



RESULTS 2015

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**COMPAGNIE GÉNÉRALE
DES ÉTABLISSEMENTS MICHELIN**

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2015 HIGHLIGHTS

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Press Release

Clermont-Ferrand – February 16, 2016

Financial information for the year ended December 31, 2015

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

2015: Strong free cash flow before acquisitions, at €965 million

Tonnages up 3.2%, outperforming the markets

Operating income before non-recurring items at €2,577 million or 12.2% of net sales, up €407 million

2016: Further growth in volumes

Increase in operating income before non-recurring items at constant exchange rates

- ▶ Tonnages up 3.2%, outpacing the market in all business segments, especially in Passenger car and Light truck tires (up 6.7%).
 - Increase in the fourth quarter of 4.2% for the Group and 8.7% for Passenger car and Light truck tires.
- ▶ Strong free cash flow, at €965 million before €312 million in acquisitions, reflecting €1,804 million in capital expenditure, down from 2014.
- ▶ Significant increase in operating margin thanks to a very good second half (12.3%), particularly for:
 - Passenger car and Light truck tires: 12.2%, up 2.6 points versus second-half 2014;
 - Truck tires: 11.1%, up 2.6 points versus second-half 2014;
 - good resilience in Specialty tires: 18.6% for the full year;
 - the price mix/raw materials effect had a €105 million positive impact in the second half, as expected.
- ▶ The competitiveness plan resulted in €261 million in gains over the year, once again offsetting the increase in production costs and overheads.

- ▶ New tranche of the share buyback plan launched in January 2016, following on from the 2015 buyback and cancellation of €451 million in Michelin shares, representing 2.7% of issued capital.
- ▶ Dividend of €2.85 per share, reflecting management's confidence in the Group's future and representing a payout ratio of 37%, to be submitted to shareholders at the Annual Meeting on May 13, 2016.

Jean-Dominique Senard, Chief Executive Officer, said: "In 2015, we successfully drove profitable, over-market growth in tonnages sold and gained new market share in all our businesses, thanks to the quality of the Group's offering. Our growth and margins have both improved significantly. Looking forward to 2016 and beyond, we have to continue our efforts in four areas – enhancing customer service, streamlining operating procedures, deploying digital solutions and increasing the empowerment of our teams. With our strengthened fundamentals, the Group is on the right track."

Outlook

In 2016, demand for Passenger car, Light truck and Truck tires is expected to continue rising in the mature markets and remain in line with 2015 trends in the new markets. Demand for Specialty tires is expected to continue to be affected by mining company inventory drawdowns. In this environment, Michelin's objectives for 2016 are volume growth in line at least with global trends in its operating markets, an increase in operating income before non-recurring items at constant exchange rates, and structural free cash flow of more than €800 million.

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

(in € millions)	2015	2014
Net sales	21,199	19,553
Operating income before non-recurring items	2,577	2,170
Operating margin before non-recurring items	12.2%	11.1%
Passenger car/Light truck tires & related distribution	11.5%	10.5%
Truck tires & related distribution	10.4%	8.1%
Specialty businesses	18.6%	19.3%
Non-recurring items	(370)	(179)
Operating income after non-recurring items	2,207	1,991
Net income	1,163	1,031
EBITDA before non-recurring items	3,934	3,286
Capital expenditure	1,804	1,883
Net debt	1,008	707
Gearing	11%	7%
Employee benefit obligations	4,888	4,612
Free cash flow ⁽¹⁾ before acquisitions and disposals	965	722
ROCE	12.2%	11.1%
Employees on payroll ⁽²⁾	111,700	112,300
Earnings per share (EPS)	€6.28	€5.52
Dividend for the year ⁽³⁾	€2.85	€2.50

(1) Free cash flow: Net cash from operating activities less net cash from investing activities.

(2) At period end.

(3) To be submitted to shareholder approval at the Annual Meeting on May 13, 2016.

MARKET REVIEW

PASSENGER CAR AND LIGHT TRUCK TIRES

% YoY change (in number of tires)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original equipment	+4%	+7%	+4%	+1%	-19%	+8%	+2%
Replacement	+3%	+6%	+1%	+3%	+1%	+5%	+3%

Fourth quarter % YoY change (in number of tires)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original equipment	+6%	+8%	+3%	+9%	-25%	+15%	+6%
Replacement	+10%	+14%	+3%	+1%	-1%	+5%	+4%

* Including Turkey.

Original equipment

- In Europe, the 4% overall increase in demand reflected the combined impact of a robust 7% gain in the West and a 24% decline in the East (including a 25% drop in the fourth quarter) in a persistently difficult economic environment.
- The North American market remained buoyant, expanding by 4% over the year on the back of strong vehicle demand, low fuel prices and favorable economic conditions.

- Demand in Asia (excluding India) ended the year up 1% overall. While cooling to 5% from 9% in 2014, the Chinese market continued to expand, thanks to a government subsidy-led rebound in compact car sales and the sustained popularity of SUV models. Other markets in the region, which are more export-driven, declined by an aggregate 5% over the year.
- Demand retreated 19% in South America, in line with the decline in local automobile output as Brazil and Argentina remained mired in recession.

Replacement

- ▶ The European market saw a 3% increase over the year. Demand rose by 6% in Western Europe, led by dealer export volumes to non-euro markets and, to a lesser extent, by fast growth in summer tire sales and sustained demand for entry-level lines. Winter tire sell-in eased back 1%. In the still difficult Eastern European economy, demand continued to drop, losing 7% over the year.
- ▶ The North American market ended the year up 1% overall, as strong growth in Mexico offset nearly flat demand in the United States and Canada. Low fuel prices and an increase in vehicle miles traveled helped to drive 5% growth in the number of tires

sold by members of the Rubber Manufacturers Association, while import sales fell 14% as dealers cleared out inventory built up ahead of the introduction of customs duties on Chinese tires.

- ▶ Demand in Asia (excluding India) rose by 3% overall, driven by the sustained strong growth in the Chinese market (up 8%). Markets in the rest of the region eased back by an aggregate 1%, with a 4% contraction in Japan and continued expansion in Indonesia and Thailand.
- ▶ South American demand rose 1% overall in a mixed economic and political environment, reflecting a 3% gain in Brazil with a decline in imports, an upward trend in the Pacific coast markets and a contraction in Argentina and Venezuela.

TRUCK TIRES (RADIAL AND BIAS)

% YoY change (in number of tires)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original equipment	+7%	+11%	+7%	-19%	-48%	+16%	-7%
Replacement	+1%	+7%	+4%	-3%	-8%	+1%	-1%

Fourth quarter % YoY change (in number of tires)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original equipment	+15%	+17%	-5%	-27%	-55%	+12%	-12%
Replacement	+6%	+8%	+3%	-3%	-13%	-1%	-1%

* Including Turkey.

