d'actions effectuées du 1er janvier au 30 juin 2010	July 15, 2010
Augmentation de capital du 23 septembre 2010 résultant de levées d'options de souscription d'actions effectuées du 1er juillet au 22 septembre 2010	September 30, 2010
Augmentation de capital du 7 octobre 2010 résultant de levées d'options de souscription d'actions effectuées du 23 septembre au 6 octobre 2010	October 14, 2010
Augmentation de capital du 27 septembre 2010 constatée définitivement le 25 octobre 2010	October 28, 2010
Augmentation de capital du 12 janvier 2011 résultant de levées d'options de souscription d'actions et de conversion d'OCEANE effectuées du 26 octobre au 31 décembre 2010	January 12, 2011
"Les Echos":	
Résumé du prospectus – Augmentation de capital avec maintien du droit préférentiel de souscription	September 29, 2010
"La Tribune":	
Avis aux porteurs d'OCEANE – Ajustement du ratio d'attribution d'actions	October 26, 2010
"La Montagne":	
Avis de convocation de l'Assemblée générale mixte des actionnaires	April 9, 2010

ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2011

10

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 ORDINARY RESOLUTIONS

1st and 2nd resolutions

Approval of the Company financial statements for the year ended December 31, 2010

Appropriation of income for the year ended December 31, 2010 and approval of the recommended dividend with a dividend reinvestment option

The first two resolutions concern approval of the Company's 2010 financial statements and appropriation of 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 income for the period which amounts to €184,932,057.87.

After (i) allocating €5,834,297.60 to the legal reserve to increase it to one tenth of the Company's capital and (ii) deducting the €10,494,740.00 attributable to the General Partners in accordance with the bylaws, the balance of €168,603,020.27 plus €385,211,975.14 in retained earnings brought forward from prior years represents a total of €553,814,995.41 available for distribution to shareholders.

We are recommending paying a 2010 dividend of €1.78 per share.

Dividends will be payable to the shareholders of record at the close of business on May 19, 2011 (the record date).

The ex-dividend date will be May 20, 2011.

To exercise the dividend reinvestment option, shareholders should send a duly completed share purchase form to the paying agent for receipt between May 20 and the close of business on June 7, 2011.

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 13 to May 12, 2011 less the net dividend of €1.78.

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, 2011 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 20, 2011.

The cash dividend will be paid as from June 20, 2011.

Resolutions:

First resolution *(Approval of the Company financial statements for the year ended December 31, 2010)*

Having considered the reports of the Managing Partners, the Statutory Auditors and the Supervisory Board, the Ordinary General Meeting approves the Company financial statements for the year ended December 31, 2010 which show income for the period of €184,932,057.87.

The Ordinary General Meeting also approves the transactions reflected in these financial statements and referred to in these reports, including those relating to the various provision accounts.

Second resolution *(Appropriation of income for the year ended December 31, 2010 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 having noted that the total amount available for distribution is as follows:

Income for the year	€ 184,932,057.87
Amount appropriated to the legal reserve so that it represents one-tenth of the share capital	€ 5,834,297.60
Statutory share of profits attributed to the General Partners	€ 10,494,740.00
Balance	€ 168,603,020.27
Plus retained earnings brought forward from prior years	€ 385,211,975.14
Total amount available for distribution	€ 553,814,995.41

The Ordinary Shareholders Meeting resolves:

• To pay an aggregate dividend of representing €1.78 per share	€ 314,361,964.10
• To appropriate the balance of to retained earnings	€ 239,453,031.31

Shareholders will be offered the option of reinvesting their dividend in new shares.

The reinvestment option may be exercised from May 20, 2011 until June 7, 2011. 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 20, 2011.

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, 2011 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 19% 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 12.3%.

In accordance with Article 119bis 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 243bis 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)*
2007	230,398,670.40	1.60*
2008	144,997,422.00	1.00*
2009	147,436,357.00	1.00*

* The full amount of the dividend was eligible for the 40% tax allowance provided for in Article 158-3-2 of the French General Tax Code.

3rd Resolution

Approval of the consolidated financial statements for the year ended December 31, 2010

The purpose of the third resolution is to approve the consolidated financial statements for the year ended December 31, 2010, which show income for the period of €1,049,474 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.

Resolution:

Third resolution *(Approval of the consolidated financial statements for the year ended December 31, 2010)*

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, 2010 which show income for the period of €1,049,474 thousand.

4th resolution

Approval of a related-party agreement authorized in advance by the Supervisory Board

In the fourth resolution, we are asking shareholders to approve the underwriting agreement for the rights issue placed on record on October 25, 2010. This agreement with a banking syndicate led by BNP Paribas was authorized by the Supervisory Board at its meeting on September 24, 2010. The persons concerned are Laurence Parisot and François Grappotte, who are both members of the Michelin Supervisory Board and also sit on the BNP Paribas Board of Directors.

Resolution:

Fourth Resolution *(Approval of a related-party agreement authorized in advance by the Supervisory Board)*

Having considered the Managing Partners' report and the Statutory Auditors' special report, the Ordinary Shareholders Meeting approves the underwriting agreement entered into with a banking syndicate led by BNP Paribas for the rights issue placed on record on October 25, 2010, that was authorized by the Supervisory Board at its September 24, 2010 meeting.

5th resolution

Authorization for the Managing Partners to carry out a share buyback program, based on a maximum purchase price per share of €100

In the fifth 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 that granted for the same purpose by the Annual Shareholders Meeting of May 7, 2010. Note that this latter authorization was not used in 2010, that the company does not currently hold any shares in treasury and that, to date, no liquidity contract has been concluded by the Company with an investment firm.

Resolution:

Fifth resolution *(Authorization for the Managing Partners to carry out a share buyback program, 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 General 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 €1,766,000,000, corresponding to 17,660,000 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.
- 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 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 eleventh resolution of the Annual Shareholders Meeting held on May 7, 2010.

10.1.2 EXTRAORDINARY RESOLUTIONS

6th to 11th resolutions

Election of a new Managing General Partner and amendment to the bylaws concerning the Statuts of Managing General Partners and the powers of the Supervisory Board.

In preparation for my retirement which, barring any circumstances beyond my control, will be submitted to shareholder approval, I and my fellow General Partner propose that Jean-Dominique Senard be elected as Managing General Partner to serve alongside me, in order to ensure a seamless transition in the Company's management. If shareholders adopt the related resolution, Article 1 of the Company's bylaws will be amended to reflect Mr. Senard's election.

After holding senior management positions in other companies, Mr. Senard made his mark at Michelin first as Chief Financial Officer and then as Non-General Managing Partner as part of the senior management team I lead. He has all the necessary experience, personal qualities and skills to successfully lead our dynamic growth strategy.

We felt that this election also offered an opportunity to review our governance structure in light of our current size and the challenges and demands created by our development, while respecting the management principles that have underpinned our success. We are therefore asking shareholders to approve a certain number of changes to the bylaws that are designed to adapt our governance structure.

Currently, in application of Article 10 of the bylaws, Managing General Partners are elected by shareholders based on the unanimous proposal of the General Partners. They are not subject to any term restrictions except for the statutory age limit, whereas Non-General Managing Partners are elected for a five-year term.

We believe that Article 10 of the bylaws should be amended to set the terms of all Managing Partners, both General and Non-General, at four years.

Candidates for election as Managing Partners would be designated by the Non-Managing General Partner after consulting the Supervisory Board. They would be elected by shareholders in Ordinary or Extraordinary Meeting for a fixed term, regardless of whether they were General or Non-General Partners. To simplify the re-election of Managing Partners, we are proposing that the decision should be made by the Non-Managing General Partner, but only after obtaining the agreement of the Supervisory Board whose members are elected by sole decision of the shareholders.

