



2011
RESULTS

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Press release

Clermont-Ferrand – February 10, 2012

Financial Information for the Year Ended December 31, 2011

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

2011: A Year That Fully Validated Michelin's Strategic Vision

2012: Higher Operating Income Target and Positive Free Cash Flow in More Widely Varying Markets

- Sales volumes up 6.7% thanks to a very strong first half.
- Robust operating income of €1,945 million, or 9.4% of net sales, and a 39% increase in net income.
- Sustained high margins in the Specialty businesses.
- Higher raw materials costs effectively offset.
- Free cash flow at breakeven, given the faster deployment of the capital expenditure plan and despite the impact of higher raw materials costs on working capital.
- A solid balance sheet.
- Proposed dividend of €2.10 per share, subject to approval at the Annual Shareholders Meeting of May 11, 2012.

Outlook

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

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

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

In 2012, Michelin aims to hold volumes steady as global tire markets experience varying degrees of growth, in an environment that will remain favorable in the new markets but be less buoyant in Europe.

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

(in € millions)	2011	2010
Net sales	20,719	17,891
Operating income before non-recurring income and expenses	1,945	1,695
Operating margin before non-recurring income and expenses	9.4%	9.5%
Passenger Car and Light Truck Tires and Related Distribution	9.4%	10.4%
Truck Tires and Related Distribution	3.5%	4.4%
Specialty businesses	21.5%	17.8%
Operating income after non-recurring income and expenses	1,945	1,695
Net income	1,462	1,049
Capital expenditure	1,711	1,100
Net Debt	1,814	1,629
Gearing	22%	20%
Free cash flow ⁽¹⁾	(19)	426
ROCE	10.9%	10.5%
Employees on payroll ⁽²⁾	115,000	111,100

(1) Cash flow from operating activities less cash flow used in investing activities.

(2) At period-end.

MARKET REVIEW

In 2011, worldwide demand for tires generally remained strong in every region. After rising sharply in the first quarter, growth slowed to a pace more in line with long-term trends, with demand for truck tires turning downwards during the summer in a less favorable

economic environment. Throughout the year, the market saw ongoing price increases by all tire manufacturers to offset sharply rising raw material costs.

PASSENGER CAR AND LIGHT TRUCK TIRES

2011

(% change year-on-year)
(in number of tires)

	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment	+7%	+10%	-2%	+4%	+10%	+4%
Replacement	+5%	-1%	+10%	+6%	+3%	+4%

FOURTH QUARTER 2011

(% change year-on-year)
(in number of tires)

	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment	+4%	+22%	-1%	-1%	+9%	+4%
Replacement	-4%	-4%	+4%	+6%	+3%	-1%

* Including Russia and Turkey.

Original Equipment

- In Europe, tire demand slowed in the fourth quarter but ended the year up 7%, lifted by vehicle exports and the increased production of premium models.
- Demand in North America rose by 10% for the year, despite the impact on car output of the shortfall in Japan-sourced parts and components in the second quarter.
- In Asia (excluding India), demand retreated by 2% overall. It increased 2% in China but fell 14% in Japan, where the impact of the tsunami offset the relaunch of local automobile assembly plants, whose reramp-up was slowed by the flooding in Thailand in the fourth quarter.
- South American markets ended the year up 4% overall. Although the popularity of imports caused local automobile output to slow in mid-year, demand for cars and light utility vehicles is rebounding.

Replacement

- The European replacement market rose by 5% over the year, lifted by robust demand and sustained winter tire sales. The beginning of the year saw dealers partly build up inventory ahead of announced price increases. Despite the mild weather, demand for winter tires surged 18%, even though December volumes were down on prior-year levels. The winter segment now accounts for 30% of the European market. Demand remained very vigorous in Russia.
- In North America, demand contracted by 1% overall, dragged down by the decline in average miles driven, due to higher fuel costs, and by the uncertain economic environment. However, the winter, commercial and premium (V and Z speed rating) segments continued to expand.
- In Asia (excluding India), markets rose by 10% overall during the year. Demand in China rose by 19% despite government policies to manage growth. While slowing in the fourth quarter, the Japanese market ended the year up 7%, as dealers replaced inventory lost during the earthquake and tsunami.
- In South America, replacement markets continued to trend upwards, increasing by 6% during the year. The Brazilian market rose by 3% overall, with faster growth at year-end spurred by the government's autumn initiatives to revitalize the economy and lower interest rates.



TRUCK TIRES

2011

(% change year-on-year)
(in number of tires)

	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment*	+35%	+56%	-3%	+19%	+120%	+18%
Replacement*	+6%	+6%	+4%	+7%	+9%	+5%

FOURTH QUARTER 2011

(% change year-on-year)
(in number of tires)

	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment*	+4%	+49%	+16%	+18%	+137%	+23%
Replacement*	-9%	-6%	-0%	-1%	+5%	-2%

* Radial market only.

** Including Russia and Turkey.

Original Equipment

- In Europe, demand surged by 35% compared with 2010, when it was still relatively weak, particularly in the first half. Growth was supported by the production of export trucks but it fell off noticeably in the summer as the economic outlook clouded.
- The North American market enjoyed a robust 56% growth, led by new truck sales and purchases to replace aging units (averaging a historically high nine years old).
- Demand contracted by 3% in Asia (excluding India), primarily due to the 5% decline in China caused by measures to restrict the availability of credit and the slowdown in construction.
- Markets continued to trend upwards in South America, led by Brazil, where demand climbed 21% on new truck purchases ahead of the early 2012 introduction of new technical standards.

Replacement

- In Europe, the market ended the year up 6% overall, but while demand surged 18% in the first half on dealer restocking and buying ahead of price increases, it slowed suddenly in the second as the freight market weakened, dealers drew down excess inventory and the euro crisis clouded the economic outlook. Demand in Russia remained as vigorous as ever, gaining 35% over the year in a still buoyant economy.
- In North America, the radial market expanded by 6%, while freight tonnage returned to 2007 levels.
- In Asia (excluding India), the market rose 4% overall, but growth varied by country. Demand in China edged up only 3%, held back by the slowdown in construction and government measures to tighten credit controls. In the ASEAN countries, growth held firm at a sustained 11%, despite the impact of flooding in Thailand. The Japanese market climbed 6%, lifted by dealer purchases to replace inventory lost in the natural disaster.
- In South America, demand ended the year up 7% but cooled in the second half, and tire imports rose as local currencies strengthened. While up 5% overall, the Brazilian market slowed in the second half due to measures introduced to combat inflation and imports, as well as to the general worsening of the global economy.

SPECIALTY TIRES

- **Earthmover tires:** The mining segment continued to enjoy sustained, double-digit growth in 2011, led by strong demand for ore, oil and gas in emerging economies. The market remains tight, especially for large tires, but the original equipment segment saw a sharp rebound and is close to its all-time highs. Global demand for tires used in infrastructure projects and quarries continued to trend upwards in both North America and Europe.
- **Agricultural tires:** Global OE demand continued to recover, particularly in Europe and North America, and especially in the high-powered farm machinery segment. The replacement market rose sharply in North America and continued to expand in Europe.
- **Two-Wheel tires:** The motorized segments expanded during the year, particularly in North America.
- **Aircraft tires:** In the commercial aviation segment, the number of passengers carried continued to increase as did aircraft load factors, while the military segment remained stable compared with 2010.

2011 NET SALES AND RESULTS

NET SALES

Consolidated net sales amounted to €20,719 million, up 15.8% at current exchange rates compared with 2010.

Growth was primarily led by the positive 10.5% impact from the price mix, which was entirely due to the sustained firm pricing policy and contractual price adjustments. The mix effect, which was barely material at -€63 million, reflected the unfavorable impact of the steeper upturn in OE volumes, which was almost entirely offset by the sustained improvement in the segment mix.

The 6.7% increase from volume gains reflected the Group's robust marketing performance, while demand remained generally buoyant throughout the year.

The negative 1.8% currency effect mainly resulted from the euro's appreciation against the dollar.

EARNINGS

Operating income before non-recurring income and expenses amounted to €1,945 million or 9.4% of net sales. There were no non-recurring items recognized for the period.

The €250-million increase compared with reported 2010 operating income mainly reflected the favorable impact of higher volumes (€473 million) and the price mix (€2,012 million), which totally offset

the €1,748-million increase in raw material costs. It also included the €207-million increase in expenses to drive volume growth, €62 million in productivity gains and an unfavorable €100-million currency effect.

In all, net income for the year came to €1,462 million.

NET FINANCIAL POSITION

Free cash flow amounted to a negative €19 million for the year, after growth investments doubled over the period. By causing a significant increase in the value of inventory and in working capital, higher raw materials costs reduced cash flow by €739 million.

At December 31, 2011, **gearing stood at 22%** while net debt amounted to €1,814 million.

SEGMENT INFORMATION

(in € millions)	NET SALES		OPERATING INCOME BEFORE NON-RECURRING INCOME AND EXPENSES		OPERATING MARGIN BEFORE NON-RECURRING INCOME AND EXPENSES	
	2011	2010	2011	2010	2011	2010
Passenger Car and Light Truck Tires and Related Distribution	10,780	9,790	1,018	1,014	9.4%	10.4%
Truck Tires and Related Distribution	6,718	5,680	233	249	3.5%	4.4%
Specialty businesses	3,221	2,421	694	432	21.5%	17.8%
GROUP	20,719	17,891	1,945	1,695	9.4%	9.5%

Passenger Car and Light Truck Tires and Related Distribution

Net sales in the Passenger car and light truck tires and related distribution segment stood at €10,780 million, up 10.1% on 2010 thanks to the 3.9% increase in sales volumes, the robust pricing dynamic maintained throughout the year, and the success of the MICHELIN Pilot Super Sport, MICHELIN Primacy HP and MICHELIN Alpin 4 lines.

The growth in tonnages sold, the positive price-mix which more than offset the increase in raw materials costs and the expenses committed to drive future growth, together fed through to operating income of €1,018 million before non-recurring income and expenses, or 9.4% of segment net sales.



Truck Tires and Related Distribution

Net sales in the Truck tires and related distribution segment amounted to €6,718 million, a gain of 18.3% on 2010. Sales volumes ended the year up 5.8% after rising 15.6% in the first half thanks to purchases ahead of announced price increases. The new MICHELIN X® MultiWay™ 3D Europe and X® MultiWay™ XZE Brazil lines were successfully introduced during the year while the MICHELIN X One range went from strength to strength.

Despite an unfavorable OE/replacement sales mix and start-up costs in China and India, operating income before non-recurring income and expenses stood at €233 million, or 3.5% of segment net sales, thanks to volume growth and the successive price increases, which over the year offset the increase in raw materials prices.

Specialty businesses

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

Operating income before non-recurring income and expenses remained structurally high, at €694 million or 21.5% of segment net sales. The increase in tonnages sold, the significant contribution from the Earthmover segment and the application of contractual indexing clauses amply offset the unfavorable impact of higher raw materials prices and changes in exchange rates.

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin reported a profit of €360 million in 2011.

The financial statements were presented to the Supervisory Board at its meeting on February 6, 2012. The audit was completed and the auditors' report was issued on the same date.

The Managing Partners will call an Annual Shareholders Meeting on Friday, May 11 at 9:00 a.m. in Clermont-Ferrand.

Shareholders will be asked to approve the payment of a dividend of €2.10 a share, with a dividend reinvestment option.

2011 HIGHLIGHTS

- Michelin continued to raise prices in response to rising raw materials costs.
- Memorandum of understanding signed with Double Coin and Huayi.
- Another \$200 million invested in the Lexington, SC plant to expand Car and Light Truck tire capacity.
- New €1.5-billion multi-currency revolving line of credit arranged.
- Compagnie Générale des Établissements Michelin successfully completes private placement of its entire stake in Hankook Tire Co., Ltd.
- Launch of the new MICHELIN Pilot Super Sport tire, engineered for sports sedans.
- New MICHELIN Primacy 3 tire premiered, offering safety to the power of 3.
- Launch in China of the MICHELIN ENERGY™ XM2, especially designed for use in the BRICs.
- New sizes introduced for the MICHELIN X One XDA Energy™, the most energy-efficient drive tire for North American long-haul trucks.
- The MICHELIN X® MultiWay™ 3D range of truck tires introduced in Europe.
- Michelin to supply tires for China's first commercial airliner, the COMAC C919.
- The Le Puy, France plant inaugurates 17,000 rooftop solar power panels.

A full description of 2011 highlights may be found on the Michelin website: www.michelin.com/corporate/finance

PRESENTATION AND CONFERENCE CALL

Full-year 2011 results will be reviewed with analysts and investors during a conference call today, Friday February 10, at 11:00 a.m. CET (10:00 a.m. UT). The conference will be in English, with simultaneous interpreting in French. If you wish to participate, please dial-in one of the following numbers from 10:50 p.m. CET:

- In France 01 70 77 09 21 (French)
- In France 01 70 77 09 37 (English)
- In the UK 0203 367 9454 (English)
- In the United States (866) 907 5925 (English)
- From anywhere else +44 203 367 9454 (English)

Please refer to the www.michelin.com/corporate website for practical information concerning the conference call.

INVESTOR CALENDAR

- Quarterly information for the three months ended March 31, 2012: Monday, April 23, 2012 after close of trading
- First-half 2012 net sales and results: Friday, July 27, 2012 before start of trading

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Disclaimer

This press release is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documents filed in France with Autorité des marchés financiers, which are also available from the website.

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

SLIDESHOW

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ANNUAL RESULTS

FEBRUARY 10, 2012




A Year that Fully Validated the Group's Strategic Vision

- Higher sales volumes, thanks to a very strong first half
- Robust earnings
- Sustained high margins in the Specialty businesses
- Higher raw materials costs offset thanks to the Group's leadership
- Free cash flow at breakeven
- Strong balance sheet



2 // Annual Results – February 10, 2012




Financial Highlights


2011 & 2010 figures as reported

In € millions	2011	2010
Net Sales	20,719	17,891
Operating Income	1,945	1,695
Operating Margin	9.4%	9.5%
Net Income	1,462	1,049
Investment	1,711	1,100
Net Debt-to-Equity Ratio	22%	20%
Free Cash Flow*	(19)	426
ROCE	10.9%	10.5%

*Cash flows from operating activities less cash flows used in investing activities




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OUTLINE

- 01** Markets: a year of volatility and contrast
- 02** Remarkable performance
- 03** A solid balance sheet
- 04** Michelin's unique competitive advantages
- 05** Outlook



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01

Markets: a Year of Volatility and Contrast



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Car and Light Truck Tires: Annual Growth that Moved back in Line with Long Term Trends in H2

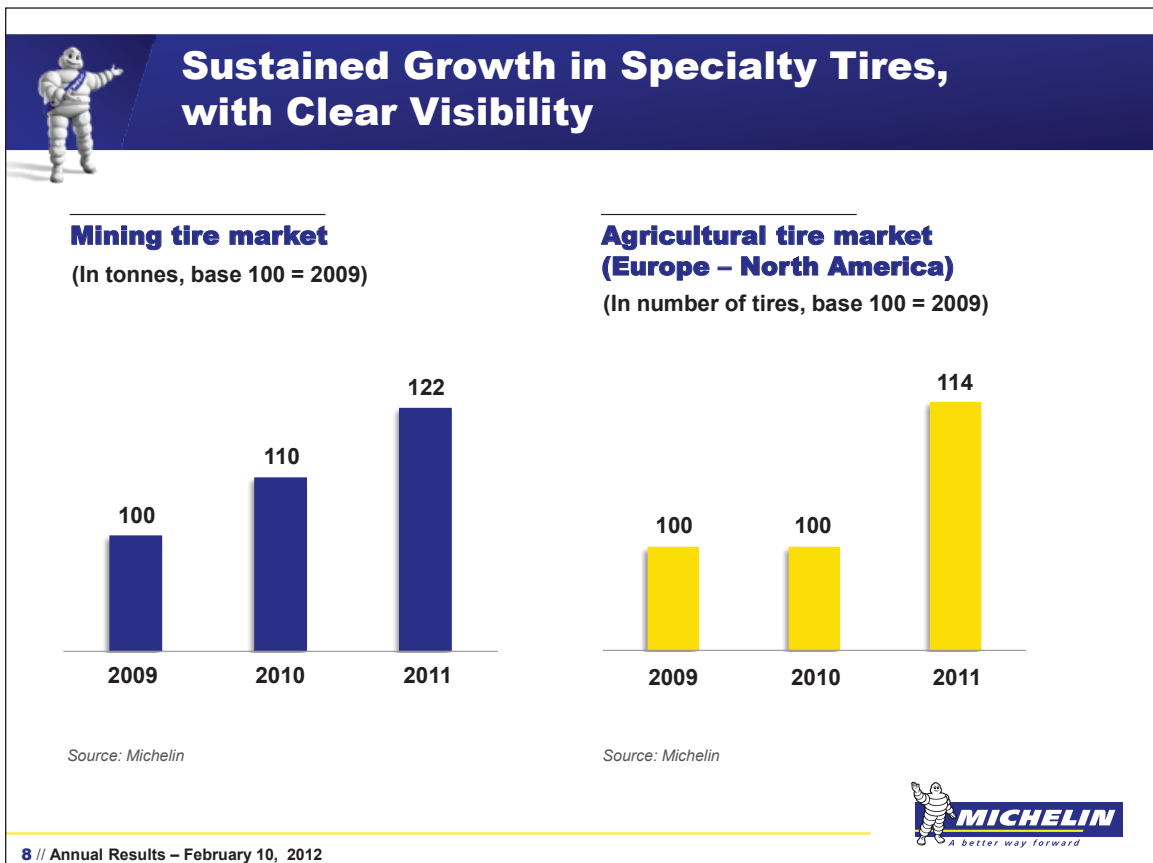
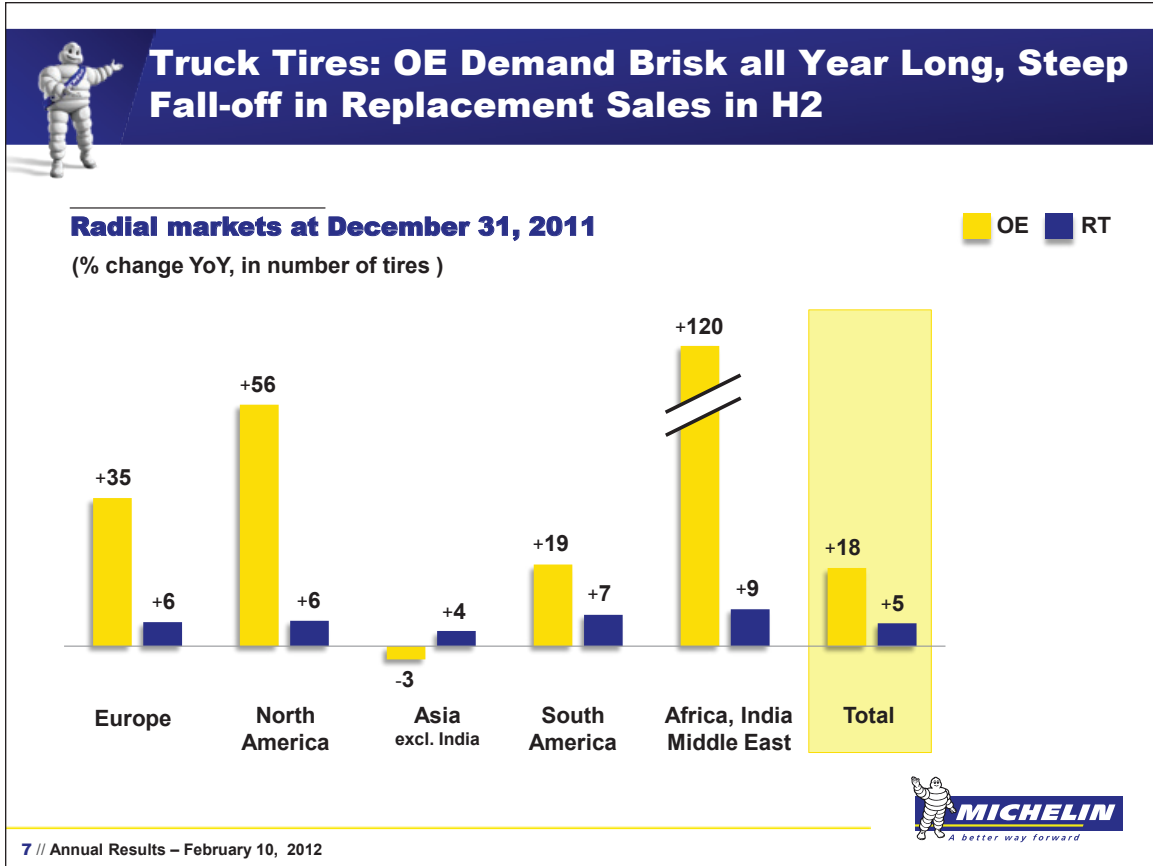
Markets at December 31, 2011
(% change YoY, in number of tires)

Legend: ■ OE ■ RT

Market	OE (% change YoY)	RT (% change YoY)
Europe	+7	+5
North America	+10	-1
Asia excl. India	-2	+10
South America	+4	+6
Africa, India, Middle East	+10	+3
Total	+4	+4



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02

Remarkable Performance



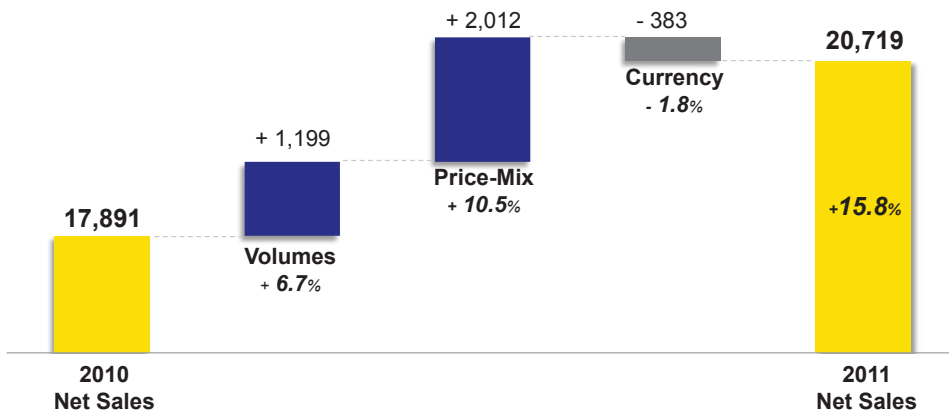
9 // Annual Results – February 10, 2012




Higher Net Sales, Led by Pricing Power and Sales Performance

YoY change

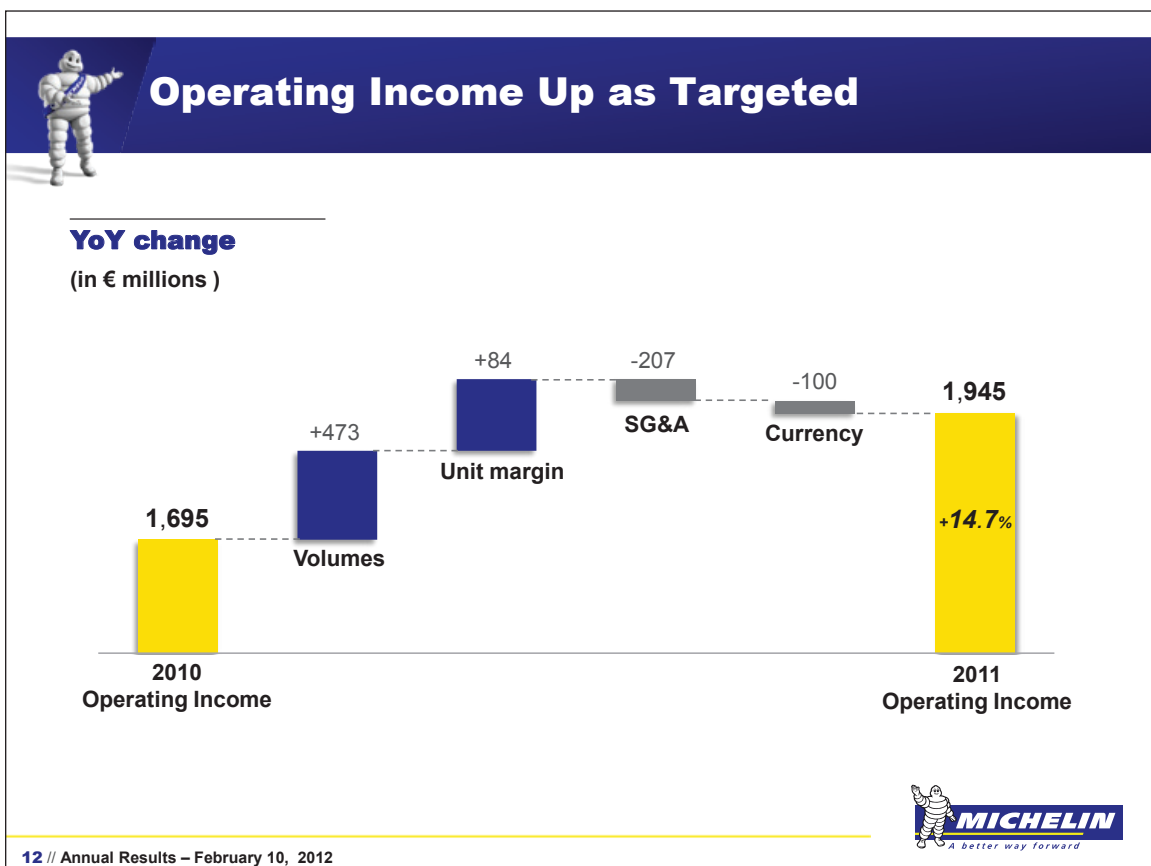
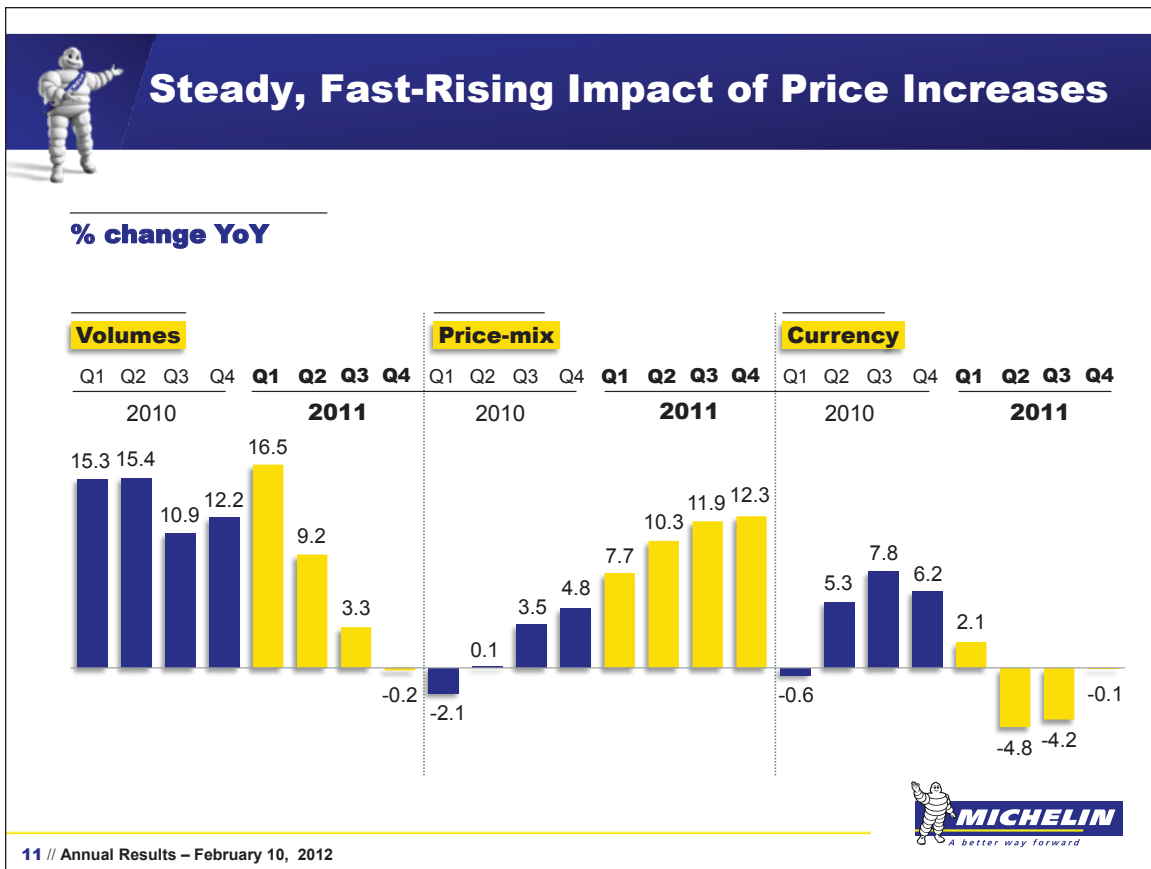
(in € millions and as a % of net sales)

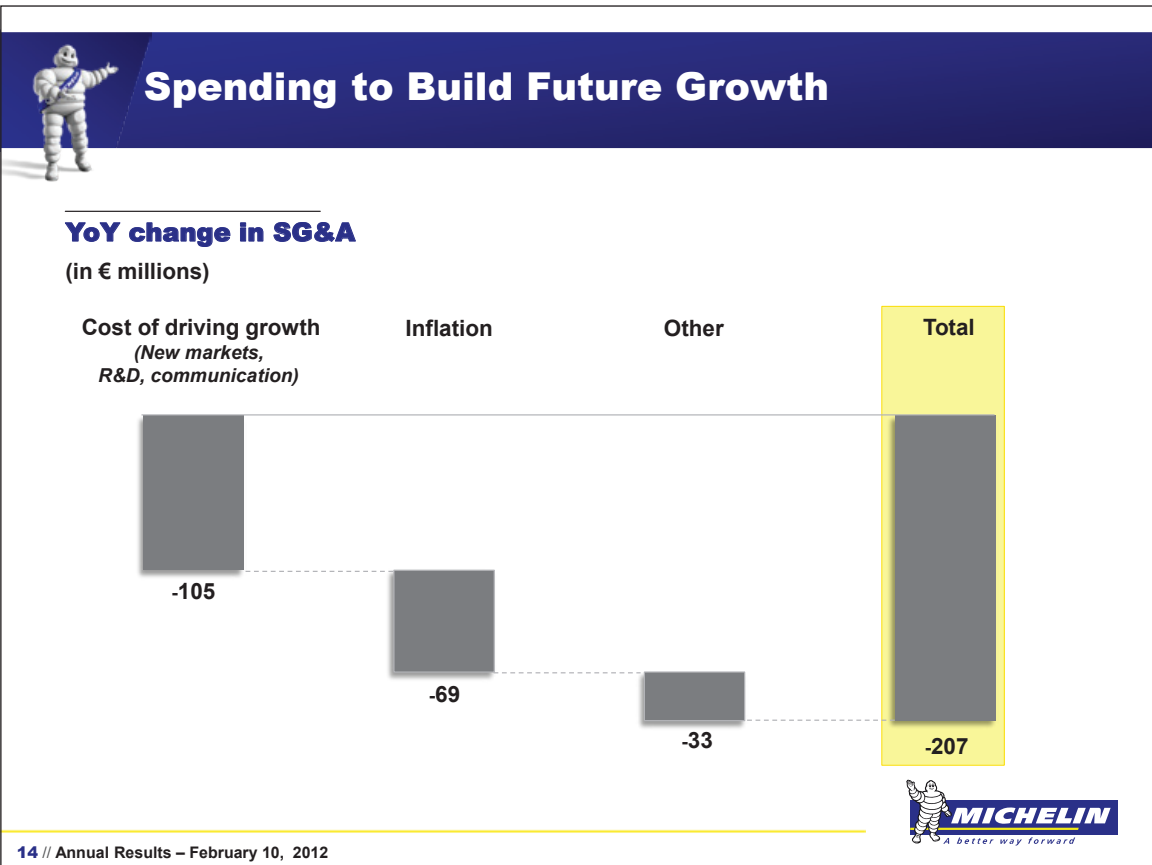
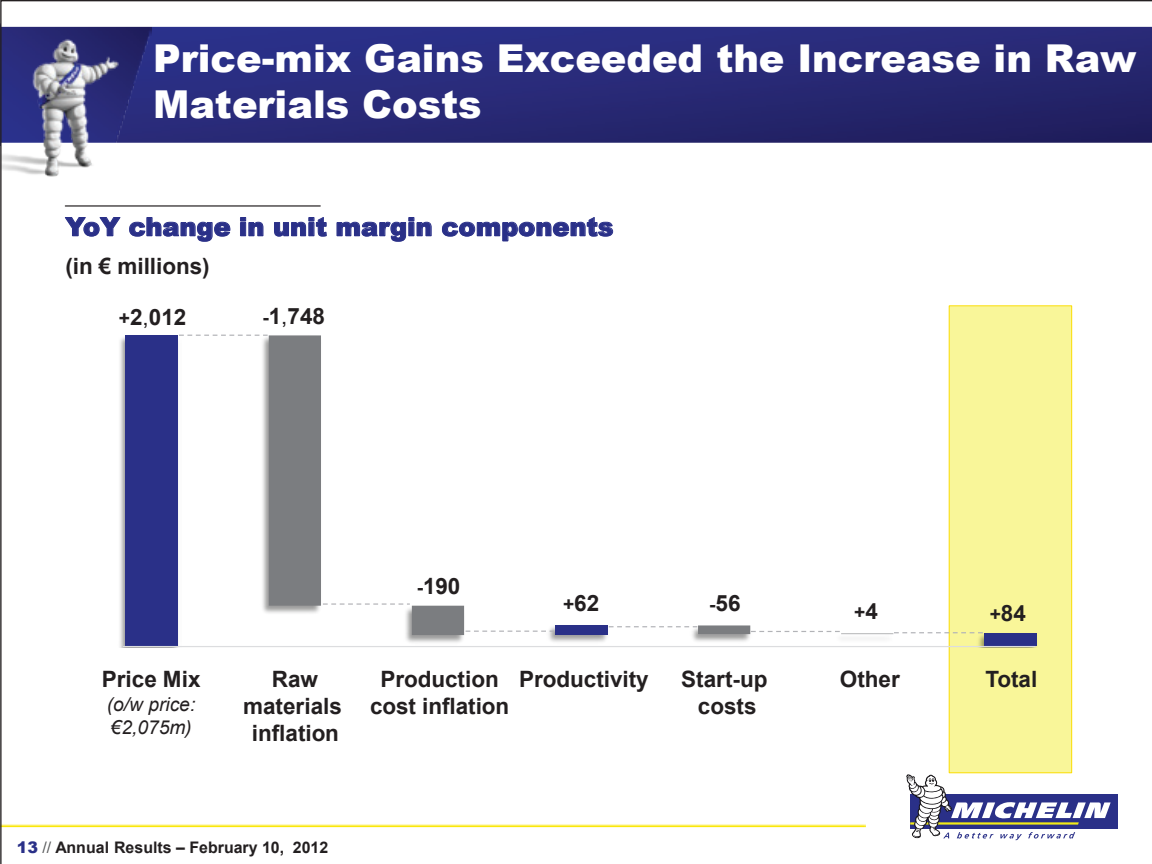