Original equipment

- ▶ The European market rose by 7% over the year, with demand gaining a faster 11% in the West but remaining deeply depressed in the East, where the troubled economic and political situation caused a 20% drop over the period.
- ▶ The North American market climbed 7% over the year, but growth slowed quarter after quarter due to high prior-year comparatives. The strong demand is being underpinned by the sustained production of new trucks to replace relatively aging fleets in a still favorable economic environment.
- ▶ Demand for radial and bias tires in Asia (excluding India) declined by 19% overall. China saw a 21% drop due to the slowdown in manufacturing output and the ongoing optimization across the freight and passenger transportation chain. In the rest of the region, demand slid 12% overall, with steep declines in Indonesia and South Korea partly offset by an upturn in Thailand off of very low prior-year comparatives.
- ▶ In South America, the market plummeted 48% over the year in a very difficult economic environment. The Brazilian market dropped 51% after truck and bus production was suspended in response to both weaker domestic demand and the decline in exports of Brazilian-made trucks due to the economic difficulties in Argentina and Venezuela.

Replacement

- ▶ In Europe, the market edged up 1% overall, with the decline in Russia easing somewhat in the second half. Demand rose 7% in Western Europe, lifted by the increase in tonnes carried/km, the growing low-cost tire imports from Asia hitting the retread segment, and dealer exports to non-euro markets on the back of the weaker euro. In Eastern Europe, demand continued its precipitous decline due to the difficulties in Russia, losing 11% over the period.
- ▶ In North America, the market remained as strong as ever, rising by 4% thanks to sustained demand for freight services in a vibrant economy.
- ▶ Demand for replacement radial and bias tires in Asia (excluding India) was down by 3% for the year, with the Chinese market losing 3% as the cooling economy weighed on freight demand. Markets in the rest of the region also waned, with a significant decline in Thailand and, to a lesser extent, Japan, where demand fell off sharply from the heights reached in early 2014 ahead of the increase in the VAT rate.
- ▶ The South American radial and bias replacement market contracted by 8% overall and to a greater extent in Brazil, in a challenging economic environment.

SPECIALTY TIRES

- **Earthmover tires:** the mining tire market contracted significantly for the second year in a row, as operators further reduced inventory and used fewer tires due to production scale-backs and productivity gains.

OE demand ended the year down in the mature markets (despite a turnaround in the fourth quarter) and fell sharply in China.

Demand for tires used in infrastructure and quarries increased in the mature markets, led by North America.

- **Agricultural tires:** although OE demand leveled off in the fourth quarter, it ended the year down sharply in the mature markets, dampened by lower farm commodity prices and extensive replacement sales of farm machinery in recent years. Replacement demand also softened in the mature markets for the same reasons.
- **Two-Wheel tires:** the motorcycle and scooter tire markets improved in both mature and emerging geographies.
- **Aircraft tires:** demand in the commercial aviation segment continued to grow, led by the increase in passenger traffic.

2015 NET SALES AND RESULTS

NET SALES

Net sales stood at €21,199 million for the year, up 8.4% from 2014 due to the combined impact of the following main factors:

- A €624 million increase from the 3.2% growth in volumes, which outpaced the market.
- The €687 million or 3.4% negative effect of changes in the price mix. Price adjustments reduced net sales by €715 million, of which one third corresponded to the application of indexation clauses based on raw materials prices. The mix effect was positive at

€28 million, reflecting the still highly favorable product mix, less the adverse impact of i) the geographic mix; ii) the relative increase in sales of entry-level tires and original equipment fittings; and iii) the decline in Earthmover tire sales.

- A €256 million increase from the consolidation of Sascar, the Brazilian leader in digital fleet management, German wholesaler Ihle and Blackcircles.com, the UK's leading online tire retailer.
- A €1,453 million increase from the currency effect.

RESULTS

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

Operating income before non-recurring items reflected the €231 million increase from volume growth and the net impact of actively managing the price mix, which was a negative €687 million given the €594 million positive impact from lower raw materials costs.

Note that the Group was able to continue leveraging the favorable effect of currency movements, adding €437 million in a particularly competitive marketplace shaped by overcapacity in Asia and falling raw materials prices. Operating income also reflected the expected increase in depreciation and amortization expense, to €148 million. Lastly the €261 million in gains from the ongoing competitiveness plan helped to offset, as forecast, the €271 million increase in production costs and overheads.

Net income came in at €1,163 million.

NET FINANCIAL POSITION

Free cash flow rose by €243 million over the year to **€965 million** before acquisitions. A total of €312 million was committed to acquisitions, in particular to form a joint venture with Barito Pacific Group to produce eco-responsible natural rubber in Indonesia and to acquire all outstanding shares of Blackcircles.com and 90% of Livebooking Holdings (BookaTable). In addition, capital expenditure totaled €1,804 million for the year.

Taking into account free cash flow, €312 million in acquisitions, €451 million in share buybacks and the issuance of €802 million in 7-year, 12-year and 30-year bonds, **gearing stood at 11%** at December 31, 2015, corresponding to net debt of €1,008 million, compared with 7% and €707 million at December 31, 2014.

In 2015, after-tax return on capital employed (ROCE), at 12.2%, created value, compared to Group's weighted average cost of capital. In 2016, Michelin aims at an after-tax ROCE in excess of 11%.

SEGMENT INFORMATION

	Net sales		Operating income before non-recurring items		Operating margin before non-recurring items	
(in € millions)	2015	2014	2015	2014	2015	2014
Passenger car/Light truck tires & related distribution	12,028	10,498	1,384	1,101	11.5%	10.5%
Truck tires & related distribution	6,229	6,082	645	495	10.4%	8.1%
Specialty businesses	2,942	2,973	548	574	18.6%	19.3%
CONSOLIDATED TOTAL	21,199	19,553	2,577	2,170	12.2%	11.1%

Passenger car/Light truck tires & related distribution

Net sales in the Passenger car/Light truck tires & related distribution segment rose by 14.6% in 2015, to €12,028 million from €10,498 million the year before.

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

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

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

Truck tires & related distribution

Net sales in the Truck tires & related distribution segment stood at €6,229 million, versus €6,082 million in 2014.

Operating income before non-recurring items came to €645 million or 10.4% of net sales, compared with the €495 million and 8.1% reported a year earlier.

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

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

Specialty businesses

Net sales by the Specialty businesses stood at €2,942 million for the year, virtually unchanged from the €2,973 million reported in 2014.

Operating income before non-recurring items amounted to €548 million or 18.6% of net sales, versus the €574 million and 19.3% reported the year before.

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

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

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin ended the year with net income of €590 million, compared with €555 million in 2014.

The financial statements were presented to the Supervisory Board at its meeting on February 11, 2016. An audit was performed and the auditors' report was issued on February 15, 2016.

The Chief Executive Officer will call an Annual Shareholders Meeting on Friday, May 13, 2016 at 9:00 am in Clermont-Ferrand.