The Company's bylaws do not currently include any provisions covering the removal from office of a Managing General Partner. We therefore propose inserting in Article 13 of the bylaws the possibility of removing a Managing General Partner or Non-General Managing Partner from office for just cause at the initiative of the Non-Managing General Partner after obtaining the agreement of the Supervisory Board. Compensation for loss of office could be awarded to a Managing General Partner or Non-General Managing Partner who was removed from office following a change of strategy or a change of control of the Company, for reasons other than gross misconduct. Any such award would be made at the initiative of the Non-Managing General Partner and with the prior agreement of the Supervisory Board. It would not exceed the equivalent of the Managing Partner's total compensation for the two years preceding the year of his or her removal from office.

We also propose including in the bylaws a clause allowing a Managing General Partner to resign, provided that the decision is announced at least six months before the next Annual Shareholders Meeting and that shareholders adopt an extraordinary resolution accepting the resignation.

In order to place the future Managing General Partners at the heart of Michelin's current organization, as Managing General Partner, Mr. Senard would also be appointed – for the same term – co-Managing Partner of Manufacture Française des Pneumatiques Michelin (MFPM), which manages the Group and provides support services for its various units.

At present, the Managing General Partners' compensation is entirely variable and is based on the income generated by the Group. They decide between themselves how to allocate the total share of net income awarded to them. This compensation system will continue to apply but we propose that the Supervisory Board should have a say on how the total amount is allocated. Naturally, the Supervisory Board's recommendation will take into account Mr. Senard's fixed annual compensation for his duties and responsibilities within MFPM that will be determined and guaranteed by MFPM when he is first appointed as Managing General Partner.

Lastly, so that each Managing General Partners identify more closely with the Company, we believe that they should each hold 5,000 qualifying shares. This represents a change from the current requirement in Article 11 of the bylaws for all the Managing General Partners to jointly hold 17,500 qualifying shares.

<u>Article 10 of the bylaws stipulates that each Managing General Partner and Non-General Managing Partner has the same powers within the Group and when representing the Group in its dealings with third parties.</u>

We propose that a Managing Chairman should be appointed, selected in principle from among the Managing General Partners after consulting the Supervisory Board (unless there is only one Managing Partner).

The Managing Chairman would lead and guide the Managing Partners, define their respective areas of responsibility and determine the scope of their authority.

He would report to the Supervisory Board and the Non-Managing General Partner on the consistency and effectiveness of the Managing Partners' management.

These proposals would entail amending Article 10 of the bylaws.

<u>Article 17 of the bylaws describes the Supervisory Board's role only as exercising permanent oversight of the Company's management in accordance with the law.</u>

In recent years, the increased frequency and quality of exchanges between the Managing Partners and the Supervisory Board have enabled the Board to deepen its oversight. To ensure that these good practices continue, we propose that as part of its permanent oversight role, the Supervisory Board should focus in particular on assessing the quality of the Managing Partners' management of the Company.

To this end, the Managing Chairman and the other Managing Partners would report regularly to the Supervisory Board on the Group's situation and consult the Board from time to time concerning significant projects for the Company. The list of matters on which the Supervisory Board would be required to be consulted would be included in its internal rules.

The Supervisory Board would then be better equipped to approve or express an opinion on proposed changes to the composition of the partnership.

Shareholders are invited to amend Articles 10 and 17 to reflect the changes outlined above.

<u>In conclusion:</u>

These proposed changes should help to clarify relations among the Managing Partners, with each Managing Partner fulfilling his respective responsibilities under the authority of the Managing Chairman.

In making its strategic choices, the senior management team in its new configuration would benefit from the experience acquired by members of the Supervisory Board, whose role would be expanded.

The Non-Managing General Partner and I, for as long as I remain in office, will continue to guarantee Michelin's lasting success and the continued application of the management principles that have contributed to its growth.

Resolutions:

Sixth resolution *(Election, term and re-election of Managing General Partners and Non-General Managing Partners)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves, subject to the eighth resolution of this Meeting being adopted:

- That new Managing General Partners and Non-General Managing Partners shall be elected by shareholders in General Meeting, as is currently the case, but that candidates shall be designated by the Non-Managing General Partner after consulting the Supervisory Board, without prejudice to the provisions of the bylaws concerning vacant Managing Partner positions.
- That Managing General Partners and Non-General Managing Partners shall be elected for a term of up to four years and may stand for re-election one or several times.
- That their re-election or any extension of their term shall be proposed by the Non-Managing General Partner, with the Supervisory Board's agreement, at least four months before the expiry date of their current term.
- That, if the Supervisory Board has not confirmed its agreement at least three months before the expiry date of their current term, the Non-Managing General Partner may submit to the Managing Partners for inclusion on the agenda of the next Ordinary or Extraordinary Shareholders Meeting, resolutions proposing the election of one or more new Managing General Partners or Non-General Managing Partners.
- That, in light of the foregoing, the first five paragraphs of Article 10 of the Company's bylaws shall be amended to read as follows:

OLD WORDING:

"Article 10

The Company is managed by one or more Managing Partners, who may or may not be General Partners.

The Managing Partners must be individuals, except as specified in Article 13 herebelow.

The Managing General Partners or Non-General Managing Partners are elected, respectively, by the Extraordinary Shareholders Meeting or the Ordinary Shareholders Meeting based on the unanimous proposal of the Managing and/or Non-Managing General Partner(s).

The General Partner(s) consult the Supervisory Board prior to putting forward the names of one or more candidates for election as Managing General Partner or Non-General Managing Partner.

The Non-General Managing Partner(s) are elected for a term of up to five years expiring at the close of the Annual Shareholders Meeting held in the final year of their term. Non-General Managing Partner(s) may be re-elected according to the same process as described above."

NEW WORDING:

"10-1 – Election, term and re-election of Managing Partners

The Company is managed by one or more Managing Partners, who may or may not be General Partners.

The Managing Partners must be individuals, except as specified in Article 13 herebelow.

The Managing General Partners are elected by the Extraordinary Shareholders Meeting and the Non-General Managing Partners by the Ordinary Shareholders Meeting based on the proposal of the Non-Managing General Partner.

The Non-Managing General Partner consults the Supervisory Board prior to putting forward the names of one or more candidates for election as Managing General Partner or Non-General Managing Partner. The corresponding resolutions are tabled by the Managing Chairman or, failing that, by any other Managing Partner, at the next Ordinary and/or Extraordinary Shareholders Meeting.

The Managing General Partners or Non-General Managing Partners are elected for a term of up to four years expiring at the close of the Annual Shareholders Meeting held in the final year of their term.

They may be re-elected to several successive terms by decision of the Non-Managing General Partner, after the Supervisory Board has confirmed its agreement, notwithstanding the provisions of Articles 25 and 26 of these bylaws. To this end, the Non-Managing General Partner submits the proposed decision to the Supervisory Board at least four months prior to the date of the Shareholders Meeting referred to in the fifth paragraph of this Article, and the Supervisory Board is required to confirm its agreement at least three months prior to the said Shareholders Meeting.

If the Supervisory Board has not confirmed its agreement at least three months prior to the Meeting date, the Non-Managing General Partner may submit to the Managing Chairman or to any other Managing Partner for inclusion in the agenda of the next Ordinary or Extraordinary Shareholders Meeting, resolutions proposing the election of one or more new Managing General Partners or Non-General Managing Partners.

To comply with the legal requirement to set a statutory age limit for serving as Managing Partner, Managing Partners will automatically stand down at the close of the Annual Shareholders Meeting held in the year of their 72nd birthday even if their term has a further period to run. However, their period in office may be extended one or several times, for an aggregate three years maximum from the date of the above Annual Shareholders Meeting. Any such extension will be decided in accordance with the provisions of this Article applicable to the re-election of Managing Partners.