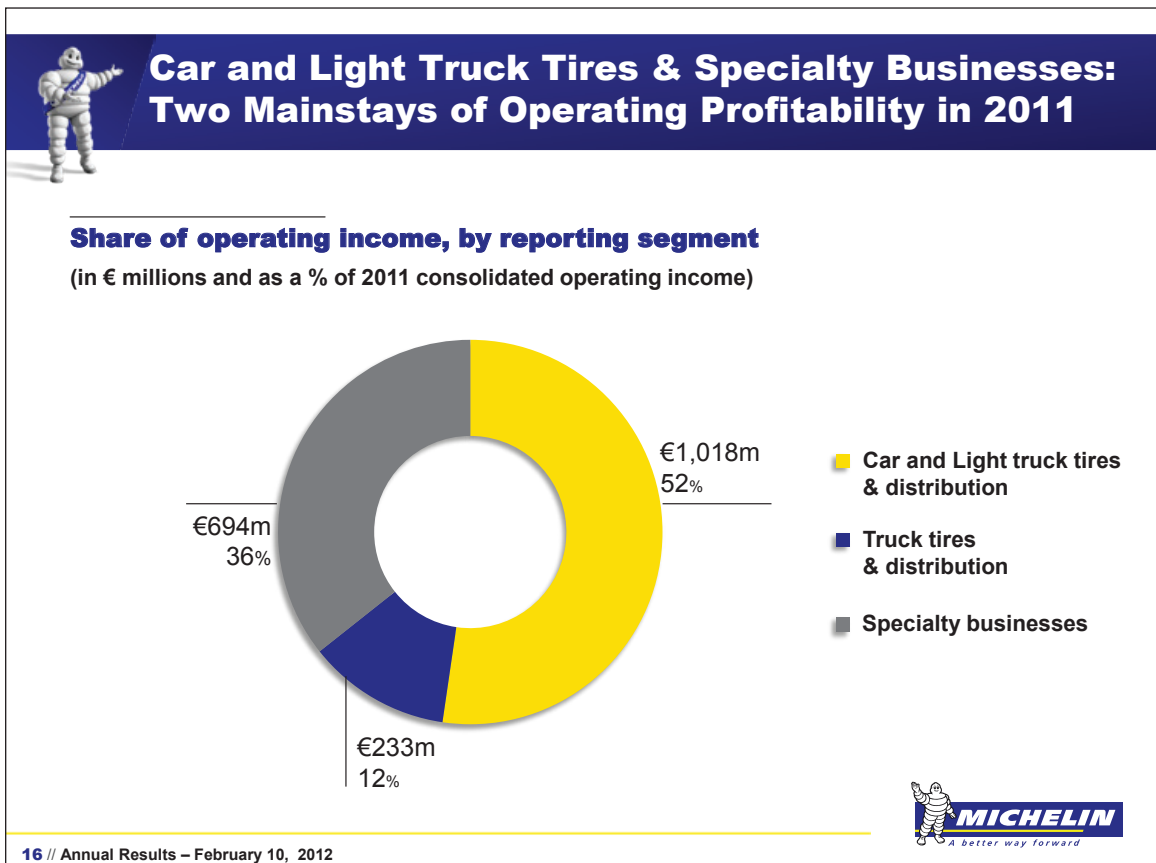
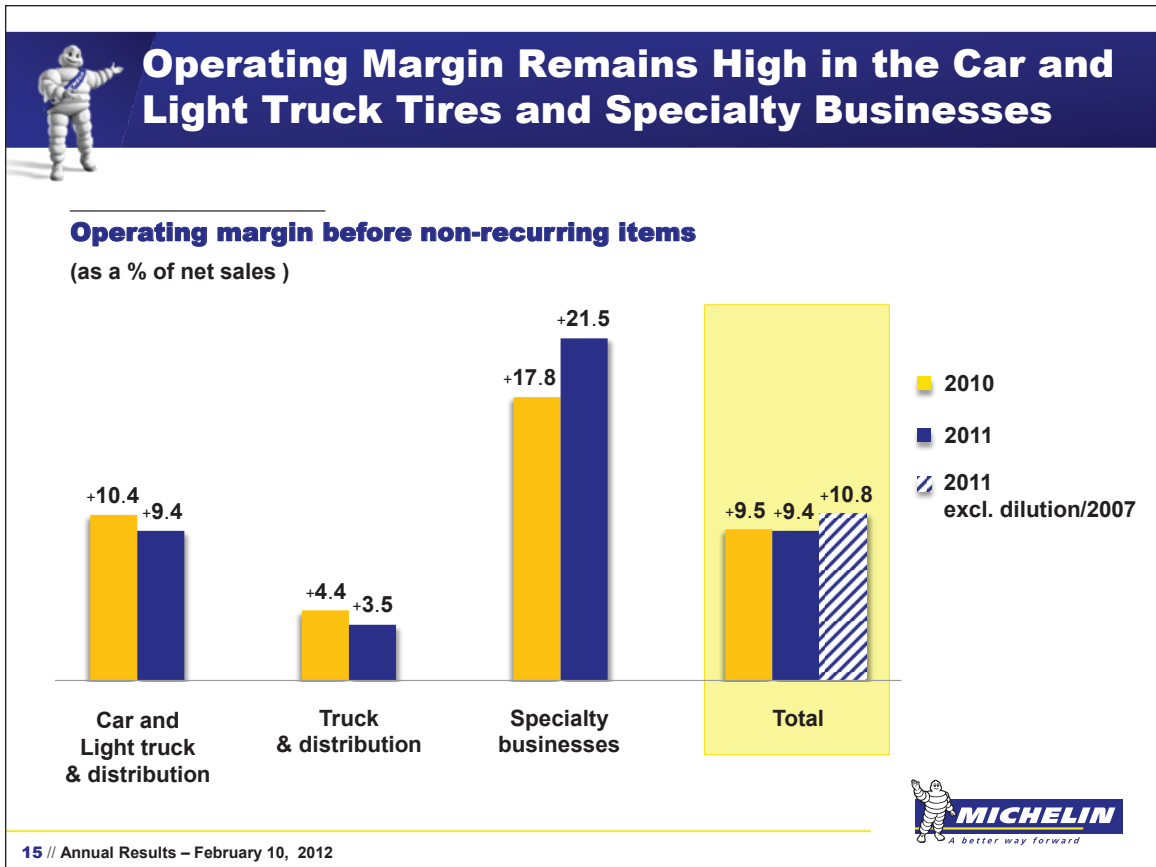
Category	Change (€ millions)	% of Net Sales
2010 Net Sales	17,891	-
Volumes	+1,199	+6.7%
Price-Mix	+2,012	+10.5%
Currency	-383	-1.8%
2011 Net Sales	20,719	+15.8%




10 // Annual Results – February 10, 2012











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A Solid Balance Sheet




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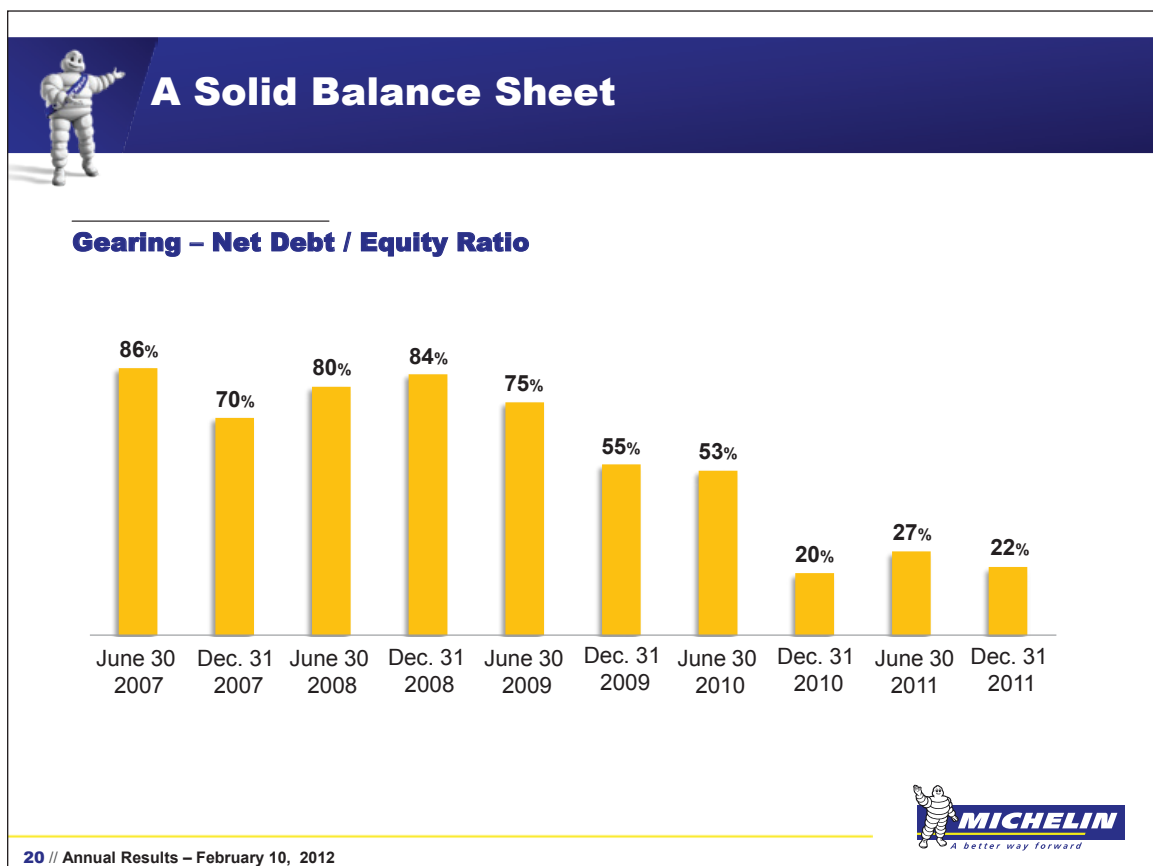
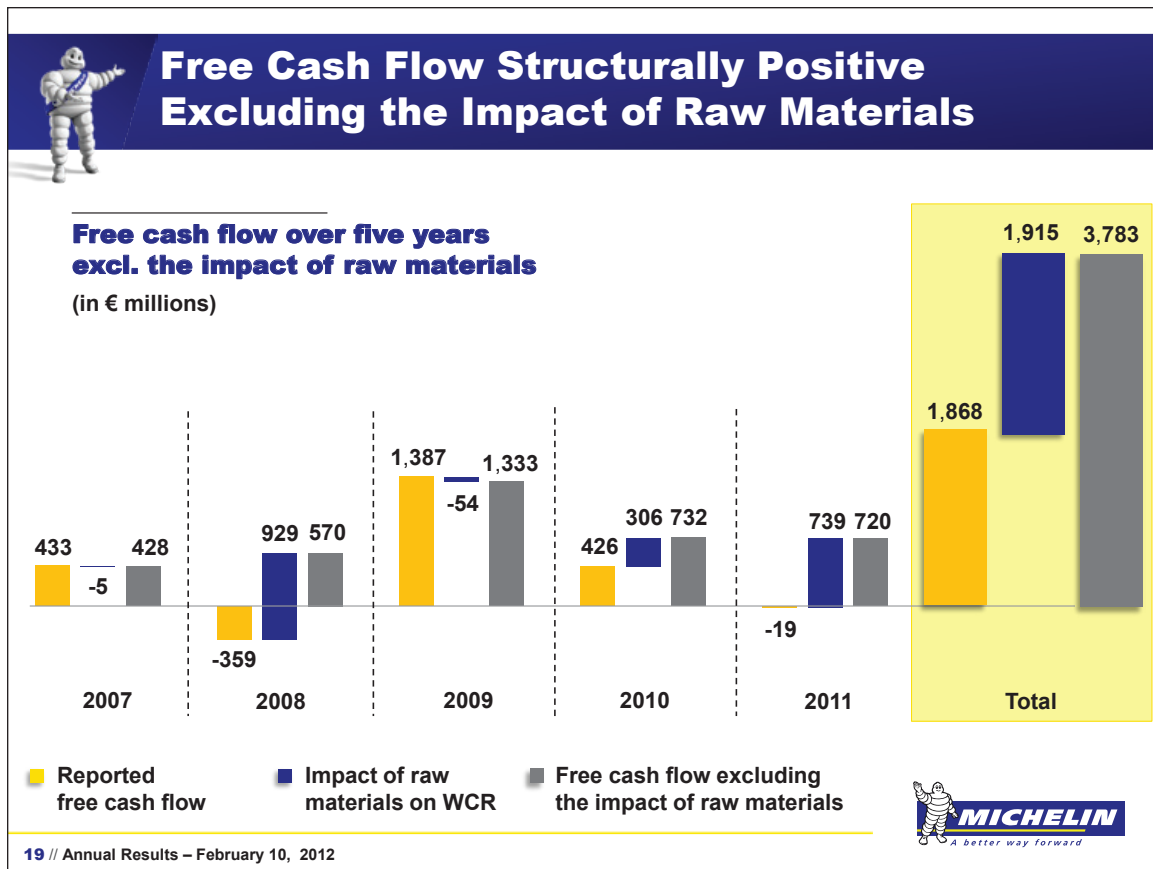


Recurring Business Structurally Generates Free Cash Flow

In € millions	2011	2010
EBITDA	2,878	2,660
Change in WCR	(912)	(461)
Restructuring Cash Costs	(145)	(229)
Change in Operating Provisions	13	(194)
Other Operating WCR	(5)	20
Cash Flow from Operations	1,829	1,796
Taxes and Interest Paid	(632)	(474)
Routine Capital Expenditure (Maintenance, IS/IT, Dealerships)	(671)	(565)
Available Cash Flow	526	757
Growth Investments	(1,040)	(535)
Other Cash Flow from Investing Activities (o/w disposal of Hankook shares)	495	204
Free Cash Flow	(19)	426



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04

Michelin's Unique Competitive Advantages



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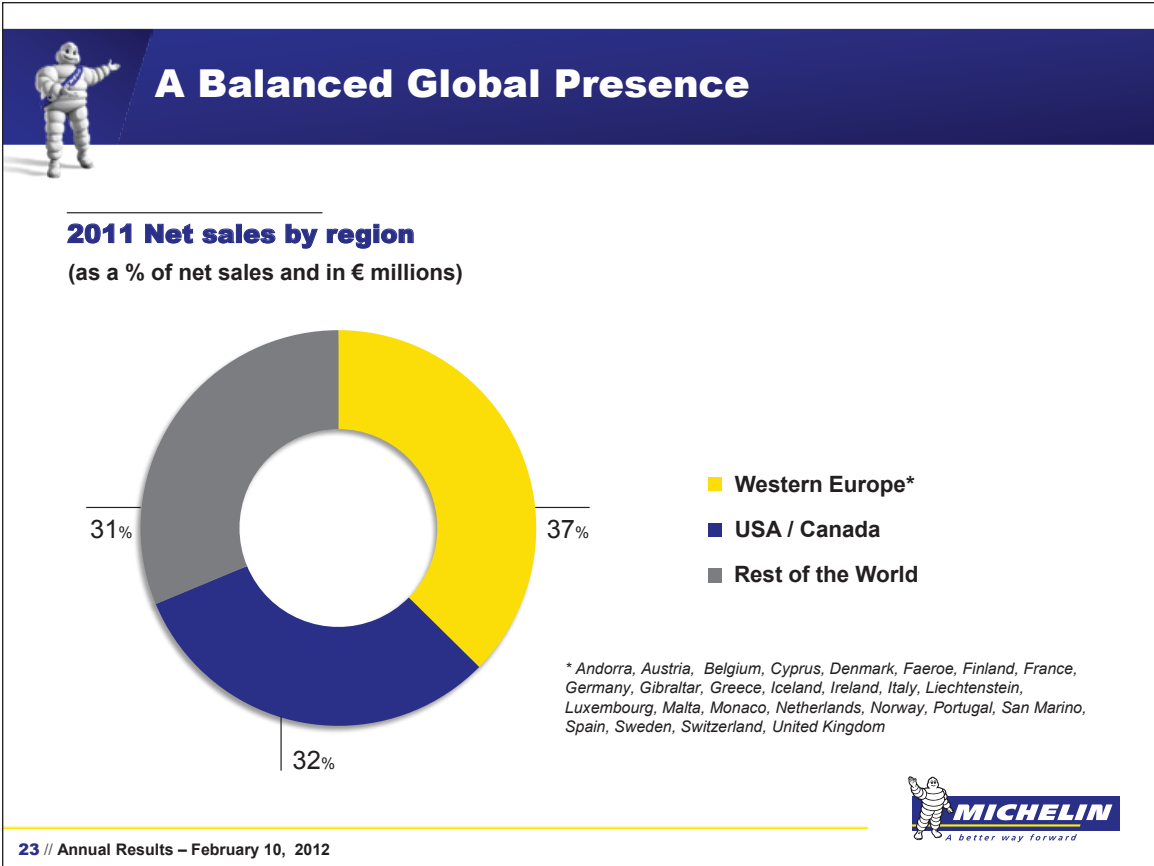


Three Core Competitive Advantages

- Geographic Footprint
- Specialty Businesses
- Leadership in the Premium Segment



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Three Core Competitive Advantages

- Geographic Footprint
- Specialty Businesses
- Leadership in the Premium Segment

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Michelin is the Market Leader in Every Specialty Tire Business

Business	Leading tiremakers	Market leader
Earthmover		 in radials
Mines	 Bridgestone	 (co-leader)
OE	 Bridgestone	 (co-leader)
Infrastructure	 Bridgestone, Goodyear Yokohama, Chinese	
Agricultural		 in Europe
OE	 Firestone	 in Europe
RT	   Firestone, Titan / Goodyear, Trelleborg, BKT	  in Europe
Two-Wheel Mature markets	 Pirelli/Metzeler, Bridgestone, Dunlop	 (co-leader)
Aircraft	 Goodyear, Bridgestone , Dunlop	



25 // Annual Results – February 10, 2012



Earthmover Tires: Clear Sales Growth and Margin Visibility

- **Technological barriers to entry**
- **Multi-year contracts offer clear visibility for:**
 - *Sales trends: sustained growth in mining markets*
 - *Margin trends: long term contracts with raw materials indexation clauses*
- **Steadily increasing capacity, keeping pace with demand**
 - *Adding marginal capacity*
 - *Earthmover tire facility at the Indian plant*
 - *New plant under study*





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Three Core Competitive Advantages


Geographic Footprint

Specialty Businesses

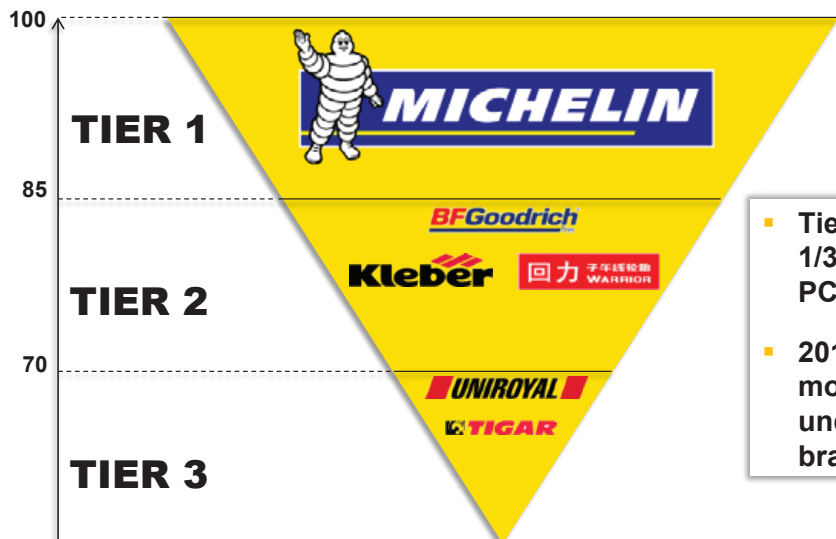
Leadership in the Premium Segment



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MICHELIN : a 100% Premium Brand in Every Market



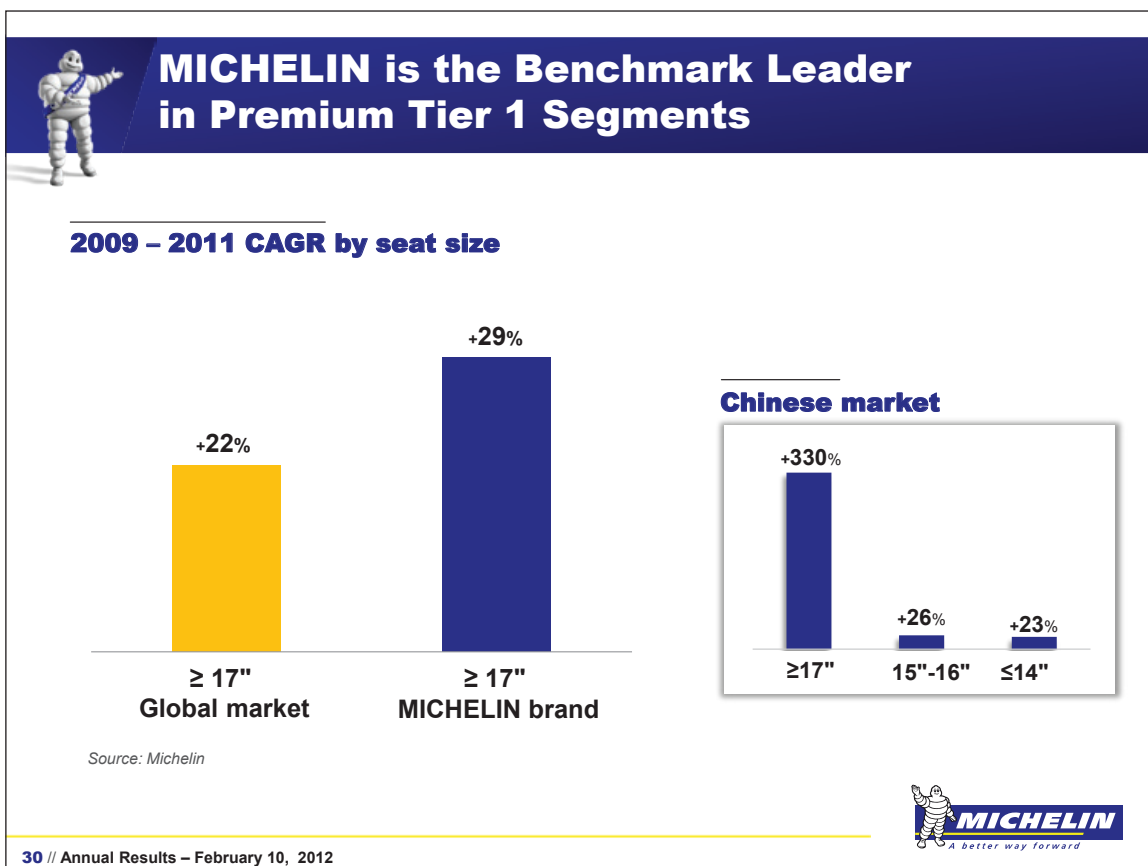
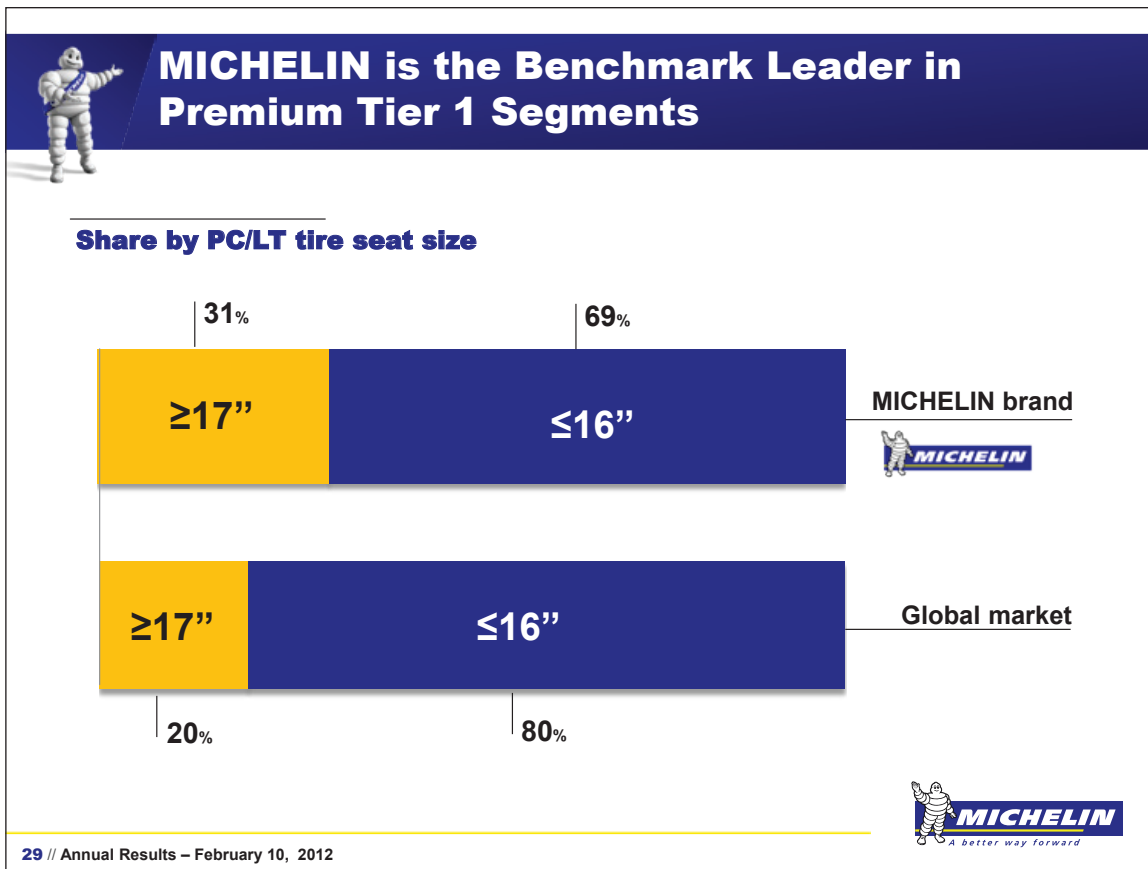
The diagram shows a yellow inverted pyramid representing market tiers. The vertical axis is labeled 'Price positioning (100 = Michelin)'. The tiers are:


- TIER 1** (85-100): MICHELIN
- TIER 2** (70-85): BFGoodrich, Kleber, 回力 (Warrior)
- TIER 3** (0-70): UNIROYAL, TIGAR

- Tier 1 segment: 1/3 of the global PC/LT tire market
- 2011 sales: more than 70% under the MICHELIN brand



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Solid Drivers to Support Sustainable Leadership

- **The preferred brand of premium tirebuyers**
 - *According to surveys of customer perceptions and purchase intentions*
- **Technology carmakers want**
 - *Approved for use on premium brands and models*
- **Performance recognized by specifiers**
 - *Example: 66th JD Power Award since 1989*
- **Leading-edge product plan**

➔ **Solid competitive advantages to capture faster growth in the premium segment**




31 // Annual Results – February 10, 2012

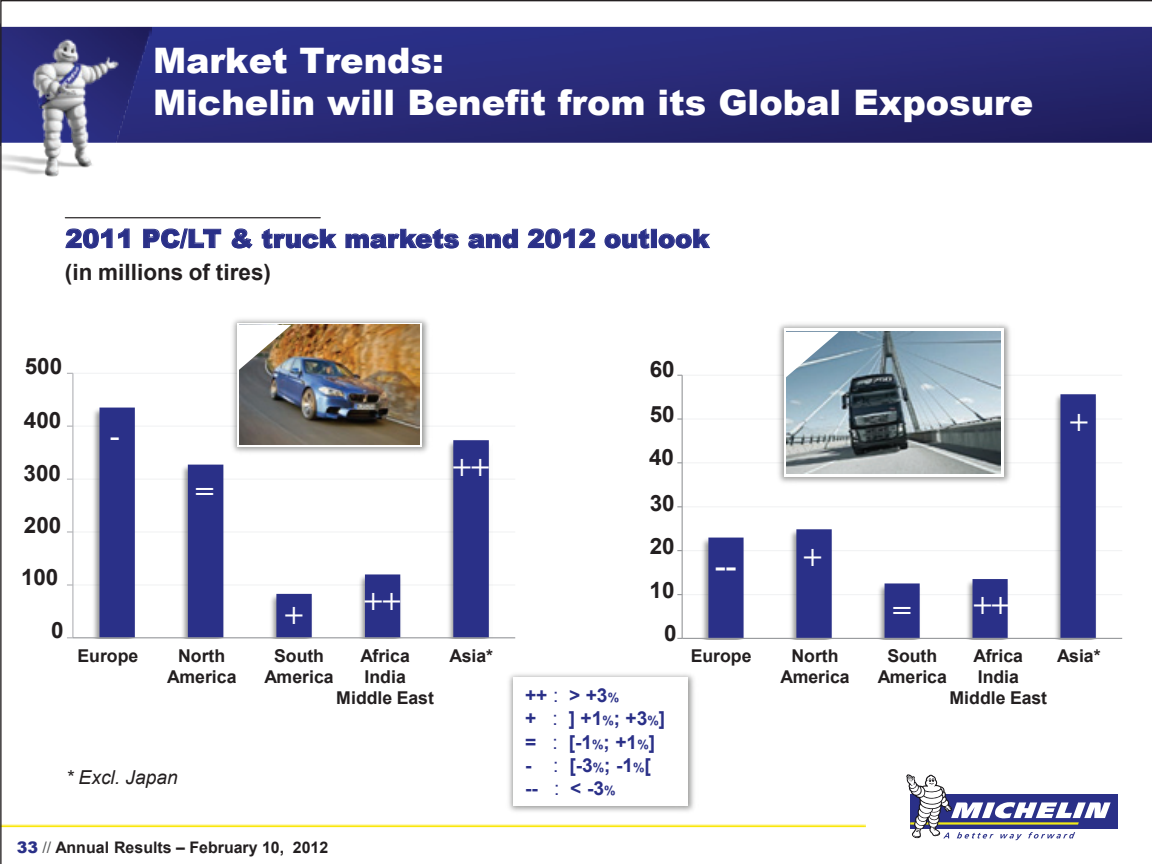


04

Outlook



32 // Annual Results – February 10, 2012



Raw Materials: Still Unfavorable Impact in 2012

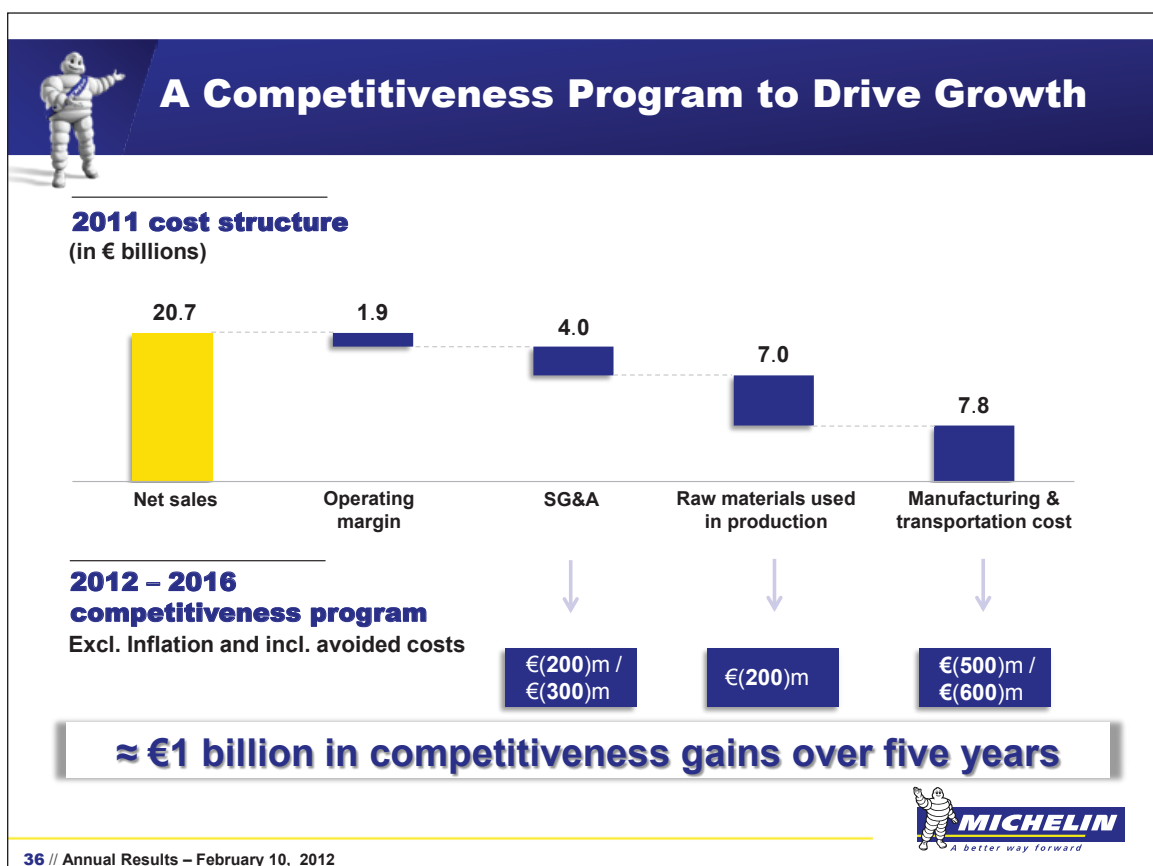
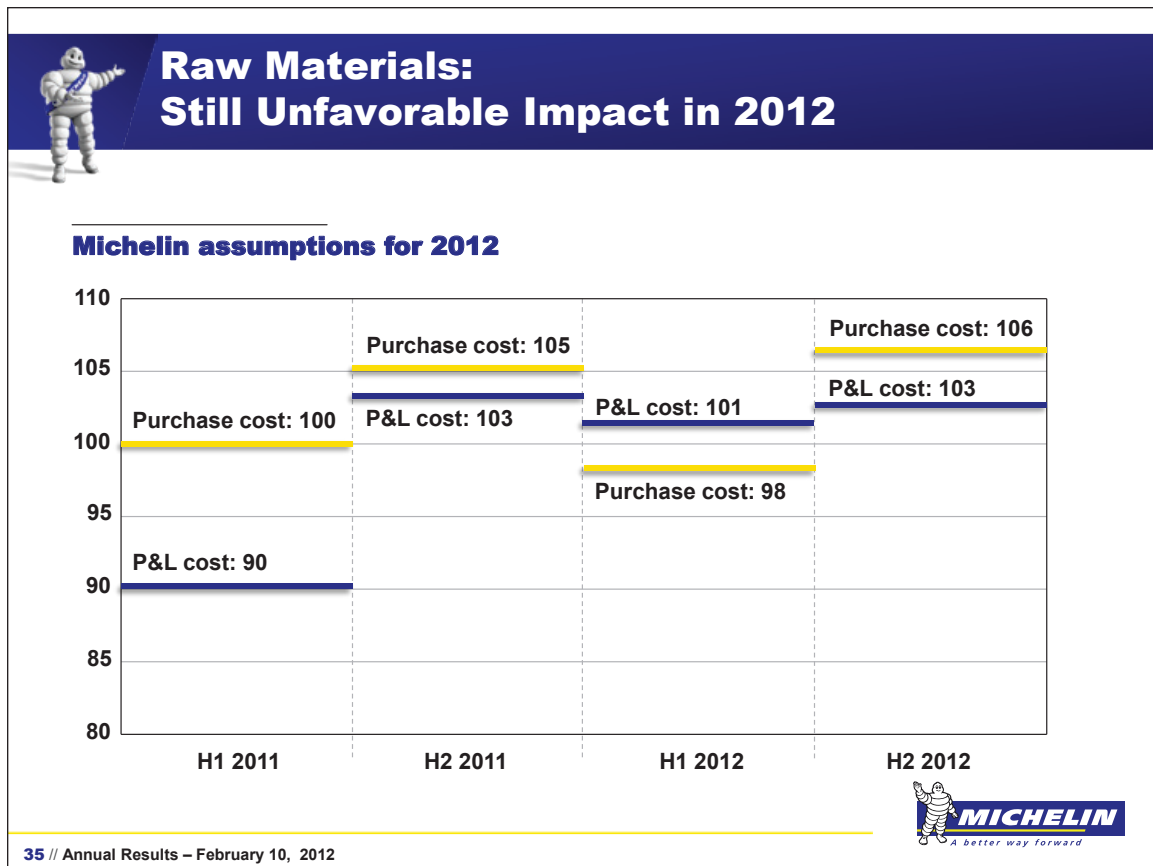
Assumptions and average price

	Natural rubber (in USD/kg)	Butadiene US (in USD/kg)	Butadiene Europe (in EUR/kg)
2010 average price	3.45	1.85	1.26
2011 average price	4.60	2.91	1.95
Michelin assumptions for 2012	4.05	2.96	2.24