He will ask shareholders to approve the payment of a dividend of €2.85 per share, compared with €2.50 in respect to the previous year.

2015 HIGHLIGHTS

- ▶ Michelin North America releases 16 new sizes of the BFGoodrich All-Terrain T/A KO2 tire (March 2, 2015).
 - ▶ Michelin earns "Supplier of the Year" and "Innovation of the Year" awards from Deere & Company (March 10, 2015).
 - ▶ Michelin acquires a 40% stake in Allopneus SAS for €60 million (April 14, 2015).
 - ▶ Michelin is named "Supplier of the Year" by Boeing (April 16, 2015).
 - ▶ Michelin announces a €750 million share buyback program to be carried out over a period of 18 to 24 months (April 22, 2015).
 - ▶ MICHELIN CrossClimate, the first summer tire certified for winter use, is introduced in European markets (May 2015).
 - ▶ Michelin acquires all outstanding shares of Blackcircles.com for £50 million (May 6, 2015).
 - ▶ Michelin and Barito Pacific Group create a joint venture to produce eco-responsible natural rubber. At the same time, Michelin joins with the WWF to promote sustainable natural rubber industry practices and to carry out several projects aimed at protecting and restoring the fauna and flora in the regions concerned (May 18, 2015).
 - ▶ Michelin successfully places a bond issue comprising a €300 million 7-year tranche and a €300 million 12-year tranche (May 19, 2015).
 - ▶ Michelin launches MEMS (Michelin Earthmover Management System) Evolution3, an advanced tire-related data sensing and transmission system (June 15, 2015).
 - ▶ Michelin acquires Meyer Lissendorf, a major car tire wholesaler in Germany (July 30, 2015).
 - ▶ Michelin and Fives partner to create Fives Michelin Additive Solutions to become a leader in metal 3D printing (September 7, 2015).
 - ▶ DJSI World ranks Michelin number one in the automotive equipment sector for its sustainable development policy (September 22, 2015).
 - ▶ €209 million 30-year bond issue successfully placed (September 28, 2015).
 - ▶ Global launch of Michelin Tire Care, the first suite of digital and connected solutions for trucking companies, designed to maximize vehicle uptime and cost control (October 5, 2015).
 - ▶ Operations in the United Kingdom, Italy and Germany reorganized (November 3, 2015).
 - ▶ Market trends lead Michelin to suspend its Earthmover tire facility project in India (November 3, 2015).
 - ▶ Cancellation of 4,961,534 treasury shares bought back in 2015, representing 2.66% of issued capital (December 2015).
 - ▶ New tranche of the share buyback program launched (January 8, 2016).
 - ▶ Acquisition of BookaTable makes Michelin the European leader in online restaurant booking services (January 11, 2016).
- A full description of 2015 highlights may be found on the Michelin website: <http://www.michelin.com/eng>.

PRESENTATION AND CONFERENCE CALL

Full-year 2015 results will be reviewed with analysts and investors during a presentation today, Tuesday February 16, at 11:00 am CET. The event will be in English, with simultaneous interpreting in French.

Webcast

The presentation will be webcast live on www.michelin.com/eng.

Conference call

Please dial-in one of the following numbers from 10:50 am CET:

- ▶ In France 01 70 77 09 19 (French)
- ▶ In France 01 70 77 09 38 (English)
- ▶ In the United Kingdom (0) 203 367 9453 (English)
- ▶ In North America +1 855 402 7761 (English)
- ▶ From anywhere else +44 (0) 203 367 9453 (English)

The presentation of financial information for 2015 may also be viewed at <http://www.michelin.com/eng>, along with practical information concerning the conference call.

INVESTOR CALENDAR

- ▶ **Quarterly information for the three months ending March 31, 2016:** Wednesday, April 20, 2016 after close of trading
- ▶ **First-half 2016 net sales and results:** Tuesday, July 26, 2016 before start of trading

Investor Relations

Valérie Magloire

+33 (0) 1 78 76 45 37
+33 (0) 6 76 21 88 12 (cell)
valerie.magloire@fr.michelin.com

Matthieu Dewavrin

+33 (0) 4 73 32 18 02
+33 (0) 6 71 14 17 05 (cell)
matthieu.dewavrin@fr.michelin.com

Humbert de Feydeau

+33 (0) 4 73 32 68 39
+33 (0) 6 82 22 39 78 (cell)
humbert.de-feydeau@fr.michelin.com

Media Relations

Corinne Meutey

+33 (0) 1 78 76 45 27
+33 (0) 6 08 00 13 85 (cell)
corinne.meutey@fr.michelin.com

Individual shareholders

Jacques Engasser

+33 (0) 4 73 98 59 08
jacques.engasser@fr.michelin.com

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 www.michelin.com/eng website.

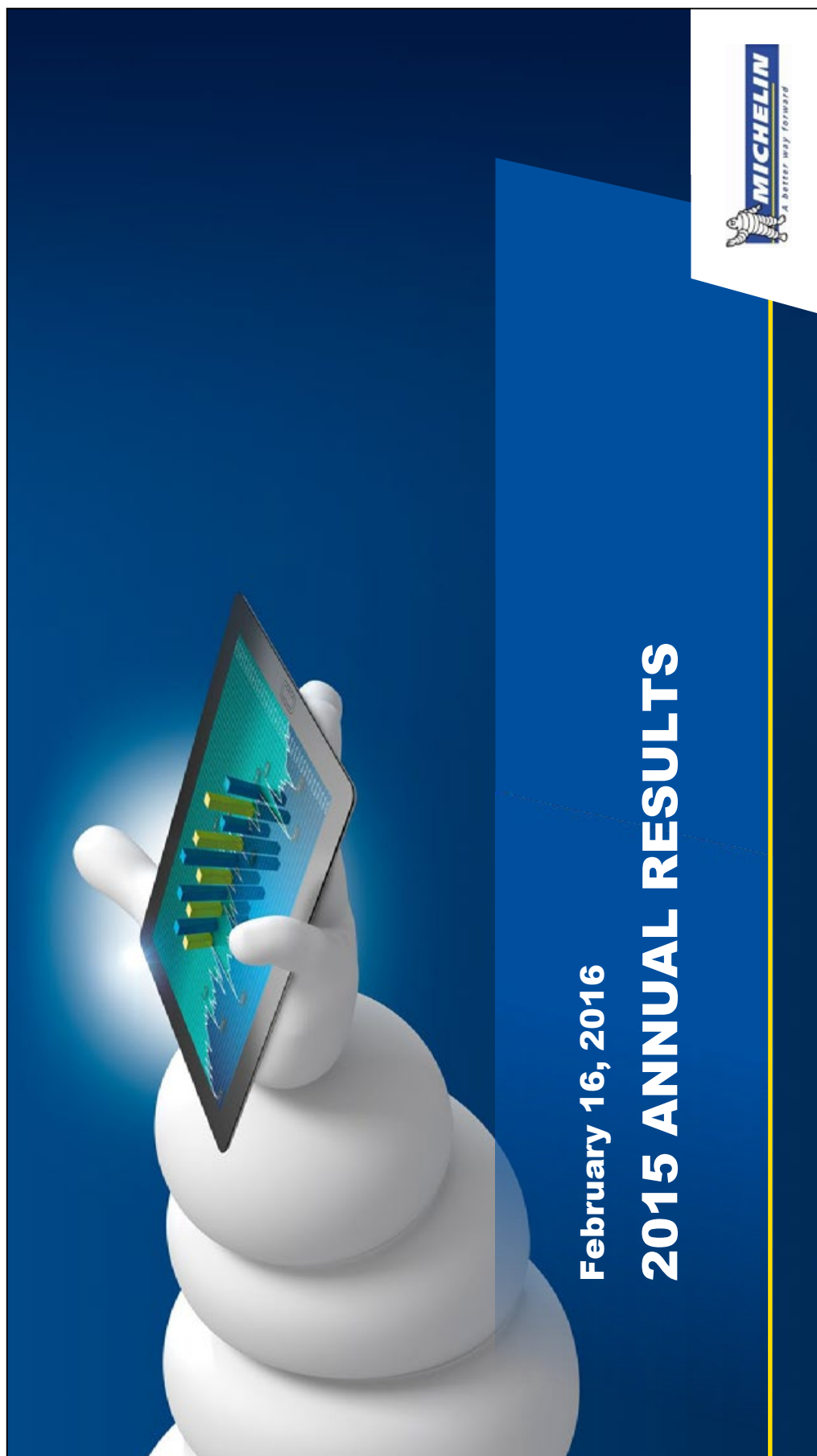
This press release may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as at the time of publishing this document, they are by nature subject to risks and contingencies liable to translate into a difference between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