However, for as long as a Managing General Partner remains in office without any term restrictions except for the statutory age limit, 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."

- To delete the words "*and their re-election*" from Article 25 of the bylaws.

Seventh resolution *(Managing General Partners' qualifying shares)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- That each Managing General Partner must hold at least 5,000 qualifying shares. This replaces the previous requirement for all the Managing General Partners to jointly hold 17,500 qualifying shares.
- To amend Article 11 of the bylaws by replacing the words *"The Managing General Partner(s) must hold (jointly if there is more than one Managing General Partner) a total of 17,500 qualifying shares"* with the words *"Each Managing General Partner must hold at least 5,000 qualifying shares."*

Eighth resolution *(Process for ending the Managing Partners' functions and the effects thereof)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves, subject to the sixth resolution of this Meeting being adopted:

- That a Managing General Partner may resign provided that the other Managing Partners and the Non-Managing General Partner are notified of his or her decision at least six months prior to the next Annual Shareholders Meeting. In this case, the Managing General Partner's functions will end once his or her resignation has been accepted by the shareholders in Extraordinary Meeting.
- That from the date of this Meeting, new Managing General Partners or Non-General Managing Partners may be removed from office for just cause at the initiative of the Non-Managing General Partner after obtaining the agreement of the Supervisory Board.
- That if a Managing General Partner or Non-General Managing Partner is removed from office following a change of strategy or a change of control of the Company, for reasons other than gross misconduct, he or she may be awarded compensation for loss of office, at the initiative of the Non-Managing General Partner and with the prior agreement of the Supervisory Board. Said compensation will not exceed the equivalent of his or her total compensation for the two years preceding the year of his or her removal from office.
- To amend Article 13 of the bylaws as follows:

OLD WORDING:

"Article 13

A Managing Partner's functions end upon his or her death or incapacity, or when he or she reaches the statutory age limit or, in the case of a Non-General Managing Partner, when his or her term expires, or he or she resigns or is removed from office.

13-1 – Death - retirement

The death or the retirement, for whatever reason, of the Managing Partners or any one of them will not result in the Company being wound up.

If one of the Managing Partners resigns or is removed from office for whatever reason, the remaining Managing Partner(s) will continue to manage the Company, with all the powers, rights and obligations associated with this function. A Managing General Partner who retires, resigns or is removed from office, and the heirs and assigns of a deceased Managing General Partner will automatically cease to be a general partner ipso jure.

If a Managing General Partner ceases to be a general partner following his or her death or when he or she reaches the age limit specified above, Article 1 of these bylaws will automatically be amended to reflect this and a record thereof will be drawn up by the other General Partners who will be responsible for the related publication formalities.

If the Company no longer has any serving Managing General Partners or Non-General Managing Partners, for whatever reason and due to whatever circumstances, or if the Managing Partner(s) are unable to fulfill their duties for an uninterrupted period of more than 60 days, as evidenced by a narrative decision of the Supervisory Board, the General Partner(s) will serve as acting Managing Partner(s) ipso jure and will call a Shareholders Meeting within a maximum of one year to propose the election of one or several new Managing General Partners or Non-General Managing Partners.

Until such time as said new Managing Partner(s) take office and represent the Company in its dealing with third parties, the General Partners (whether they are individuals or legal entities) will have the powers described in Article 10 of these bylaws, which may be exercised jointly or individually. When they stop serving as acting Managing Partners following the election referred to above, they will remain General Partners.

If all the Managing Partners are Non-General Managing Partners, they will report to the General Partner(s) for their management of the Company and for all matters that are the responsibility of the General Partners pending the election of one or more new Managing General Partners.

The new Managing Partner(s) will be appointed according to the process described in Article 10 above. They will have all the powers vested in Managing Partners under the law and these bylaws, both jointly and individually.

13-2 – Removal from office - resignation

The removal from office of a Non-General Managing Partner, for just cause, may be decided by unanimous decision of the General Partner(s), after consulting the Supervisory Board.

The resignation of a Non-General Managing Partner will be accepted only if at least three months' notice is given to the other Managing Partners and the General Partners by registered letter. It will be effective at the end of the notice period."

NEW WORDING:

"Article 13

13-1 – Ending of a Managing Partner's functions

A Managing Partner's functions end when his or her term expires, or he or she resigns or is removed from office, or upon his or her death or incapacity, or when he or she reaches the statutory age limit.

The resignation of a Managing General Partner will be accepted only if notice is given to the other Managing Partners and the Non-Managing General Partner by registered letter with return receipt requested at least six months prior to the date of the next Annual Shareholders Meeting. It will be effective at the close of the said Annual Shareholders Meeting following adoption of an extraordinary resolution accepting the resignation.

The resignation of a Non-General Managing Partner will be accepted only if at least three months' notice is given to the other Managing Partners and the General Partners by registered letter. It will be effective at the end of the notice period.

The removal from office of a Managing General Partner or Non-General Managing Partner for just cause may be decided by the Non-Managing General Partner, after the agreement of the Supervisory Board has been obtained. Following receipt of the Non-Managing General Partner's proposed decision, the Supervisory Board will have two months in which to make its own decision known.

However, for as long as a Managing General Partner remains in office without any term restrictions except for the statutory age limit, 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.

13-2 – Effects of the ending of a Managing Partner's functions

The ending of a Managing General Partner's functions for whatever reason will not result in the Company being wound up.

If a Managing General Partner's functions end for whatever reason, without prejudice to the provisions of Article 13-1 paragraph 2:

The Managing Partner, or his or her heirs or assigns in the case of death, will immediately lose the status of General Partner and will become ordinary shareholders.

Notwithstanding the provisions of Article 26, Article 1 of these bylaws will automatically be amended to reflect this and a record thereof will be drawn up by the other General Partners who will be responsible for the related publication formalities.

If one of the Managing General Partners or Non-General Managing Partners resigns or is removed from office for whatever reason, the remaining Managing Partner(s) will continue to manage the Company, with all the powers, rights and obligations associated with this function as defined in Articles 10, 11 and 12 of these bylaws.

If a Managing General Partner or Non-General Managing Partner is removed from office following a change of strategy or a change of control of the Company, for reasons other than gross misconduct, he or she may be awarded compensation for loss of office, at the initiative of the Non-Managing General Partner and with the prior agreement of the Supervisory Board. Said compensation will not exceed the equivalent of his or her total compensation for the two years preceding the year of his or her removal from office.

If the Company no longer has any serving Managing General Partners or Non-General Managing Partners, for whatever reason and due to whatever circumstances, or if the Managing Partner(s) are unable to fulfill their duties for an uninterrupted period of more than 60 days, as evidenced by a narrative decision of the Supervisory Board, the Non-Managing General Partner will serve as acting Managing Partner ipso jure and will call a Shareholders Meeting within a maximum of one year to propose the election of one or more new Managing General Partners or Non-General Managing Partners.

Until such time as said new Managing Partner(s) take office and represent the Company in its dealing with third parties, the Non-Managing General Partner will have the powers described in Article 10 of these bylaws. When the Non-Managing General Partner stops serving as acting Managing Partner following the election referred to above, it will remain a General Partner. "

- As a result of the foregoing, that in the first paragraph of Article 34, the words *"under Articles 13 and 14"* shall be replaced by the words *"under Article 13-2"*.