Full-year raw materials impact on operating income
(in € millions)

	2010	2011	2012 (est.)
	- 544	- 1,748	- 300 / - 350

34 // Annual Results – February 10, 2012





2015 Objectives

- **Volume growth: at least 25% over the 2011-2015 period**
- **Annual capex: around €2 billion**
- **2015 operating income: around €2.5 billion**
- **Free cash flow: positive over the 2011-2015 period**
- **2011-2015 ROCE: > 9% each year**



37 // Annual Results – February 10, 2012



2012 Guidance

- **Stable volumes**
 - *Growth in the new markets and North America*
 - *Less favorable trends in European markets*
 - *The second half should offset a first half that will be down due to high prior-year comparatives*
- **Continued disciplined price management in response to rising raw materials costs**
- **Higher operating income**
- **Sustained strong capex, at around €1,900m**
- **Positive Free cash flow after growth investments, given the indicated raw materials costs assumptions**



38 // Annual Results – February 10, 2012



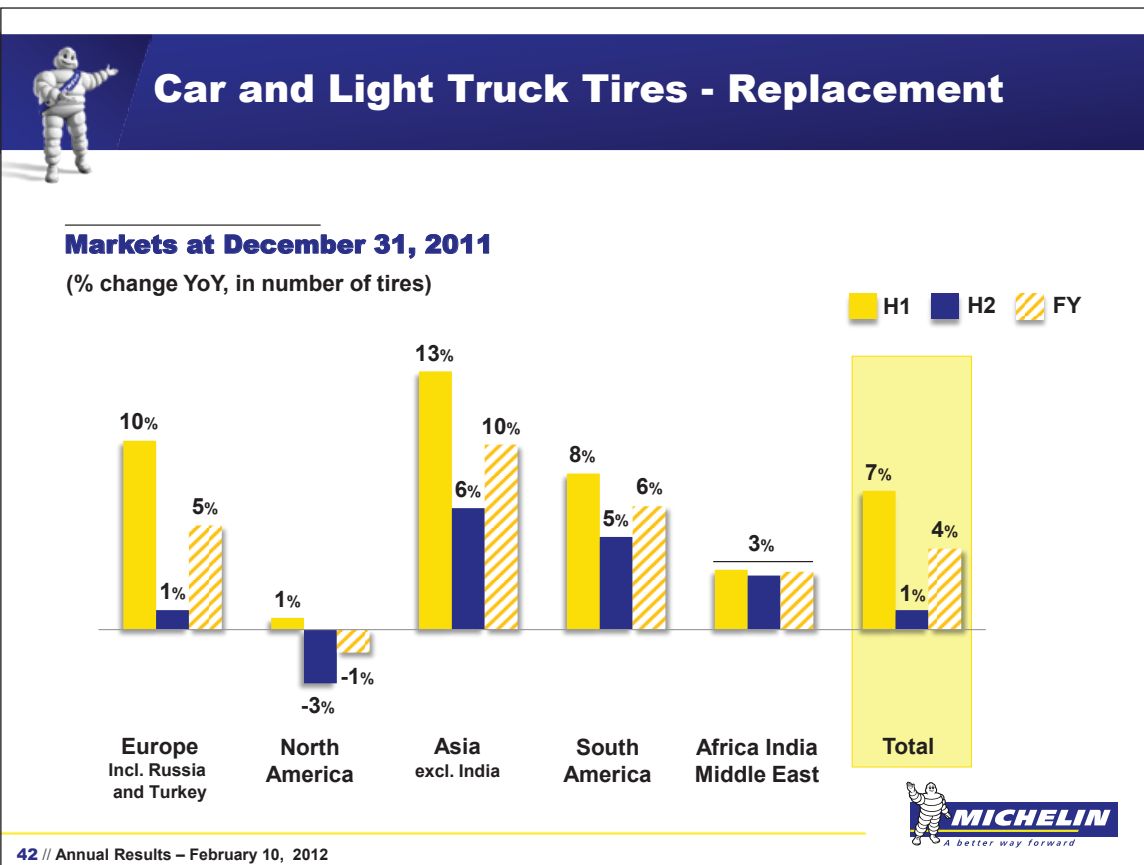
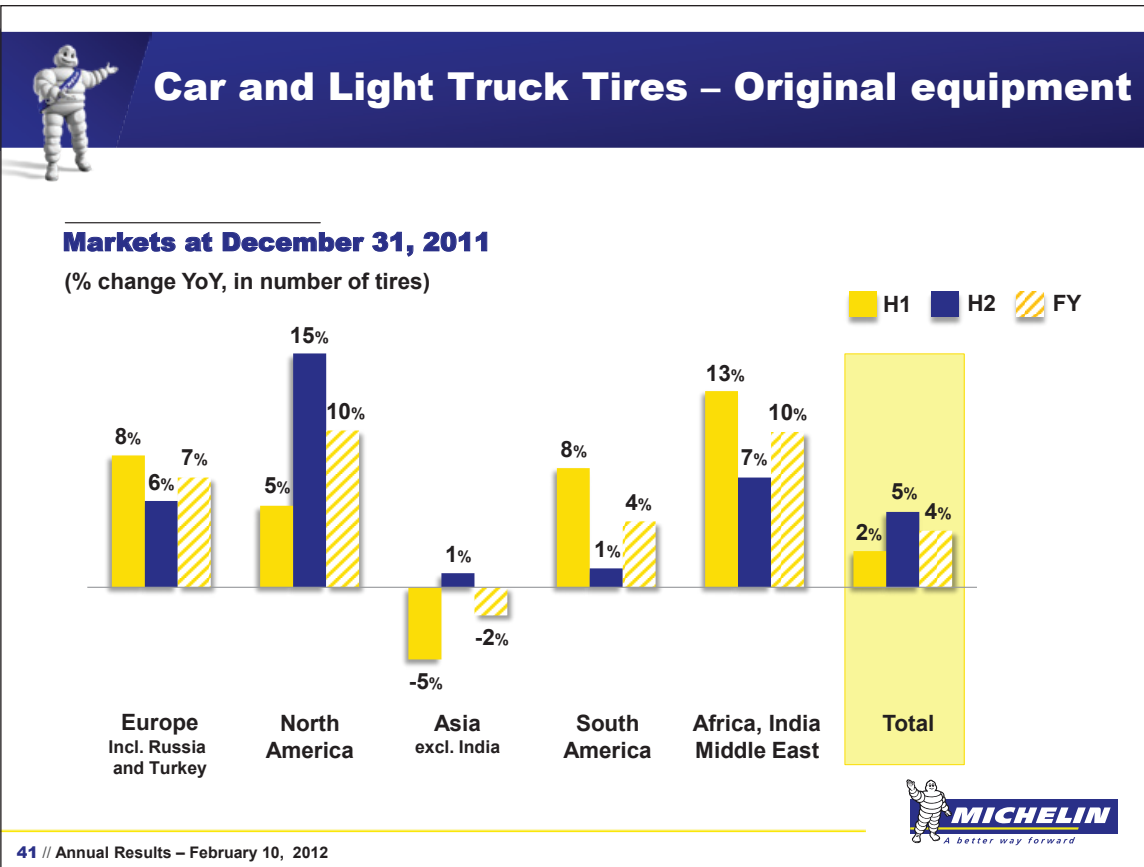
Key Takeaways

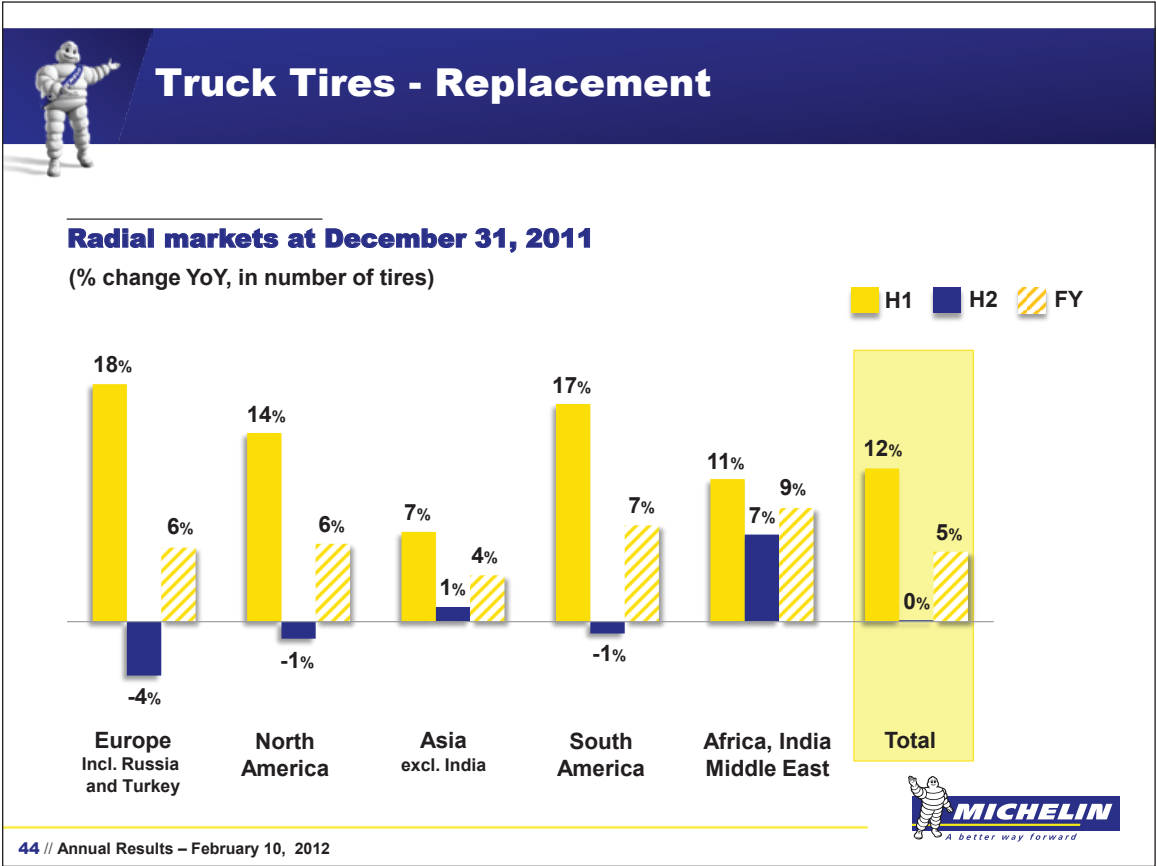
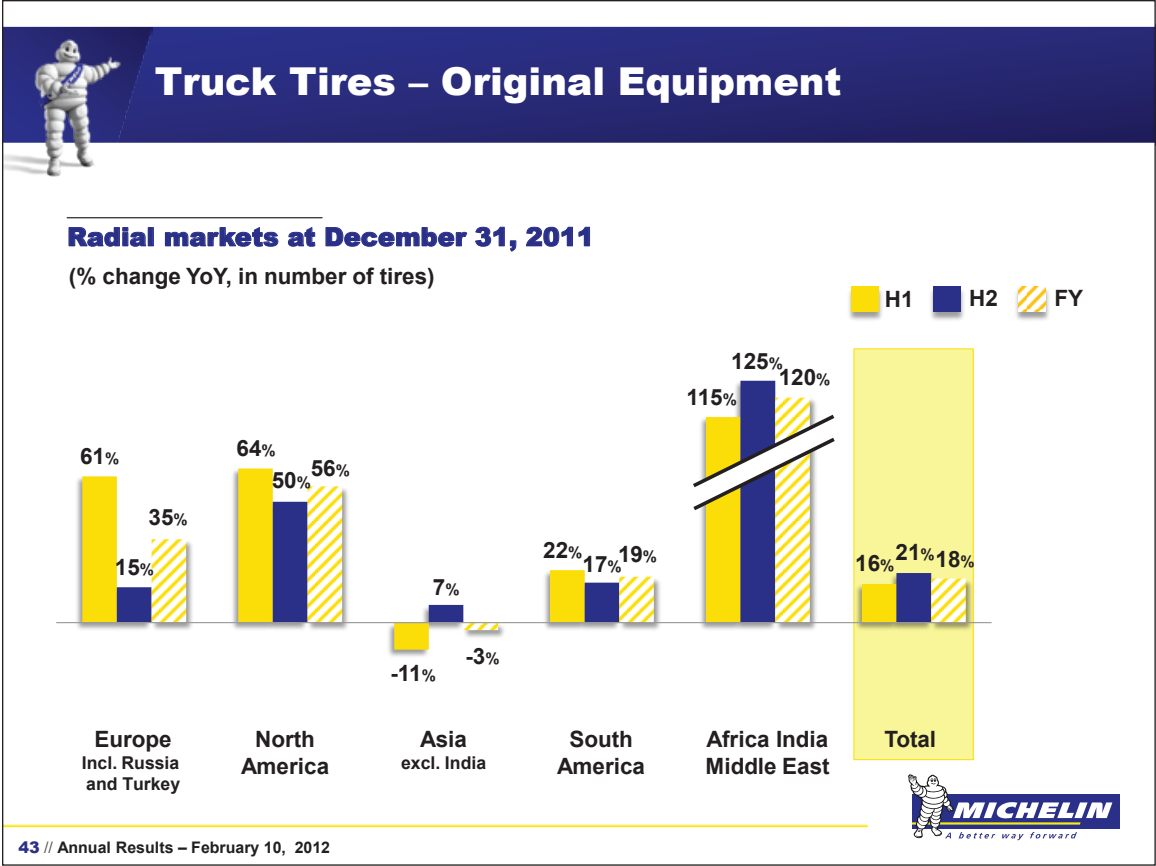
- A remarkable 2011
- A global presence and a balanced business portfolio
- Unrivalled technological leadership
- Specialty businesses: demonstrated leadership
- A leader in the premium segment
- Competitiveness program: driving steady progress towards operational excellence

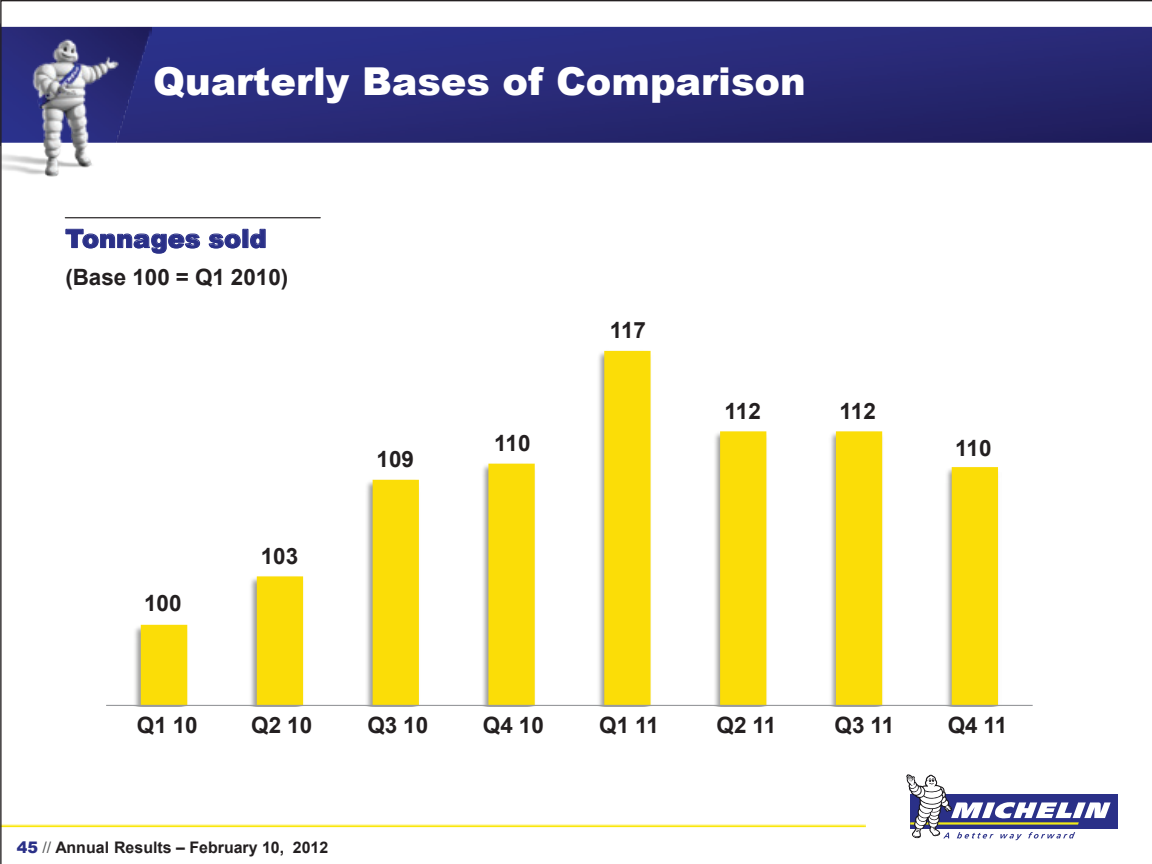


ANNUAL RESULTS

FEBRUARY 10, 2012








Passenger car and Light truck

In € millions	2011	2010	Change
Net Sales	10,780	9,790	+10.1%
Volume growth	+3.9%		
Operating Income (before non-recurring items)	1,018	1,014	+0.4%
Operating Margin (before non-recurring items)	9.4%	10.4%	-1 pt


46 // Annual Results – February 10, 2012




Truck Tires and Related Distribution: Margin Impacted by Negative Mix and Year-End Slowdown


Truck

In € millions	2011	2010	Change
Net Sales Volume growth	6,718 +5.8%	5,680	+18.3%
Operating Income (before non-recurring items)	233	249	-6.4%
Operating Margin (before non-recurring items)	3.5%	4.4%	-0.9 pt






47 // Annual Results – February 10, 2012




Specialty Businesses: Sustained High Margins

Specialty Businesses

In € millions	2011	2010	Change
Net Sales Volume growth	3,221 +22.4%	2,421	+33.0%
Operating Income (before non-recurring items)	694	432	+60.6%
Operating Margin (before non-recurring items)	21.5%	17.8%	+3.7 pt





48 // Annual Results – February 10, 2012



Strong Improvement in Net Income

In € millions	2011	2010
Net Sales	20,719	17,891
Operating Income (before non-recurring items % of Net Sales)	1,945 9.4%	1,695 9.5%
Non-Recurring Items	-	-
Operating Income	1,945	1,695
Cost of Net Debt	(206)	(236)
Other Financial Income and Expenses	236	10
Tax	(534)	(449)
Share of Profit from Associates	21	29
Net Income	1,462	1,049



49 // Annual Results – February 10, 2012



Impact on the 2010 Income Statement of the Benefits Accounting Change


In € millions	2010 reported	Restatement	2010 restated
Net sales	17,891	-	17,891
Operating income before non-recurring items	1,695	+56	1,751
Operating income	1,695	+56	1,751
Income before tax	1,498	+56	1,554
Tax	(449)	-19	(468)
Net income	1,049	+37	1,086



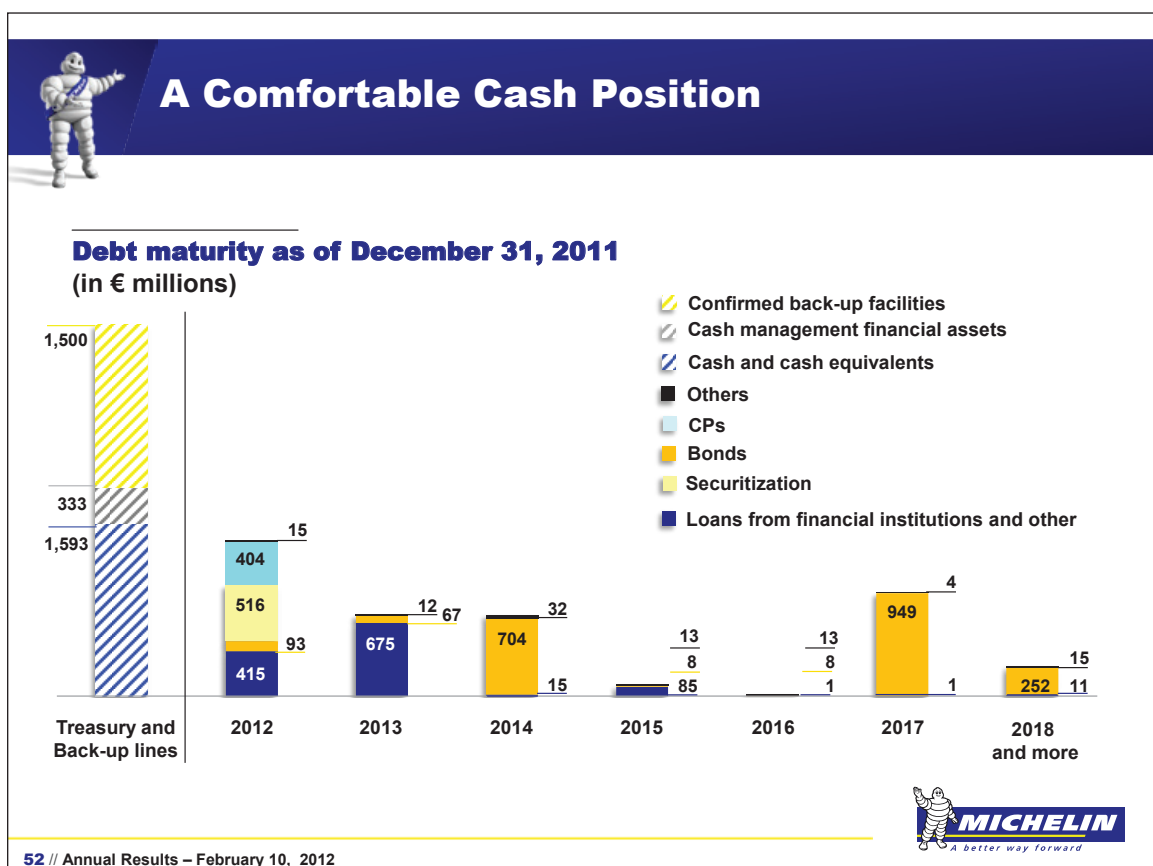
50 // Annual Results – February 10, 2012

Impact on the 2010 Balance Sheet of the Benefits Accounting Change


In € millions	2010 reported	Restatement	2010 restated
Non-current assets	9,998	(84)	9,914
Of which financial assets and other non-current assets	1,108	(431)	677
Of which deferred tax assets	828	+347	1,175
Current assets	9,665	-	9,665
Total assets	19,663	(84)	19,579
Equity	8,127	(657)	7,470
Non-current liabilities	6,691	573	7,264
Of which employee benefit obligations	2,457	573	3,030
Current liabilities	4,845	-	4,845
Total equity and liabilities	19,663	(84)	19,579



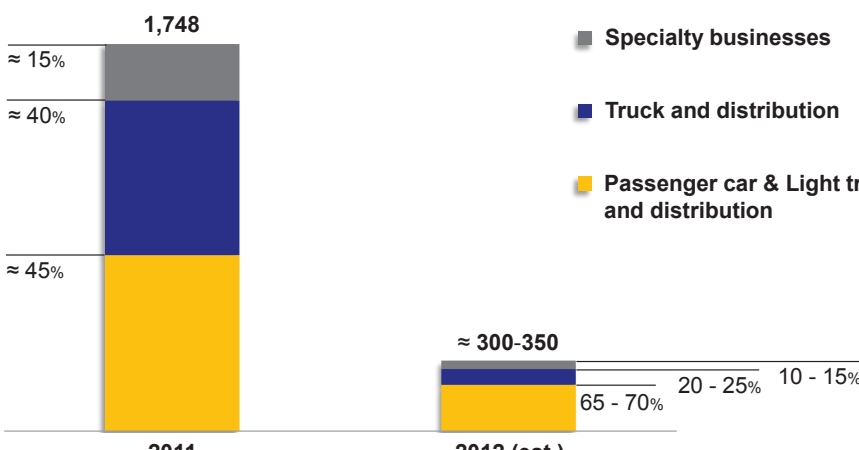
51 // Annual Results – February 10, 2012



Raw Materials Impact by Reporting Segment



Raw materials impact by reporting segment (in € millions)




2011: 1,748

2012 (est.): ≈ 300-350

Segment Breakdown (2012 est.):


- Specialty businesses: 10 - 15%
- Truck and distribution: 20 - 25%
- Passenger car & Light truck and distribution: 65 - 70%


- Specialty businesses
- Truck and distribution
- Passenger car & Light truck and distribution



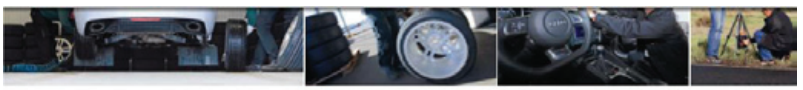
53 // Annual Results – February 10, 2012

Sport Report (Germany): MICHELIN Super Sport Ranked No.1 (245/40/18/Y- April 2011)





Michelin Pilot Supersport
Preis* 259 Euro



DIE STÄRKEN UND SCHWÄCHEN der sieben Testreifen des Formats 245/40 R 18 Y

	Michelin Pilot Supersport Preis* 259 Euro	Pirelli P Zero Preis* 232 Euro	Nokian Potenza 2 G2 Preis* 203 Euro	Bridgestone Potenza S 001 Preis* 228 Euro	Toyo Proxes T1 Sport Preis* 197 Euro	Dunlop Sport Maxx GT Preis* 211 Euro	Sava Intensa Preis* 156 Euro
Handlungsebene	20	18	17	17	15	20	16
Trockene Fahrhaftung	20	18	17	17	15	20	16
Fahrverhalten	25	24	25	22	22	22	17
Leistungsfähigkeit	23	22	22	20	20	24	18
Wirtschaftlichkeit	11	11	11	11	11	11	11
Gesamtwertung	23	21	22	21	21	20	18


AUF DEN PUNKT GEBRACHT

Die Reaktionszeit von Michelin Pilot Supersport ist ein entscheidendes Kriterium für die Sicherheit und das Fahrverhalten. Die Pilot Supersport bietet eine hervorragende Lenkpräzision und ein sehr gutes Handling, was sich in einer präzisen Lenkung und einer hohen Stabilität bei hohen Geschwindigkeiten äußert.

Der Pilot Supersport ist ein Reifen, der sich durch seine hervorragende Haftung auf trockenen und nassen Straßen auszeichnet. Er bietet eine hervorragende Bremsleistung und ein sehr gutes Fahrverhalten, was sich in einer präzisen Lenkung und einer hohen Stabilität bei hohen Geschwindigkeiten äußert.


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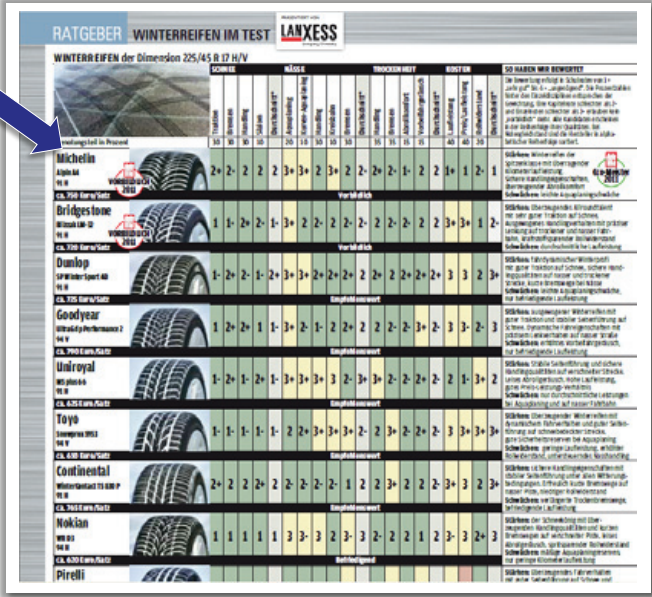
Auto Bild (Germany): MICHELIN Alpin 4 Ranked No.1 (225/45/17/Y- November 2011)





Michelin
Alpin 4
91H
Ca. 750 Euro/ Satz


VORBILDLICH 2011



RATGEBER WINTERREIFEN IM TEST LANXESS

WINTERREIFEN der Dimension 225/45 R 17 H/V

Marke	SCHNEE			NASS			Trockenheit			ROTTEN			SO HABEN WIR BEWERTET	
	100% Schnee	50% Schnee	0% Schnee	100% Nässe	50% Nässe	0% Nässe	100% Trockenheit	50% Trockenheit	0% Trockenheit	100% Rotten	50% Rotten	0% Rotten		
Michelin Alpin 4 91H	2+	2+	2	2	3+	3+	2	2+	2+	2+	1-	2+	1	Schöne Michelin für den Winter. Gute Grippe auf Schnee, gute Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Bridgestone Potenza S-04 Pole	1	1-	2+	1-	3+	3+	2	2	2-	2-	2	2	2	Schöne Überlegenen Einheitsmodell mit sehr guter Grippe auf Schnee, gute Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Dunlop SP Winter Sport 4D 91H	1-	2+	2-	1-	2+	3+	2+	2+	2+	2+	2+	3	2	Schöne Winterreifen mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Goodyear UltraGrip Performance 2 91H	1	2+	2+	1-	3+	3+	2	2+	2	2-	2-	3-	2	Schöne ausgewogene Winterreifen mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Uniroyal MS Plus 91H	1-	2+	1-	2+	1-	3+	3+	2	2+	2-	2-	2	2	Schöne Grippe auf Schnee und sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Toyo Inspec AS 91H	1	1-	1-	1-	2	3+	3+	2	2	2+	2	3+	3+	Schöne Überlegenen Winterreifen mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Continental ExtremeContact DW 91H	2+	2	2	2	2	2-	2-	1	2	2	2	2	3	Schöne 100% Winterreifen mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Nokian Hakkapeliitta 91H	1	1	1	1	3	3	2	2	2	2	2	2	2	Schöne der Schneidung mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.
Pirelli Winter Grip 91H	1	1	1	1	3	3	2	2	2	2	2	2	2	Schöne Überlegenen Winterreifen mit guter Grippe auf Schnee, sichere Abbremsleistung auf Nässe, gute Lenkbarkeit auf Trockenheit. Sehr gute Laufleistung.



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Michelin – US Wins





- **JD Power**

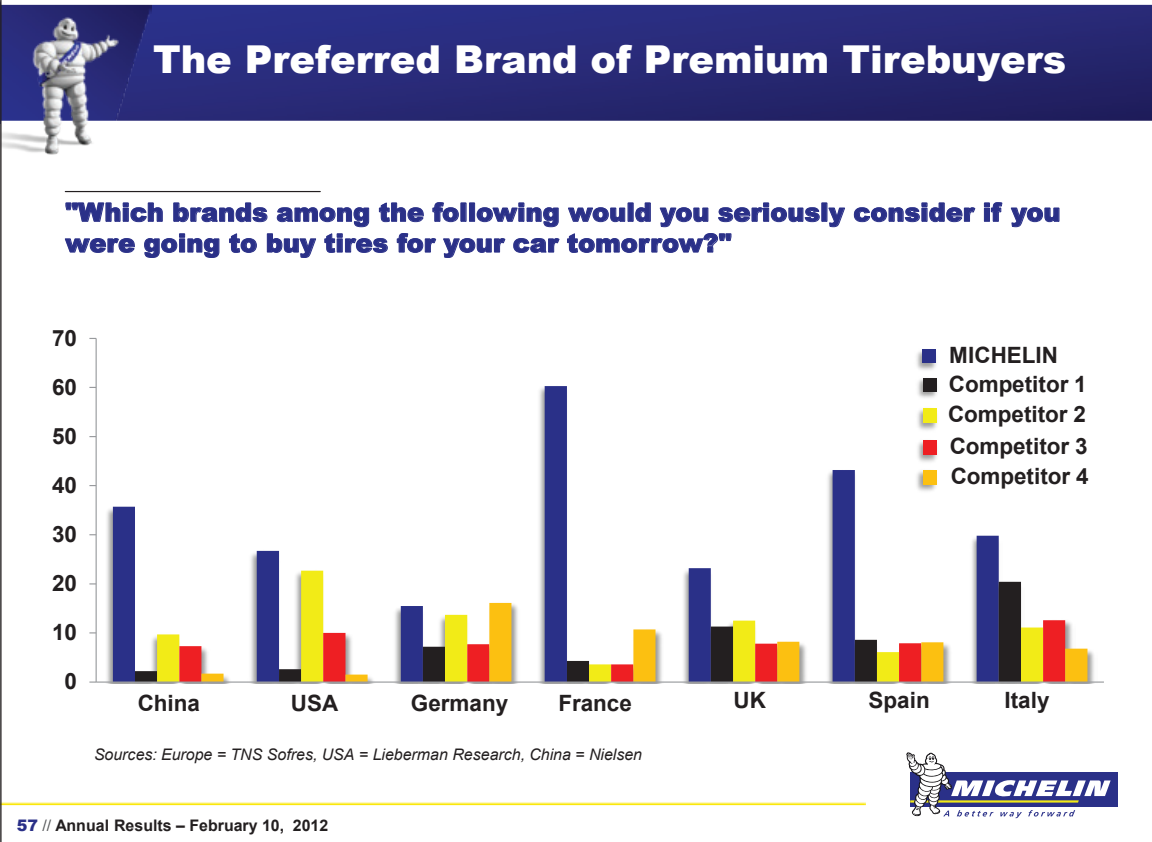
 - The 2011 honors, released today, brings Michelin's lifetime total of J.D. Power and Associates awards to 66, more awards than any other tire manufacturer since the study launched in 1989 - April 11, 2011
 - Michelin received the industry's top honors in the Luxury, Passenger Car, Performance Sport and Truck/Utility segments, posting improvements over 2010 and scoring significantly above the industry average in each segment.
 - Source: <http://businesscenter.jdpower.com/news/pressrelease.aspx?ID=2011034>
- **Tire Business on Consumer Reports**

 - Tire Business reported that Consumer Reports stated that Michelin "raised the bar in both all season and summer [ultra high performance] tire categories" - July 13, 2011
 - Source: http://www.tirebusiness.com/subscriber/headlines2_phtml?cat=1&headline=%3C%3EConsumer+Reports%3C%2F%3E+praises+Michelin+UHP+tire+in+mag%92s+latest+testing&id=1310581016
 - Reprinted with permission of Tire Business
- **Tire Rack**

 - "The Michelin Pilot Super Sport proved to be a super star on our test track, providing excellent steering response and front end authority, driving down to the apex with relative ease." - June 14, 2011
 - Test Results:
 - Michelin Pilot Super Sport 7.67
 - Bridgestone Potenza S-04 Pole Position 7.51
 - Continental ExtremeContact DW (formerly top ranked tire) 7.45
 - Pirelli P Zero 7.42
 - Source: <http://www.tirerack.com/tires/tests/testDisplay.jsp?ttid=148>



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57 // Annual Results – February 10, 2012

Technology Carmakers Want

- Superior sports performance, combined with the highest energy efficiency, best safety and longest treadlife
- Strong presence with luxury carmakers:







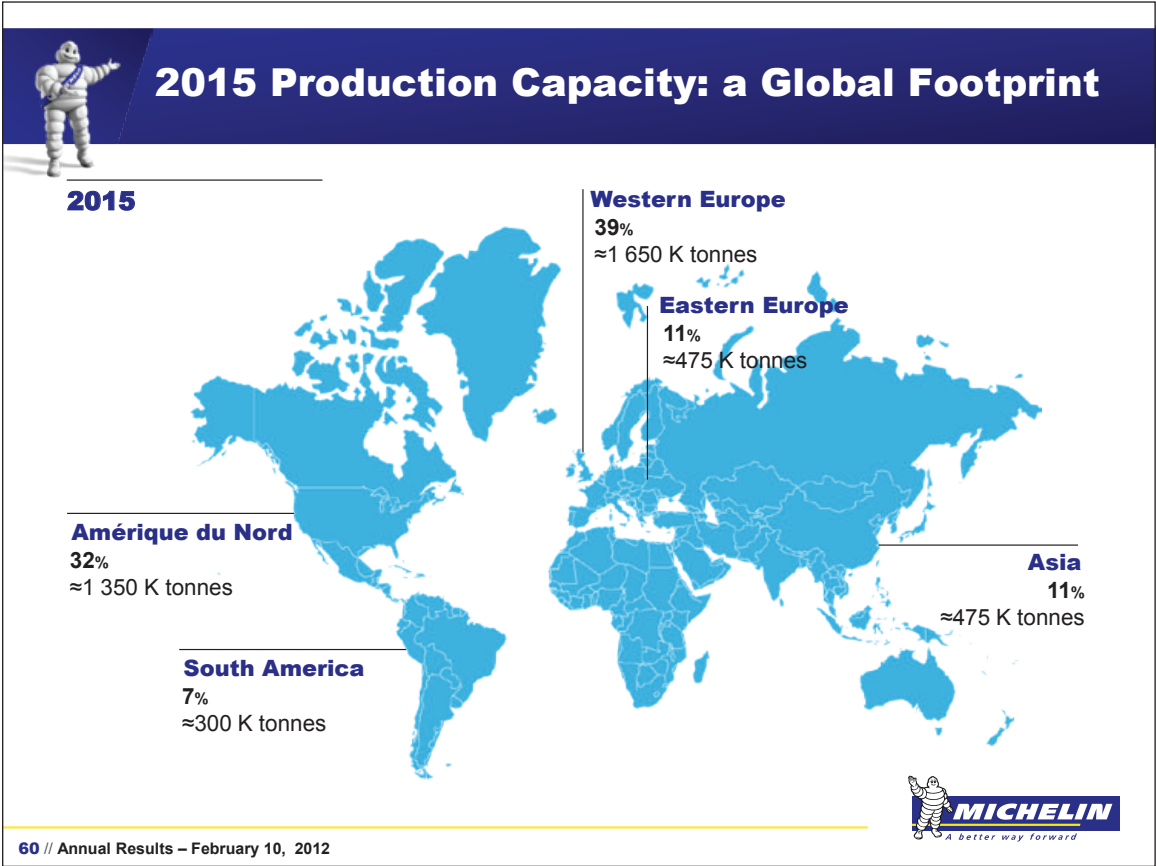
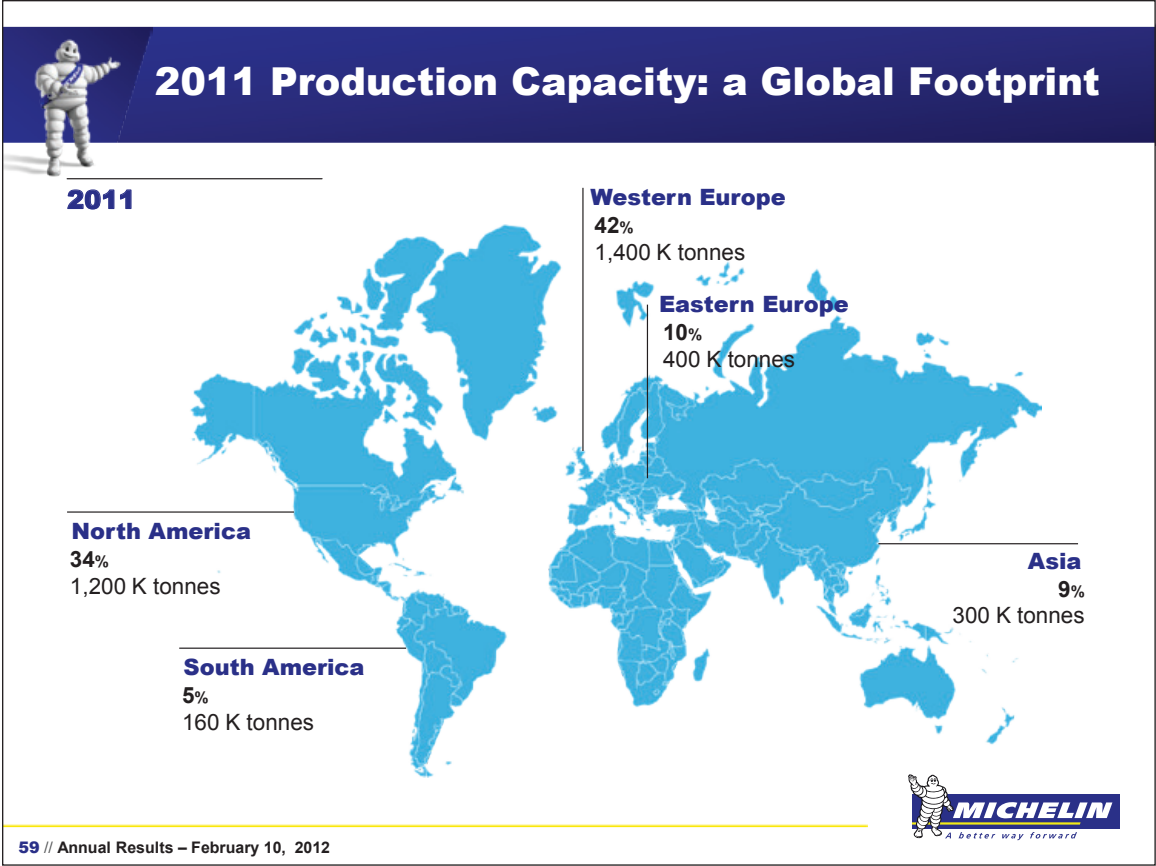

- Especially on their top-of-the-line vehicles







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3

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3.1. TIRE MARKETS

3.1.1. A GLOBAL MARKET WORTH SOME \$150 BILLION⁽¹⁾

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

New demand

Vibrant growth in the Asian and Latin American markets confirms that demand for mobility is accelerating in fast-growing economies. An estimated 76.1 million light vehicles⁽³⁾ were produced in 2011, up from 69.9 million in 2010 and 57.5 million in 2009, with fast-growing markets out-producing mature markets for the first time. Over the long term, Michelin expects demand for tires to grow by 1-2% a year in mature markets and by 5-10% a year in new markets.

New expectations

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

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

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

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

New standards

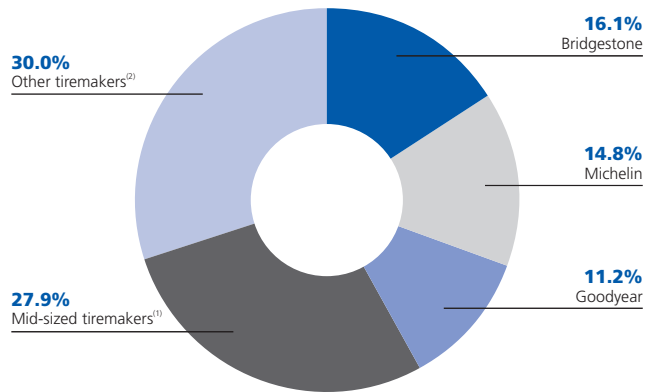
Carbon emissions standards are tightening for new vehicles in Europe, the United States and Asia. In the same way, tire standards are also becoming stricter. In Europe, tires will need to meet performance thresholds and carry a standardized label starting in November 2012. Similar regulations will be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

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

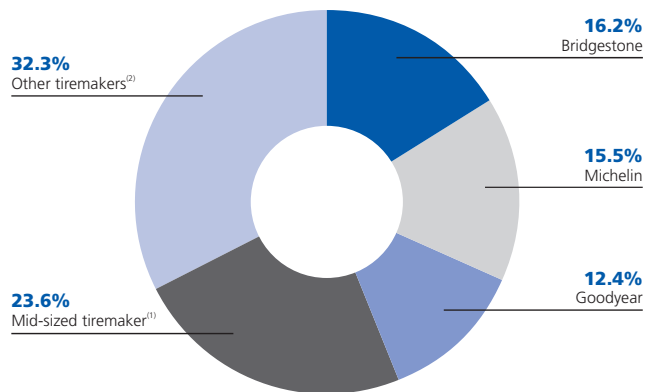
New approaches

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

THE GLOBAL TIRE MARKET BY MANUFACTURER



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



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

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

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

⁽¹⁾ Source: *Tire Business*, August 2011.

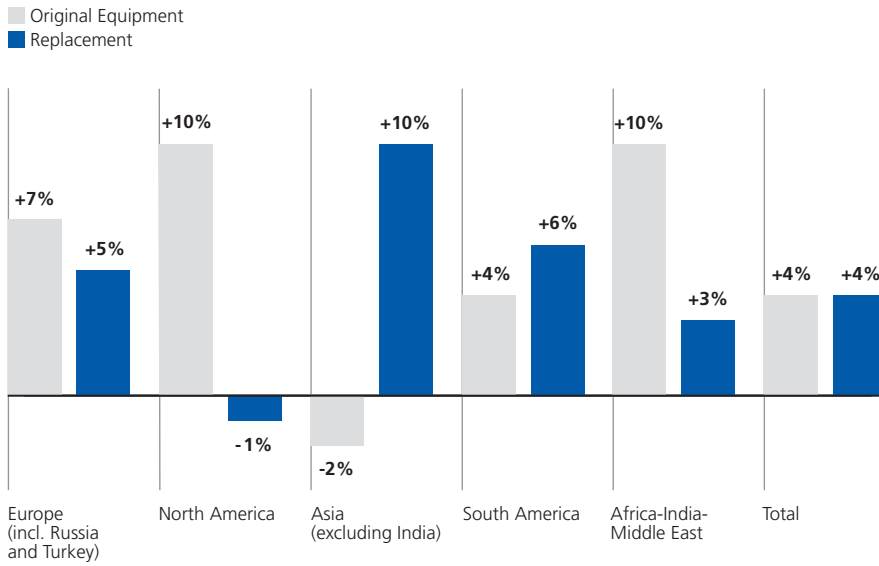
⁽²⁾ Michelin estimates.

⁽³⁾ Source: PricewaterhouseCoopers.

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

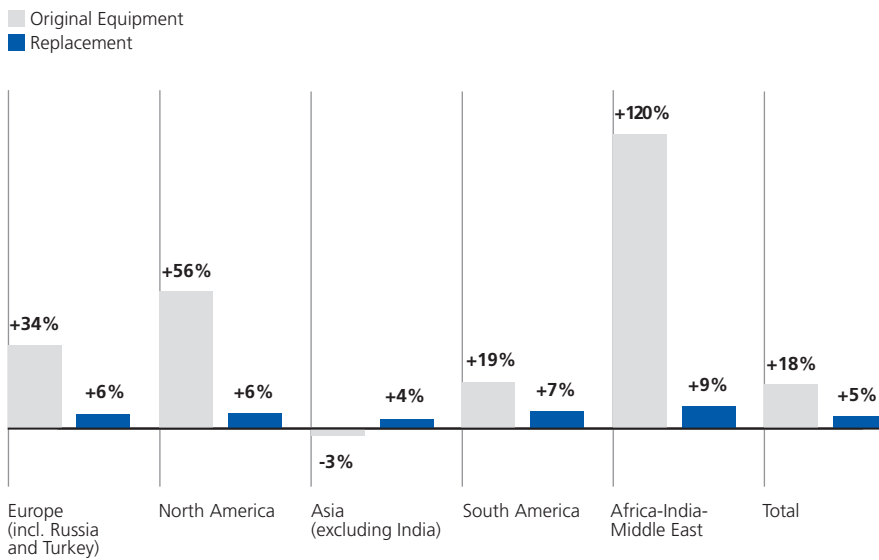
Methodological note: Tire market estimates reflect data published by local tiremaker associations, plus Michelin's own estimates of sales made by tire manufacturers that do not belong to any association, based on import-export statistics and expressed in the number of tires sold.

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



Source: Michelin estimates.

THE GLOBAL TRUCK TIRE MARKET, 2011 VS. 2010



Source: Michelin estimates – Radial tires.

3.1.2. PASSENGER CAR AND LIGHT TRUCK TIRES MARKETS

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

3.1.2.a) Original equipment

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

(1) Including Russia and Turkey.

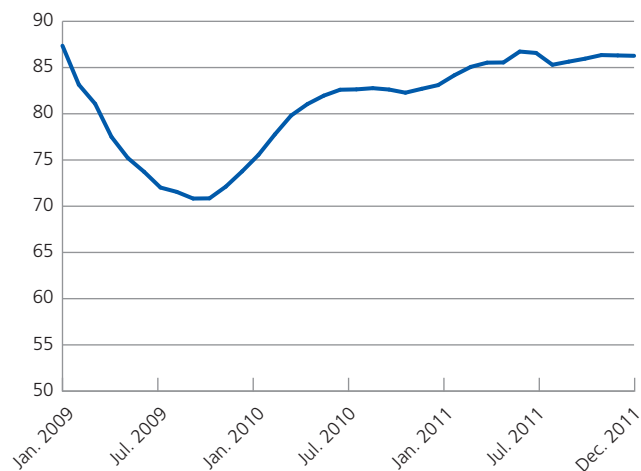
(2) United States, Canada and Mexico.

Michelin estimates.

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

THE EUROPEAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months – excluding Russia

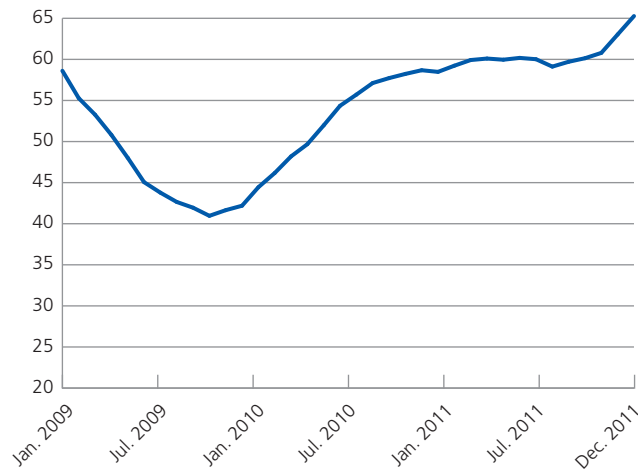


Michelin estimates.

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

THE NORTH AMERICAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates.

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

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

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

3.1.2.b) Replacement

PASSENGER CAR AND LIGHT TRUCK MARKETS REPLACEMENT

(in millions of tires)

	2011	2010	2011/2010	2 ND -HALF 2011/ 2 ND -HALF 2010	1 ST -HALF 2011/ 1 ST -HALF 2010
Europe ⁽¹⁾	338.2	321.0	+5%	+1%	+10%
North America ⁽²⁾	263.1	266.3	-1%	-3%	+1%
Asia (excluding India)	213.0	194.4	+10%	+6%	+13%
South America	61.7	58.1	+6%	+5%	+8%
Africa-India-Middle East	90.7	88.1	+3%	+3%	+3%
TOTAL	966.7	927.9	+4%	+1%	+7%

(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

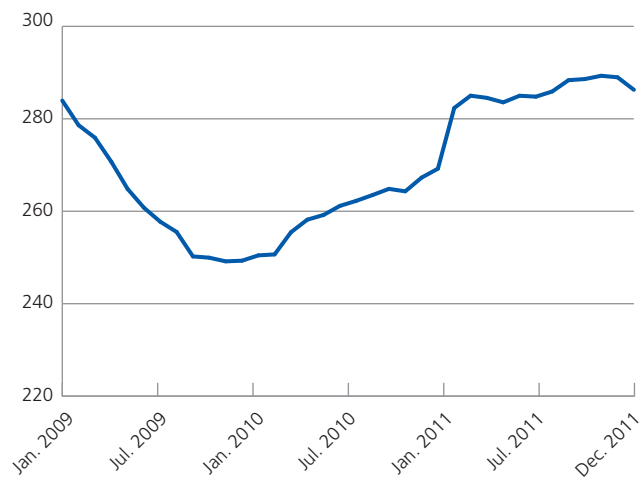
Michelin estimates.

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

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

THE EUROPEAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months – excluding Russia

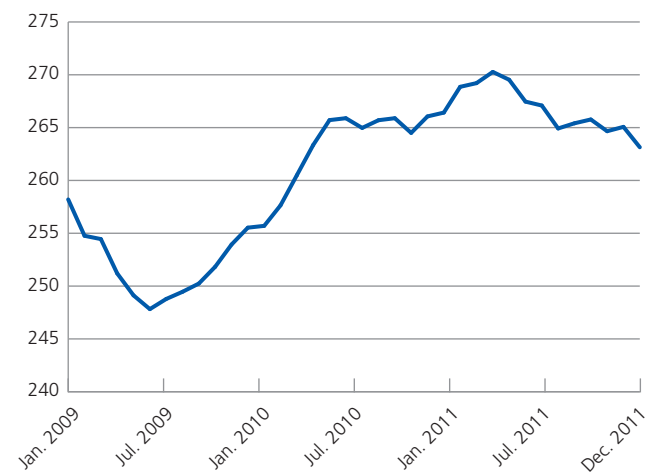


Michelin estimates.

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

THE NORTH AMERICAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET

In millions of tires – moving 12 months



Michelin estimates.

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

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

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

3.1.3. TRUCK TIRES MARKETS

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

3.1.3.a) Original equipment

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

* Radial only.

(1) Including Russia and Turkey.

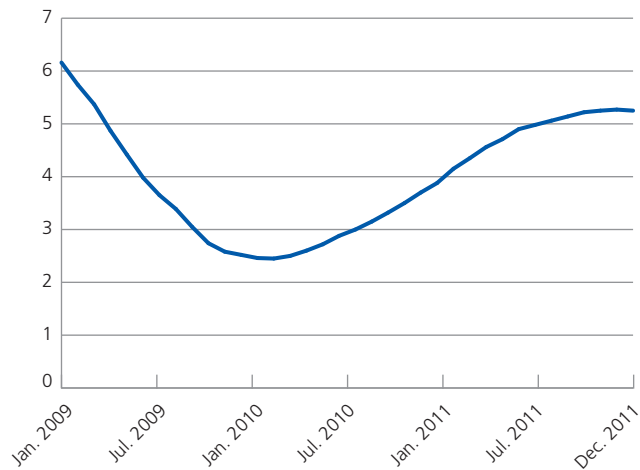
(2) United States, Canada and Mexico.

Michelin estimates.

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

THE EUROPEAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

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

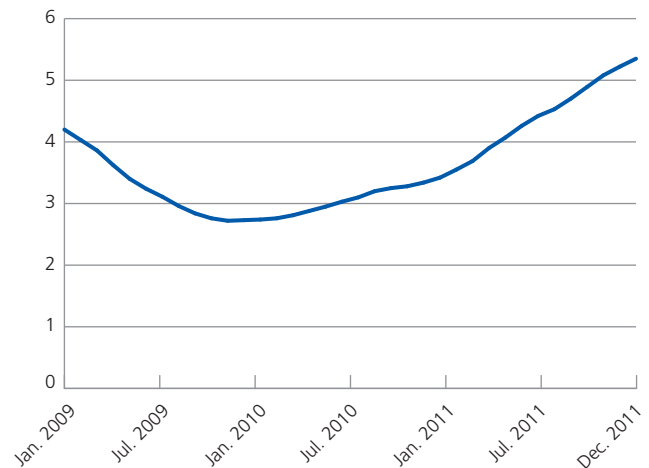


Michelin estimates.

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

THE NORTH AMERICAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months



Michelin estimates.

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

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

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

3.1.3.b) Replacement

TRUCK MARKETS* REPLACEMENT

(in millions of tires)

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

* Radial only.

(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

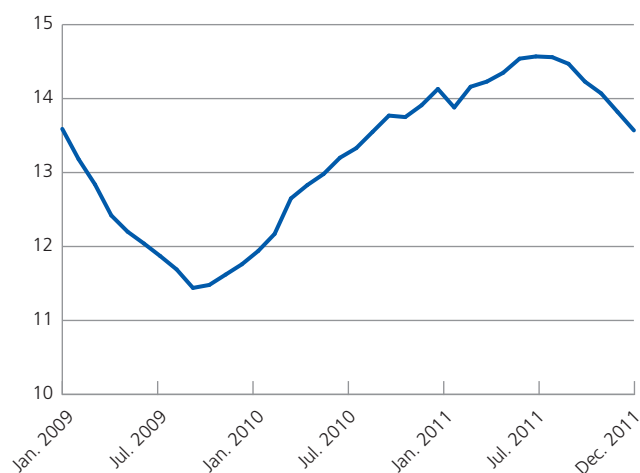
In Europe, the market ended the year up 6% overall, but while demand surged 18% in the first half, it slowed sharply in the second.

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

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

THE EUROPEAN REPLACEMENT TRUCK TIRE MARKET

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

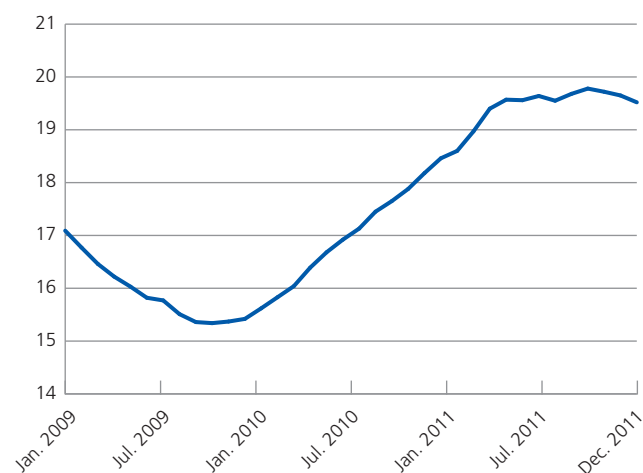


Michelin estimates.

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

THE NORTH AMERICAN REPLACEMENT TRUCK TIRE MARKET

In millions of radial tires – moving 12 months



Michelin estimates.

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

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

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

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

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

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

While tire demand was up 5% overall, economic activity in Brazil slowed in the second half due to measures introduced to combat inflation and imports, as well as to the general worsening of the global economy. As a result of the second-half slowdown, dealer inventories ended the year slightly higher than usual. In Argentina,

protectionist measures negatively impacted product availability, while in other countries in the region, markets trended upwards over the year.

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

3.1.4. SPECIALTY TIRES MARKETS

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

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

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

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

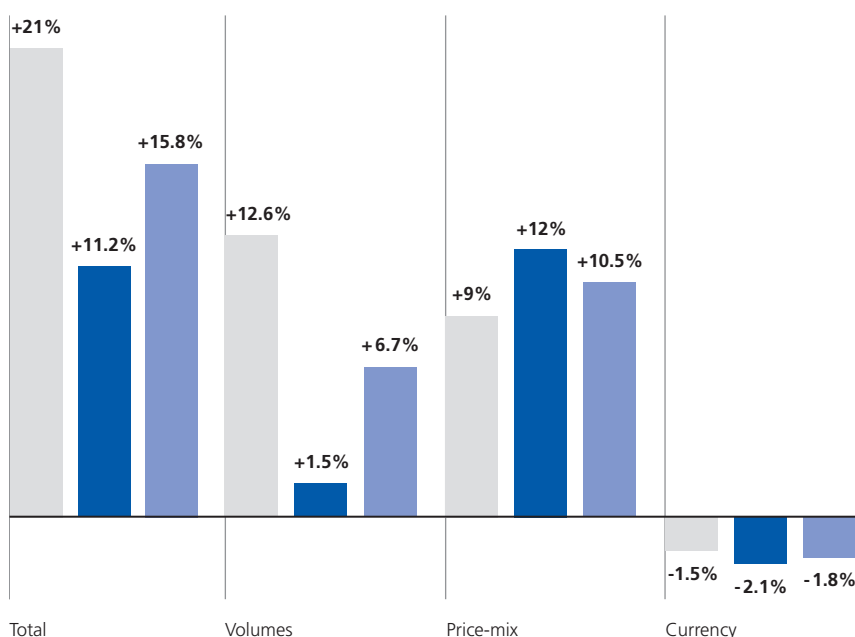
Note that markets for the other businesses, such as maps and guides, the ViaMichelin websites and the Michelin Lifestyle product range, are not described as they do not have a material impact on the Group's overall operations.

3.2. NET SALES

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

3.2.1. ANALYSIS OF NET SALES

- 1st-Half 2011/1st-Half 2010 (%)
- 2nd-Half 2011/2nd-Half 2010 (%)
- 2011/2010 (%)



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

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

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

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

3.2.2. NET SALES BY REPORTING SEGMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.2.c) Specialty Businesses – Analysis of net sales

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

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

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

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

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

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

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

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

3.2.3. CURRENCY RATES AND THE CURRENCY EFFECT

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

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

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

3.2.4. NET SALES BY REGION

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

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

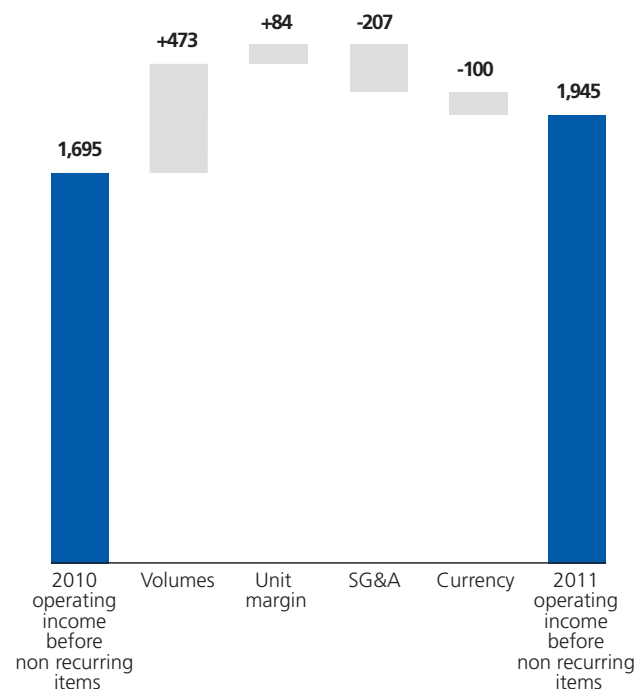
Consolidated net sales improved in every geography, but at a faster pace in new markets, which accounted for 34% of 2011 tonnages sold, *versus* 33% in 2010 and 27% in 2007.

3.3. CONSOLIDATED INCOME STATEMENT REVIEW

(in € million, except per share data)	2011	2010 REPORTED	2011/2010	2011 (% of net sales)	2010 (% of net sales)
Net sales	20,719	17,891	+15.8%		
Cost of sales	(14,821)	(12,403)	+19.5%	71.5%	69.3%
Gross income	5,898	5,488	+7.5%	28.5%	30.7%
Sales and marketing expenses	(1,942)	(1,847)	+5.1%	9.4%	10.3%
Research and development expenses	(592)	(545)	+8.6%	2.9%	3.0%
General and administrative expenses	(1,385)	(1,237)	+12.0%	6.7%	6.9%
Other operating income and expenses	(34)	(164)	-79.3%	0.2%	0.9%
Operating income before non-recurring income and expenses	1,945	1,695	+14.7%	9.4%	9.5%
Non-recurring income and expenses	-	-	-	-	-
Operating income	1,945	1,695	+14.7%	9.4%	9.5%
Cost of net debt	(206)	(236)	-12.7%	1.0%	1.3%
Other financial income and expenses	236	10	+2,260.0%	1.1%	0.1%
Share of profit from associates	21	29	-27.6%	0.1%	0.2%
Income before taxes	1,996	1,498	+33.2%	9.6%	8.4%
Income tax	(534)	(449)	+18.9%	2.6%	2.5%
Net income	1,462	1,049	+39.4%	7.1%	5.9%
• Attributable to the shareholders of the Company	1,462	1,048	+39.5%	7.1%	5.9%
• Attributable to non-controlling interests	-	1	NM		
Earnings per share (in €)					
• Basic	8.10	6.78	+19.5%		
• Diluted	7.93	6.64	+19.4%		

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

(in € million)



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

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

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

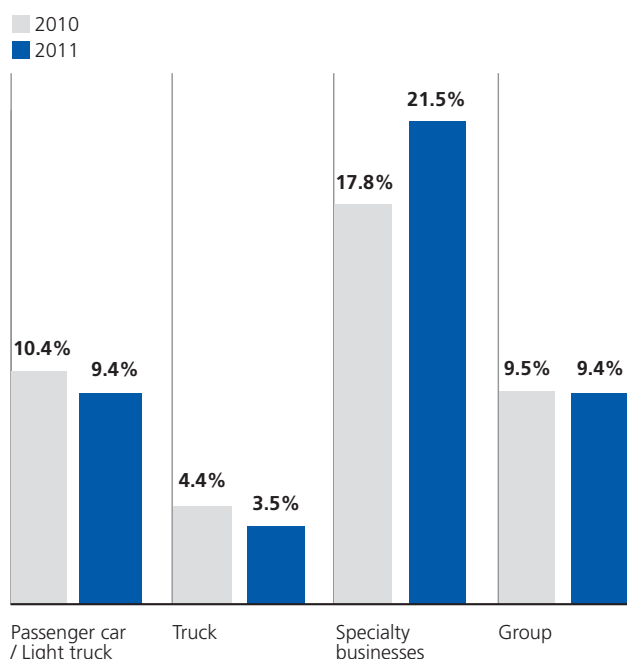
Note that by reducing employee benefits expense, the change in the method of accounting for actuarial gains and losses on pension obligations increased reported 2010 operating income by €56 million.

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

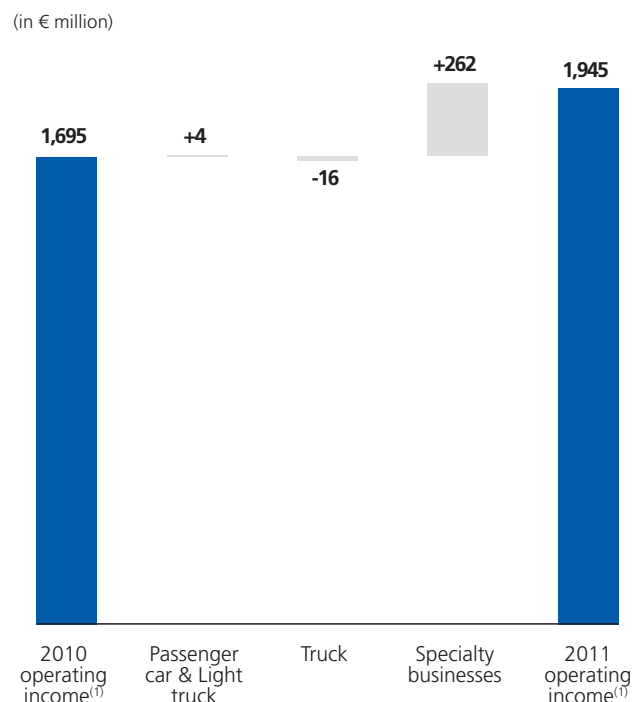
(in € million)

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

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



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



⁽¹⁾ Before non-recurring items.

3.3.2.b) Passenger Car and Light Truck Tires and Related Distribution – Analysis of operating income before non-recurring items

PASSENGER CAR/LIGHT TRUCK AND RELATED DISTRIBUTION (in € million)	2011	2010	2011/2010	2011 (% of Group total)	2010 (% of Group total)
Net sales	10,780	9,790	+10.1%	52%	55%
Operating income before non-recurring items	1,018	1,014	+0.4%	52%	60%
Operating margin before non-recurring items	9.4%	10.4%	-1pt		

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

- a 3.9% increase in sales volumes, led by the strong performance of the MICHELIN brand;

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

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

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

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

The decline compared with 2010 may be explained by:

- the favorable impact of successive price increases introduced during the year, which fully offset the increase in raw materials costs;
- higher sales volumes, which lifted operating income before non-recurring items by 5.8%;

- the negative mix effect resulting from faster growth in OE sales versus Replacement sales;
- the impact of production slowdowns in the autumn, especially in Europe;
- the increase in costs, especially start-up costs in China and India.

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

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

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

This growth primarily reflected the following factors:

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

3.3.3. OTHER INCOME STATEMENT ITEMS

3.3.3.a) Raw materials

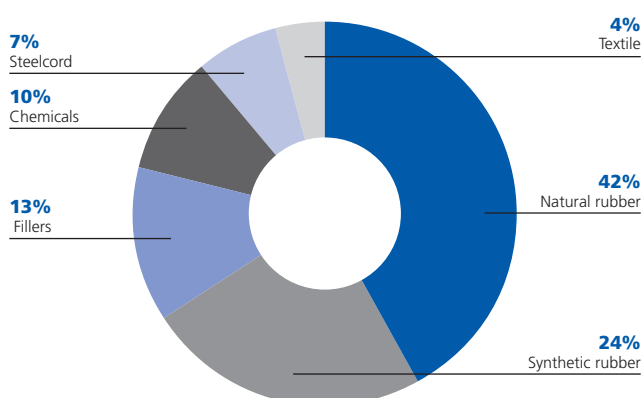
The cost of **raw materials** reported in the income statement under “cost of sales” (€7,019 million in 2011) is determined by valuing raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product.

In 2011, the raw materials costs recognized in cost of sales included the €1,748 million effect of higher prices, as well as the volume and currency effects. Passenger Car and Light Truck Tires accounted for around 45% of the increase, Truck Tires for roughly 40% and the Specialty Businesses for the remaining 15% or so.

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

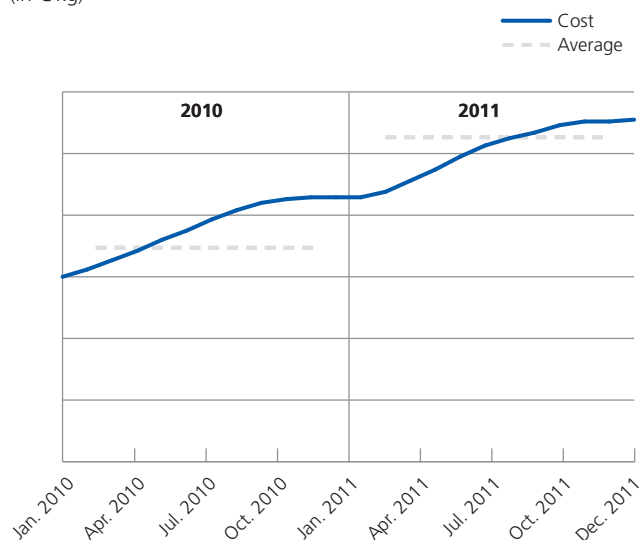
In 2011, the Group met its goal of fully offsetting higher raw material costs through price increases.