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SLIDESHOW

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€2,577m operating income before non-recurring items, up €407m, and FCF before acquisitions of nearly €1bn

- Volumes up 3.2%, outpacing the market, especially in Passenger Car (up 6.7%)
- Strong free cash flow before acquisitions, at €965m considering €1,804m Capex lowered from 2014
- Significantly improving operating margin with a high H2 (12.3%) particularly for:
 - The price mix/raw materials effect added €105m in H2, as expected
- €261m in competitiveness plan gains, offsetting inflation
- 2.7% of outstanding shares bought back and canceled, for €451m
- Dividend of €2.85*/share, up 14% compared with 2014, for a 37% payout



* Subject to shareholder approval at the May 13, 2016 Annual Meeting

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2015 ANNUAL RESULTS – February 16, 2016

Guidance 2016

	2016
Volumes	Growth at least in line with the markets
EBIT before NR and at constant exchange rates	> 2015
Structural FCF	> €800m



New operating margin guidance* for 2016-2020

	RS1 	RS2 	RS3  
Previous target ranges	Between 10% and 12%	Between 7% and 9%	Between 20% and 24%
2016-2020 target ranges**	Between 11% and 15%	Between 9% and 13%	Between 17% and 24%

* Before non-recurring items

** At constant scope of consolidation and raw materials prices, and with markets expanding by a CAGR of 2.5% in PC tires and of 1.5% in Truck tires

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February 16, 2016

2015 ANNUAL RESULTS



- 1 / 2015: sustained growth delivering record-high margins and FCF**
- 2 / 2010-2015: a stronger Group**
- 3 / 2016 guidance**

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February 16, 2016

2015 ANNUAL RESULTS



1 / 2015: sustained growth delivering record-high margins and FCF

6 2015 ANNUAL RESULTS – February 16, 2016



Markets in 2015: on the rise in mature geographies, China and India



PASSENGER CAR: +2%

Global OE: +2%
Global RT: +3%

- Robust demand in Western Europe, North America, China and India.
- Down in the rest of the world.



TRUCK: -2%

Global OE: -7%
Global RT: -1%

- Growth in Western Europe, North America and India.
- Contraction in emerging markets.



SPECIALTY: -6%

Mining: -8%
Earthmover OE & Infra: +1%*
Agricultural: -8%*
Two-Wheel: +2%**
Aircraft: +4%***

* Europe & North America
** Motorcycle tires in Europe, USA, Japan
*** Commercial aircraft



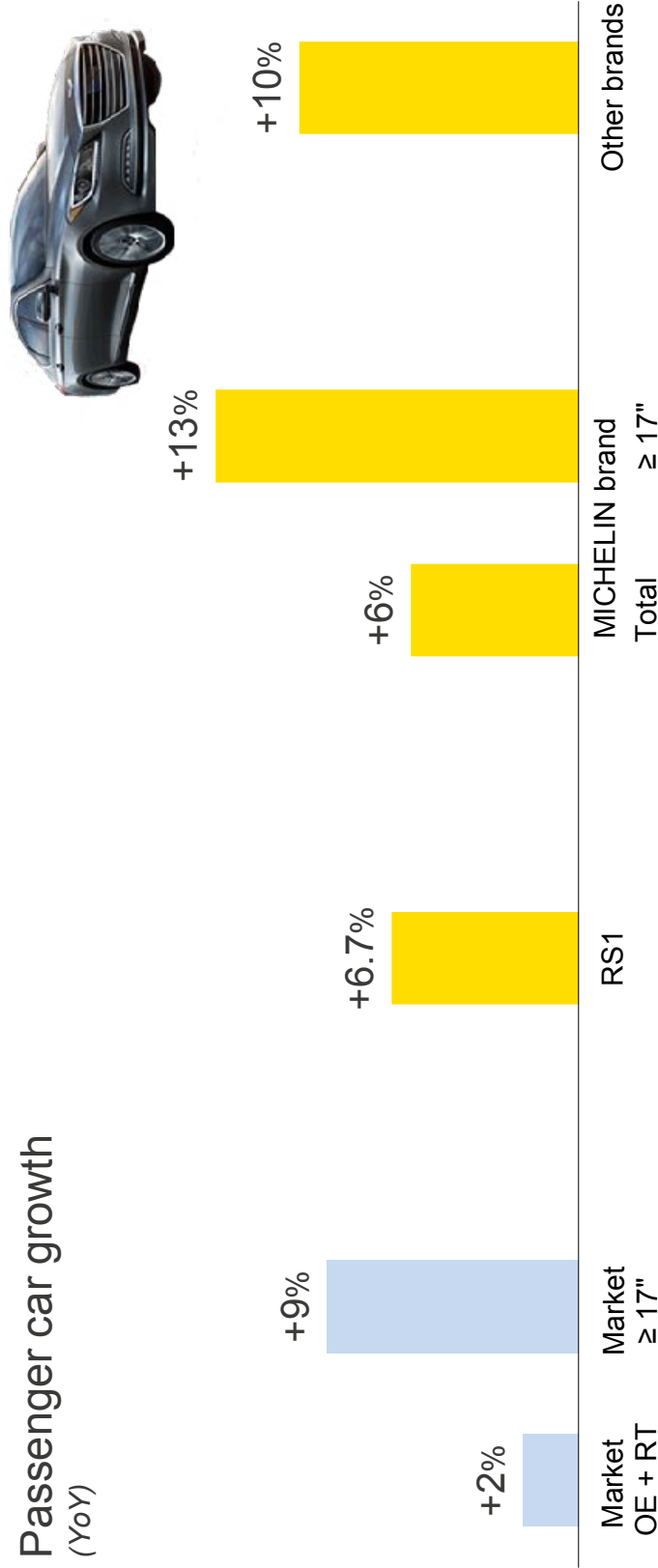
Over-market growth in every business segment