Ninth resolution *(Organization of the Managing Partners' powers and related restrictions)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To create the position of Managing Chairman, to be held by the sole Managing Partner (who may be a General Partner or a Non-General Partner) or, if there are several Managing Partners, in order of priority, by (i) the current Managing General Partner or (ii) one of the Managing General Partners designated by the Non-Managing General Partner after consulting the Supervisory Board, or (iii) one of the Non-General Managing Partners designated according to the same process.
- That the Managing Chairman will (i) define the areas of responsibility of each of the Managing Partners; (ii) determine the scope of their authority; (iii) set their annual objectives and inform the Supervisory Board thereof; and (iv) lead and guide the Managing Partners while retaining final power of decision.
- That the Managing Chairman and the other Managing Partners will (i) report to the Supervisory Board on the Company's situation and on the key issues listed in the Supervisory Board's internal rules and (ii) provide the Non-Managing General Partner with the necessary information about the Company to allow the Non-Managing General Partner to fulfill the role prescribed by law and the Company's bylaws.
- To amend paragraphs 6 to 12 of Article 10 of the bylaws as follows:

OLD WORDING:

"If there are several Managing Partners, they may act together or separately.

If there is only one Managing Partner, all references in the bylaws to the Managing Partners apply to the single Managing Partner.

The Managing Partners, acting jointly or separately, have the broadest powers to act in all circumstances in the name of the Company and to carry out any and all transactions falling within the scope of its corporate purpose. In particular, they may make any and all purchases and sales of raw materials and goods, subscribe, endorse, accept and settle any and all trade notes, enter into any and all commercial contracts, compound with creditors, agree to compromises, abandon claims and release guarantees, with or without payment, and participate in any and all legal proceedings as either plaintiff or defendant.

The Managing Partners, acting jointly or separately, also have the authority to contract any and all borrowings other than by issuing bonds, grant liens on securities and real property, including in the form of mortgages and pledges, release any and all mortgages and pledges, issue all other forms of guarantees and endorsements, purchase and sell any and all assets, securities rights and real property rights, create any and all establishments and companies, acquire interests in any and all companies or ventures, make any and all asset contributions, purchase and sell shares in any and all companies, carry out any and all administrative formalities and sign any and all deeds of settlement that may be necessary or useful in connection with the Company's business and development, except for those actions that may only be dealt with by the shareholders in General Meeting. The above list is indicative and not exhaustive.

The Managing Partner or each of the Managing Partners may, under his or her responsibility, appoint authorized signatories and representatives for one or several categories of transactions or for one or several specified purposes.

The Managing Partners appoint and dismiss any managers, engineers, representatives, employees or agents, determine their responsibilities, their salary and fixed or proportional benefits, the other terms of their employment and their retirement benefit entitlements.

To comply with the legal requirement to set a statutory age limit for serving as Managing Partner, Managing Partners will automatically stand down at the close of the Annual Shareholders Meeting held in the year of their 72nd birthday even if their term has a further period to run. However, their period in office may be extended one or several times, for an aggregate three years maximum from the date of the above Annual Shareholders Meeting. Any such extension will be decided in accordance with the provisions of this Article applicable to the re-election of Managing Partners."

NEW WORDING:

"Article 10-2 – Managing Chairman

The sole Managing Partner (who may be a General Partner or a Non-General Partner), or the Managing General Partner appointed without any term restrictions except for the statutory age limit if there are several Managing General Partners, or the Managing General Partner if there is a Managing General Partner and one or more Non-Managing General Partners, will serve as Managing Chairman.

If several Managing General Partners have been elected for a fixed term, the Non-Managing General Partner appoints the Managing Chairman from among these partners after consulting the Supervisory Board, even if one or more Non-General Managing Partners are in office.

If all the Managing Partners are Non-General Partners, the Non-Managing General Partner appoints the Managing Chairman from among these partners after consulting the Supervisory Board.

Article 10-3 – Managing Partners' powers and obligations

If there is only one Managing Partner, all references in the bylaws to the Managing Partners apply to the single Managing Partner.

Each Managing Partner has the authority to enter into commitments with third parties in the Company's name, except in relation to bond issues and subject to the provisions set out below being applied.

The Managing Chairman defines the areas of responsibility for each Managing Partner and determines the scope of their authority. He or she also sets their annual objectives and informs the Supervisory Board thereof.

The Managing Chairman leads and guides the Managing Partners while retaining final power of decision.

The Managing Chairman and the other Managing Partners are jointly responsible for regularly reporting to the Supervisory Board on the Company's situation and on the key issues listed in the Supervisory Board's internal rules.

The Managing Chairman and the other Managing Partners provide the Non-Managing General Partner with the necessary information about the Company to allow the Non-Managing General Partner to fulfill the role prescribed by law and the Company's bylaws.

If a situation arises where all the Managing Partners are Non-General Managing Partners, they will report to the Non-Managing General Partner for their management of the Company and for all matters that are the responsibility of the General Partners pending the election of one or more new Managing General Partners according to the process described in Article 10-1 of these bylaws.

The Managing Partner or each of the Managing Partners may, under his or her responsibility, appoint authorized signatories and representatives for one or several categories of transactions or for one or several specified purposes."

- To amend the first paragraph of Article 16, by replacing the words *"The Supervisory Board meets as frequently as it considers necessary. Meetings are called by the Chairman of the Supervisory Board or by the Managing Partners."* with the words *"The Supervisory Board meets as frequently as it considers necessary. Meetings are called by the Chairman of the Supervisory Board or the Managing Chairman."*
- To amend the first paragraph of Article 22 of the bylaws as follows:

OLD WORDING:

"Shareholders Meetings are chaired by one of the Managing Partners or, at the request of the Managing Partners or if no Managing Partner is present, by the Chairman of the Supervisory Board. If none of the Managing Partners are present and the Chairman of the Supervisory Board is also absent, the Meeting elects its own Chairman."

NEW WORDING:

"Shareholders Meetings are chaired by the Managing Chairman or (i) at his or her request or in his or her absence, by another Managing General Partner or (ii) if no Managing General Partner is present, by a Non-General Managing Partner, or (iii) if no Managing Partner is present, by the Chairman of the Supervisory Board. If none of the Managing Partners are present and the Chairman of the Supervisory Board is also absent, the Meeting elects its own Chairman. "

- To amend the second paragraph of Article 27 of the bylaws by replacing the words *"the majority of the General Partners"* with the words *"the Non-Managing General Partner."*

Tenth resolution *(Supervisory Board powers)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves, subject to the sixth, eighth and ninth resolutions of this Meeting being adopted:

- That the Supervisory Board, as part of its oversight role, will have the power to assess the quality of the Managing Partners' management.
- That, going forward, the Supervisory Board will be called upon to express an opinion on the allocation between the Managing and Non-Managing General Partners of the statutory share of profit attributable to them pursuant to Article 30 of the bylaws.
- That the Supervisory Board will have the powers related to the election of Managing Partners and their compensation resulting from the provisions introduced in the amended Articles 10, 12 and 13 of the bylaws.
- To amend Article 27 of the bylaws as follows:

OLD WORDING:

"Article 17

The Supervisory Board exercises permanent oversight of the Company's management and has the same powers as the Statutory Auditors for this purpose.

It presents a report to the Annual Shareholders Meeting in which it describes any irregularities or inaccuracies identified in the annual accounts. It receives copies of all documents provided to the Statutory Auditors by the Managing Partners. It is consulted by the General Partner(s) about any proposals for the election or removal from office of any Managing Partner, the compensation to be paid to the Non-General Managing Partner(s) and the granting of stock options to Managing Partners. It may call Shareholders Meetings. The Supervisory Board is also responsible for authorizing agreements governed by Articles L.225-38 et seq. and L.226-10 of the French Commercial Code."

NEW WORDING:

"Article 17

The Supervisory Board exercises permanent oversight of the Company's management. As part of this oversight role, it assesses the quality of the Managing Partners' management of the Company.

The Supervisory Board's agreement must be obtained, according to the process described in Articles 10 and 13 of these bylaws, to proposals by the Non-Managing General Partner related to (i) the re-election or removal from office of Managing General Partners or Non-General Managing Partners, and (ii) the payment of compensation to a Managing General Partner or Non-General Managing Partner who is removed from office following a change of strategy or a change of control of the Company, for reasons other than gross misconduct.