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



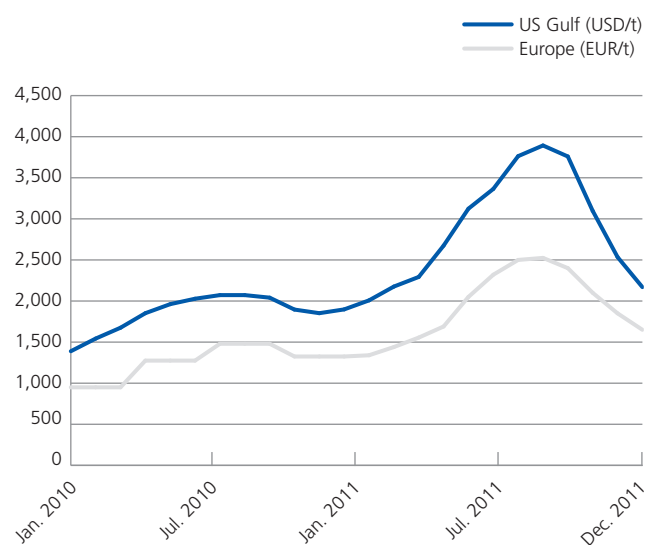
RAW MATERIALS COSTS RECOGNIZED IN 2011 COST OF SALES

(in €/kg)



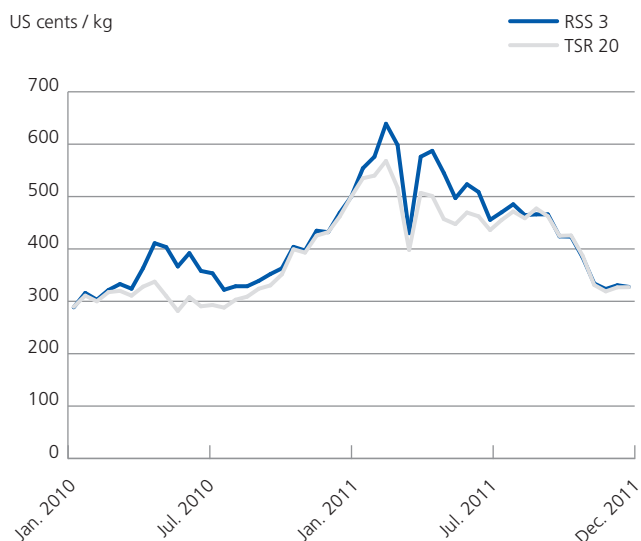
BUTADIENE PRICES

(US cents/kg)



NATURAL RUBBER PRICES (SICOM)

US cents / kg



3.3.3.b) Employee benefit costs and number of employees

(in € million and number of people)

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

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

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

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

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

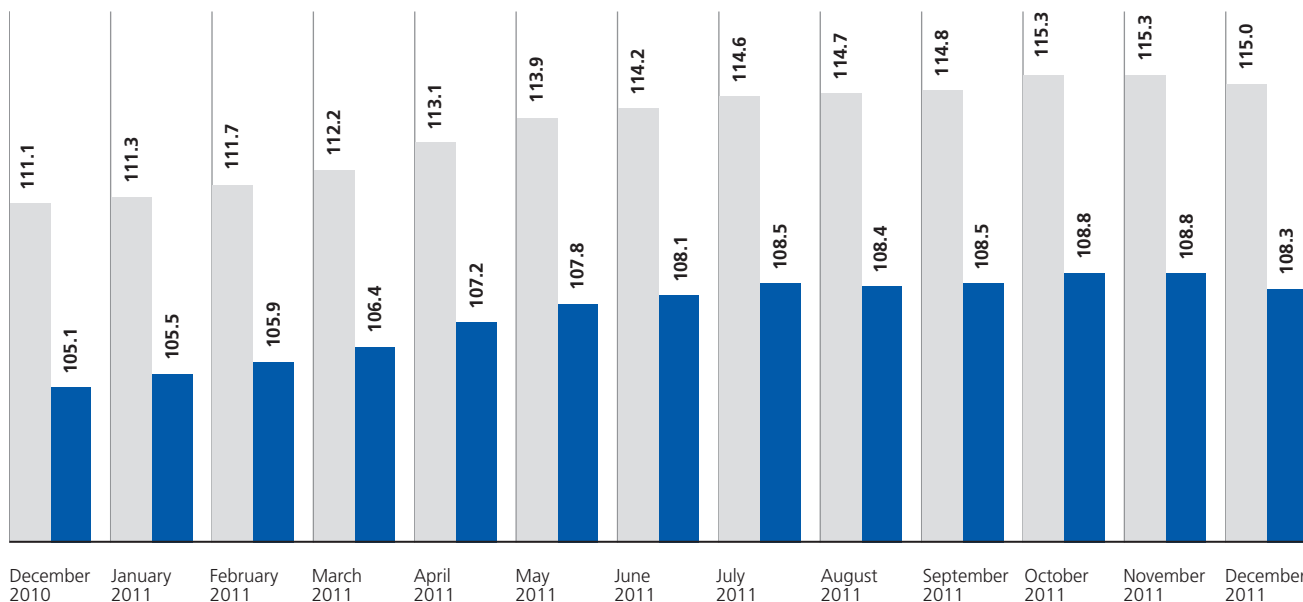
The latter are driving the recruitment of new capabilities in every host market, in both new and mature economies.

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

NUMBER OF EMPLOYEES

(in thousands)

■ Total workforce
■ Number of full time equivalent employees



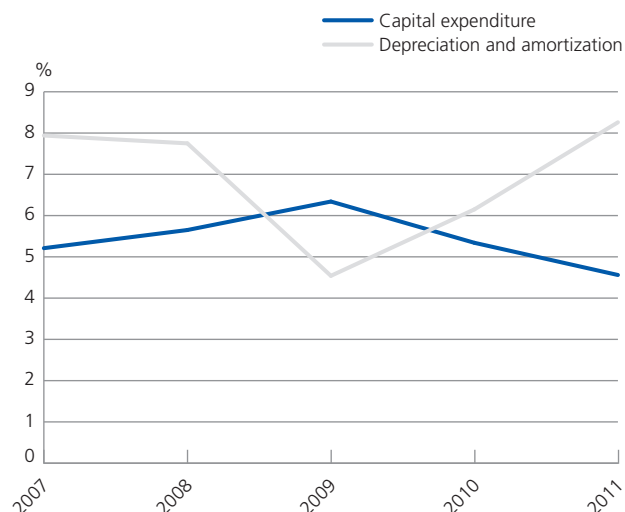
3.3.3.c) Depreciation and amortization

(in € million)

	2011	2010	% CHANGE
Depreciation and amortization	944	955	-1.2%
As a % of capital expenditure	55%	87%	

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

(as a % of net sales)



3.3.3.d) Transportation costs

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

Transportation costs tracked the growth in business, rising by 11.7% to €1,076 million due to higher volumes and cost inflation. As a result, these costs represented 5.2% of net sales, down slightly from 5.4% in 2010.

3.3.3.e) Sales and marketing expense

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

3.3.3.f) Research and development expense

Research and development expense stood at €592 million, a 8.6% year-on-year increase that reflected the Group's strategic decision to strengthen its technological leadership.

3.3.3.i) Cost of net debt

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

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

- stable net interest expense, reflecting:
 - a €40 million decrease due to the reduction in average net debt to €2.1 billion in 2011 from €2.8 billion in 2010,
 - a €17 million increase from the rise in the average gross interest rate on borrowings to 5.8% in 2011 from 5.2% in 2010,

3.3.3.j) Other financial income and expenses

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

Other financial income and expenses (€236 million) mainly included currency gains and losses, dividends, interest income and proceeds from the sale of financial assets. The increase resulted from the €256 million in capital gains on the sale of shares in South

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

3.3.3.g) General and administrative expense

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

3.3.3.h) Non-recurring income and expenses

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

- a €24 million increase from the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost. In 2011, average invested cash and cash equivalents rose to €1,748 million from €1,297 million in 2010;
- a €31 million net decrease from other factors, including the mark-to-market adjustment of interest rate derivatives used by the Group to convert some of its foreign-currency-denominated debt into fixed-rate instruments.

Korean tire manufacturer Hankook, which were acquired between 2003 and 2008 as part of a plan to form a partnership, but which never materialized .

3.3.3.k) Income tax

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

Income tax expense rose by €85 million to €534 million in 2011, corresponding to an effective tax rate of 26.8%, compared with 30.0% in 2010. The decline in the tax rate mainly reflects the use of

previously unrecognized deferred tax assets and the tax rate applied to the capital gain on the sale of the Hankook shares.

3.3.3.l) Consolidated net income and earnings per share

(in € million)	2011	2010	VALUE CHANGE
Net income	1,462	1,049	+413
<i>As a % of net sales</i>	7.1%	5.9%	+1.2pt
• Attributable to the shareholders of the Company	1,462	1,048	+414
• Attributable to non-controlling interests	-	1	NM
Earnings per share (in €)			
• Basic	8.10	6.78	+1.32
• Diluted	7.93	6.64	+1.29

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

- favorable factors (€506 million):
 - the €250 million increase in operating income before non-recurring items,
 - the €256 million improvement in financial income, mainly as a result of the capital gain on the sale of the Hankook shares;

- unfavorable factors (€93 million):
 - the €8 million decrease in the Group's share of profit from associates,
 - the €85 million increase in income tax expense.

3.4. CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

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

LIABILITIES AND EQUITY

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

3.4.1. GOODWILL

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

3.4.2. PROPERTY, PLANT AND EQUIPMENT

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

3.4.3. NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

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

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

3.4.4. DEFERRED TAX ASSETS AND LIABILITIES

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

3.4.5. WORKING CAPITAL REQUIREMENT

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

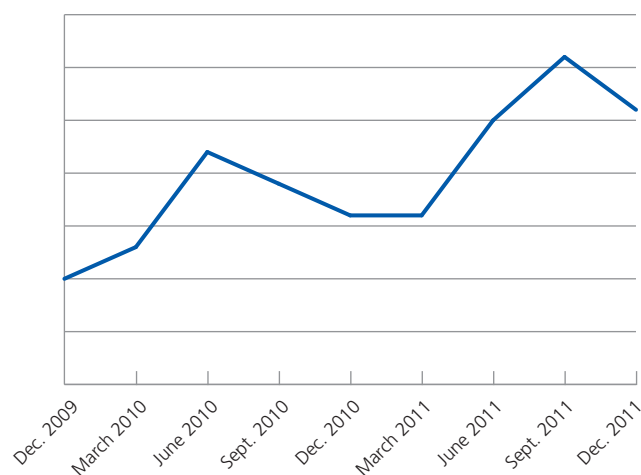
Working capital requirement increased by €926 million or 19.6% compared with 2010, chiefly due to higher raw materials prices (€739 million) and, to a lesser extent, increased sales volumes and a certain amount of inventory rebuilding. It represented 27.3% of net sales for the period.

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

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

FINISHED PRODUCT INVENTORY

(quarterly change in volumes)



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

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

3.4.6. CASH AND CASH EQUIVALENTS

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

- negative free cash flow of €19 million generated during the period;
- the payment of cash distributions totaling €150 million;

- the net repayment of €343 million in debt;
- proceeds of €510 million from the sale of investments in cash management instruments.

3.4.7. EQUITY

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

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

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

- Favorable factors:
 - comprehensive income for the period, in the amount of €763 million including:
 - net income of €1,462 million,

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

At December 31, 2011, the **share capital** of Compagnie Générale des Établissements Michelin stood at €360,037,794, comprising 180,018,897 shares corresponding to 230,108,052 voting rights.

- Unfavorable factors:
 - dividends and other distributions, in an amount of €327 million.

3.4.8. NET DEBT

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

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

At the Annual Meeting, shareholders approved the payment of a 2010 dividend of €1.78 per share, with a reinvestment option. Some 78% of shareholders opted to reinvest their dividend, enabling the Group to save €177 million in cash;

- the €34 million interest expense on the zero-coupon convertible bonds.

- Factors leading to a reduction in debt:
 - the €1,196 million in cash generated from operations;
 - a €4 million currency effect;
 - the €5 million impact of other factors.

NET DEBT

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

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

Gearing

Gearing stood at 22% at December 31, 2011, versus 20% at yearend 2010, reflecting the strength of the Group's balance sheet. The modest increase reflected the faster deployment of the Group's capital projects.

Ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin (CFM) are as follows:

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Moody's	P-2	P-2
Long term	Standard & Poor's	BBB	BBB
	Moody's	Baa2	Baa2
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Positive	Positive

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

3.4.9. PROVISIONS

Provisions and other non-current liabilities amounted to €804 million, versus €938 million reported at December 31, 2010. Excluding the €11 million in translation adjustments, the decline was primarily due to payments under industrial and sales reorganization

plans covered by provisions set up in prior periods, mainly in France and Spain. No material new restructuring provisions were recorded during the year.

3.4.10. EMPLOYEE BENEFITS

CHANGE IN FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

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

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

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

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

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

The €722 million in actuarial losses generated in 2011 by the post-employment defined benefit plans led to an increase in the net employee benefit obligation to €3,825 million at December 31,

2011 (2010 restated: €3,030 million; 2010 reported: €2,026 million) and a €524 million net reduction in consolidated equity.

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

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

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

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

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

3.5. CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1. CASH FLOW FROM OPERATING ACTIVITIES

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

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

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

- the €912 million increase in working capital requirement (of which €739 million due to higher raw materials costs), *versus* a €461 million increase in 2010. This reflected:
 - an €806 million increase in inventory, *versus* a €584 million increase in 2010, mainly as a result of higher unit values,

- a €258 million increase in trade receivables, *versus* a €246 million increase in 2010, mainly due to price increases,
- a €152 million increase in trade payables, *versus* a €369 million increase in 2010;
- the decline in restructuring cash costs, which fell to €145 million from €229 million in 2010;
- an increase in tax and interest paid to €632 million from €474 in 2010;
- a substantial reduction in additional contributions to pension plans (€20 million), which in 2010 amounted to €270 million.

3.5.2. CAPITAL EXPENDITURE

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

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

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

The main capital projects by Product Line were as follows:

Passenger Car and Light Truck tires:

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

Truck tires

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

Specialty products

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

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

3.5.3. AVAILABLE CASH FLOW AND FREE CASH FLOW

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

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

(in € million)	2011	2010
Cash flows from operating activities	1,196	1,322
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(671)	(565)
AVAILABLE CASH FLOW	526	757
Growth investments	(1,040)	(535)
Other cash flows from investing activities	495	204
FREE CASH FLOW	(19)	426

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

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

3.6. RETURN ON CAPITAL EMPLOYED (ROCE)

Achieving an annual return on capital employed (ROCE) of more than 9% is one of Michelin's strategic objectives. ROCE is measured as:

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

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

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

The Group's weighted average cost of capital (WACC) is based on a theoretical balance between equity and debt. The rates used are determined (i) for equity capital based on the yield on Michelin shares expected by the stock markets and (ii) for debt capital on the market risk-free rate plus the risk premium applied to Michelin by the markets, as adjusted for the tax effect. Based on this calculation method, 2011 WACC remained below the 9% target the Group uses to assess its value creation.

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

3.7. OUTLOOK

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

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

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

In 2012, Michelin aims to hold volumes steady as global tire markets experience varying degrees of growth, in an environment that will remain favorable in the new markets but be less buoyant in Europe.

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

3.8. CONSOLIDATED KEY FIGURES AND RATIOS

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

(in € million)	2011	2010	2009	2008	2007	2006	2005
Per share data (in €)							
Net assets per share ⁽⁷⁾	45.9	46.0	37.2	35.2	36.7	32.6	31.5
Basic earnings per share ⁽⁸⁾	8.10	6.78	0.69	2.46	5.32	3.95	6.13
Diluted earnings per share ⁽⁸⁾	7.93	6.64	0.69	2.46	5.22	3.94	6.12
Price-earnings ratio ⁽⁹⁾	5.6	7.9	77.7	15.3	14.8	18.4	7.7
Dividend for the year	2,10*	1,78	1.00	1.00	1.6	1.45	1.35
Pay-out ratio ⁽¹⁰⁾	30.0%	30.0%	140.8%	40.7%	30.1%	36.7%	22.0%
Yield ⁽¹¹⁾	4.6%	3.3%	1.9%	2.7%	2.0%	2.0%	2.8%
Share turnover rate ⁽¹²⁾	180%	188%	199%	308%	216%	212%	151%

(1) Including the dividends paid in shares.

(2) Net debt: financial liabilities – cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) +/- derivative assets.

(3) Net interest charge: interest financing expenses – interest income from cash and equivalents.

(4) Free cash flow: cash flows from operating activities – cash flows from investing activities (excluding cash flows from cash management financial assets and borrowing collaterals).

(5) ROE: net income attributable to Shareholders/Shareholders' equity excluding non-controlling interests.

(6) ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement).

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

(8) 2009 earnings per share have been restated to take into account the impact of the October 2010 rights issue.

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

(10) Distribution rate: Dividend/net income before exceptional items.

(11) Dividend yield: dividend per share/share price at December 31.

(12) Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.

N. app.: Non applicable.

* Dividend proposed to the Shareholders at the May 11, 2012 Annual General Meeting.

3.9. SHARE INFORMATION

3.9.1. THE MICHELIN SHARE

Traded on the NYSE Euronext Paris stock exchange

- Compartment A;
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1;

Market capitalization

- €8.221 billion at December 31, 2011.

Average daily trading volume

- 1,246,389 shares in 2011.

Indices

The Michelin share is included in two leading stock market indices. As of December 31, 2011, it represented:

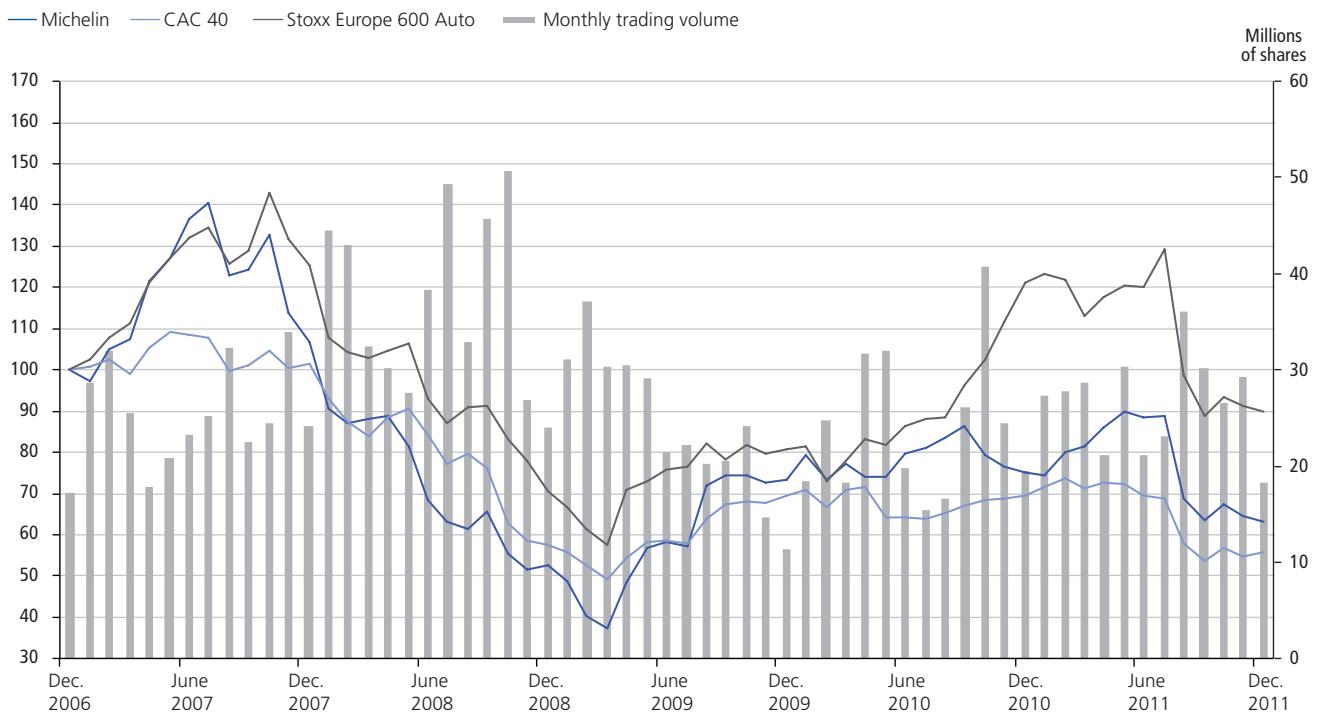
- 1.41% of the CAC 40 index;
- 0.58% of the Euronext 100 index.

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

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

SHARE PERFORMANCE

(closing price at December 30, 2011)

**3.9.2. SHARE DATA**

SHARE PRICE (in €)	2011	2010	2009	2008	2007
High	68.54	64.51	58.67	79.90	106.70
Low	40.20	48.13	22.69	30.65	67.75
High/low ratio	1.70	1.34	2.59	2.61	1.57
Closing price, end of period	45.68	53.70	53.58	37.57	78.50
Change over the period	-14.93%	+0.2%	+42.6%	-52.1%	+8.3%
Change in the CAC 40 index over the period	-20.45%	-3.3%	+22.3%	-42.7%	+1.3%
Market value at end of period (in € billion)	8.22	9.48	7.90	5.45	11.30
Average daily trading volume over the period	1,246,389	1,116,722	1,138,691	1,740,267	1,217,949
Average shares outstanding	178,446,812	152,902,704	146,184,080	144,495,251	143,770,101
Volume of shares traded over the period	320,321,901	288,114,287	291,504,866	445,508,266	310,577,078
Share turnover ratio	180%	188%	199%	308%	216%

Sources: NYSE Euronext Paris, Michelin.

3.9.3. PER-SHARE DATA

(in € per share, except ratios)	2011	2010	2009	2008	2007
Net assets per share	45.9	46.0	37.2	35.2	36.7
Basic earnings per share	8.10	6.78	0.69 ⁽¹⁾	2.46	5.32
Diluted earnings per share ⁽²⁾	7.93	6.64	0.69 ⁽¹⁾	2.46	5.22
Price-earnings ratio	5.6	7.9	77.7	15.3	14.8
Dividend for the year	2,10*	1,78	1.00	1.00	1.60
Pay-out ratio	30.0%	30.0%	140.8%	40.7%	30.1%
Yield ⁽³⁾	4.6%	3.3%	1.9%	2.7%	2.0%

(1) 2009 and first-half 2010 earnings per share have been restated to take into account the impact of the October 2010 rights issue.

(2) Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.

(3) Dividend/Share price at December 31.

* Dividend proposed to the Shareholders at the May 11, 2012 Annual General Meeting.

The goal of the Group's dividend policy is to pay out 30% of consolidated net income before exceptional items.

3.9.4. CAPITAL AND OWNERSHIP STRUCTURE

At December 31 2011, Michelin's share capital amounted to €360,037,794.

	AT DECEMBER 31, 2011			AT DECEMBER 31, 2010		
	NUMBER OF SHAREHOLDERS	SHARES OUTSTANDING	VOTING RIGHTS OUTSTANDING	NUMBER OF SHAREHOLDERS	SHARES OUTSTANDING	VOTING RIGHTS OUTSTANDING
French institutional investors	3,500	30.2%	27.6%	4,000	29.8%	26.8%
Non-resident institutional investors		55.5%	54.5%		55.2%	54.6%
Individual shareholders	156,400	12.7%	15.6%	158,700	13.2%	16.1%
Employee Shareholder Plan	66,600	1.6%	2.3%	69,800	1.8%	2.5%
TOTAL	226,500	180,018,897 shares*	230,108,052 voting rights	232,500	176,607,845 shares*	226,828,425 voting rights

* All fully paid-up.

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

3.10. OPERATING HIGHLIGHTS

3.10.1. STRATEGY – PARTNERSHIPS – ACQUISITIONS

— Michelin at the 2011 Frankfurt International Motor Show

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

— Future Mobility Showcased at the 2011 Detroit Motor Show

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

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

— Tire Price Increases Announced in Every Market

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

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

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

— Michelin Invests in North America

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

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

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

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

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

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

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

3.10.2. PRODUCTS – SERVICES – INNOVATION

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

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

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

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

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

The MICHELIN ENERGY™ XM2, which “lasts longer, with maximum safety”, focuses first and foremost on the need for a damage-resistant tire on roads in China, Southeast Asia, Russia, India, South America, Africa and the Middle East. The heavy traffic and uneven road quality in these countries definitely put automobile tires to the test. Intended for several categories of vehicles – including city cars, compacts and sedans – the new MICHELIN ENERGY™ XM2 is being marketed in the promising 14, 15 and 16-inch segment.

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

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

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

And like all MICHELIN tires, the MICHELIN Primacy 3 also provides high total mileage, while reducing fuel consumption—in this case by 70 liters over the life of the tire⁽⁵⁾.

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

(2) On average, compared with its predecessor. World 2011 test on 235/65 R17 T.

(3) Compared with its predecessor.

(4) MICHELIN's studded tire ranges cover more than 90% of the 4WD configurations sold in Europe in 2010 and 2011.

(5) Compared with four market-leading competitors. Tests conducted in 2011 by TÜV Süd Automotive and IDIADA on commercial 205/55 R 16V and 225/45 R 17W tires, purchased in February 2011.

3.10.2.b) Truck Tires and Related Distribution

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

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

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

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

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

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

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

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

— MICHELIN X[®] Works™

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

The system deployed is based on the all-new MICHELIN X[®] Works™, an all-terrain tire combining robustness and endurance, intended

for use on streets and roads as well as in and around worksites and quarries. In addition to bringing to market a tire that delivers unrivalled performance in both of these areas, Michelin has further enhanced its offer with an accidental damage warranty.

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

3.10.2.c) Specialty businesses

Earthmover Tires

— XDR™2 Tire Introduced for Rigid Dump Trucks

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

— B² Technology Delivers Cost-Effective Benefits

B² technology offers a new bead architecture with a 30% wider bead wire and a bigger rim contact area to attenuate tire rotation on the rim and improve bead-area endurance. As a result, the B² technology solution delivers such benefits as higher productivity, greater reliability and lower operating costs.

— The Panama Canal, a Gigantic Project for Michelin

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

Agricultural Tires

— Michelin Participates in the Agritechnica Trade Fair

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

Two-Wheel Tires**— MICHELIN Pilot Road 3**

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

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

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

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

Michelin Travel Partner**— Michelin Travel Partner**

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

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

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

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

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

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

3.10.3. MICHELIN PERFORMANCE AND RESPONSIBILITY**— A Record Turnout for Michelin Challenge Bibendum 2011 in Berlin**

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

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

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

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

— Environmental Ratings

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

— Collaboration with Amyris to Develop and Market Renewable Isoprene

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

— Global Road Safety Commitment

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

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

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

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

3.10.4. MOTORSPORTS

— Michelin Takes the 2011 Le Mans 24 Hours

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

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

— Michelin Claims 19th World Rally Championship Title

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

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

3.10.5. CORPORATE GOVERNANCE

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

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

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

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

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

— 2010 Dividend Reinvestment Plan

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

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

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

The cash dividend was paid of June 20.

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

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CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	NOTE	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Net sales	5	20,719	17,891
Cost of sales		(14,821)	(12,387)
Gross income		5,898	5,504
Sales and marketing expenses		(1,942)	(1,845)
Research and development expenses		(592)	(542)
General and administrative expenses		(1,385)	(1,235)
Other operating income and expenses	8	(34)	(131)
Operating income before non-recurring income and expenses	5	1,945	1,751
Non-recurring income and expenses	9	-	-
Operating income/(loss)		1,945	1,751
Cost of net debt	10	(206)	(236)
Other financial income and expenses	10	236	10
Share of profit/(loss) from associates		21	29
Income/(loss) before taxes		1,996	1,554
Income tax	11	(534)	(468)
NET INCOME/(LOSS)		1,462	1,086
• Attributable to the shareholders of the Company		1,462	1,085
• Attributable to the non-controlling interests		-	1
Earnings per share (in €)			
• Basic	12	8.10	7.02
• Diluted		7.93	6.86

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

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	NOTE	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Net income/(loss)		1,462	1,086
Post employment benefits – actuarial gain/(loss)		(722)	63
Tax effect – post employment benefits – actuarial gain/(loss)	18	242	(10)
Other items of comprehensive income that will not be reclassified to income statement		(480)	53
Available-for-sale financial assets – change in fair values		122	166
Tax effect – available-for-sale financial assets – change in fair values	18	(4)	(2)
Available-for-sale financial assets – (gain)/loss recognized in income statement		(258)	-
Cash flow hedges – change in fair values		3	(3)
Cash flow hedges – (gain)/loss recognized in income statement		(1)	1
Share of other comprehensive income from associates		(2)	-
Currency translation differences		(79)	242
Other items of comprehensive income that may be reclassified to income statement		(219)	404
Other comprehensive income		(699)	457
COMPREHENSIVE INCOME		763	1,543
• Attributable to the shareholders of the Company		763	1,542
• Attributable to the non-controlling interests		-	1

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

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(in € million)	NOTE	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾	JANUARY 1, 2010 ⁽¹⁾
Goodwill	13	415	416	403
Other intangible assets	13	390	360	321
Property, plant and equipment (PP&E)	14	7,889	7,193	6,782
Non-current financial assets and other assets	15	404	677	477
Investments in associates	17	120	93	71
Deferred tax assets	18	1,352	1,175	1,291
Non-current assets		10,570	9,914	9,345
Inventories	19	4,602	3,770	2,994
Trade receivables	20	3,075	2,770	2,314
Current financial assets	21	366	882	165
Other current assets	22	682	653	583
Cash and cash equivalents	23	1,593	1,590	1,231
Current assets		10,318	9,665	7,287
TOTAL ASSETS		20,888	19,579	16,632
Share capital	24	360	353	295
Share premiums	24	3,396	3,215	1,987
Reserves	25	4,343	3,899	2,516
Non-controlling interests		2	3	3
Equity		8,101	7,470	4,801
Non-current financial liabilities	26	2,478	3,251	3,568
Employee benefit obligations	27.1	3,825	3,030	3,182
Provisions and other non-current liabilities	29	804	938	1,105
Deferred tax liabilities	18	79	45	40
Non-current liabilities		7,186	7,264	7,895
Current financial liabilities	26	1,361	896	760
Trade payables		2,024	1,813	1,249
Other current liabilities	30	2,216	2,136	1,927
Current liabilities		5,601	4,845	3,936
TOTAL EQUITY AND LIABILITIES		20,888	19,579	16,632

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

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	SHARE CAPITAL (note 24)	SHARE PREMIUMS (note 24)	RESERVES (note 25)	NON- CONTROLLING INTERESTS	TOTAL
At January 1, 2010 ⁽¹⁾	295	1,987	2,516	3	4,801
Comprehensive income	-	-	1,542	1	1,543
Issuance of shares	58	1,228	-	-	1,286
Dividends and other allocations	-	-	(150)	(1)	(151)
Stock option plans – cost of services rendered	-	-	9	-	9
Acquisition of non-controlling interests	-	-	(18)	-	(18)
Other	-	-	-	-	-
At December 31, 2010 ⁽¹⁾	353	3,215	3,899	3	7,470
Comprehensive income	-	-	763	-	763
Issuance of shares	7	181	-	-	188
Dividends and other allocations	-	-	(327)	-	(327)
Stock option plans – cost of services rendered	-	-	7	-	7
Other	-	-	1	(1)	-
AT DECEMBER 31, 2011	360	3,396	4,343	2	8,101

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

The notes 1 to 36 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	NOTE	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Net income		1,462	1,086
Adjustments			
• Cost of net debt	10	206	236
• Other financial income and expenses	10	(236)	(10)
• Income tax	11	534	468
• Amortization, depreciation and impairment of intangible assets and PP&E	6	933	965
• Non-recurring income and expenses	9	-	-
• Share of loss/(profit) from associates		(21)	(29)
EBITDA before non-recurring income and expenses	3.7.2	2,878	2,716
Other non-cash income and expenses	31	(24)	(14)
Change in provisions, including employee benefit obligations		(132)	(479)
Cost of net debt and other financial income and expenses paid	31	(189)	(177)
Income tax paid		(443)	(297)
Change in working capital, net of impairments	31	(894)	(427)
Cash flows from operating activities		1,196	1,322
Purchases of intangible assets and PP&E	31	(1,668)	(964)
Proceeds from sale of intangible assets and PP&E		49	61
Equity investments in consolidated companies, net of cash acquired		(11)	(4)
Disposals of equity investments in consolidated companies, net of cash sold		9	-
Purchases of available-for-sale financial assets		(3)	(14)
Proceeds from sale of available-for-sale financial assets		405	1
Cash flows from other financial assets	31	506	(743)
Cash flows from investing activities		(713)	(1,663)
Proceeds from issuance of shares	24	12	1,204
Dividends paid to the shareholders of the Company		(138)	(65)
Cash flows from financial liabilities	31	(343)	(437)
Other cash flows from financing activities		(15)	(39)
Cash flows from financing activities		(484)	663
Effect of changes in exchange rates		4	37
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		3	359
Cash and cash equivalents at January 1		1,590	1,231
Cash and cash equivalents at December 31	23	1,593	1,590

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

The notes 1 to 36 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Compagnie Générale des Établissements Michelin (CGEM or the "Company") and its subsidiaries (together "the Group") manufacture, distribute and sell tires throughout the world.

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

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

After a review by the Supervisory Board, these consolidated financial statements were authorized for issue by the Managing Partners on February 6, 2012.

Except as otherwise stated, all amounts are presented in € million.

NOTE 2 BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements:

- are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (available on the internet website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm);
- are also in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss.

2.2. Accounting policies

The accounting policies applied in the preparation of the Group consolidated financial statements are set out in note 3 "Summary of significant accounting policies". These policies have been consistently applied to all the years presented.

2.3. Change in accounting method

On January 1, 2011, the Group decided to recognize post-employment defined benefit actuarial gains and losses in other comprehensive income. Previously, the Group applied the corridor method, under which actuarial gains or losses exceeding the greater of 10% of the present value of the defined benefit obligation and of 10% the fair value of plan assets were recognized in the income statement over the expected average remaining working lives of the employees.

This change results in providing more relevant information on the situation of the defined benefit plans operated by the Group. It also improves the comparative information in the financial statements taking into account the fact that most of other listed groups apply this method.

The effects of this change on the balance sheets are summarized below:

(in € million)	DECEMBER 31, 2010			JANUARY 1, 2010		
	AS REPORTED	RESTATEMENTS	AS RESTATED	AS REPORTED	RESTATEMENTS	AS RESTATED
Non-current assets	9,998	(84)	9,914	9,231	114	9,345
<i>including non-current financial assets and other assets</i>	1,108	(431)	677	712	(235)	477
<i>including deferred tax assets</i>	828	347	1,175	942	349	1,291
Current assets	9,665	-	9,665	7,287	-	7,287
TOTAL ASSETS	19,663	(84)	19,579	16,518	114	16,632
Equity	8,127	(657)	7,470	5,495	(694)	4,801
Non-current liabilities	6,691	573	7,264	7,087	808	7,895
<i>including employee benefit obligations</i>	2,457	573	3,030	2,374	808	3,182
Current liabilities	4,845	-	4,845	3,936	-	3,936
TOTAL EQUITY AND LIABILITIES	19,663	(84)	19,579	16,518	114	16,632

The effects of this change on the 2010 income statement are summarized below:

(in € million)	AS REPORTED	RESTATEMENTS	AS RESTATED
Net sales	17,891	-	17,891
Operating income before non-recurring income and expenses	1,695	56	1,751
Operating income	1,695	56	1,751
Income before taxes	1,498	56	1,554
Income tax	(449)	(19)	(468)
NET INCOME	1,049	37	1,086
Earnings per share (in €)			
• Basic	6.78	0.24	7.02
• Diluted	6.64	0.22	6.86

Under the previous method, amortization of actuarial gains and losses would have been €48 million before tax and €30 million after tax at December 31, 2011.

2.4. New standards, amendments and interpretations to existing standards effective from January 1, 2011

None of the new standards, amendments and interpretations to existing standards, which have been published and which are applicable for the accounting periods beginning on or after January 1, 2011, are relevant to the Group operations.

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

- IAS 1, "Presentation of financial statements" was amended in June 2011. It requires essentially the Group to change the presentation of its statement of comprehensive income in order to distinguish the items that will be reclassified subsequently to the income statement (when specific conditions are met) from the items that will not. The amendment is effective for the accounting periods beginning on or after July 1, 2012. The Group has however decided to anticipate the adoption of this amendment in 2011.
- IAS 19, "Employee benefits" was amended in June 2011. The impact on the Group will be as follows: to immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments and intends to adopt it no later than the accounting period beginning on or after January 1, 2013.
- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

There are no other new standards, amendments and interpretations to existing standards, which have been published and which are applicable for the accounting periods beginning on or after January 1, 2012, that are expected to have a material impact on the Group operations.

2.6. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires that management should use assumptions and estimates reflected in the value of assets and liabilities at the balance sheet date and in the amount of income and expenses for the reporting period. The actual results could differ from those estimates.

The main critical accounting estimates requiring key assumptions and judgments are the impairment of non-financial assets, the employee benefit obligations and the income taxes.

— 2.6.1. Impairment of non-financial assets

The cash generating units' (CGU) future cash flows used in the calculation of value in use (note 3.15 "Impairment of non-financial assets") are derived from the Group rolling ten-year business plan. The construction of the business plan is an exercise involving the various actors within the CGUs and the projections are validated by the Managing Partners. It requires critical estimates and judgments, especially in the determination of market trends, raw material costs and pricing policies. Therefore, the actual cash flows may differ from the estimates used in the calculation of value in use.

Quantitative information is provided in note 13.1 "Goodwill".

— 2.6.2. Employee benefit obligations

The Group provides to its employees and retirees various pension plans, jubilees and other post-employment benefits. The valuation of these benefits is carried out annually by independent actuaries. The actuarial method used is the Projected Unit Credit Method.