	2015
RS1 tonnages Passenger car tire markets	+6.7% +2%
RS2 tonnages Truck tire markets	+0.3% -2%
RS3 tonnages Specialty tire markets	-4.0% -6%



Passenger car: strong growth in all brands and segments

▲ Passenger car growth (YoY)

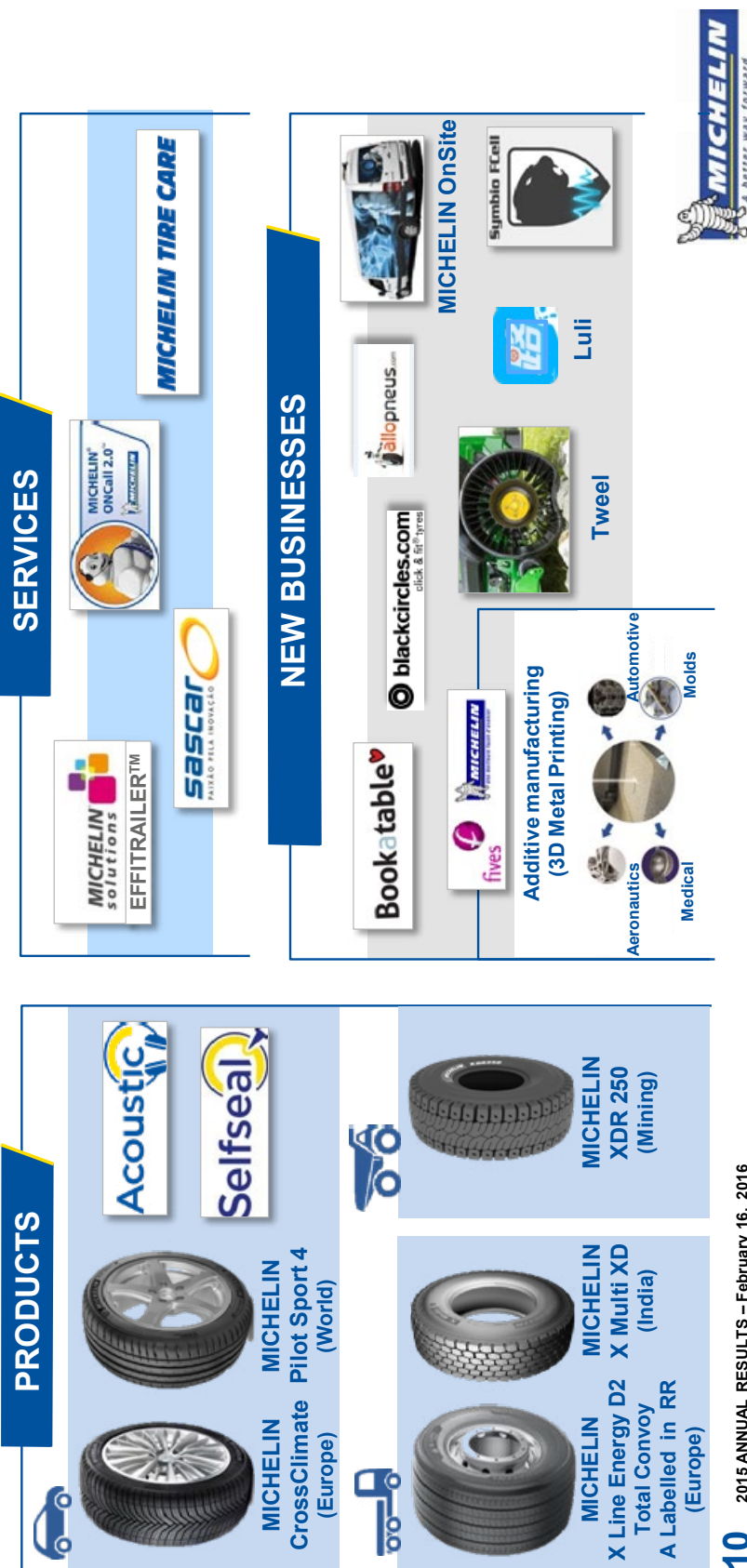


Source: Michelin

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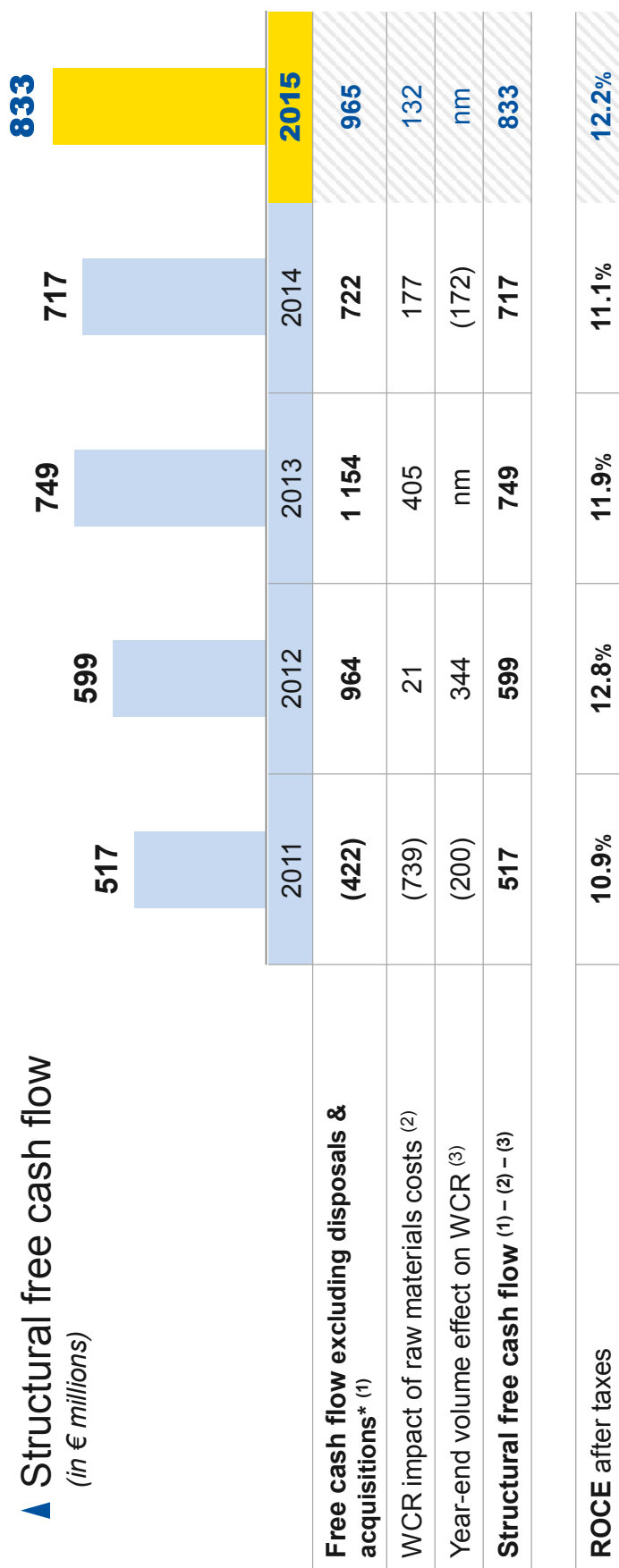
Boosting innovations to catch profitable growth