The Supervisory Board is consulted by the General Partners or the Non-Managing General Partner, as applicable, on the matters listed below and expresses an opinion thereon which is read out at the next Shareholders Meeting:

- *Proposals for the election of new Managing Partners.*
- *Decisions concerning the appointment of the Managing Chairman, to be made according to the process described in Article 10-2 of these bylaws.*

- *Determination of the total compensation of the Non-General Managing Partners.*
- *The allocation between the Managing and Non-Managing General Partners of the statutory share of profit attributable to them pursuant to Article 30 of these bylaws.*
- *The granting of stock options to the Managing General Partners or Non-General Managing Partners.*

  The Managing Chairman and the other Managing Partners report regularly to the Supervisory Board on the Company's situation and on the key issues listed in the Supervisory Board's internal rules.

  The Supervisory Board reports to the Shareholders Meeting on the fulfillment of its duties.

  It may call Shareholders Meetings.

  The Supervisory Board is also responsible for authorizing agreements governed by Articles L.225-38 et seq. and L.226-10 of the French Commercial Code."
- To add the words *"after consulting the Supervisory Board"* at the end of the first paragraph of Article 12 of the bylaws.

Eleventh resolution *(Election of a Managing General Partner)*

Having considered the reports of the Managing Partners and the Supervisory Board, the Extraordinary Shareholders Meeting resolves, subject to the sixth, eighth, ninth and tenth resolutions of this Meeting being adopted:

- On the unanimous proposal of the General Partners, to elect Jean-Dominique Senard as Managing General Partner of the Company for a four-year term expiring at the close of the Shareholders Meeting to be called in 2015 to approve the 2014 financial statements.
- To amend the second paragraph of Article 1 of the bylaws to read as follows: *"Michel Rollier and Jean-Dominique Senard, Managing Partners."*

12th et 13th résolutions

Alignment of the bylaws with new regulatory provisions

The twelfth and thirteenth resolutions are needed to align the bylaws with:

- The regulatory provisions resulting from the incorporation of Decree 67-236 of March 23, 1967 into the Commercial Code.
- The legal and regulatory provisions resulting from government order 2010-1511 of December 9, 2010 transposing into French law European Directive 2007/36/EC of July 11, 2007 concerning the exercise of certain rights by shareholders of listed companies, and (ii) Decrees 2010-684 of June 23, 2010 and 2010-619 of December 23, 2010 on the rights of shareholders of listed companies.

Resolutions:

Twelfth resolution *(Alignment of the bylaws with the regulatory provisions arising from the incorporation of Decree 67-236 of March 23, 1967 into the French Commercial Code)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To align the bylaws with the regulatory provisions arising from the incorporation of Decree 67-236 of March 23, 1967 into the French Commercial Code.
- To amend the relevant articles of the bylaws as follows:

– In the third paragraph of Article 6 of the bylaws, replacement of the words *"application of Articles L.228-27 et seq. of the Commercial Code and Articles 208 et seq. of the Decree of March 23, 1967"* with the words *"application of Articles L.228-27 et seq. and R.228-24 et seq. of the Commercial Code."*

– In the third paragraph of Article 33 of the bylaws, replacement of the words *"by Article 197 of the Decree of March 23, 1967"* with the words *"by Article R.225-166 of the Commercial Code."*

Thirteenth resolution *(Alignment of the bylaws with the new rules governing the exercise of certain rights by shareholders of listed companies)*

Having considered the reports of the Managing Partners and the Supervisory Board and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To align the provisions of the bylaws concerning the calling of Shareholders Meetings, proxy information, electronic voting and voting by proxy, with the legal and regulatory provisions resulting from (i) government order 2010-1511 of December 9, 2010 transposing into French law European Directive 2007/36/EC of July 11, 2007 concerning the exercise of certain rights by shareholders of listed companies, and (ii) Decrees 2010-684 of June 23, 2010 and 2010-619 of December 23, 2010 on the rights of shareholders of listed companies.
- To amend the sixth paragraph of Article 22 of the bylaws as follows:

OLD WORDING

"Shareholders may, on the basis prescribed by the relevant laws and regulations, give proxy to another eligible shareholder or to their spouse to represent them at a Shareholders Meeting, or cast a postal vote, by sending in the form of proxy/postal voting form prior to the Meeting by post or by any electronic telecommunication method."

NEW WORDING

"Shareholders may vote by correspondence or by proxy on the basis prescribed by the relevant laws and regulations, by returning by post or by any electronic communication method the form of proxy/distance voting form sent by the Company by post or by any electronic communication method.

If so decided by the Managing Partners and announced in the advance notice of meeting published in the Bulletin des Annonces Légales Obligatoires (B.A.L.O.), shareholders may also participate by voting online prior to the Meeting, on the basis prescribed by the regulations applicable at the time of voting and according to the stipulations of said decision related, in particular, to the timing of the vote.

Shareholders who vote online using the electronic form of proxy/voting form made available on the online voting website will be considered as participating in the Meeting in the same way as shareholders present or represented by proxy.

The electronic form may be filled in and signed directly on this site by any process referred to in the Managing Partners' decision that complies with the stipulations of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, for example through the use of a user name and password.

The electronic proxy or vote and the acknowledgement of receipt thereof represent written evidence enforceable against all claims from third parties and may be cancelled only in accordance with the applicable laws and regulations. If any shares are sold before midnight Paris time on the fourth business day preceding the Meeting, the corresponding electronic proxy or vote will be cancelled or modified accordingly by the Company."

14th resolution

Authorization for the Managing Partners to reduce the Company's capital by canceling shares

The fourteenth resolution authorizes the Managing Partners to reduce the Company's capital by canceling shares purchased under a shareholder-approved buyback program. This authorization is being sought for a period of 18 months and would supersede the current authorization given at the Annual Shareholders Meeting of May 7, 2010 which has not been used.

Resolution:

Fourteenth 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 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.

15th resolution

38-month authorization for the Managing Partners to grant performance shares to employees of the Company and other Group entities

The fifteenth resolution concerns an authorization to grant performance shares to employees of the Company and of its French and foreign subsidiaries (other than the Managing Partners). The list of grantees would be drawn up by the Managing Partners, who would also decide the number of shares granted to each grantee and any grant criteria, based on the recommendation of the Compensation Committee of the Supervisory Board.

It would be up to the Managing Partners to set the vesting period, which would be at least three years, and the lock-up period, which would be at least two years unless the vesting period was four years or more in which case no lock-up would apply.

The shares would also be subject to the following performance conditions:

- 3% average annual growth in the Group's unit sales (on a consolidated, like-for-like basis) over the three-year vesting period.
- Average annual operating income of €1.4 billion (before non-recurring items, on a consolidated, like-for-like basis) over the three-year vesting period.

For any performance share grants decided:

- In 2011, the above performance criteria will apply to the years 2011, 2012 and 2013
- In 2012, the above performance criteria will apply to the years 2012, 2013 and 2014
- In 2013, the above performance criteria will apply to the years 2013, 2014 and 2015
- In 2014, the above performance criteria will apply to the years 2014, 2015 and 2016

Provided that the grantees are still on the Group's payroll, except where the performance shares have vested early in the circumstances defined by law or by decision of the Managing Partners:

- Half of 75% of the shares granted to senior executives will vest when each of the above performance criteria is met.
- Between 25% and 75% of shares granted to other grantees will vest when each of the above performance criteria is met, with the proportion increasing in line with the grantee's level of responsibility.

The number of shares granted under this authorization would not exceed 0.5% of the Company's capital on the day of the decision. This authorization would supersede the current authorization given at the Annual Shareholders Meeting of May 16, 2008 which has not been used.