According to this method, statistical information and various assumptions are used in calculating the expense, the liability and the asset related to the benefit plans. Assumptions include mainly the discount rate, the long term salary increase rate, the expected rate of return on plan assets and the expected rate of growth in future medical costs. Statistical information is mainly related to demographic assumptions such as mortality, employee turnover, disability and early retirement.

Assumptions and statistical information are determined by Group management in charge of employee benefits according to internal guidelines in consultation with the actuaries.

The discount rates are determined using the actuary's model having the same maturity as the liabilities. These rates are compared with other sources of information such as IBoxx, Reuters or Blumberg and the actuaries own benchmarks. When information concerning the computation of such indicators is available and it is confirmed that such indicators are of a lower quality than those required by IAS 19 or if high quality bonds are excluded, they are not retained or they are averaged with other indicators.

The rate of salary increases is determined by each country based on a long term salary policy and includes all elements related to market practice as well as career development, promotion, seniority and others.

The inflation rates are determined using several sources of information to cross check data such as information from Central banks which publish their target inflation. Inflation rates are also determined, taking the spread between inflation-linked bonds and conventional securities. The rates are then adjusted with a spread which represents the liquidity and risk premium imbedded in the inflation-linked bonds.

The other assumptions (retirement age, employee turnover, health care cost trend, mortality, invalidity) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force.

The expected returns on plan assets are determined for each portfolio taking into account market conditions, portfolios allocation as well as long-term returns of each class and sub-class, including a premium for manager's performance, net of management and performance fees.

The actual data (such as inflation, mortality, real return on assets...) may differ from the long term actuarial assumptions used. The resulting difference is recognized as a gain or loss in other comprehensive income.

Quantitative information is provided in note 27 "Employee benefit obligations".

— 2.6.3. Income taxes

Significant judgment and estimates are required in determining the income tax expense.

There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for tax positions which could be threatened during audits by the local authorities.

The expected reversal of tax losses is based on the forecast of future results validated by the local management and reviewed by the Group Tax and Accounting Departments. The analyses are also performed in order to ensure the coherence of these forecasted future results with the strategic plans of the Group, validated by the Managing Partners and the Group Executive Council. Analyses to support the deferred tax positions are performed periodically, at a date as close as possible to closing.

The period of reversal of tax losses carried forward is based on a reasonable horizon taking into account the specific circumstances of each company. In particular are taken into account:

- the origin of the historical tax losses (generally exceptional and non-recurrent: restructuring, significant increases in production capacity...);
- the forecasted future results;
- the tax planning opportunities;
- the possibility of internal reorganizations; and
- the time limit for the recovery of historical losses.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Consolidation

The Group consolidated financial statements include all subsidiaries, associates and joint ventures of Compagnie Générale des Établissements Michelin.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Shareholdings in companies which are not subsidiaries, associates or joint ventures are not consolidated. They are accounted for as non-derivative financial assets (note 3.16 "Non derivative financial assets").

— 3.1.1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

— 3.1.2. Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has a joint control, according to contractual agreement.

Investments in associates and joint ventures are accounted for by the equity method and are initially recognized at cost. The Group investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group share of its associates' and joint ventures' post-acquisition profits and losses is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income until the date that significant influence or joint control ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group share of losses in an associate or joint venture equals or exceeds its interest in the associate, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group interest in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

3.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group Management.

The Managing Partners are allocating resources to the segments and assessing their performance, therefore they have been identified as the chief operating decision maker of the Group.

3.3. Foreign currency

— 3.3.1. Presentation and functional currency

The financial statements of the Group entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate and corresponds for most of them to their local currency.

The consolidated financial statements are presented in €, which is the Company's functional currency.

— 3.3.4. Exchange rates of major currencies

Against the euro:	CLOSING RATES		AVERAGE RATES	
	2011	2010	2011	2010
US dollar (USD)	1.294	1.335	1.393	1.327
Canadian dollar (CAD)	1.321	1.334	1.377	1.367
Mexican peso (MXN)	18.140	16.539	17.253	16.759
Brazilian real (BRL)	2.415	2.215	2.323	2.332
British pound (GBP)	0.840	0.862	0.868	0.858
Chinese yuan (CNY)	8.157	8.803	8.998	8.981
Thai baht (THB)	40.956	40.119	42.451	42.021

3.4. Derivative financial instruments

Derivative financial instruments are used to manage financial exposures.

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see hedging policy below).

— 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.

All changes in fair value of derivatives not designated as hedging instruments are recorded as financial income or expense in the period in which they arise.

Fair values are based on market values for listed instruments or on mathematical models, such as option pricing models and discounted cash flow calculations for unlisted instruments. These models take into account market data.

Embedded derivatives are recognized separately if not closely related to the host contract.

3.5. Hedging

Some derivative financial instruments are eligible for hedge accounting and are therefore designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or
- hedges of highly probable forecast transactions (cash flow hedges).

Some other derivatives, while providing effective economic hedges under the Group financial policies, cannot qualify or have not been designated for hedge accounting (derivatives policy). Fluctuations of these derivatives' fair values are therefore accounted for in the income statement. For example, foreign currency derivatives that are used to hedge the currency exposure of financial assets and liabilities are not designated as hedging instruments.

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategies. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives are accounted for differently depending on the type of hedge:

— 3.5.1. Fair value hedges

Changes in fair value of derivatives are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

— 3.5.2. Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in equity. The ineffective portion of the gain or loss is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized in the income statement when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

3.6. Fair value of financial instruments

The fair value measurements are disclosed by level of the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value, generally internally, financial instruments include:

- quoted market prices or dealer quotes for similar instruments (level 1);
- the fair value of interest rate swaps calculated internally as the present value of the estimated future cash flows based on observable yield curves (level 2);
- the fair value of forward foreign exchange contracts determined internally using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value (level 2).

Other techniques, such as discounted cash flow analysis, are used internally to determine fair value for the remaining financial instruments (level 3).

3.7. Performance indicators

— 3.7.1. Net debt

Net debt is made up of current and non-current financial liabilities as they appear in the balance sheet less:

- cash and cash equivalents as they appear in the balance sheet;
- derivative instruments included in the captions "current financial assets" and "non-current financial assets" of the balance sheet;
- cash management financial assets included in the caption "current financial assets" of the balance sheet (these assets are highly liquid, little affected by the interest rate risk and not affected at all by the foreign currency risk); and
- borrowing collaterals included in the captions "current financial assets" and "non-current financial assets" of the balance sheet.

— 3.7.2. EBITDA before non-recurring income and expenses

The Group defines EBITDA before non-recurring income and expenses as operating income before (i) nonrecurring income and expenses and (ii) depreciation of property, plant and equipment and amortization of intangible assets, and any related impairment charge.

3.8. Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, taking into account the amount of any trade discounts allowed by the Group entities or any commercial incentives linked to sales. Deferred rebates are accrued based on past experience and expected payments.

Sales are recognized as follows:

- Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and will receive the economic benefits associated with the transaction. Due to the nature of the products, the general sales conditions, the logistics incoterms and the insurance contracts, revenue is usually recognized when the goods leave the Group premises.

- Revenue from sales of services is recognized by reference to the stage of completion of the transaction at the balance sheet date, to the extent that this stage can be measured reliably and the economic benefits associated with the transaction will flow to the Group.

Financial income is recognized as follows:

- Interest income is recognized on an accrual basis using the effective interest method.
- Dividend income is recognized when the right to receive payment is established.

3.9. Cost of sales

Cost of sales comprises the costs of manufacturing products and the cost of goods purchased for resale.

It includes the purchase cost of raw materials, production costs directly related to the manufactured products and all production overheads, based on the normal capacity of production facilities.

Production overheads include depreciation of property, plant and equipment, amortization of intangible assets relating to production and write-downs of inventories.

Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present location and condition.

3.10. Research and development

Research costs cannot be capitalized. Development cost are capitalized as intangible assets when the conditions relating to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled.

Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

3.11. Non-recurring income and expenses

In accordance with the recommendation No. 2009-R-03 of the French Accounting National Council, unusual, abnormal or non-frequent significant items of income and expenses are separately disclosed in the income statement. They are fully described in the note 9 "Non-recurring income and expenses".

3.12. Income tax

Income tax expense in the income statement includes both current and deferred taxes, plus any withholding tax on royalties and the distribution of retained earnings within the Group, except if it relates to items recognized directly in equity, in which case the expense is recognized in equity.

Current tax is based on the results of Group companies and is calculated according to local rules, including any adjustments to tax payable in respect of previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

A deferred tax asset or liability is recognized on initial recognition of transactions arising from business combinations and impacting the accounting or taxable result.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses carried forward and the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.13. Intangible assets

— 3.13.1. Goodwill

Goodwill is computed at acquisition date as the difference between:

- the sum of the cost of the acquisition and the non-controlling interests; and
- the fair value of the identifiable acquired assets and liabilities.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the acquisition in which the goodwill arose.

— 3.13.2. Other intangible assets

Other intangible assets are capitalized to the extent that the future economic benefit related to these assets will flow to the Group and their costs can be reliably identified.

They are amortized on a straight-line basis over their useful life which generally does not exceed 7 years.

3.14. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and, when necessary, impairment.

The gross carrying amount includes the cost of acquisition or production cost and other costs directly attributable to the acquisition or the construction of the asset (including borrowing costs). Investment grants are initially accounted for as deferred revenue and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance costs are expensed as incurred. Other subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land which is not depreciated. Depreciation on property, plant and equipment reflects the pattern in which the asset's future

economic benefits are expected to be consumed. Depreciation is allocated to cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

The following depreciation periods, based on the expected useful lives of the respective assets, are applied throughout the Group:

- Buildings and general installations of land and buildings 25 years
- Industrial and commercial equipment 5-12 years
- Computer and telecommunication equipment 5 years
- Vehicles 5 years
- Other 2-12 years

The useful lives of the assets and their respective residual values are reviewed annually.

When assets are sold or otherwise disposed of, the difference between the net proceeds and the net carrying amounts of the assets is recognized in other operating income and expenses.

Property, plant and equipment which are financed by leases giving the Group substantially all of the risks and rewards of ownership are capitalized at the lower of the fair value of the leased item and the present value of the minimum lease payments at the inception of the lease. The leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets if the transfer of ownership of the leased assets is uncertain.

The obligations arising from future finance lease payments are discounted and recognized as a financial liability in the balance sheet. The payments related to operating leases are expensed as incurred.

3.15. Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (intangible assets and property, plant and equipment) may be less than its carrying amount, the recoverable amount of the asset is measured and an expense is potentially accounted for.

At individual asset level, such indications generally come from a fall in market value, technical obsolescence or an anticipated change of use. The recoverable amount is usually based on the market value.

At Group level, non-financial assets are combined for impairment testing purposes at the lowest level for which there are separately identifiable cash flows (Cash Generating Units – CGUs).

The CGUs are defined according to the way the Group operations are managed: it could be the crossings of Product Lines and Geographic Zones (for example: CGU North America Passenger car and light truck), the Distribution Networks (for example: CGU Euromaster) or the Business Subsidiaries (for example: CGU Michelin Travel Partner). This approach allows to have CGUs with cash flows that are separately identifiable from cash flows of other CGUs.

CGUs are tested annually as long as a goodwill is allocated to them. Those without a goodwill are tested if there is a specific indication of impairment. For most CGUs, recoverable amount is based on value in use, which is equal to future discounted cash flows using the Weighted Average Cost of Capital (WACC) as a discount rate. Future cash flows are based on the CGU's ten-year cash flow forecasts plus a terminal value, measured by dividing projected cash flows by the WACC.

The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt capital and a risk premium reflecting the risks of the countries where the assets are located. Those rates are adjusted in order to determine a pre-tax discount rate, consistent with the pre-tax cash flow forecasts.

The gearing is based on target information. The beta is calculated according to the variance and the covariance between the Company stock price and the CAC 40 index using a mobile average on 24 months.

When the value in use of the distribution CGUs is lower than the CGUs' asset value, recoverable amount is measured at fair value less costs to sell. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

Any impairment loss is recognized first against goodwill and any remaining amount is allocated among the other assets, based on their net carrying amounts at the closing date.

When the circumstances which previously caused non-financial assets to be impaired no longer apply, the impairment losses are reversed accordingly. However, goodwill impairment can never be reversed.

Changes in impairment losses are recognized in other operating income and expenses unless classified as non-recurring items.

3.16. Non derivative financial assets

— 3.16.1. Asset categories

The Group classifies its non-derivative financial assets in one of the following categories: loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss. The classification depends on the purpose for which the assets have been acquired as well as its nature. Management determines the classification of its non-derivative financial assets at initial recognition and reviews this designation at every reporting date.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.
- Available-for-sale financial assets are usually non-monetary securities. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.
- Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it is acquired principally for the purpose of being sold in the short term or if it is so designated by the Management. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

— **3.16.2. Transactions**

Purchases and sales of non-derivative financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Non-derivative financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value gains or losses are included in the income statement.

— **3.16.3. Measurement**

Available-for-sale financial assets are measured at fair value determined essentially by reference to a published price quotation in an active market. Loans and receivables are measured at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity unless these assets are part of fair value hedges and therefore included in the income statement for the hedged risk in the period in which they arise.

— **3.16.4. Impairment**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments cannot be reversed.

3.17. Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of raw material, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor cost, other direct costs and production overheads based upon normal capacity of production facilities. Borrowing costs are expensed as incurred. Inventories are measured using the weighted-average cost method.

Net realizable value is the estimated selling price less the estimated cost of completion as well as the estimated selling expenses.

An impairment loss is recognized when net realizable value is lower than cost and is reversed when it becomes apparent that the circumstances which previously caused inventories to be written down below cost no longer exist.

3.18. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

When payment terms are shorter than one year, the initial fair value and the subsequent amortized cost are considered as being equal to the nominal amount.

An impairment loss is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bankruptcy, legal creditor protection processes, manifest insolvency of the debtor, disappearance of the debtor, more than 6 months overdue, economic or political risk in the debtor country, adverse change in the debtor's credit situation are considered indicators that the trade receivable is impaired. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Prior to recognizing an impairment loss, the quality of any guarantees, as well as the ability to realize them, have to be assessed. In the case of receivables that are more than 6 months overdue, the credit department determines if the risk is limited to the overdue amount, or if it includes all other receivables from the debtor. The impairment loss is also determined by the credit department for economic and/or political risk, and for an adverse change in the debtor's credit situation. For all other cases the total amount of the receivable is considered as impaired. The impairment charge is recognized under sales and marketing expenses.

When a trade receivable is uncollectible, it is written off against the corresponding allowance account. Subsequent recoveries of amounts previously written off are credited against sales and marketing expenses in the income statement.

3.19. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value and fluctuations are accounted for in the income statement.

3.20. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.21. Non-derivative financial liabilities

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs, and subsequently at amortized cost; any difference between the issue proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at amortized cost. The remainder of the proceeds is allocated to the conversion option. This is recognized in equity, net of income tax effects.

To the extent that borrowings are hedged by qualifying fair value hedges, the carrying value of the hedged item is adjusted for the change in fair value attributable to the risk being hedged.

3.22. Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by Group employees.

Where long-term employee benefits, such as pension and other post-employment benefits, are provided by the Group, a liability or an asset and the related costs are recognized.

— 3.22.1. Pension and other post-employment benefits

Post-employment benefits are benefits payable after the completion of employment. Group companies provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds. The benefits provided by the Group vary according to the legal, tax and economic situation in each country and are usually based on one or more factors such as employees' remuneration, age and years of service. The obligations relate both to current retirees and to entitlements of future retirees. Group companies provide post-employment benefits under defined contribution plans and defined benefit plans.

In the case of **defined contribution plans**, the Group pays fixed contributions to state or private insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the corresponding benefits to all employees.

The regular contributions are recognized as an expense for the year in which they are due and, as such, are included in cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

Most of the current post-employment benefit plans are **defined benefit plans**. They are either externally funded plans (mainly pension plans), for which the plan assets are held separately in independently administered funds, or unfunded plans such as healthcare benefit plans and retirement bonus plans.

The post-employment benefit liabilities, and the related current service cost, are measured using the Projected Unit Credit Method.

A defined benefit plan is a plan that defines an amount of benefits that the Group is committed to pay to current and former employees.

All defined benefit plans are subject to actuarial calculations carried out annually for the largest plans and on a regular basis for other plans. These actuarial valuations are provided by independent actuaries. Actuarial assumptions primarily regarding discount rates, projected rates of remuneration growth, expected growth of healthcare costs and expected long-term rates of return on plan assets are incorporated in the actuarial valuations and reviewed annually.

The liability or the asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. They take into account any unrecognized past service costs and unrecognized assets not available in form of refunds or reduction in future contributions.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the country of the obligation that have maturities approximating the duration of the related benefit liability.

A net asset is recognized only to the extent that it represents a future economic benefit which is actually available to the Group in the form of refunds from the plan or reductions in future contributions to the plan.

When a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group determines whether paying these contributions may give rise to a surplus in that defined benefit plan. To the extent that the surplus in the plan exceeds the economic benefits available, the Group recognizes immediately a decrease in the defined benefit asset or an increase in the defined benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in retained earnings and presented in the statement of comprehensive income in the period in which they arise.

Past service costs may arise when a new defined benefit plan is set up or changes to benefits payable under an existing defined benefit plan are introduced. They are recognized immediately in the income statement if the benefits are vested. They are amortized on a straight-line basis over the average period until the benefits become vested if the benefits are not yet vested.

The Group net benefit plan cost recognized in the operating income consists of current service cost, interest cost, expected return on assets, curtailments and settlements, past service costs as well as actuarial gains and losses to the extent that they are recognized.

— 3.22.2. Share based payments

Employee share option plans

Benefits related to share options which can be granted to the General Managing Partners and to some Group employees are measured at grant date using a binomial model.

Grant date is the date when eligible employees are informed of the Managing Partners' decision on the number of options granted to them and are given the document describing the conditions attached to the options.

The binomial model is based on the spot price for Company shares, the exercise price, the historical volatility (over a period equal to the expected lifetime of the option), a risk-free interest rate (zero coupon government bonds with a maturity equal to the expected lifetime of the option), and a dividend stream based on market expectations.

Benefits are spread over the period during which the services are rendered. They are recognized in other operating income and expenses.

Performance share plan

The Group may adopt plans to grant shares of the Company for free to certain of its employees.

The grant date is the date when eligible employees are informed of the Managing Partners' decision on the number of shares granted to them and are given the document describing the conditions attached to the performance share plan.

The fair value of the performance shares is based on the spot price of the Company's share at grant date, less the present value of expected dividends that will not be received by grantees during the vesting period.

The number of shares that will finally be issued at the end of the vesting period depends on the realization of Group performance and service conditions.

The total compensation cost is based on the fair value of the performance shares and the estimated number of shares that will finally be issued. This cost is recognized over the vesting period and is booked in Other operating expenses.

Employee share purchase plans

The Group may offer to most of its employees the opportunity to subscribe to a share purchase plan that allows them to purchase Company shares through an employee rights issue.

These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by the employees at a subscription price based on the market prices of the Company shares set with a maximum discount of 20%. The benefit to the employees equals the difference between the fair value of the purchased shares (after allowing for the five-year lock-up cost) and the price paid by the employee, multiplied by the number of shares subscribed.

The benefit granted to the employees is immediately expensed by the Group, as no vesting period applies, and is booked under Employee benefit costs – Share-based payments.

3.23. Provisions

Provisions are recognized when a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

Restructuring provisions are recognized when the Group has a detailed formal plan that has been announced.

Provisions are recorded at the net present value of the estimated cash outflows.

3.24. Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTE 4 FINANCIAL RISK MANAGEMENT

4.1. Financial risk management policy

— **4.1.1. Organization of financial risk management**

Financial risk control, measurement and supervision are carried out under the responsibility of the Group Financial Management, at the subsidiary and geographic region level, and at the Group level by the Corporate Financing Department. The Corporate Financing Department reports directly to the Group Financial Management.

One of the Corporate Financing Department's ongoing missions is the formulation of financial risk management policy, monitored on the basis of a full array of internal standards, procedures and authoritative literature. Geographic zone finance managers oversee the implementation of the Group financial risk management policy by the subsidiary finance managers. In addition, compliance with financial risk policy is assessed through internal audit reviews to evaluate risk control efficiency and identify means of improvement.

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

A Financial Risks Committee has for mission the establishment and the validation of policies governing the management of financial risks, the identification and evaluation of these risks and the validation and control of financial hedging instruments. The Financial Risks Committee meets on a monthly basis and includes members of the Group Financial Management and of the Corporate Financing Department.

— **4.1.2. Liquidity risk**

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

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

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

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

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

As a matter of prudent financial policy, the Group guards against the inclusion in its financial contracts of covenants providing for ratios or "material adverse change" clauses that could affect its ability to mobilize credit lines or affect their term. At closing date no such clause featured in Group loan agreements.

With regard to clauses in financial contracts relating to default or acceleration, the probability of such circumstances arising and their possible impact on the financial situation of the Group is not significant.

— 4.1.3. Currency risk

Currency transaction risk

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

Foreign currency payables and receivables of the same type and with similar maturities are netted off and only the net exposure is hedged. This is normally carried out through the financial holding company, or, alternatively, through a bank. The financial holding company in turn assesses its own resulting exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts, of which the majority has short term maturities of around three months. Constant monitoring of exchange gains and losses as well as regular internal audits ensure that the hedging policy is adhered to by all Group entities.

Currency risk monitoring and hedging is based on Group internal standards and procedures. A transactional currency risk alert system is implemented throughout the Group under the responsibility of the Corporate Financing Department. These exposures are tracked on a monthly basis on a detailed management report.

Currency translation risk

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

Future cash flows from these long-term investments (dividends, fees for R&D services and trademark licenses, and capital increases) are hedged on a selective basis according to the probability of the cash flows occurring.

Available-for-sale financial assets are not hedged for currency risks.

— 4.1.4. Interest rate risk

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

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

The interest rate position is centralized by currency by the Corporate Financing Department which is the only entity permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risk Committee determines the limits for hedging by currency, by taking into consideration the Group debt ratio (hedging needs evolving in line with the level of the debt).

— 4.1.5. Equity risk

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

— 4.1.6. Counterparty risk

The Group chooses its banks extremely carefully, particularly in the case of cash investments. As it would be inappropriate to add financial risk to the industrial and trading risks that are associated with its operations, the Group gives priority to the security and the liquidity of all its cash investments. These are invested with blue chip banks, using low risk financial instruments or instruments offering a capital guarantee, while avoiding significant concentration levels.

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

— 4.1.7. Credit risk

In 2011, trade receivables represent less than 15% of annual sales. The Credit Department, which is part of the Group Finance Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is also responsible for credit and collection.

The main policies and procedures are defined at Group level and are monitored and controlled at both the region and Group level. A monthly credit reporting system operates within the Group. In 2011, the Group Credit Department continued to promote actions to progressively shorten the terms of payment.

4.2. Financial risk data

— 4.2.1. Liquidity risk

As at December 31, 2011, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2012	2013	2014	2015	2016	2017	2018 AND BEYOND
Bonds	920	67	704	8	8	949	252
Loans from financial institutions and other	508	675	15	85	1	1	11
Obligation under finance lease	16	15	27	13	12	4	15
Derivative instruments	(1)	(3)	5	-	1	-	-
Repayment schedule of financial debts	1,443	754	751	106	22	954	278
Long-term undrawn confirmed credit lines	-	-	-	-	1,500	-	-

This table shows debt nominals plus interests according to their payment date, as projected with available market data at closing date (interests are computed in each currency on the basis of the market rates, and converted in € at closing rates). Thus displayed amounts are not discounted.

The last column (2018 and beyond) includes the super-subordinated notes issued by CGEM in 2003 and redeemable in cash (TSDR) for a nominal amount of €128 million. The notes are redeemable in December 2033. However CGEM is entitled, at its discretion, to redeem early all the notes in cash at par in December 2013, or thereafter at quarterly intervals until the maturity date of the notes in December 2033.

In July 2011, the Group signed a new €1,500 million multi-currency revolving credit facility. This facility, which replaced the 2005-2012 €1,500 million syndicated line, has a five-year tenor and incorporates two 1-year extension options each at the lender's discretion.

The refinancing risk of the Group short term debt is covered by the amount of the undrawn confirmed credit lines (€1,500 million), cash available (€1,593 million) as well the cash management financial assets (€333 million).

— 4.2.2. Currency risk

Transactional Currency Risk

The following table set forth the Group transactional foreign currency accounting exposures (when a monetary asset or liability is denominated in a currency other than the functional currency), before and after hedging:

(in € million)	DECEMBER 31, 2011						DECEMBER 31, 2010					
	USD	PLN	CAD	EUR	SEK	OTHER	USD	PLN	CAD	EUR	SEK	OTHER
Monetary assets	5,151	60	554	1,336	308	2,079	4,036	77	681	1,410	273	1,588
Monetary liabilities	(3,634)	(76)	(348)	(1,476)	(275)	(1,350)	(2,998)	(93)	(515)	(1,459)	(245)	(1,130)
Net position before hedging	1,517	(16)	206	(140)	33	729	1,038	(16)	166	(49)	28	458
Hedges	(1,532)	9	(199)	149	(24)	(735)	(1,121)	15	(167)	11	(23)	(477)
NET POSITION AFTER HEDGING	(15)	(7)	7	9	9	(6)	(83)	(1)	(1)	(38)	5	(19)

An unfavorable change in each of the foreign currencies mentioned in the table above against the functional currencies of the companies which have the currency transaction exposure would have a negative aggregate impact, after hedging, of €1 million (2010: €1 million) in the consolidated income statement for every cent change.

A favorable change would have a totally symmetrical impact. This relatively low sensibility to the transaction currency risk is due to the objective described in paragraph 4.1.3 "Currency risk".

Because of the low volume of cash flow hedge derivatives (note 16 "Derivative financial instruments"), the equity sensitivity to currency risk is not significant.

Currency Translation Risk

A breakdown of consolidated equity risk by currency is provided in the following table:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
EUR	4,980	4,652
BRL	1,039	837
CNY	382	87
USD	361	682
THB	304	257
CAD	183	244
GBP	126	151
INR	81	19
Other	645	541
TOTAL	8,101	7,470

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

— 4.2.3. Interest rate risk

Net debt as at December 31, 2011 by type of hedges and currencies can be detailed as follows:

(in € million)	NET DEBT BEFORE HEDGING			CURRENCY HEDGING	NET DEBT AFTER CURRENCY HEDGING BUT BEFORE INTEREST RATE HEDGING			INTEREST RATE HEDGING		NET DEBT AFTER HEDGING		
	FIXED	VARIABLE	TOTAL		FIXED	VARIABLE	TOTAL	FIXED	VARIABLE	FIXED	VARIABLE	TOTAL
EUR	2,014	(631)	1,383	(1,981)	2,014	(2,612)	(598)	(741)	741	1,273	(1,871)	(598)
USD	-	77	77	983	-	1,060	1,060	541	(541)	541	519	1,060
THB	-	172	172	194	-	366	366	317	(317)	317	49	366
CNY	-	64	64	194	-	258	258	-	-	-	258	258
BRL	-	34	34	197	-	231	231	-	-	-	231	231
AUD	-	(3)	(3)	107	-	104	104	-	-	-	104	104
Other currencies	-	54	54	306	-	360	360	-	-	-	360	360
Total before derivatives	2,014	(233)	1,781	-	2,014	(233)	1,781	117	(117)	2,131	(350)	1,781
Fair value of derivatives included in net debt			33				33					33
NET DEBT (NOTE 26)			1,814				1,814					1,814

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2011:

(in € million)	ANNUALIZED CASH IMPACT BOOKED IN INCOME STATEMENT		FAIR VALUE IMPACT		
	BOOKED IN INCOME STATEMENT	BOOKED IN INCOME STATEMENT ⁽¹⁾	BOOKED IN EQUITY ⁽²⁾	NOT BOOKED ⁽³⁾	TOTAL
1-point downward shift	(4)	(16)	-	(48)	(64)
1-point upward shift	4	10	-	48	58

(1) The Group interest rate policy aims at hedging perfectly identified future cash flows. However, some derivative instruments do not qualify for a hedge accounting under IFRS rules and are measured at fair value through profit or loss.

(2) For derivatives qualifying for hedge accounting (cash flow hedges).

(3) Some fair value impacts are not accounted for since the underlying net debt component is not booked at fair value but at amortized cost.

— 4.2.4. Equity risk

Equity risk is the risk of a 10% unfavorable change in the price of the Group investment portfolio.

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Carrying amount (note 15.1)	211	493
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	(17)	(46)

— 4.2.5. Counterparty risk

As at December 31, 2011, 54% of the cash (including cash management financial assets) is invested in money-market or short-term bond funds to allow for a maximum diversification of counterparty risk. More than 75% of the remainder is invested directly in 12 of the main international banking groups whose credit rating is equal or greater than "single A". The counterparty risk is monitored on a weekly basis.

Most of the derivatives are contracted with the same banking groups.

— 4.2.6. Credit risk

As at December 31, 2011, net receivable balances from the ten largest customers amounted to €498 million (2010: €415 million). Six of these customers are located in Europe and four in North America. At the same date, 59 customers (2010: 51) have been granted credit limits in excess of €10 million. Out of these, 32 are located in Europe, 22 in North America, 3 in Asia, 1 in Middle-East and 1 in South America. There was no significant collateral received to limit credit risk. In 2011, credit losses represented 0.08% of sales (2010: 0.16%).

The gearing ratios are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Net debt (note 26)	1,814	1,629
Total equity (as shown in the balance sheet)	8,101	7,470
Gearing ratio	0.22	0.22

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

4.4. Fair value measurement hierarchy

The following table presents the Group assets and liabilities that are measured at fair value at December 31, 2011 by level of the fair value measurement hierarchy:

(in € million)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	1,333	260	-	1,593
Cash management financial assets	-	333	-	333
Deposits borrowing collaterals	-	52	-	52
Derivatives (note 16.1)	-	47	-	47
Available-for-sales financial assets	123	-	88	211
TOTAL ASSETS	1,456	692	88	2,236
Derivatives (note 16.2)	-	80	-	80
TOTAL LIABILITIES	-	80	-	80

There has been no significant transfer during the year between level 1 and level 2.

— 4.2.7. Commodities derivatives

In 2011, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

4.3. Capital risk management

The Group objectives when managing its capital is to safeguard the entity's ability to continue as a going concern and to ensure its development, so that it can provide returns for shareholders of the Company and benefits for other stakeholders.

The Group monitors its capital on the basis of the gearing ratio, corresponding to the ratio of net debt to total equity.

The monitoring of the gearing ratio is essentially done through the optimization of the net debt as well as through occasional capital transactions such as the capital increase done in October 2010.

The following table presents the changes in level 3 instruments for the year ended December 31, 2011:

(in € million)

At January 1, 2011	79
Additions	2
Disposals	(3)
Transfers from other level to level 3	-
Transfers from level 3 to other levels	-
Gains or losses for the year included in the net income	-
Gains or losses for the year included in the other comprehensive income	10
Others	-
AT DECEMBER 31, 2011	88

NOTE 5 SEGMENT REPORTING

The Group is organized into Product Lines, each one dedicated to an area of activity, with its own marketing, development, production and sales resources. The Group has three operating segments as follows:

- Passenger car and Light truck tires and related distribution;
- Truck tires and related distribution; and
- Specialty businesses.

Specialty businesses include the Specialty tire business activities (Earthmover, Agricultural, Two-wheel and Aircraft tires) and the activities Michelin Travel Partner and Michelin Lifestyle.

The operating segment performance is evaluated based on operating income before non-recurring income and expenses, consistently with operating income before non-recurring income and expenses in the consolidated financial statements of the Group. This measurement basis excludes the effects of non-recurring income and expenses

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

Segment assets consist of goodwill and other intangible assets, property, plant and equipment, trade receivables and finished products inventories. Corporate intangible assets and property, plant and equipment are allocated to each segment in proportion of directly attributed assets. The amounts provided to the Managing Partners with respect to segment assets are measured in a manner consistent with that of the consolidated financial statements. Capital expenditure consists of additions of property, plant and equipment and other intangible assets.

No operating liabilities are allocated to the segments in the Group internal reporting.

The segment information is as follows:

	2011				2010 ⁽¹⁾			
	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
(in € million)								
Profit and loss information								
Net sales	10,780	6,718	3,221	20,719	9,790	5,680	2,421	17,891
Operating income before non-recurring income and expenses	1,018	233	694	1,945	1,048	265	438	1,751
<i>In percentage of net sales</i>	<i>9.4%</i>	<i>3.5%</i>	<i>21.5%</i>	<i>9.4%</i>	<i>10.7%</i>	<i>4.7%</i>	<i>18.1%</i>	<i>9.8%</i>
Depreciation and amortization	(499)	(288)	(157)	(944)	(517)	(283)	(155)	(955)
Impairment	15	(3)	(1)	11	10	(14)	(6)	(10)
Segment assets								
Intangible assets and PP&E	4,451	2,736	1,507	8,694	4,035	2,487	1,447	7,969
Finished products inventories	1,416	991	464	2,871	1,148	831	417	2,396
Trade receivables	1,551	1,068	456	3,075	1,451	1,005	314	2,770
Total of segment assets	7,418	4,795	2,427	14,640	6,634	4,323	2,178	13,135
Other information								
Capital expenditure	889	523	299	1,711	599	292	209	1,100

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

Sales between segments are carried at arm's length.

The sales to external parties reported to the Managing Partners are measured in a manner consistent with that in the consolidated income statement.

Segment reporting assets are reconciled to total Group assets as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Segment assets	14,640	13,135
Non-current financial assets and other assets	404	677
Investments in associates and joint ventures	120	93
Deferred tax assets	1,352	1,175
Other net inventories (raw materials and supplies, work in progress)	1,731	1,374
Current financial assets	366	882
Other current assets	682	653
Cash and cash equivalents	1,593	1,590
TOTAL GROUP ASSETS	20,888	19,579

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

The geographic information is broken down by zone hereunder:

(in € million)	2011				2010			
	EUROPE	NORTH AMERICA	OTHER	TOTAL	EUROPE	NORTH AMERICA	OTHER	TOTAL
Net sales	8,832	6,942	4,945	20,719	7,682	6,148	4,061	17,891
Intangible assets and PP&E	4,577	1,658	2,459	8,694	4,430	1,607	1,932	7,969
Capital expenditure	711	256	744	1,711	664	186	250	1,100

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

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

The net sales in France amounted to €2,107 million (2010: €1,939 million). The intangible assets and PP&E located in France amounted to €1,759 million (2010: €1,672 million).

No single external customer amounted to 10% or more of the Group net sales in 2011 and 2010.

NOTE 6 EXPENSES BY NATURE

The following recurring items are allocated to the appropriate headings of expenses by function in the income statement:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Raw materials and consumables used and changes in finished products inventories	(9,529)	(7,389)
Employee benefit costs (note 7)	(5,021)	(4,780)
Transportation of goods	(1,076)	(963)
Depreciation, amortization and impairment charges	(933)	(965)
Other expenses	(2,215)	(2,043)
EXPENSES BY NATURE	(18,774)	(16,140)

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

NOTE 7 EMPLOYEE BENEFITS COSTS

The charges for employee benefits are allocated to the appropriate headings of expenses by function in the income statement:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Wages and salaries	(3,743)	(3,541)
Payroll taxes	(1,031)	(953)
Defined benefit plan costs (note 27.1)	(146)	(190)
Defined contribution plan costs (note 27.2)	(94)	(87)
Share-based payments (note 25)	(7)	(9)
EMPLOYEE BENEFIT COSTS	(5,021)	(4,780)

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

The average number of employees in 2011 is 113,839 (2010: 110,007).

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

The following recurring items are recognized within other operating income and expenses in the income statement:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Gain/(loss) on disposal of intangible assets and property, plant and equipment	14	5
Net restructuring costs	2	(11)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	11	(10)
Retiree benefit costs	(24)	(65)
Stock option plans – cost of services rendered (note 25)	(7)	(9)
Other operating income/(expenses)	(30)	(41)
OTHER OPERATING INCOME AND EXPENSES	(34)	(131)

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

NOTE 9 NON-RECURRING INCOME AND EXPENSES

In 2011 and 2010, no expense or income has been recognized in non-recurring items.