10 2015 ANNUAL RESULTS – February 16, 2016

A business that structurally generates Free Cash Flow

▲ Structural free cash flow (in € millions)



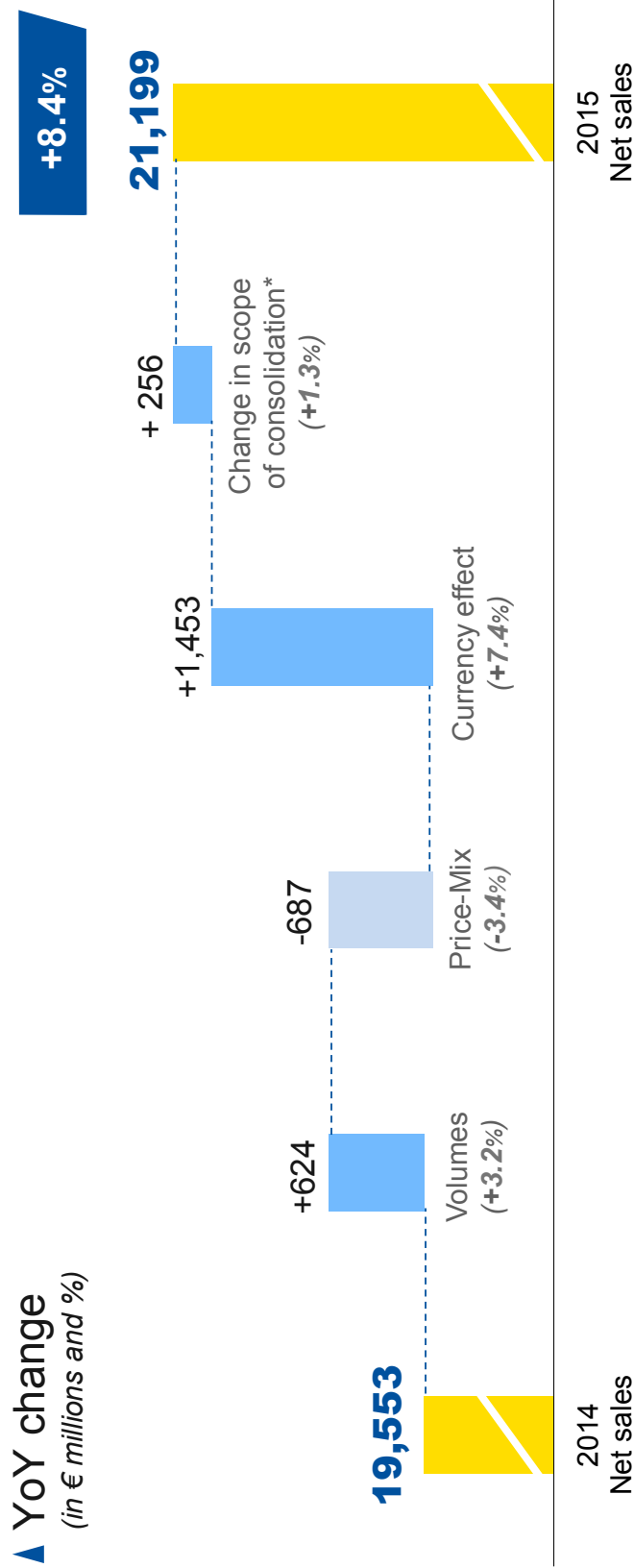
* Disposals in 2011-2012; Acquisitions in 2014-2015

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2015 ANNUAL RESULTS – February 16, 2016



Net sales lifted by higher volumes and favorable exchange rates



* Sascar, Ihle, Blackcircles

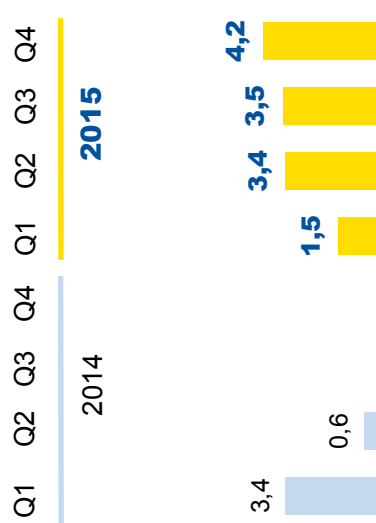
12 2015 ANNUAL RESULTS – February 16, 2016



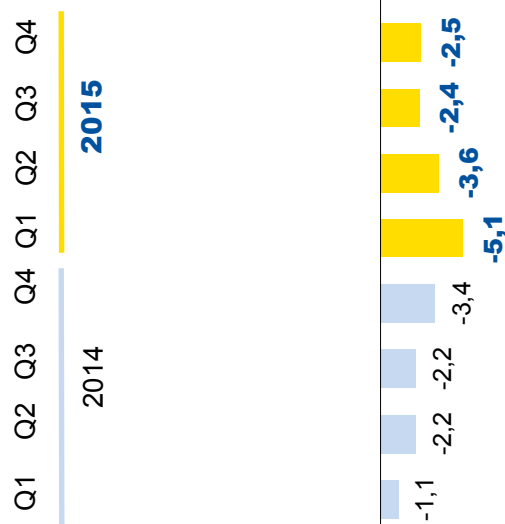
Accelerating growth and a declining currency effect

▲ YoY quarterly change (in %)