Resolution:

Fifteenth resolution *(38-month authorization for the Managing Partners to grant performance shares to employees of the Company and other Group entities)*

Having considered the report of the Managing Partners, the Supervisory Board's report and the Statutory Auditors' special report, and noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves:

- To authorize the Managing Partners or any one of them, in accordance with Articles L.225-197-1 et seq. of the French Commercial Code, to grant new or existing shares to selected employees of the Company and related entities within the meaning of Article L.225-197-2 of the Code, other than the Managing Partners, on the basis defined below.
- That existing or new shares granted pursuant to this authorization may not represent more than an aggregate 0.5% of issued capital on the grant date.
- That the Managing Partners or any one of them shall draw up the list of grantees, the number of shares granted and the grant criteria, which will concern in variable proportions (i) the grantee's level of responsibility within the organization and (ii) internal performance criteria determined with the Supervisory Board's agreement.
- That the performance shares will vest:

– After a vesting period of at least three years, that will be followed by a lock-up period of at least two years; or

– For all or some of the performance shares, after a vesting period of at least four years without any subsequent lock-up period.

The Managing Partners may select one or other of these two options, at their discretion, and use them alternatively or concurrently. They may extend the vesting period in either case, extend the lock-up period in the first case, and introduce a lock-up period in the second case.

- That the performance shares will vest before the end of the above vesting period and that all restrictions on their sale will be lifted in the event that the grantee becomes a victim of category 2 or 3 disability as defined in Article L.341-4 of the French Social Security Code.
- That, if the decision is made to deliver new shares to grantees, the successive share issues carried out when the performance shares vest will be paid up by capitalizing reserves, profit or additional paid-in capital, and that existing shareholders will waive their pre-emptive right to subscribe for said new shares.
- That the Managing Partners or any one of them shall have the broadest powers, within the above-defined limits and the limits resulting from the law, to:

– Provide for the possibility of temporarily suspending the performance share rights on the basis prescribed by the applicable laws and regulations.

– Place on record the dates on which the performance shares vest and the dates on which the restrictions on their sale are lifted, in accordance with this resolution and taking into account the legal restrictions.

– Record the performance shares in a registered share account in the grantee's name, indicating that they are subject to sale restrictions if applicable and the duration of said restrictions, and lift the restrictions in any of the circumstances where this is allowed under this resolution or the applicable regulations.

– Provide for the possibility to adjust the number of performance shares during the vesting period to protect the rights of grantees following any corporate actions by the Company.

– Generally, do everything useful or necessary to implement this authorization, carry out any and all filing and other formalities, place on record the resulting capital increases and amend the bylaws to reflect the new capital.

This authorization shall be valid for a period of thirty-eight months from the date of this Meeting and supersedes any authorization previously granted for the same purpose.

16th resolution

Powers to carry out formalities

The sixteenth resolution gives powers to carry out the formalities related to the Shareholders Meeting.

Resolution:

Sixteenth 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.

10.2_ REPORT OF THE SUPERVISORY BOARD

To the shareholders,

The Managing Partners' Report and the accounting and financial information communicated to you present the Group's operations and results for 2010.

We have no comments on the Statutory Auditors' report on the financial statements.

In 2010, at a time of rebounding demand in the tire markets, Michelin's business performance was shaped by strong volume growth led by the Group's global presence, a responsive pricing policy in the face of rising raw materials costs, further manufacturing productivity gains and historically high margins.

Consolidated net sales rose 20.8% to €17.9 billion, while operating income stood at €1,695 million for the year, or 9.5% of net sales, up 3.7 points on 2009.

Free cash flow was a positive €426 million.

Lastly, with gearing of 20% at end-December, Michelin enjoys a robust financial structure capable of supporting its growth ambitions.

Based on these results, the Supervisory Board approves the Managing Partners' recommendation to set the dividend at €1.78 per share.

We have been regularly informed by your General Partners of the measures they intend to submit to you to ensure the seamless transition in the Company's management as Michel Rollier prepares to retire, and which would result in you electing Jean-Dominique Senard as a new Managing General Partner. We have come to appreciate Mr. Senard's qualities, first as Chief Financial Officer and then as Non-General Managing Partner. He was selected with the Board's favorable opinion, after a long and thoughtful discussion between the Board and the General Partners.

As part of this process, the Group's governance system was reviewed and recommendations for certain changes have been submitted to your approval in three areas:

- First, new Managing Partners, both General and Non-General, will now be elected for terms of up to four years. They will be designated by the only Non-Managing General Partner after consulting with the Supervisory Board and elected by shareholders in General Meeting.

  Their re-election or, if need be, their removal from office would be decided jointly by the Non-Managing General Partner and our Board.

  As Managing General Partner of the Company, Mr. Senard would also be appointed co-Managing Partner of Manufacture Française des Pneumatiques Michelin (MFPM), which manages the Group and provides support services for its various units.

  As consideration for the functions and responsibilities exercised at MFPM, Mr. Senard will receive an annual salary determined by the company at the beginning of his term. This salary will be taken into account in allocating the share of net income distributed among all the General Partners, both Managing and Non-Managing, in accordance with the provisions of the bylaws. Note that this allocation will now be determined after the Supervisory Board issues an opinion.
- Next, each Managing Partner of the Company, both General and Non-General, currently have the same powers, which is no longer realistic given the size and therefore the complexity of the Group, and which could be a source of difficulties. We are therefore recommending that, from among the Managing Partners and after our Board has issued an opinion, a Managing Chairman be appointed, who logically should be a General Partner. The Chairman would be tasked in particular with defining the roles assigned to each of the other Managing Partners and to lead and guide their actions, while the Managing Partners would be expected to keep our Board regularly informed of the Group's situation and, from time to time, to consult us concerning significant projects for the Company.
- Lastly, the Supervisory Board's role in gauging the quality of the partnership's management, which has grown in importance in recent years, would be formally recognized in the bylaws.

The Board agrees with these various recommended changes in the Company's governance and we therefore invite you to vote in favor of the corresponding resolutions.

In addition, the Company 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.

The Company also wants to bring the bylaws into compliance with certain legal and regulatory provisions, primarily those resulting from the recent transposing into French law of European Directive 2007/36/EC of July 11, 2007 on the exercise of certain rights of shareholders in listed companies.

Lastly, you will be asked to renew, on similar terms, the authorizations given to the Managing Partners by the Annual Shareholders Meeting of May 16, 2008 to grant performance shares to Michelin employees, except the Managing Partners, but with new performance criteria.

We therefore recommend that you adopt the proposals submitted for your approval by voting in favor of the corresponding resolutions.

February 7, 2011

ERIC BOURDAIS DE CHARBONNIÈRE
Chairman of the Supervisory Board

10.3_ STATUTORY AUDITORS' REPORTS

10.3.1. STATUTORY AUDITORS' REPORTS ON EXTRAORDINARY RESOLUTIONS

STATUTORY AUDITORS' SPECIAL REPORT ON THE CAPITAL REDUCTION THROUGH THE CANCELLATION OF BOUGHT-BACK SHARES (Fourteenth resolution)

Annual Shareholders Meeting to Approve the Financial Statements for the year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' special 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 concerning capital reductions carried out by canceling bought-back shares, we present below our report on our assessment of the reasons for and terms of the proposed capital reduction.

The Managing Partners are seeking an 18-month authorization, from the date of this Meeting, to cancel shares acquired under a shareholder-approved share buyback program pursuant to the above-mentioned Article L.225-209. The authorization could be used on one or several occasions to cancel shares representing up to 10% of the capital.

We performed the procedures that we considered necessary in accordance with the guidelines 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. Said capital reduction would not affect the equal rights of shareholders.

We have no observations concerning the reasons for and the terms of the proposed capital reduction.