NOTE 10 COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Cost of net debt and other financial income and expenses are broken down in the table below:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010
Interest expenses	(233)	(222)
Interest income	21	10
Interest rate derivatives	6	(24)
Other	-	-
COST OF NET DEBT	(206)	(236)
Net income from financial assets (other than cash and cash equivalents and cash management financial assets) (note 10.3.)	270	8
Currency remeasurement (including currency derivatives)	(13)	-
Other	(21)	2
OTHER FINANCIAL INCOME AND EXPENSES	236	10

10.1. Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group financing activities are mostly centralized (note 4.1.2 "Liquidity risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 4.1.4 "Interest rate risk"). As a consequence:

- Borrowings are essentially raised in euros (note 26 "Financial liabilities");
- Part of these borrowings is subsequently swapped into foreign currencies to finance the foreign subsidiaries; and
- Derivatives are contracted to manage the foreign currency interest rates (note 16 "Derivative financial instruments").

This process is described in the summary table in note 4.2.3 "Interest rate risk".

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS (and therefore they cannot be recognized as cash flow hedges as described in note 3.5 "Hedging"). Fluctuations in the derivatives' fair values are

therefore accounted for in the income statement. The increase in fair value during the year amounted to €5 million (2010: decrease of €23 million) and is included in the line Interest rate derivatives (Cost of net debt).

10.2. Ineffective hedges

The ineffective portion of fair value hedges is a profit of €1 million (2010: expense of less than €1 million) is included in the line Interest rate derivatives (Cost of net debt). No cash flow hedge ineffectiveness has been recognized in the income statement (2010: nil).

10.3. Sale of Hankook shares

In November 2011, the Group sold its equity investment in Hankook Tire, which was previously accounted for as an available-for-sale financial asset (note 15.1 "Available-for-sale financial assets"). The transaction generated net proceeds of €402 million as well as a net capital gain of €256 million, which is included in the Net income from financial assets in Other financial income and expenses.

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Current tax expense	(420)	(287)
Deferred tax income/(expense) (note 18)	(114)	(181)
INCOME TAX	(534)	(468)

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

Current tax includes €41 million of withholding tax on royalties and distribution of retained earnings between Group companies (2010: €18 million).

Reconciliation of the Group effective income tax:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Income before tax	1,996	1,554
Tax calculated using domestic tax rates applicable to income in the respective countries	(526)	(468)
Tax effect from:		
• untaxed transactions	(14)	10
• changes in unrecognized temporary differences	16	17
• changes in unrecognized tax losses	(6)	(19)
• tax rates	25	7
• tax credits and withholding tax (and related deferred tax liabilities)	(43)	5
• other items	14	(20)
INCOME TAX	(534)	(468)

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

NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year, excluding shares purchased by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has three types of dilutive potential shares: convertible bonds (note 26.1 "Bonds and commercial paper"), stock options (note 28.1 "Stock option plans") and performance shares (note 28.2 "Performance share plan"). When at closing date the convertible bonds are dilutives, they are assumed to have been converted into ordinary shares, and

net income is adjusted to eliminate the interest expense less the tax effect. For the stock options and when they are dilutives at closing date, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the stock options. Since performance shares are dilutives by definition, the number of shares that are expected to be issued is determined at closing date based on estimate.

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

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Net income/(loss) (in € million), excluding the non-controlling interests	1,462	1,085
• Less, estimated grants to the General Partners	(17)	(12)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	1,445	1,073
• Plus, interest expenses on convertible bonds	29	27
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	1,474	1,100
Weighted average number of shares (in thousands of shares) outstanding used in the calculation of basic earnings per share	178,302	152,903
• Plus, adjustment for share option plans	283	366
• Plus, adjustment for convertible bonds	6,985	6,985
• Plus, adjustment for performance shares	288	-
Weighted average number of shares used in the calculation of diluted earnings per share	185,858	160,254
Earnings per share (in €)		
• Basic	8.10	7.02
• Diluted	7.93	6.86

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

Since the convertible bonds, as described in the note 26.1 "Bonds and commercial paper", are dilutive in 2011, they have been considered in the calculation of diluted earnings per share (they were antidilutive in 2010 and therefore they had not been considered in the calculation of diluted earnings per share). Taking into account the evolution of the average share price in 2011, the stock option plans of May 2006, May 2007, May 2008, May 2010 and May 2011, as described in the note 28.1 "Stock option plans" are antidilutive.

No transaction on shares having an impact on the weighted average number of shares entering in the calculation of basic earnings per share and diluted earnings per share has occurred after the 2011 reporting period.

NOTE 13 INTANGIBLE ASSETS

Changes in intangible assets are as follows:

(in € million)	GOODWILL	OTHER INTANGIBLES	TOTAL
Gross carrying amounts at January 1, 2010	403	993	1,396
Translation adjustments	33	25	58
Additions	-	111	111
Disposals	-	(40)	(40)
Changes in scope of consolidation	-	6	6
Transfers and other	-	4	4
Gross carrying amounts at December 31, 2010	436	1,099	1,535
Translation adjustments	-	7	7
Additions	-	118	118
Disposals	-	(24)	(24)
Changes in scope of consolidation	-	-	-
Transfers and other	-	(10)	(10)
Gross carrying amounts at December 31, 2011	436	1,190	1,626
Amortization and impairment at January 1, 2010	-	(672)	(672)
Translation adjustments	-	(16)	(16)
Amortization	-	(60)	(60)
Net impairment	(20)	(1)	(21)
Disposals	-	10	10
Changes in scope of consolidation	-	-	-
Transfers and other	-	-	-
Amortization and impairment at December 31, 2010	(20)	(739)	(759)
Translation adjustments	(1)	(4)	(5)
Amortization	-	(68)	(68)
Net impairment	-	-	-
Disposals	-	12	12
Changes in scope of consolidation	-	-	-
Transfers and other	-	(1)	(1)
Amortization and impairment at December 31, 2011	(21)	(800)	(821)
NET CARRYING AMOUNTS AT DECEMBER 31, 2011	415	390	805
Net carrying amounts at December 31, 2010	416	360	776

13.1. Goodwill

The amounts allocated to the CGUs are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
CGU Passenger car and light truck tires North America	108	105
CGU Passenger car and light truck tires Southeast Asia/Australia	115	118
CGU Passenger car and light truck tires Europe	67	66
Other CGUs (including CGUs Truck tires)	125	127
GOODWILL	415	416

The impairment tests have been done taking into account the two main following assumptions:

- The terminal value measured with a 1.5% annual growth rate for the CGUs located in mature countries, and a 3.0% annual growth rate for the CGUs located in emerging countries;
- The discount rate used to discount the future cash flows of the CGUs is the WACC (Weighted Average Cost of Capital) before tax, which is calculated based on the Capital Asset Pricing Model

(CAPM). The rates range between 11.2% and 12.2% and include a specific premium risk for each country. The main market data used to calculate the WACC are: a beta of 1.0, a market premium of 6.0% and a risk free interest rate of 4.0%.

Since the amount of goodwill is low compared to its total balance sheet or to its net equity, the Group does not disclose any sensitivity analysis to the main key assumptions.

13.2. Other intangible assets

There are no other intangible assets with an indefinite useful life.

In 2011, additions to intangible assets, amounting to €118million (2010: €111 million) break down into the following categories:

- Software €101 million
- Emission rights – allowances granted €10 million
- Other €7 million

— 13.2.1. Software

The net carrying amount of software at December 31, 2011 was €286 million (2010: €244 million). Software is initially recognized at cost. Cost includes cost of acquisition or production cost and other cost directly attributable to the acquisition or production.

— 13.2.2. Emission rights

The allowances granted are recognized as an intangible asset at their price on the grant date. A government grant for the same amount is recognized in liabilities. The expense and the related liability for actual emissions and the income corresponding to the use of the government grant are accounted for using the price in force at the grant date. The balance of the rights granted at December 31, 2011 amounts to 1.9 million metric tons representing a value of

€16 million. The liability related to actual emissions in 2011 amounts to 0.8 million metric tons representing a value of €13 million. It will be offset by the delivery of the allowances granted.

— 13.2.3. Development costs

In 2011 and 2010, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfill six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM's approval and when the level of profitability generated from the business plan proposed by the manufacturers is in line with Group objectives. In practice, the corresponding development costs are incurred at a stage of the project which is prior to OEM's approval.

13.3. Impairment of intangible assets

Accumulated impairment losses on intangible assets at December 31, 2011 amounted to €36 million (2010: €36 million).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

(in € million)	LANDS AND BUILDINGS	PLANT AND INDUSTRIAL EQUIPMENT	OTHER EQUIPMENT	TOTAL
Gross carrying amounts at January 1, 2010	4,081	11,976	1,311	17,368
Translation adjustments	187	626	53	866
Additions	190	724	90	1,004
Disposals	(64)	(622)	(54)	(740)
Changes in scope of consolidation	-	-	-	-
Transfers and other	-	4	(10)	(6)
Gross carrying amounts at December 31, 2010	4,394	12,708	1,390	18,492
Translation adjustments	8	60	2	70
Additions	427	1,107	77	1,611
Disposals	(51)	(270)	(64)	(385)
Changes in scope of consolidation	1	1	1	3
Transfers and other	5	-	(19)	(14)
Gross carrying amounts at December 31, 2011	4,784	13,606	1,387	19,777
Depreciation and impairment at January 1, 2010	(1,995)	(7,615)	(976)	(10,586)
Translation adjustments	(90)	(395)	(40)	(525)
Depreciation	(118)	(713)	(64)	(895)
Net impairment	(1)	12	-	11
Disposals	48	598	49	695
Changes in scope of consolidation	-	-	-	-
Transfers and other	(2)	(3)	6	1
Depreciation and impairment at December 31, 2010	(2,158)	(8,116)	(1,025)	(11,299)
Translation adjustments	(13)	(59)	(4)	(76)
Depreciation	(119)	(697)	(60)	(876)
Net impairment	7	5	(1)	11
Disposals	43	248	56	347
Changes in scope of consolidation	-	(1)	(1)	(2)
Transfers and other	2	1	4	7
Depreciation and impairment at December 31, 2011	(2,238)	(8,619)	(1,031)	(11,888)
NET CARRYING AMOUNTS AT DECEMBER 31, 2011	2,546	4,987	356	7,889
Net carrying amounts at December 31, 2010	2,236	4,592	365	7,193

PP&E under construction amounted to €1,973 million (2010: €1,225 million).

Accumulated impairment losses amounted to €109 million (2010: €155 million).

The borrowing costs capitalized in 2011 in PP&E amounted to €8 million (2010: €2 million).

PP&E held under finance leases amounted to €94 million (2010: €99 million). The gross carrying amounts of these assets totaled €136 million (2010: €133 million).

The future minimum payments under finance leases by maturity are shown in the following table:

(in € million)	DECEMBER 31, 2011		DECEMBER 31, 2010	
	PRESENT VALUE	UNDISCOUNTED VALUE	PRESENT VALUE	UNDISCOUNTED VALUE
Within one year	11	15	16	20
Between one and five years	47	53	48	57
More than five years	26	40	28	40
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	84	108	92	117

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

The carrying amount of the non-current financial assets and other assets is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Available-for-sale financial assets (note 15.1)	211	493
Loans and deposits (note 15.2)	140	136
Derivative instruments (note 16.1)	40	37
Other	13	11
Financial assets	404	677
Other non-current assets – Defined benefit plans – plan surpluses (note 27.1)	-	-
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	404	677

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

15.1. Available-for-sale financial assets

Available-for-sale financial assets consist essentially of a portfolio of shares, which are mostly quoted on a stock exchange.

Movements in the portfolio during the year are broken down in the table below:

(in € million)	2011	2010
At January 1	493	321
Translation adjustments	2	(2)
Net additions	-	9
Disposals	(406)	(1)
Fair value changes	122	166
AT DECEMBER 31	211	493

Disposals essentially relate to the sale of investment in Hankook Tire mentioned in note 10.3 "Sale of Hankook shares".

No significant available-for-sale financial asset has a book value below its historical cost.

15.2. Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Gross loans and deposits	210	202
Impairments	(70)	(66)
TOTAL	140	136

The balance includes bank deposits and loans to employees and customers.

The breakdown by currency and maturity is presented in the table below:

(in € million)	DECEMBER 31, 2011			DECEMBER 31, 2010		
	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
EUR	107	4	111	85	17	102
USD	7	-	7	6	-	6
GBP	5	-	5	4	-	4
Other currencies	17	-	17	24	-	24
TOTAL	136	4	140	119	17	136

NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS

As mentioned in note 3.5 "Hedging", some derivatives, while complying with the Group financial risk management policies, do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

16.1. Derivatives recognized in assets

(in € million)	DECEMBER 31, 2011		DECEMBER 31, 2010	
	FAIR VALUES	CONTRACTUAL AMOUNTS	FAIR VALUES	CONTRACTUAL AMOUNTS
Interest-rate derivatives qualifying as fair value hedging instruments	38	741	36	810
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	2	49	-	-
• Interest-rate derivatives	-	-	1	162
• Other derivatives	-	-	-	-
Non-current derivative instruments (note 15)	40	790	37	972
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	1	20	-	2
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	6	686	4	342
• Interest-rate derivatives	-	-	-	-
• Other derivatives	-	-	-	-
Current derivative instruments (note 21)	7	706	4	344
TOTAL ASSETS	47	1,496	41	1,316

16.2. Derivatives recognized in liabilities

(in € million)	DECEMBER 31, 2011		DECEMBER 31, 2010	
	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	20	239	12	300
• Interest-rate derivatives	26	1,055	53	1,110
• Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	46	1,294	65	1,410
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
• Currency derivatives	1	24	3	42
• Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
• Currency derivatives	30	2,537	29	2,389
• Interest-rate derivatives	3	305	1	50
• Other derivatives	-	-	-	-
Current derivative instruments (note 26)	34	2,866	33	2,481
TOTAL LIABILITIES	80	4,160	98	3,891

16.3. Derivative contractual amounts

The contractual amounts of the currency derivatives are presented by currency in the table below. The maturity of these contracts does not generally exceed one year.

(in € million)	DECEMBER 31, 2011									DECEMBER 31, 2010								
	CURRENCIES PURCHASED FORWARD									CURRENCIES PURCHASED FORWARD								
	EUR	USD	JPY	THB	SGD	CAD	MXN	OTHER	TOTAL	EUR	USD	JPY	THB	SGD	CAD	MXN	OTHER	TOTAL
Currencies sold forward																		
USD	1,119	-	11	159	-	-	-	6	1,295	961	-	-	118	13	-	34	24	1,150
EUR	-	18	27	11	108	95	56	82	397	-	8	-	13	24	71	(11)	147	252
THB	63	42	263	-	-	-	-	-	368	32	37	255	-	-	-	-	-	324
JPY	339	-	-	1	-	-	-	-	340	305	45	-	1	-	-	-	-	351
CNY	136	68	-	-	-	-	-	-	204	33	119	-	-	-	-	-	-	152
BRL	84	87	-	-	-	-	-	1	172	42	83	-	-	-	-	-	-	125
AUD	112	-	-	1	-	-	-	-	113	49	41	-	1	-	-	-	-	91
Other	553	99	-	-	-	-	-	14	666	464	158	-	-	-	-	6	2	630
TOTAL	2,406	314	301	172	108	95	56	103	3,555	1,886	491	255	133	37	71	29	173	3,075

The contractual amounts of other derivative financial instruments are presented by currency and by maturity in the table below:

(in € million)	DECEMBER 31, 2011				DECEMBER 31, 2010			
	LESS THAN 1 YEAR	BETWEEN 1 AND 3 YEARS	MORE THAN 3 YEARS	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 3 YEARS	MORE THAN 3 YEARS	TOTAL
• EUR	-	60	681	741	-	60	750	810
• USD	232	618	193	1,043	-	861	75	936
• THB	73	171	73	317	50	249	87	386
Interest-rate derivatives	305	849	947	2,101	50	1,170	912	2,132
• EUR	-	-	-	-	-	-	-	-
• USD	-	-	-	-	-	-	-	-
• Other currencies	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
TOTAL	305	849	947	2,101	50	1,170	912	2,132

At closing date, the Group has outstanding short term futures contracts with a liability market value of €2 million (2010: asset of €1 million) which has been fully cashed in through the daily margin calls.

NOTE 17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures of €120 million (2010: €93 million) include essentially MC Projects B.V. in the Netherlands and SIPH Group in France.

The associates and joint ventures' financial statements include the following amounts:

(in € million)	2011	2010
Assets	732	501
Liabilities	322	149
Net sales	861	723
Net income	83	108

NOTE 18 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes in the balance sheet are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Deferred tax assets	1,352	1,175
Deferred tax liabilities	(79)	(45)
NET DEFERRED TAX ASSET	1,273	1,130

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

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Intangible assets	24	23
Financial instruments	125	118
Inventories	85	71
Receivables/payables	224	58
Employee benefits	1,159	1,070
Provisions	110	147
Unused tax losses	184	182
Unused tax credits	(31)	(31)
Deferred tax assets by type of temporary difference	1,880	1,638
Property, plant and equipment	(607)	(508)
Deferred tax liabilities by type of temporary difference	(607)	(508)
NET DEFERRED TAX ASSET	1,273	1,130

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

The change in the net deferred tax asset over the year is as follows:

(in € million)	2011	2010 ⁽¹⁾
At January 1	1,130	1,251
Translation adjustments	18	73
Deferred tax income/(expense) (note 11)	(114)	(181)
Tax recognized in the comprehensive income	238	(12)
Other	1	(1)
AT DECEMBER 31	1,273	1,130

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

The deferred tax asset utilization in 2011 comes essentially from the reversal of temporary differences in the United States of America.

The deferred income tax recognized in equity is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Post employment benefits – actuarial gain/(loss)	581	339
Available-for-sale financial assets (statement of comprehensive income)	(15)	(11)
Compound financial instruments (convertible bond)	(16)	(16)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN EQUITY	550	312

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

Deferred tax assets are recognized to the extent that the realization of future taxable profits is probable and will offset tax losses carried forward and deductible temporary differences.

The detail of unrecognized deferred tax assets is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Deductible temporary difference	56	44
Tax losses		
• of which expiring in less than one year	2	8
• of which expiring between one to five years	57	64
• of which expiring in more than five years	38	59
• of which evergreen	95	66
Total tax losses	192	197
Tax credits	55	61
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	303	302

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Raw materials and supplies	1,357	1,093
Work in progress	405	322
Finished goods	2,949	2,461
Total gross inventory	4,711	3,876
Write-downs on raw materials and supplies	(30)	(40)
Write-downs on work in progress	(1)	(1)
Write-downs on finished goods	(78)	(65)
Total write-downs	(109)	(106)
NET INVENTORY	4,602	3,770

Movements in inventory write-downs were as follows:

(in € million)	2011	2010
At January 1	(106)	(106)
Translation adjustments and other	-	(4)
Write-downs of inventories recognized as an expense in the period	(95)	(42)
Reversals of write-downs	92	46
AT DECEMBER 31	(109)	(106)

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Gross trade receivables	3,176	2,879
Impairment	(101)	(109)
TRADE RECEIVABLES	3,075	2,770

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2011:

(in € million)	GROSS	IMPAIRMENT	NET
Current trade receivables	2,857	(24)	2,833
Overdue			
• from less than three months	215	(5)	210
• between three and six months	30	(8)	22
• from more than six months	74	(64)	10
Overdue trade receivables	319	(77)	242
TRADE RECEIVABLES	3,176	(101)	3,075

Movements in impairment are broken down in the table below:

(in € million)	2011	2010
At January 1	(109)	(128)
Translation adjustments	2	(7)
Impairment charges	(28)	(55)
Impairment reversals	34	81
AT DECEMBER 31	(101)	(109)

Impairment reversals in 2011 include write-offs of €16 million (2010: €28 million).

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of the current financial assets is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Loans and deposits	26	35
Cash management financial assets (note 26)	333	843
Derivative instruments (note 16.1)	7	4
CURRENT FINANCIAL ASSETS	366	882

The characteristics of the cash management financial assets, although being highly liquid, little affected by the interest rate risk and not affected at all by the foreign currency risk (fully invested in euros), do not strictly meet those of cash and cash equivalent (note 3.19 "Cash and cash equivalents"). They are therefore accounted for at fair value through profit or loss (note 3.16 "Non derivative financial assets"). The average effective interest rate on cash management financial assets was 1.27% in 2011 (2010: 1.16%).

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Suppliers – advances	94	77
Current tax – advance payments	89	94
Other tax receivables	343	341
Other	164	149
Less impairment	(8)	(8)
OTHER CURRENT ASSETS	682	653

Other tax receivables mainly relate to VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Cash at bank and in hand	301	211
Short-term bank deposits of less than three months and other cash equivalents (money market funds essentially)	1,292	1,379
CASH AND CASH EQUIVALENTS	1,593	1,590

The average effective interest rate on short-term bank deposits was 1.38% in 2011 (2010: 0.94%).

Cash and cash equivalents are denominated in the following currencies:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
EUR	1,366	1,346
USD	112	55
SEK	16	3
TWD	9	13
Other	90	173
CASH AND CASH EQUIVALENTS	1,593	1,590

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	SHARE CAPITAL	SHARE PREMIUMS	TOTAL
At January, 1 2010: 147 436 357 shares outstanding	295	1,987	2,282
Issuance of 27 159 876 shares from the October share capital increase	54	1,138	1,192
Issuance of 1 735 759 shares from the partial payment of dividend in shares	3	79	82
Issuance of 275 853 shares from the exercise of share options	1	11	12
Other	-	-	-
At December 31, 2010: 176 607 845 shares outstanding	353	3,215	3,568
Issuance of 3 128 066 shares from the partial payment of dividend in shares	6	171	177
Issuance of 282 972 shares from the exercise of share options	1	10	11
Others (14 shares)	-	-	-
AT DECEMBER 31, 2011: 180 018 897 SHARES OUTSTANDING	360	3,396	3,756

The par value per share amounts to €2 (2010: €2). All outstanding shares are fully paid and registered. Shares held for more than 4 years have a double voting right.

In October 2010, the Group made a share capital increase with preferential subscription rights as part of its capital risk management (note 4.3 "Capital risk management"). 27,159,876 new shares were issued at subscription price of €45 per share (nominal value of €2 and premium of €43) on the basis of 2 new shares for 11 existing shares. The gross issuance proceeds amounted to €1,222 million, including €1,168 million of premium. The issuance costs (EUR 35 million) net of the tax impact (EUR 5 million) were deducted from the share premiums.

In 2011, the dividend payable for the year 2010 to the shareholders was €1.78 per share. The shareholders had the possibility to receive their dividend in cash or the equivalent value in shares. It was settled as follows:

- cash payment of €138 million;
- issuance of 3,128,066 shares for a net amount of €177 million.

The Managing Partners will recommend to the Shareholders the payment of a dividend of €2.10 per share in 2012 for the year 2011.

NOTE 25 RESERVES

(in € million)	TRANSLATION RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
At January 1, 2010 ⁽¹⁾	(84)	199	2,401	2,516
Dividends and other allocations	-	-	(150)	(150)
Stock option plans – cost of services rendered (notes 7 and 8)	-	-	9	9
Acquisition of non-controlling interests	-	-	(18)	(18)
Other	-	-	-	-
Transactions with the Shareholders of the Company	-	-	(159)	(159)
Net income/(loss) attributable to the shareholders of the Company	-	-	1,085	1,085
<i>Post employment benefits – actuarial gain/(loss)</i>	-	-	63	63
<i>Tax effect – post employment benefits – actuarial gain/(loss)</i>	-	-	(10)	(10)
Other items of comprehensive income that will not be reclassified to income statement	-	-	53	53
<i>Available-for-sale financial assets – change in fair values</i>	-	166	-	166
<i>Tax effect – available-for-sale financial assets – change in fair values</i>	-	(2)	-	(2)
<i>Available-for-sale financial assets – (gain)/loss recognized in income statement</i>	-	-	-	-
<i>Cash flow hedges – change in fair values</i>	-	(3)	-	(3)
<i>Cash flow hedges – (gain)/loss recognized in income statement</i>	-	1	-	1
<i>Share of other comprehensive income from associates</i>	-	-	-	-
<i>Currency translation differences</i>	242	-	-	242
Other items of comprehensive income that may be reclassified to income statement	242	162	-	404
Comprehensive income	242	162	1,138	1,542
At December 31, 2010 ⁽¹⁾	158	361	3,380	3,899
Dividends and other allocations	-	-	(327)	(327)
Stock option plans - cost of services rendered (notes 7 and 8)	-	-	7	7
Other	-	1	-	1
Transactions with the Shareholders of the Company	-	1	(320)	(319)
Net income/(loss) attributable to the shareholders of the Company	-	-	1,462	1,462
<i>Post employment benefits – actuarial gain/(loss)</i>	-	-	(722)	(722)
<i>Tax effect – post employment benefits – actuarial gain/(loss)</i>	-	-	242	242
Other items of comprehensive income that will not be reclassified to income statement	-	-	(480)	(480)
<i>Available-for-sale financial assets – change in fair values</i>	-	122	-	122
<i>Tax effect – available-for-sale financial assets – change in fair values</i>	-	(4)	-	(4)
<i>Available-for-sale financial assets – (gain)/loss recognized in income statement</i>	-	(258)	-	(258)
<i>Cash flow hedges – change in fair values</i>	-	3	-	3
<i>Cash flow hedges – (gain)/loss recognized in income statement</i>	-	(1)	-	(1)
<i>Share of other comprehensive income of associates</i>	-	-	(2)	(2)
<i>Currency translation differences</i>	(79)	-	-	(79)
Other items of comprehensive income that may be reclassified to income statement	(79)	(138)	(2)	(219)
Comprehensive income	(79)	(138)	980	763
AT DECEMBER 31, 2011	79	224	4,040	4,343

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

NOTE 26 FINANCIAL LIABILITIES

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

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Bonds	1,577	2,152
Loans from financial institutions and other	782	958
Finance lease liabilities	73	76
Derivative instruments	46	65
Non-current financial liabilities	2,478	3,251
Bonds and commercial paper	841	168
Loans from financial institutions and other	475	679
Finance lease liabilities	11	16
Derivative instruments	34	33
Current financial liabilities	1,361	896
FINANCIAL LIABILITIES	3,839	4,147

The Group net debt is analyzed in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Financial liabilities	3,839	4,147
Derivatives recognized as assets (note 16.1)	(47)	(41)
Borrowing collaterals – non-current portion (note 15.2)	(52)	(40)
Borrowing collaterals – current portion	-	(4)
Cash management financial assets (note 21)	(333)	(843)
Cash and cash equivalents (note 23)	(1,593)	(1,590)
NET DEBT	1,814	1,629

Cash and cash equivalents as well as cash management financial assets are essentially managed by the Group central treasury team. A portion, representing € 301 million at December 31, 2011, is however managed directly by the Group companies. This can mainly be explained by

- capital increases made in some companies to finance the capital investments planned in 2012,
- constraints (foreign exchange control or others) in some countries preventing the immediate availability of the cash held, and
- prudential rules in Ireland specific to captive insurance companies.

The fair value of non-current financial liabilities, calculated in accordance with note 3.6 "Fair value of financial instruments", is presented in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Bonds	1,613	2,384
Loans from financial institutions and other	782	958
Finance lease liabilities	73	76
Derivative instruments	46	65
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	2,514	3,483

26.1. Bonds and commercial paper

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

(in € million)	DECEMBER 31, 2011		DECEMBER 31, 2010	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Subordinated bonds issued by Compagnie Générale des Établissements Michelin <ul style="list-style-type: none"> nominal value of €128 million (2010: €196 million) issued in December 2003 and due in December 2033, unless the Group elects to redeem them earlier between December 2013 and maturity nominal interest rate of 6.375% until December 2013 and 3-month Euribor +2.95% thereafter effective interest rate of 6.60% (4.94% after hedging) at December 31, 2011 option to defer coupon payments when the Company does not distribute dividends partially hedged through a €60 million interest rate swap (2010: €60 million) expiring in December 2013 (fair value hedge) (note 16) 	-	130	-	199
Liability component of zero-coupon convertible bonds (Océanes) issued by Compagnie Générale des Établissements Michelin <ul style="list-style-type: none"> net proceeds received of €694 million annual gross yield of 3.07% effective interest rate of 4.76% at December 31, 2011 conversion and/or exchange ratio of 1 bond for 1.036 ordinary share issued in March 2007 and due in January 2017 amount redeemable at maturity date: €941 million 	-	746	-	712
Bonds issued by Michelin Luxembourg SCS <ul style="list-style-type: none"> nominal value of €681 million (2010: €750 million) issued in April 2009 and due in April 2014 nominal interest rate of 8.625% effective interest rate of 8.88% (7.84% after hedging) at December 31, 2011 step-up of 125bp if downgraded below investment grade by at least one rating agency hedged through a €681 million interest rate swaps (2010: €750 million) expiring in April 2014 (fair value hedge) (note 16) 	-	701	-	764
Bonds issued by Michelin Luxembourg SCS <ul style="list-style-type: none"> nominal value of €438 million (2010: €478 million) issued in April 2002 and due in April 2012 nominal interest rate of 6.50% effective interest rate of 6.63% at December 31, 2011 	437	-	-	477
Commercial paper issued by Compagnie Générale des Établissements Michelin <ul style="list-style-type: none"> nominal value of €404 million (2010: €168 million) effective interest rate of 0.75% at December 31, 2011 	404	-	168	-
TOTAL	841	1,577	168	2,152

At December 31, 2011, the weighted average effective interest rate for all bonds and commercial paper is 5.69% (5.31% after hedging).

26.2. Loans from financial institutions and other

Loans from financial institutions and other include mainly amounts drawn on credit lines, borrowings secured by trade receivables as mentioned in note 32.3.3 "Trade receivables" and liabilities arising from put options granted to minority shareholders of subsidiaries.

Loans from financial institutions and other at December 31, 2011 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	THB	USD	CNY	DZD	COP	OTHER	TOTAL
Fixed rates	-	-	-	-	-	-	-	-
Floating rates	673	177	167	72	46	45	77	1,257
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	673	177	167	72	46	45	77	1,257
Average effective interest rate paid in 2011	2.20%	3.46%	0.42%	5.73%	5.33%	5.70%	6.92%	3.21%

The exposure of loans from financial institutions and other to interest rate changes (contractual repricing dates) is as follows:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
6 months or less	1,257	1,636
6-12 months	-	-
1-5 years	-	1
Over 5 years	-	-
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	1,257	1,637

26.3. Rating

At December 31, 2011, the corporate credit ratings sought by the Group are as follows:

		CGEM	CFM
Short-term	Standard & Poor's	A-2	A-2
	Moody's	P-2	P-2
Long-term	Standard & Poor's	BBB	BBB
	Moody's	Baa2	Baa2
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Positive	Positive

NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

According to the laws and regulations applicable in each country, the Group contributes to pension, insurance, healthcare and end of service benefits, for which the amount of benefits paid varies based on a number of factors including the employee's years of service, salary or accumulated funds with an independent manager. Such plans can be either defined benefit plans or defined contribution plans. In the case of defined benefit plans, Group commitments are measured using the Projected Credit Unit method. In the case of defined contribution plans, liabilities correspond to the contributions due.

27.1. Defined Benefit Plans

In addition to mandatory social insurance plans, the Group has introduced a number of retirement plans and retiree healthcare plans as well as some minor plans such as long service awards or end-of-service benefits.

In Europe, the discount rates are determined using the actuary's model having the same maturities as the liabilities. These rates are compared with other sources of information as iBoxx, Reuters or Bloomberg and the actuaries own benchmarks. If there is a large gap between these sources, the reference rate taken from actuary's model is adjusted. For countries having several plans (but only one material plan) the assumption of the main plan is used for all plans. For countries having several plans of comparable size up to three rates can be used depending on the duration of these plans. The discount rate in the USA is based on the actuary's Above Median yield curve rates adjusted to reflect the maturities of the liabilities. The discount rate in Canada is based on the PCBond Canadian Corporate Aa Bond full yield curve rates adjusted to reflect the maturities of the liabilities.

The mortality tables used for the pension plans which are funded through insured contracts are the insurers' tables. For the other post retirement main plans the following tables have been used: (i) USA: RP-2000 Static Mortality Table (Nonannuitants projected to

2027 with Scale AA; Annuitants projected to 2019 with Scale AA); (ii) Canada 1994 UP projected 10 years to 2015; (iii) UK: Generational SAPS S1NA CMI 2009 with 1% underpin and (iv) Germany Heubeck RT 2005 G.

The financial position of the main defined benefit plans is summarized below:

(in € million)	PENSION PLANS	OTHER PLANS	DECEMBER 31, 2011	DECEMBER 31, 2010 ⁽¹⁾
Present value of fully or partly funded obligations	6,053	-	6,053	5,389
Fair value of plan assets	(4,810)	-	(4,810)	(4,681)
Funded status deficit/(surplus)	1,243	-	1,243	708
Present value of unfunded obligations	581	1,920	2,501	2,254
Unrecognized past service cost	20	54	74	63
Unrecognized asset due to application of asset ceiling	7	-	7	5
NET DEFINED BENEFIT OBLIGATION	1,851	1,974	3,825	3,030
Amounts recognized in the balance sheet:				
• As assets in Non-current financial assets and other assets (note 15)			-	-
• As liabilities in Employee benefit obligations			3,825	3,030
NET LIABILITY			3,825	3,030

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

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

Unrecognized past service cost corresponds to the value of rights that do not vest immediately when a plan amendment or a new plan is introduced.

The Group does not recognize as an asset any surplus in excess of the sum of (a) cumulative unrecognized past service cost and (b) the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to

the plan. If a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group immediately recognizes a liability for any surplus resulting from the contributions paid under the MFR which would not be fully recoverable through economic benefits available to the Group.

Any reduction in assets or increase in liabilities resulting from the asset ceiling application is recognized in other comprehensive income.

At December 31, 2011, unrecognized past service cost amounted to €74 million (2010: €63 million).

The movements in net defined benefit obligations recognized in the balance sheet are shown below:

(in € million)	PENSION PLANS	OTHER PLANS	2011	2010 ⁽¹⁾
At January 1	1,303	1,727	3,030	3,182
Translation adjustments	47	35	82	162
Expenses recognized in the income statement (recurring items) (note 7)	33	113	146	190
Contributions paid to the funds	(48)	-	(48)	(335)
Benefits paid directly to the beneficiaries	(33)	(74)	(107)	(106)
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-
Actuarial (gains) or losses recognized in other comprehensive income	560	160	720	(64)
Unrecognized asset due to application of asset ceiling	2	-	2	1
Changes in scope of consolidation	(13)	13	-	-
AT DECEMBER 31	1,851	1,974	3,825	3,030

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

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € million)	PENSION PLANS	OTHER PLANS	2011	2010
At January 1	952	91	1,043	1,106
Actuarial (gains) or losses recognized during the year due to a change in assumptions	554	113	667	186
Actuarial (gains) or losses recognized during the year due to the experience	(8)	61	53	(250)
Unrecognized asset due to application of asset ceiling	2	-	2	1
AT DECEMBER 31	1,500	265	1,765	1,043
<i>Of which actuarial (gains) or losses</i>	<i>1,489</i>	<i>265</i>	<i>1,754</i>	<i>1034</i>
<i>Of which asset ceiling effect</i>	<i>11</i>	<i>-</i>	<i>11</i>	<i>9</i>

In 2011, the net amount recognized in the consolidated income statement was an expense of €146 million (2010: €190 million), broken down as follows:

(in € million)	PENSION PLANS	OTHER PLANS	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾
Cost of services rendered during the year	61	37	98	95
Interest cost	304	83	387	405
Expected return on plan assets	(317)	-	(317)	(299)
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(8)	(8)	(5)
Past service cost recognized during the year	-	(13)	(13)	(14)
Effect of plan curtailments and settlements	(15)	14	(1)	8
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-
TOTAL RECORDED IN THE INCOME STATEMENT	33	113	146	190

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

Annual charges are determined by independent actuaries at the beginning of each financial year based on the following factors:

- charge corresponding to acquisition of an additional year of rights ("cost of services rendered during the year");
- charge corresponding to the discounting adjustment to reflect the reduction in the period until the benefits are due ("interest cost");
- income corresponding to estimated return on plan assets ("expected return on plan assets");
- income or charge from annual amortization of actuarial gains or losses on other long term defined benefit plans ("amortization of actuarial gains/losses during the year");
- gain/loss resulting from changes in plan benefits ("past service cost recognized during the year");
- gain/loss resulting from the curtailment or settlement of any plans (curtailments and settlements).