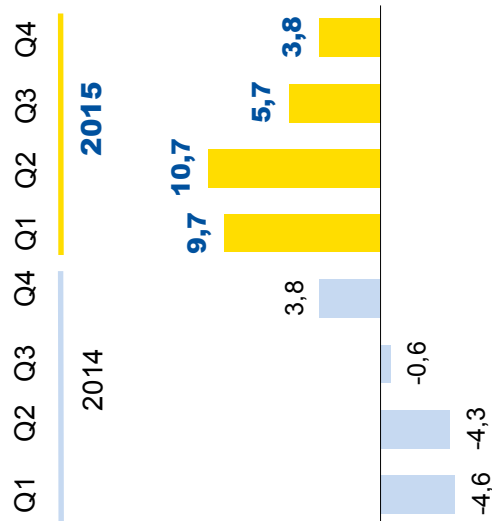
Volumes



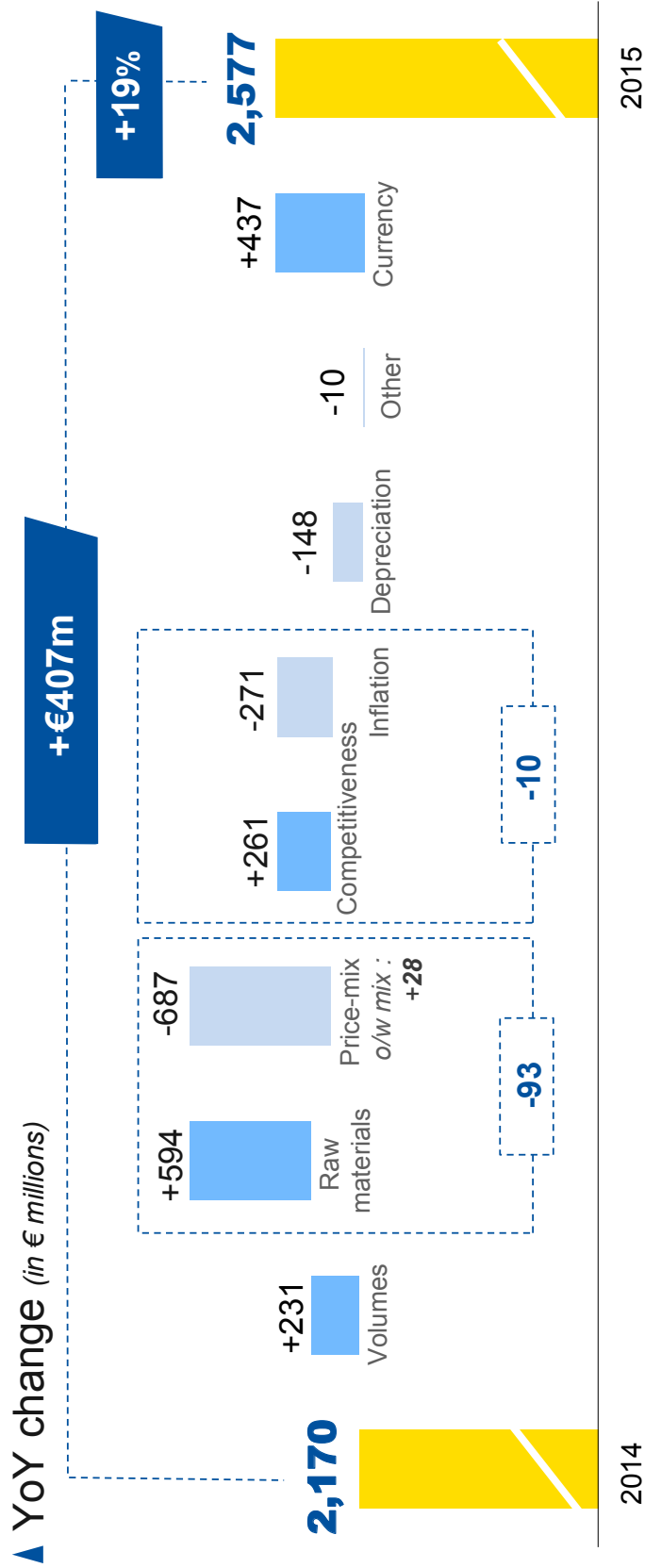
Price-Mix



Currency effect



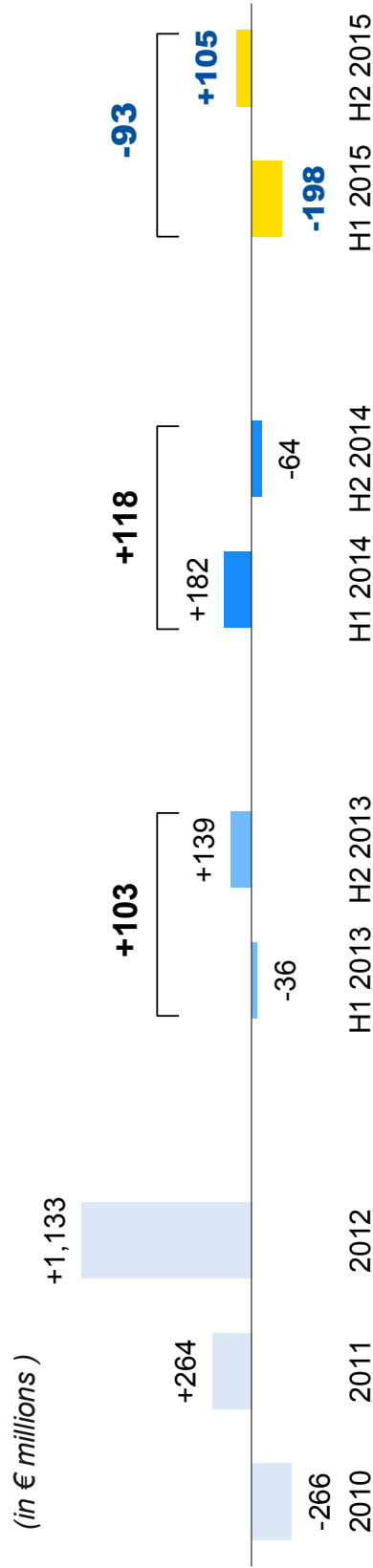
Operating income before non-recurring items up €407m o/w €304m in H2 led by volume growth, price management, cost discipline and favorable exchange rates



14 2015 ANNUAL RESULTS – February 16, 2016

Effective management of pricing policy over time : aggregated net positive impact of more than €1,2bn since 2010




▲ Net effect of price mix and raw materials prices



- 2015: net impact of changes in price, mix and raw materials costs was a negative €116m for indexed businesses and a positive €23m for the other businesses



Historically high margins for RS1 and RS2 and firm resilience in RS3

	2015	2014	% change
<i>(in € millions)</i>			
 RS1 Net sales Operating profit* Operating margin*	12,028 1,384 11.5%	10,498 1,101 10.5%	+14.6% +25.7% +1 pt
 RS2 Net sales Operating profit* Operating margin*	6,229 645 10.4%	6,082 495 8.1%	+2.4% +30.6% +2.3 pts
 RS3 Net sales Operating profit* Operating margin*	2,942 548 18.6%	2,973 574 19.3%	-1% -4.5% -0.7 pts