Neuilly-sur-Seine, February 7, 2011

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

Statutory auditors

Members of "Compagnies Régionales" of Versailles and Paris

STATUTORY AUDITORS' SPECIAL REPORT ON THE PERFORMANCE SHARE PLAN (Fifteenth Resolution)

Annual Shareholders Meeting to Approve the Financial Statements for the year ended December 31, 2010

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

To the shareholders

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin and pursuant to Article L.225-197-1 of the French Commercial Code, we have prepared this report on the proposal to grant existing or new shares to employees of the Company and related entities within the meaning of Article L.225-197-2 of the Code.

The Managing Partners are seeking an authorization to grant existing or new shares without consideration. It is their responsibility to prepare a report on the proposed share grants. Our responsibility is to inform you of our observations, if any, on the information given to you on the proposed share grants.

We performed the procedures that we considered necessary in accordance with the guidelines issued by our professional body, Compagnie Nationale des Commissaires aux Comptes, for this type of engagement. Those procedures consisted mainly of checking that the proposed terms and conditions of the share grants, as described in the Managing Partners' report, comply with the provisions of the law.

We have no observations concerning the information given in the Managing Partners' report on the proposed share grants.

Neuilly-sur-Seine, February 7, 2011

PricewaterhouseCoopers Audit	Deloitte & Associés
Christian Marcellin	Dominique Descours

Statutory auditors

Members of "Compagnies Régionales" of Versailles and Paris

10.3.2. OTHER STATUTORY AUDITORS' REPORTS

The Statutory Auditors' Reports to the Annual Shareholders Meeting of May 13, 2011 that are not presented below can be found in the following sections:

- Report on the Company financial statements: in section 8.3 of this registration document.
- Special report on regulated agreements and commitments with third parties: in section 8.4 of this registration document.
- Report on the Consolidated financial statements: in section 7.2 of this registration document.
- Report on the Chairman of the Supervisory Board's report on the Company's internal control and risk management procedures: in section 4.7 of this registration document.

10.4_ ADDITIONAL REPORT OF THE MANAGING PARTNERS ON THE SHARE ISSUE DECIDED ON SEPTEMBER 27, 2010 PURSUANT TO THE AUTHORIZATION GIVEN AT THE ANNUAL SHAREHOLDERS MEETING OF MAY 7, 2010

Additional Report of the Managing Partners on the Issuance of Shares for Cash with Pre-Emptive Subscription Rights

To the shareholders

The Managing Partners have decided to use the authorization given in the thirteenth resolution of the Annual Meeting of Shareholders of Compagnie Générale des Établissements Michelin (hereafter "Michelin" or "the Company") of May 7, 2010 to carry out a share issue for cash with pre-emptive subscription rights.

The transaction is described in a prospectus approved by the French securities regulator (Autorité des Marchés Financiers) on September 27, 2010 under *visa* no. 10–336 ("the Prospectus"). A summarized version of the Prospectus, setting out the main terms of the transaction, is provided in the appendix to this report.

In accordance with Article R.225-116 of the French Commercial Code, we have drawn up this additional report that will be represented at the next Shareholders Meeting.

10.4.1. TRANSACTION OVERVIEW

10.4.1.a) Annual Shareholders Meeting of May 7, 2010

At the Annual Meeting of May 7, 2010, the shareholders gave the Managing Partners a 26-month authorization to issue up to €118 million worth of shares (plus any additional shares to be issued in accordance with the applicable laws and regulations in order to protect the rights of existing holders of securities carrying rights to shares) with pre-emptive subscription rights (13th resolution).

10.4.1.b) Managing Partners'decision of September 27, 2010

On September 27, 2010, Jean-Dominique Senard, Managing Partner, decided to use the authorization given at the Annual Shareholders Meeting of May 7, 2010 (13th resolution) to increase the issued capital by €54,315,624 by issuing 27,157,812 new shares with pre-emptive subscription rights. The final amount of the capital increase may represent €57,384,708, corresponding to 28,692,354 new shares, if all of the currently exercisable stock options are exercised and all of the 2017 OCEANE bonds are converted. The shares obtained upon exercise of the stock options or conversion of the OCEANE bonds would also have pre-emptive subscription rights.

The issue price having been set at €45.00 per new share, the gross issue proceeds (including premiums) will amount to €1,222,101,540 or €1,291,155,930 if all of the currently exercisable stock options are exercised and all of the 2017 OCEANE bonds are converted.

10.4.1.c) Managing Partners'decision of October 7, 2010

On October 7, 2010, Michel Rollier, Managing Partner, noted that 11,352 stock options had been exercised for the same number of new shares with a par value of €2. The share capital was therefore increased to €298,758,650 represented by 149,379,325 shares with a par value of €2.

10.4.2. DESCRIPTION OF THE IMPACT OF THE SHARE ISSUE ON THE SITUATION OF HOLDERS OF SHARES AND OF SECURITIES CARRYING RIGHTS TO SHARES

10.4.2.a) Impact of the issue on equity per share

As an illustration, the impact of the issue on consolidated equity attributable to shareholders of the Company per share (based on (i) consolidated equity at June 30, 2010 as reported in the consolidated financial statements at that date and (ii) the 149,379,325 shares issued and outstanding as of October 7, 2010) would be as follows:

	Equity per share *(in euros)*	
	Undiluted basis	**Diluted basis(1)**
Before the current issue of new shares	43.08	46.14
After the current issue of 27,159,876 new shares	43.18	45.79

(1) Assuming exercise of all of the 4,784,342 stock options outstanding (including those that are not currently exercisable) and conversion of all of the 6,742,417 2017 OCEANE bonds.

10.4.2.b) Impact of the issue on the situation of shareholders

As an illustration, the impact on the share of capital of a shareholder that holds 1% of the Company's capital before the issue and does not take part in the issue (based on the 149,379,325 shares issued and outstanding as of October 7, 2010) would be as follows:

	Share of capital *(in %)*	
	Undiluted basis	**Diluted basis (1)**
Before the current issue of new shares	1%	0.93%
After the current issue of 27,159,876 new shares	0.85%	0.79%

(1) Assuming exercise of all of the 4,784,342 stock options outstanding (including those that are not currently exercisable) and conversion of all of the 6,742,417 2017 OCEANE bonds.

10.4.2.c) Impact of the issue on the situation of holders of stock options and 2017 OCEANE bonds

The right to exercise currently exercisable Michelin stock options has been suspended from October 7, 2010 (midnight CEST) until October 27, 2010 (11:59 pm, CEST) in accordance with legal and regulatory requirements and the option plan rules. The suspension was announced in the Bulletin des Annonces Légales Obligatoires (BALO) on September 29, 2010 in accordance with Article R.225-133 of the Commercial Code, and became effective at midnight CEST on October 7, 2010.

The rights of holders of currently exercisable Michelin stock options who did not exercise their options by 11:59 pm CEST on October 6, 2010, the rights of holders of Michelin stock options that are not currently exercisable and the rights of holders of 2017 OCEANE bonds that did not convert their bonds by 5:00 pm CEST on September 30, 2010 will be preserved in accordance with the applicable laws and regulations and the stock option plan rules or the terms and conditions of the 2017 OCEANE bonds.

10.4.2.d) Theoretical impact of the share issue on the current Michelin share price

The theoretical impact on the current Michelin share price of €63.06 (corresponding to the average of the volume-weighted average share prices for the twenty trading days preceding September 27, 2010) would be as follows, based on the number of shares issued and outstanding as of October 7, 2010:

	Number of shares (undiluted basis)	**Share price** *(in euros)* **(undiluted basis)**	**Number of shares (diluted basis)(1)**	**Share price** *(in euros)* **(diluted basis)(1)**
Before the current issue of new shares	149,379,325	63.06	160,906,084	63.06
After the current issue of 27,159,876 new shares	176,539,201	60.08	188,065,960	60.26

(1) Assuming exercise of all of the 4,784,342 stock options outstanding (including those that are not currently exercisable) and conversion of all of the 6,742,417 2017 OCEANE bonds.