— 27.1.1. Pension plans

The Group offers to its employees different pension plans that vary according to applicable laws and regulations in each country and in accordance with the respective collective bargaining agreements relevant to each subsidiary. Such benefits are provided under defined benefit plans or defined contribution plans.

Under defined benefit plans, the Group guarantees the future level of benefits as provided by the plan regulations. The valuation of such defined benefit plans is carried out by independent actuaries using actuarial techniques. Defined benefit pension plans can be funded through payments to external funds or insurers specialized in managing these assets. In the case of unfunded plans such as German pension plans, a provision is made in the consolidated balance sheet. Defined post-employment benefit plans are mainly found in the United States of America, Canada and the United Kingdom. The future benefits paid by the above plans are generally based on years of service and average end-of-career salaries. Since 2004, Group defined benefit pension plans for the employees of its North American and UK subsidiaries are gradually being phased out in favor of defined contribution pension plans for newly hired employees as well as for future accruals.

Under defined contribution plans, the Group obligation is limited to the payment of established contributions. This does not guarantee the future level of benefits. Annual charges correspond to the contributions due during the year. Currently, Group defined contribution plans mainly consist of 401 K plans in the United States of America, the DC Section in the United Kingdom, and the RRSP plan in Canada.

The following table analyzes changes in the financial position of the Group defined benefit pension plans:

(in € million)	2011				2010 ⁽¹⁾			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Present value of the obligations at the beginning of the year	3,208	2,720	53	5,981	2,821	2,626	41	5,488
Translation adjustments	81	50	(2)	129	267	73	4	344
Changes in scope of consolidation	-	4	(14)	(10)	-	-	-	-
Current service cost	38	18	-	56	34	17	1	52
Interest cost	170	146	2	318	174	146	3	323
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	7	(22)	-	(15)	2	7	-	9
• Unrecognized costs	-	(21)	-	(21)	-	-	-	-
Benefits paid	(213)	(120)	-	(333)	(198)	(113)	1	(310)
Other items	-	(4)	(1)	(5)	(2)	4	2	4
Actuarial (gains) or losses generated during the year	413	119	2	534	110	(40)	1	71
Present value of the obligations at the end of the year	3,704	2,890	40	6,634	3,208	2,720	53	5,981
Fair value of plan assets at the beginning of the year	2,826	1,832	23	4,681	2,259	1,589	19	3,867
Translation adjustments	70	45	(1)	114	219	59	3	281
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Expected return on plan assets	208	124	2	334	191	105	2	298
Contributions paid to the plans	35	20	1	56	247	88	1	336
Administration costs	-	(6)	-	(6)	-	(5)	-	(5)
Benefits paid by the plans	(213)	(97)	(1)	(311)	(197)	(92)	2	(287)
Other items	-	-	-	-	-	-	-	-
Actuarial gains or (losses) generated during the year	(1)	(58)	1	(58)	107	88	(4)	191
Fair value of plan assets at the end of the year	2,925	1,860	25	4,810	2,826	1,832	23	4,681
Deficit/(surplus) at the end of the year	779	1,030	15	1,824	382	888	30	1,300
Deferred items at the beginning of the year	(6)	2	1	(3)	(6)	2	-	(4)
Translation adjustments	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Unrecognized asset due to application of the asset ceiling generated during the year	(2)	-	-	(2)	-	-	-	-
Amortization of plan reorganization costs during the year	-	-	-	-	-	-	-	-
Unrecognized plan reorganization costs generated during the year	-	(22)	-	(22)	-	-	1	1
Deferred items at the end of the year	(8)	(20)	1	(27)	(6)	2	1	(3)
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	787	1,050	14	1,851	388	886	29	1,303

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

In 2011, the present value of defined benefit pension obligations increased by €(653) million. This increase was due to:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(129)	(344)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(534)	(71)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(41)	(65)
Changes in plan regulations	36	(9)
Changes in the scope of consolidation	10	-
Other item	5	(4)

The fair value of plan assets amounted to €4,810 million at December 31, 2011, showing an increase of €129 million compared to December 31, 2010. The factors behind this increase were as follows:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	114	281
Difference between the contributions paid to the funds and the benefits paid by the funds	(261)	44
Actual return on plan assets	276	489
Changes in the scope of consolidation	-	-
Other item	-	-

The present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follows for 2011 and the previous four periods:

(in € million)	2011	2010	2009	2008	2007
Defined benefit obligation	(6,634)	(5,981)	(5,488)	(4,564)	(5,580)
Plan assets	4,810	4,681	3,867	3,200	4,744
SURPLUS / (DEFICIT)	(1,824)	(1,300)	(1,621)	(1,364)	(836)
Experience adjustment to:					
• plan liabilities	8	86	(10)	(80)	(31)
• plan assets	(58)	191	219	(1,073)	64

The experience adjustments in percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

	2011	2010	2009	2008	2007
Experience adjustment to:					
• the plan liabilities in percentage of the present value of the obligation (DBO)	0.12%	1.44%	-0.18%	-1.75%	-0.56%
• to the plan assets in percentage of the fair value of the assets	-1.21%	4.08%	5.66%	-33.53%	1.35%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	DECEMBER 31, 2011			DECEMBER 31, 2010		
	NORTH AMERICA	EUROPE	OTHER	NORTH AMERICA	EUROPE	OTHER
Discount rate	4.43%	4.94%	10.77%	5.25%	5.36%	10.56%
Rate of salary increases	2.63%	3.17%	6.50%	2.64%	3.46%	6.30%
Average remaining service lives (in years)	9.1	11.3	10.9	10.3	10.8	10.5
Expected return on plan assets	7.27%	6.13%	10.77%	7.43%	6.67%	10.56%

Group obligations are regularly calculated by independent actuaries using the Projected Unit Credit Method based on end-of-career salaries.

The expected return on plan assets is determined for each portfolio taking into account market conditions at the measurement date, portfolio strategic composition as well as long-term returns of each class and sub-class of assets, with an allocation for active manager's performance and deduction of manager's fees.

Two methods are used to determine the expected returns. One is based upon the expected long term inflation as used in the main assumptions plus a spread for each asset class representing the long term expected real return plus a spread for active management and diversification impact, less manager fees. The other one based on

swap rates plus a risk premium representing the expected return of each asset class and a spread for active management and diversification impact less manager fees.

The discount rates, salary increase and inflation are the main assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported. On the asset side, the change in the expected return on plan assets can have a significant effect on the following year expected benefit cost.

A one-percentage-point change in these rates compared to those used for 2011 would have the following effect on:

	1-POINT INCREASE	1-POINT DECREASE
• The discount rate on the defined benefit obligation (DBO)	-11.90%	14.80%
• The discount rate on the aggregate of current service cost and interest cost	3.29%	-5.02%
• The inflation rate on the defined benefit obligation (DBO)	8.72%	-7.74%
• The inflation rate on the aggregate of current service cost and interest cost	9.28%	-8.05%
• The salary increase rate on the defined benefit obligation (DBO)	2.28%	-1.71%
• The salary increase rate on the aggregate of current service cost and interest cost	3.92%	-2.83%
• The interest rate on the fair value of plan assets	-5.76%	6.64%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

(in € million)	YEAR ENDED DECEMBER 31, 2011				YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Cost of services rendered during the year	36	22	3	61	34	23	2	59
Interest cost	159	142	3	304	173	146	4	323
Expected return on plan assets	(195)	(120)	(2)	(317)	(191)	(105)	(3)	(299)
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	-	-	-	-	-	-	-
Past service cost recognized during the year	-	-	-	-	-	-	-	-
Effect of plan curtailments and settlements	7	(21)	(1)	(15)	2	7	(1)	8
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-	-	-	-	-
TOTAL DEFINED PENSION BENEFIT EXPENSES	7	23	3	33	18	71	2	91
Actual return on plan assets	207	65	2	274	299	193	(2)	490

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

The asset allocation of fully and partly funded pension plans is as follows:

	DECEMBER 31, 2011				DECEMBER 31, 2010			
	CANADA	USA	UK	OTHER	CANADA	USA	UK	OTHER
Equities	35%	34%	42%	9%	52%	42%	49%	10%
Alternative investments ⁽¹⁾	13%	15%	7%	1%	11%	18%	7%	-
Real estate	7%	5%	3%	8%	6%	3%	-	8%
Fixed income and cash	45%	46%	48%	82%	31%	37%	44%	82%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
Duration in years of the fixed income portfolio	14	13	15	6	12	8	11	N/A

(1) Hedge funds and venture capital.

An internal group of experts, composed by the chairmen of the main investment committee's members, has issued investment guidelines for the use of the local investment committees stating, among other issues, not to invest in any Michelin securities or in any properties used by the Group. The Group has no significant amount invested in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios.

Detailed information is not available about the underlying assets held in general insurance funds or alternative investments.

Each plan's asset allocation is decided periodically by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent actuaries in consultation with banks or investment management firms. The asset allocation takes into account the structure of employee-related liabilities and their terms.

Group contributions to pension plans and benefit payments made by these plans in 2011 and to be made during the 10 following years are as follows:

(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL
Contributions paid/payments made				
2011	34	42	5	81
Estimates of contributions expected to be paid and payments to be made				
2012	40	46	1	87
2013	177	74	1	252
2014	168	79	1	248
2015	159	84	1	244
2016	127	91	1	219
2017-2021	149	437	3	589

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In 2011, on top of the ordinary contributions, it was decided to make an advanced contribution (€20 million) in Canada for an amount which is due early 2012.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

The estimates of future payments for unfunded plans are based on data included in the calculation of the projected defined benefit obligation based on expected leaving dates each year. The same method is used for the constitutive funds for partially funded plans paid to insurance companies. For funded plans, the estimates of future contributions take into account the changes in regulations that are known to date (Pension Protection Act 2006 in the US and Pension Act 2004 in the UK).

— 27.1.2. Other Defined Benefit Plans

In many countries, Group employees receive other post-employment benefits and long-term benefits throughout their term of employment. The "other post-employment benefits" mainly include health insurance and end of service benefit. The "other defined benefit plans" are mainly found in the United States of America, Canada and France. "Other long-term benefits" include deferred compensation plans that are mandatory in the countries where the Group operates or provided for under local company-specific agreements. Such defined benefit plans generally concern the Group European companies and are based on seniority.

As in the case of the above-described defined benefit plans, "other defined benefit plans" are valued by independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets but are fully accounted for in the Group balance sheet liabilities.

Changes in the financial position of “other defined benefit plans” are as follows:

(in € million)	DECEMBER 31, 2011				DECEMBER 31, 2010 ⁽¹⁾			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Present value of the obligation at the beginning of the year	1,004	657	1	1,662	858	632	1	1,491
Translation adjustments	26	-	(1)	25	80	1	-	81
Changes in scope of consolidation	-	-	14	14	-	-	-	-
Current service cost	11	24	2	37	11	23	-	34
Interest cost	53	32	2	87	52	29	-	81
Plan reorganization costs generated during the year:								
• Immediately recognized in the income statement	(1)	5	9	13	-	(2)	-	(2)
• Unrecognized costs	-	-	-	-	-	-	-	-
Benefits paid	(56)	(20)	(1)	(77)	(56)	(26)	-	(82)
Other items	-	(1)	-	(1)	2	1	-	3
Actuarial (gains) or losses generated during the year	118	41	1	160	57	(1)	-	56
Present value of the obligations at the end of the year	1,155	738	27	1,920	1,004	657	1	1,662
Fair value of plan assets at the beginning of the year	-	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-	-
Expected return on plan assets	-	-	-	-	-	-	-	-
Contributions paid to the plans	-	-	-	-	-	-	-	-
Administration costs	-	-	-	-	-	-	-	-
Benefits paid by the plans	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
Actuarial gains or (losses) generated during the year	-	-	-	-	-	-	-	-
Fair value of plan assets at the end of the year	-	-	-	-	-	-	-	-
Deficit/(surplus) at the end of the year	1,155	738	27	1,920	1,004	657	1	1,662
Deferred items at the beginning of the year	(133)	68	-	(65)	(143)	76	-	(67)
Translation adjustments	(4)	-	-	(4)	(12)	-	-	(12)
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Amortization of plan reorganization costs during the year	23	(8)	-	15	22	(8)	-	14
Unrecognized plan reorganization costs generated during the year	-	-	-	-	-	-	-	-
Deferred items at the end of the year	(114)	60	-	(54)	(133)	68	-	(65)
NET LIABILITY/(ASSET) RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE YEAR	1,269	678	27	1,974	1,137	589	1	1,727

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

In 2011 the present value of other defined benefit plans increased by €(258) million, due to:

(in € million)	2011	2010
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(25)	(81)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(160)	2
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(47)	(33)
Changes in plan regulations	(13)	(56)
Changes in the scope of consolidation	(14)	-
Other item	1	(3)

The present value of the defined benefit obligation and experience adjustments are as follows for 2011 and the previous four periods:

(in € million)	2011	2010	2009	2008	2007
Defined benefit obligation	(1,920)	(1,662)	(1,491)	(1,466)	(1,650)
Experience adjustments to plan liabilities	3	27	33	18	19
Experience adjustments to plan liabilities (in % of present value of the obligation – DBO)	0.16%	1.62%	2.21%	1.23%	1.15%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	DECEMBER 31, 2011			DECEMBER 31, 2010		
	NORTH AMERICA	EUROPE	OTHER	NORTH AMERICA	EUROPE	OTHER ⁽¹⁾
Discount rate	4.41%	4.93%	8.09%	5.25%	4.92%	-
Average remaining service lives (in years)	10.7	14.7	12.7	11.1	13.9	-

(1) In 2010, the Group had no "Other Defined Benefit Plans" requiring the use of actuarial assumptions outside North America and Europe in 2010.

Assumptions concerning healthcare cost trends are as follows:

	DECEMBER 31, 2011		DECEMBER 31, 2010	
	USA	CANADA	USA	CANADA
Expected growth in healthcare costs in the first year	8.17%	6.27%	7.84%	5.00%
Minimum long-term rate of annual growth in healthcare costs	5.00%	4.50%	5.00%	5.00%
Year in which the minimum growth rate will be achieved	2018	2016	2017	2011

The discount rate and the assumed health care cost trend rate are the main assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported.

A one-percentage-point change in these rates compared to those used for 2011 would have the following effect on:

	1-POINT INCREASE	1-POINT DECREASE
• The discount rate on the defined benefit obligation (DBO)	-9.7%	11.6%
• The discount rate on the aggregate of current service cost and interest cost	2.2%	-3.0%
• The healthcare cost trend on the healthcare defined benefit obligation	6.8%	-6.4%
• The healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plans	8.0%	-7.1%

Net income and expenses recognized in the income statement are as follows:

(in € million)	YEAR ENDED DECEMBER 31, 2011				YEAR ENDED DECEMBER 31, 2010 ⁽¹⁾			
	NORTH AMERICA	EUROPE	OTHER	TOTAL	NORTH AMERICA	EUROPE	OTHER	TOTAL
Cost of services rendered during the year	10	25	2	37	11	25	-	36
Interest cost	49	32	2	83	53	29	-	82
Expected return on plan assets	-	-	-	-	-	-	-	-
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(8)	-	(8)	-	(5)	-	(5)
Past service cost recognized during the year	(21)	8	-	(13)	(23)	9	-	(14)
Effect of plan curtailments and settlements	(1)	5	10	14	-	-	-	-
Portion of benefit expenses recognized within non-recurring restructuring costs	-	-	-	-	-	-	-	-
TOTAL OTHER DEFINED BENEFIT EXPENSES	37	62	14	113	41	58	-	99

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

Group payments made under other defined plans in 2011 and to be made during the ten following years are as follows:

(in € million)	NORTH AMERICA	EUROPE	OTHER	TOTAL
Payments made				
2011	52	21	1	74
Estimates of payments to be made				
2012	70	29	3	102
2013	71	24	1	96
2014	72	40	1	113
2015	74	64	2	140
2016	75	81	2	158
2017-2021	367	405	15	787

For unfunded plans, such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

27.2. Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-employment plans. These are mainly found in the United States of America, Canada and the United Kingdom.

In 2011, the contributions paid to such defined contribution plans and expensed amounted to €93 million (2010: €87 million).

NOTE 28 SHARE-BASED PAYMENTS

28.1. Stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2011		2010	
	WEIGHTED AVERAGE EXERCISE PRICE (in € per option)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (in € per option)	NUMBER OF OPTIONS
At January 1	58.49	4,874,219	59.86	4,767,721
Granted before the October 2010 capital increase	-	-	54.00	251,100
Adjusted as part of the October 2010 capital increase	-	-	58.60	171,079
Granted in 2011	66.00	252,900	-	-
Forfeited before the October 2010 capital increase	-	-	61.78	(37,120)
Forfeited after the October 2010 capital increase	56.65	(52,669)	75.17	(3,054)
Exercised before the October 2010 capital increase	-	-	41.91	(206,890)
Exercised after the October 2010 capital increase	42.72	(282,972)	40.11	(68,617)
AT DECEMBER 31	59.83	4,791,478	58.49	4,874,219

2,542,919 of the 4,791,478 options outstanding as at December 31, 2011 are exercisable (2010: 1,676,511 in total and 4,874,219 exercisable).

Assumptions used to value the share options granted in 2011 are as follows:

Grant date	May 19, 2011
Number of options granted	252,900
Weighted average share price (in € per share)	65.01
Exercise price (in € per share)	66.00
Volatility	38.08%
Risk free interest rate	3.65%
Market value of the option at grant date (in € per option)	10.07

The maximum gain allowed is limited to 100% of the exercise price. The options will vest providing that the performance conditions (Group sales growth percentage and amount of operating income) are met.

Stock option plans have the following exercise prices and expiry dates:

GRANT DATES	VESTING DATES	EXPIRY DATES	DECEMBER 31, 2011		DECEMBER 31, 2010	
			EXERCISE PRICES (in € per option)	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICES (in € per option)	NUMBER OF OPTIONS OUTSTANDING
May 2002	May 2006	May 2011 ⁽¹⁾	42.47	2,695	42.47	147,472
May 2003	May 2007	May 2012	31.13	35,148	31.13	48,977
November 2003	November 2007	November 2012 ⁽²⁾	32.82	96,890	32.82	113,419
May 2004	May 2008	May 2013	38.61	81,256	38.61	102,900
July 2004	July 2008	July 2013	42.96	90,417	42.96	101,691
May 2005	May 2009	May 2014	46.34	203,749	46.34	217,557
November 2005	November 2009	November 2014	46.34	730,597	46.34	807,632
May 2006	May 2010	May 2015	55.99	131,890	55.99	136,863
May 2007	May 2011	May 2016	87.85	1,170,277	87.85	1,183,652
May 2008	May 2012	May 2017	59.85	315,987	59.85	319,095
November 2009	November 2013	November 2018	51.16	1,419,534	51.16	1,434,823
May 2010	May 2014	May 2019	52.13	260,138	52.13	260,138
May 2011	May 2015	May 2020	66.00	252,900	-	-
OUTSTANDING STOCK OPTIONS				4,791,478		4,874,219

(1) Includes an auxiliary plan expiring in May 2012 (2,695 options outstanding at December 31, 2011).

(2) Includes an auxiliary plan expiring in November 2013 (2,488 options outstanding at December 31, 2011).

28.2. Performance share plan

Based on the authorization given by the Annual General Meeting held in May 2011, the General Managing Partners decided to issue a performance share plan in November 2011.

Under the terms of this plan, 287,944 shares of the Company have been granted to Group employees. Grantees working for French subsidiaries are subject to a vesting period of 3 years that ends in November 2014 followed by a two-year lock-up period ending in November 2016. Grantees working for foreign subsidiaries are subject to a vesting period of 4 years ending in November 2015 and are not subject to any lock-up period.

The shares will vest providing that the performance conditions (Group sales growth percentage and amount of operating income) are met.

The fair value of the performance shares granted is estimated at €37.49 for grantees of French subsidiaries and at €35.49 for grantees of foreign subsidiaries. These fair values are based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The total cost for the plan is estimated at €9 million.

The expense recognized in 2011 amounts to less than €1 million and is included in Other operating income and expenses.

28.3. Share purchase plan

No share purchase plan has been implemented in 2011.

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

The carrying amount of provisions and other long-term liabilities is broken down in the table below:

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Restructuring provisions	231	366
Litigation provisions	146	121
Other provisions	80	86
Provisions	457	573
Deferred revenue – Government grants	100	129
Other deferred revenue	158	151
Debts towards employees and social security authorities	89	85
Non-current liabilities	347	365
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	804	938

Movements in provisions during the year:

(in € million)	RESTRUCTURING	LITIGATION	OTHER PROVISIONS	TOTAL
At January 1, 2011	366	121	86	573
Additional provisions	30	81	34	145
Provisions utilized during the year	(145)	(56)	(41)	(242)
Unused provisions reversed during the year	(19)	-	(3)	(22)
Translation adjustments	(1)	-	4	3
Other effects	-	-	-	-
AT DECEMBER 31, 2011	231	146	80	457

29.1. Restructuring

As at December 31, 2011, the remaining restructuring provisions were related to restructuring taking place mainly in the following countries:

	DECEMBER 31, 2011	DECEMBER 31, 2010
France	104	176
Spain	81	109
Italy	28	28
North America	10	28
Germany	5	16

29.2. Litigation

The amounts recognized represent mainly legal claims introduced by non-Group third parties. The provisions recognized in respect of litigation are booked in the income statement, essentially in General and administrative expenses.

29.3. Other provisions

These amounts represent the risks arising from a commercial, technical or social origin and have been identified by the Group with regard to its clients, suppliers and other third parties. These risks arise in the course of the Group ordinary activities.

NOTE 30 OTHER CURRENT LIABILITIES

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

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Customers – Deferred rebates	862	825
Employee benefits	426	370
Social security liabilities	282	290
Restructuring liabilities	23	23
Current income tax payable	91	120
Other taxes	243	235
Other	289	273
OTHER CURRENT LIABILITIES	2,216	2,136

NOTE 31 DETAILS OF THE CASH FLOW STATEMENT

Details of the cash flows are presented in the table below:

(in € million)	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010
(Gains)/losses on disposal of non-financial assets	(14)	(5)
Other	(10)	(9)
Other non-cash income and expenses	(24)	(14)
Interest and other financial expenses paid	(242)	(229)
Interest and other financial income received	27	32
Dividends received	26	20
Cost of net debt and other financial income and expenses paid	(189)	(177)
Change in inventories	(806)	(584)
Change in trade receivables	(286)	(338)
Change in other receivables and payables	198	495
Change in working capital, net of impairments	(894)	(427)
Purchases of intangible assets	(108)	(99)
Purchases of PP&E	(1,603)	(1,001)
Government grants received	2	4
Change in capital expenditure payables	41	132
Purchases of intangible assets and PP&E	(1,668)	(964)
Increase in other non-current financial assets	(20)	(19)
Decrease in other non-current financial assets	23	34
Net cash flows from cash management financial assets	510	(723)
Net cash flows from borrowing collaterals	(8)	(44)
Net cash flows from other current financial assets	1	9
Cash flows from other financial assets	506	(743)
Increase in non-current financial liabilities	60	150
Decrease in non-current financial liabilities	(233)	(201)
Repayment of finance lease liabilities	(14)	(11)
Net cash flows from current financial liabilities	(136)	(402)
Derivatives	(20)	27
Cash flows from financial liabilities	(343)	(437)
Details of non cash transactions:		
• Finance leases	7	3
• Decrease of liabilities to minority shareholders	(7)	(5)
• New emission rights	10	12
• Dividends paid in shares (note 24)	177	82

NOTE 32 COMMITMENTS AND CONTINGENCIES**32.1. Commitments****— 32.1.1. Operating lease commitments**

Future minimum payments under non-cancelable operating leases by maturity are as follows (not discounted):

(in € million)	DECEMBER 31, 2011	DECEMBER 31, 2010
Within one year	191	143
Between one and five years	367	338
More than five years	60	97
TOTAL FUTURE MINIMUM PAYMENTS	618	578

Total operating lease rents recognized in the income statement in 2011 amounted to €299 million (2010: €279 million).

— **32.1.2. Capital commitments**

PP&E capital expenditure on the main extension projects, which were contracted but not delivered before December 31, 2011, amounts to €444 million (of which €89 million is likely to be delivered from 2013).

— **32.1.3. Other commitments**

The Group has various purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2012. They are established under normal market conditions and arise in the course of the Group ordinary activities.

32.2. Contingencies

— **32.2.1. Michelin Pension Trust Ltd UK**

Following the introduction of the “Pension Act 2004” in the United Kingdom, a multi-annual plan of contributions to the UK pension funds, “Recovery Plan”, was established between Michelin Pension Trust Ltd U.K. and Michelin U.K. In order to limit the amount of the contributions and to stagger them over more than ten years, the Group issued in 2007 a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make. At December 31, 2011, the discounted guaranteed amount in excess of the amount already recognized in the financial statements amounts to €50 million.

— **32.2.2. Other contingencies**

In the course of their ordinary activities, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and the cash outflows probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of the Group management, there is no governmental, judicial or arbitration proceedings likely to have significant impacts on its net assets or cash flows.

32.3. Assets pledged as collateral

— **32.3.1. PP&E**

PP&E pledged as collateral amounted to €36 million (2010: €35 million).

— **32.3.2. Non-current financial assets and other assets**

Loans and deposits (note 15.2 “Loans and deposits”) amounting to €52 million (2010: €40 million) are pledged as collateral for financial borrowings (note 26 “Financial liabilities”).

— **32.3.3. Trade receivables**

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in their eligible trade receivable portfolios. The maximum financing that can be drawn from these programs amounts to €455 million (2010: €530 million). Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to €93 million as at December 31, 2011 (2010: €381 million), has been accounted for as collateralized loans (note 26.2 “Loans from financial institutions and other”).

NOTE 33 ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

There were no significant acquisitions or divestments in 2011.

NOTE 34 RELATED PARTY TRANSACTIONS

34.1. Subsidiaries and associates

The list of the major Group subsidiaries and associates is included in note 36 “List of main Group companies”. Transactions between the parent company and its subsidiaries and between subsidiaries are eliminated in consolidation.

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € million)	2011	2010
Income statement		
Income for the purchase of products or supply of services	8	-
Expenses for the purchase of products or supply of services	(215)	(151)
Balance sheet		
Financial liabilities	(14)	(10)
Accounts payable	(10)	(11)

34.2. Senior Management and Supervisory Board

In 2011, the Managing General Partner received in respect of 2010, an aggregate amount of €4.5 million, proportional to and dependent upon profit (2010 in respect of 2009: €0.7 million). The Managing General Partner has not received any other compensation.

The compensation paid to the Non-General Managing Partners in 2011 totaled €6.3 million (2010: €3.4 million). This amount breaks down as follows:

(in € million)	2011	2010
Short term benefits	5.9	2.5
Post-employment benefits	0.4	0.9
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
COMPENSATION PAID TO NON-GENERAL MANAGING PARTNERS	6.3	3.4

The variable compensation to be paid for 2011 could not be estimated at the date the financial statements were authorized for issue, but will be provided in chapter 4.4 of the Registration Document together with a detailed description of the Non-General Managing Partners compensation provisions.

The fluctuation of the compensation paid to non-general Managing Partners is essentially due to the decision of the General Partners, with the agreement of the Supervisory Board, to put an end to Mr Miraton's appointment as Managing Partner and to the booking of long-term incentive bonuses granted to the non-general Managing Partners.

The compensation paid to the members of the Group Executive Council in 2011 totaled €7.5 million (2010: €6.6 million). This amount breaks down as follows:

(in € million)	2011	2010
Short term benefits	5.7	4.5
Post-employment benefits	0.8	1.4
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	1.0	0.7
COMPENSATION PAID TO MEMBERS OF THE GROUP EXECUTIVE COUNCIL	7.5	6.6

The following fees were paid in 2011 to the Supervisory Board members (for services rendered in 2010): €0.3 million (2010 for services rendered in 2009: €0.3 million).

NOTE 35 EVENTS AFTER THE BALANCE SHEET DATE

The reported amounts of assets and liabilities at the balance sheet date were adjusted, if needed, up to the date when the Managing Partners authorized for issue the 2011 consolidated financial statements.

Further to the joint venture agreement signed in September 2011 and the approval by the Chinese Anhui Province authorities, the Group paid in January 2012 a first tranche of USD 48 million to acquire 40% of the share capital of Double Coin Group (Anhui) WARRIOR

Tire Co., Ltd. The outstanding balance will be determined and paid within two years. The company is active in the development, the manufacture and the distribution of WARRIOR Tires. The investment will be consolidation for in 2012 using the equity method.

NOTE 36 LIST OF MAIN GROUP COMPANIES

Countries within the Michelin geographical regions are listed according to the alphabetical order of the French names.

COMPANIES	REGISTERED OFFICE	NATURE	% OF INTEREST
Europe			
Germany			
Laurent Reifen GmbH	Oranienburg	Manufacturing & commercial	100.00
Michelin Reifenwerke AG & Co. KgaA	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Kaiserslautern	Commercial	99.98
Michelin Finanz Gesellschaft für Beteiligungen AG & Co.OHG	Karlsruhe	Financial	100.00
Belgium			
Michelin Belux S.A.	Zellik	Commercial	100.00
Société pour le Traitement de l'Information Trincover	Zellik	Miscellaneous	100.00
Denmark			
Euromaster Danmark A/S	Viborg	Commercial	99.94
Spain			
Michelin España Portugal, S.A.	Tres Cantos	Manufacturing & commercial	99.80
Euromaster Automoción y Servicios, S.A.	Madrid	Commercial	99.94
Finland			
Suomen Euromaster Oy	Pori	Commercial	99.94
France			
Compagnie Générale des Établissements Michelin	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Avallon	Manufacturing & commercial	100.00
Pneumatiques Kléber	Toul	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Bassens	Manufacturing	100.00
Société de Développement Mécanique	Wattignies	Manufacturing	100.00
Euromaster France	Montbonnot Saint-Martin	Commercial	98.41
Michelin Aircraft Tyre	Clermont-Ferrand	Commercial	100.00
Transityre France	Clermont-Ferrand	Commercial	100.00
Michelin Travel Partner	Boulogne-Billancourt	Commercial	100.00
Spika	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Établissements Piot Pneu	Montbonnot Saint-Martin	Commercial	96.81
Greece			
Elastika Michelin A.E.	Halandri	Commercial	100.00
Hungary			
Michelin Hungaria Tyre Manufacture Ltd.	Nyíregyháza	Manufacturing & commercial	100.00
Ireland			
Miripro Insurance Company Limited	Dublin	Miscellaneous	100.00
Italy			
Società per Azioni Michelin Italiana	Turin	Manufacturing & commercial	100.00
Luxembourg			
Michelin Luxembourg SCS	Luxembourg	Financial	100.00
The Netherlands			
Eurodrive Services and Distribution N.V.	Amsterdam	Commercial	99.94
Euromaster Bandenservice B.V.	Deventer	Commercial	99.94
Michelin Nederland N.V.	Drunen	Commercial	100.00
Transityre B.V.	Breda	Commercial	100.00
Michelin Finance (Pays-Bas) B.V.	Amsterdam	Financial	100.00
Poland			
Michelin Polska S.A.	Olsztyn	Manufacturing & commercial	100.00

COMPANIES	REGISTERED OFFICE	NATURE	% OF INTEREST
Serbia			
Tigar Tyres d.o.o., Pirot	Pirot	Manufacturing & commercial	100.00
Romania			
Michelin Romania S.A.	Bucharest	Commercial	99.82
United Kingdom			
Michelin Tyre Public Limited Company	Stoke-on-Trent	Manufacturing & commercial	100.00
Associated Tyre Specialists Limited	Harrow	Commercial	99.94
Sweden			
Euromaster AB	Varberg	Commercial	99.94
Michelin Nordic AB	Stockholm	Commercial	100.00
Switzerland			
Euromaster (Suisse) S.A.	Petit-Lancy	Commercial	99.94
Michelin Suisse S.A.	Givisiez	Commercial	100.00
Compagnie Financière Michelin	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Granges-Paccot	Miscellaneous	100.00
Turkey			
Michelin Lastikleri Ticaret A.S.	Istanbul	Commercial	100.00
Africa/India/Middle East			
South Africa			
Michelin Tyre Company South Africa Proprietary Limited	Johannesburg	Commercial	100.00
Algeria			
Michelin Algérie SPA	Algiers	Manufacturing & commercial	100.00
Nigeria			
Michelin Tyre Services Company Ltd	Lagos	Commercial	60.28
India			
Michelin India TamilNadu Tyres Private Limited	Chennai	Manufacturing	100.00
Michelin India Tyres Private Limited	Faridabad	Commercial	100.00
North America			
Canada			
Michelin North America (Canada) Inc.	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	New Glasgow	Commercial	100.00
Michelin Alberta ULC	Calgary	Financial	100.00
United States of America			
Michelin North America, Inc.	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Wilmington	Commercial	100.00
Tire Centers, LLC	Wilmington	Commercial	100.00
CR Funding Corporation	Wilmington	Financial	100.00
Michelin Corporation	New York	Financial	100.00
Michelin Mexico Properties, Inc.	Wilmington	Miscellaneous	100.00
Oliver Rubber Company, LLC	Wilmington	Manufacturing	100.00
Mexico			
Industrias Michelin, S.A. de C.V.	Mexico City	Manufacturing & commercial	100.00
South America			
Argentina			
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Buenos Aires	Commercial	100.00
Brazil			
Sociedade Michelin de Participações, Indústria e Comércio Ltda.	Rio de Janeiro	Manufacturing & commercial	100.00
Michelin Espírito Santo – Comércio, Importações e Exportações Ltda.	Vila Velha	Commercial	100.00
Plantações E. Michelin Ltda.	Rio de Janeiro	Miscellaneous	100.00
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00

COMPANIES	REGISTERED OFFICE	NATURE	% OF INTEREST
Colombia			
Industria Colombiana de Llantas S.A.	Cali	Manufacturing & commercial	99.94
Peru			
Michelin del Perú S.A.	Lima	Commercial	100.00
Southeast Asia/Australia			
Australia			
Michelin Australia Pty Ltd	Melbourne	Commercial	100.00
Malaysia			
Michelin Malaysia Sdn. Bhd.	Petaling Jaya	Commercial	100.00
Singapore			
Michelin Asia (Singapore) Co. Pte. Ltd	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte Ltd	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd	Singapore	Miscellaneous	100.00
Thailand			
Michelin Siam Company Limited	Bangkok	Manufacturing & commercial	100.00
Michelin Thai Holding Co., Ltd	Bangkok	Financial	100.00
Michelin Siam Group Co., Ltd	Bangkok	Financial	100.00
Vietnam			
Michelin Vietnam Company Limited	Ho Chi Minh City	Commercial	100.00
China			
China			
Michelin Shenyang Tire Co., Ltd	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd	Shanghai	Commercial	100.00
Taiwan			
Michelin Chun Shin Ltd	Taipei	Commercial	100.00
Eastern Europe			
Russia			
LLC "Michelin Russian Tyre Manufacturing Company"	Davydovo	Manufacturing & commercial	100.00
Ukraine			
Michelin Ukraine LLC	Kiev	Commercial	100.00
Japan/Korea			
Japan			
Nihon Michelin Tire Co., Ltd	Tokyo	Commercial	100.00
South Korea			
Michelin Korea Co., Ltd	Seoul	Commercial	100.00

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