The share price (undiluted basis) corresponds to the sum of i) Michelin's pre-issue market capitalization corresponding to the average of the volume-weighted average share prices for the twenty trading days preceding September 27, 2010 (€63.06) multiplied by the total number of shares outstanding (149,379,325 shares as of October 7, 2010), plus ii) the estimated net issue proceeds (approximately €1,187 million), divided by 176,539,201, corresponding to the sum of the number of shares outstanding as of October 7, 2010 (149,379,325) and the total shares created by the current share issue.

In accordance with the applicable laws and regulations, this additional report is available for consultation at the Company's head office and will be read out at the next Shareholders Meeting.

TABLES OF CONCORDANCE

11

11.1_ TABLE OF CONCORDANCE FOR THE MANAGING PARTNERS' REPORT IN RESPECT WITH THE FRENCH COMMERCIAL CODE

		Sections
I.	**Review of the financial statements for the year**	
1.	Consolidated financial statements	7
2.	Company financial statements	8
3.	Dividends	5.2
II.	**Subsequent events, trends and outlook**	
1.	Significant subsequent events	7.1. - (Note 35) ; 2.15 - ; 2.10
2	Trend information	2.9
3.	Group markets: seasonal fluctuations in business	2.2
III.	**Risk factors**	
1.	Operating risks	2.11.1. a) - ; 2.11.1. b) - ; 2.11.2 - ; 2.11.3. b) - ; 2.11.3. c) - ; 2.11.3. d)
2.	Financial risks	2.11.3. e)
3.	Legal risks	2.11.3. f)
4.	Environmental, industrial and technological risks	2.11.3. a)
5.	Risk coverage - Insurance	2.11.1. c)
IV.	**Managing Partners and senior executives**	
1.	Terms of office and functions of the Managing Partners	4.3.3
2.	Shares held by the Managing Partners	4.3.3
3.	Managing Partners' compensation and interests	4.4
4.	Stock options and performance shares	4.4
V.	**Corporate social responsibility data**	
1.	Social responsibility	6.2
2.	Environment	6.3
3.	Customer and supplier relations	6.2
	Report on social and environmental reporting methods	6.1
VI.	**General information about the company and its capital**	
1.	Company identity	5.1.1
2.	Relations between the Company and its subsidiaries	1.2
3.	Information on the Company's capital	5.5
4.	Information that may have a bearing in the event of a takeover bid	2.16 - ; 4
5.	Other information about the Company that is an integral part of the management report	None

11.2_ 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.

		Sections
1.	**Person responsible for the Registration Document**	**9.1**
2.	**Statutory Auditors**	**9.2**
3.	**Selected financial information**	**3**
4.	**Risk factors**	**2.11**
5.	**Information about the issuer**	
	5.1. History and development of the Company	1.3
	5.2. Investments	2.6.2
6.	**Business overview**	
	6.1. Principal activities	1.1 ; 2.1 ; 2.10.
	6.2. Principal markets	2.2 - ; 2.3
	6.3. Exceptional events that have influenced the information provided pursuant to points 6.1 and 6.2	None
	6.4. Degree of issuer dependence upon patents, licenses, industrial, commercial and financial contracts and upon manufacturing processes	None
	6.5. Basis of issuer statements concerning its competitive position	2.2
7.	**Organizational structure**	
	7.1. Summary organizational chart	1.2
	7.2 . List of subsidiaries and affiliates	8.2 - (Note 23)
8.	**Property, plant and equipment**	
	8.1. Existing or planned material tangible fixed assets	1.4 - ; 7.1 - (Note 14)
	8.2. Environmental issues that may affect the issuer’s utilization of tangible fixed assets	6.3
9.	**Operating and financial review**	
	9.1. Financial situation	2.3 - ; 2.4 - ; 2.5 - ; 2.6 - ; 2.7
	9.2. Operating results	2.4.1 - ; 2.4.2
10.	**Liquidity and capital resources**	
	10.1. Capital resources	2.5 - ; 2.7 - ; 5.5.1 - ; 7.1 - (1)
	10.2. Cash flows	2.5 - ; 2.6 - ; 7.1 - (2)
	10.3. Borrowing requirements and funding structure	2.5 - ; 7.1 - (Note 26)
	10.4. Restrictions on the use of capital resources	None
	10.5. Anticipated sources of funds to meet the commitments covered in points 5.2.3 and 8.1	None
11.	**Research and development, patents and licenses**	**2.1.3. b) - ; 2.1.4. a) - ; 2.4.3.f) - ; 7.1 - (3)**
12.	**Trend information**	**2.9**
13.	**Profit forecasts or estimates**	**2.9.2**

14.	**Administrative, management and supervisory bodies and senior management**	
	14.1. Management and supervisory bodies	4.3
	14.2. Conflicts of interest	4.3.4
15.	**Remuneration and benefits**	
	15.1. Remuneration and benefits in kind	4.4
	15.2. Total amounts set aside or accrued to provide pension, retirement or similar benefits	4.4
16.	**Board practices**	
	16.1. Date of expiration of current terms of office	4.2.2. d)
	16.2. Service contracts	4.3.4
	16.3. Audit and Compensation Committees	4.2.2 - ; 4.6.1
	16.4. Statement of compliance with France's corporate governance regime	4.6.2
17.	**Employees**	
	17.1. Number of employees	2.4.3.b) - ; 3.4 - ; 6.2.1. a)
	17.2. Shareholdings and stock options	5.5.4 - ; 6.2.3
	17.3. Arrangements for involving the employees in the capital of the issuer	5.5.5 ; 6.2.3. c)
18.	**Major shareholders**	**2.16**
19.	**Related party transactions**	**7.1 (Note 34)**
20.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
	20.1. Historical financial information	7.1. ; 8.2
	20.2. Pro forma financial information	7.1. ; 8.2
	20.3. Financial statements	7.1. ; 8.2
	20.4. Auditing of the historical annual financial statements	7.2. ; 8.3
	20.5. Age of latest financial information December 31, 2010	December 31, 2010
	20.6. Interim and other financial information	None
	20.7. Dividend policy	5.2
	20.8. Legal and arbitration proceedings	2.11.3. f)
	20.9. Significant change in the issuer's financial or trading position	None
21.	**Additional information**	
	21.1. Share capital	5.5.1 ; 5.5.2 ; 5.5.3
	21.2. Articles of incorporation and bylaws	5.1.2
22.	**Material contracts**	**2.12**
23.	**Third party information and statements by experts and declarations of interests**	**6.4**
24.	**Documents on display**	**5.4**
25.	**Information on holdings**	**7.1 (Note 36) ; 8.1 (Note 23)**

(1) Consolidated balance sheet, Consolidated statement of changes in equity, notes 24 and 25
(2) Consolidated cash flow statement, notes 23 and 31.
(3) Consolidated income statement, note 13.2.

MICHELIN

+ 33 (0) 4 73 32 20 00
23, place des Carmes-Déchaux
63040 Clermont-Ferrand Cedex 9 – France

www.michelin.com

INVESTOR RELATIONS

Valérie Magloire
Alban de Saint Martin
+ 33 (0) 1 45 66 16 15
46, avenue de Breteuil
75324 Paris Cedex 07 – France
investor-relations@fr.michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS

Jacques Engasser
+ 33 (0) 4 73 98 59 00
12, cours Sablon
63040 Clermont-Ferrand Cedex 9 – France
Toll-free calls in France: 0 800 000 222
actionnaires-individuels@fr.michelin.com

COMMUNICATION AND BRANDS

MEDIA RELATIONS
+ 33 (0) 1 45 66 22 22
46, avenue de Breteuil
75324 Paris Cedex 07 – France

MICHELIN
A better way forward