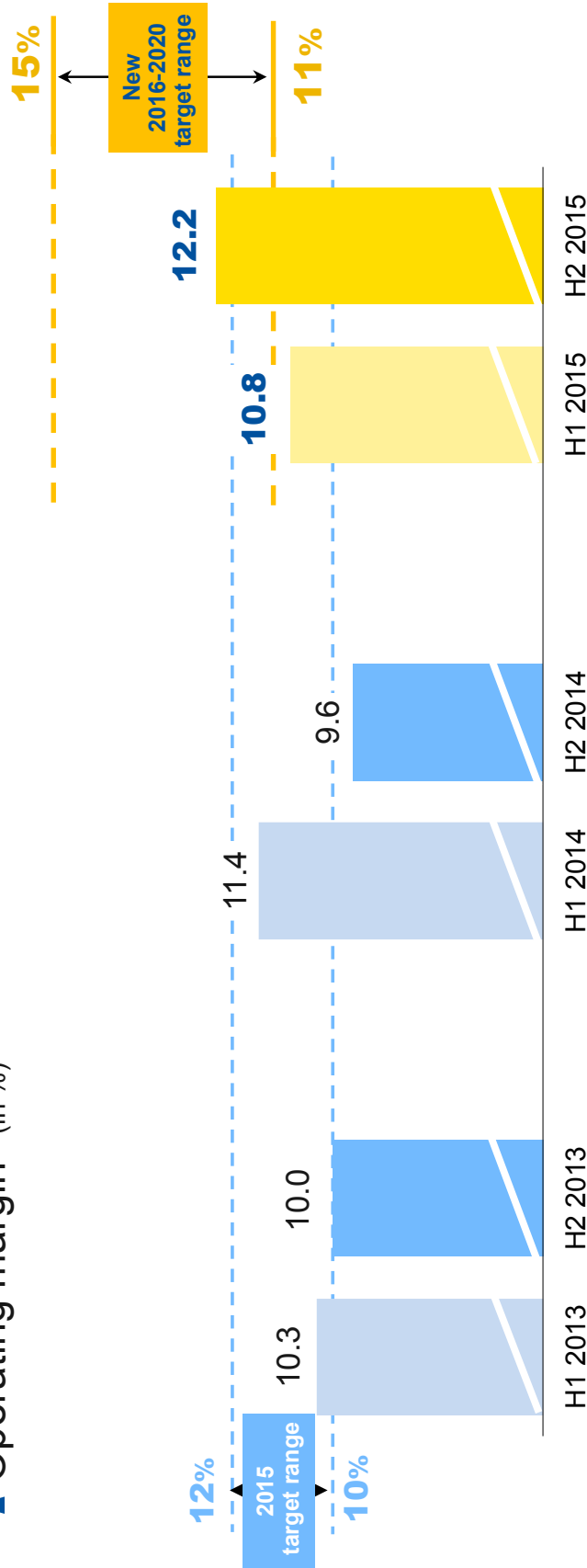
* Before non-recurring items

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Passenger car: H2 2015 operating margin exceeded 2015 target range

▲ Operating margin* (in %)

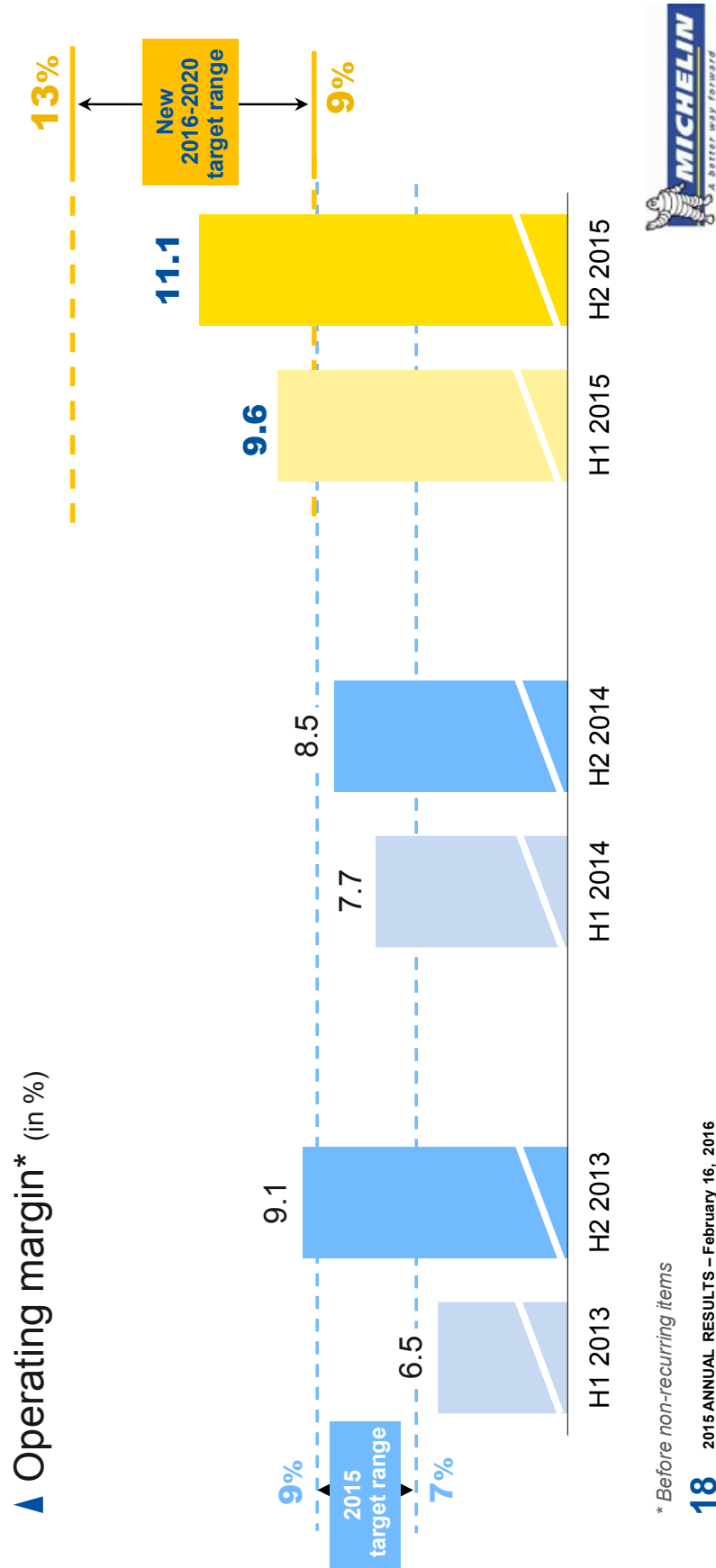


* Before non-recurring items

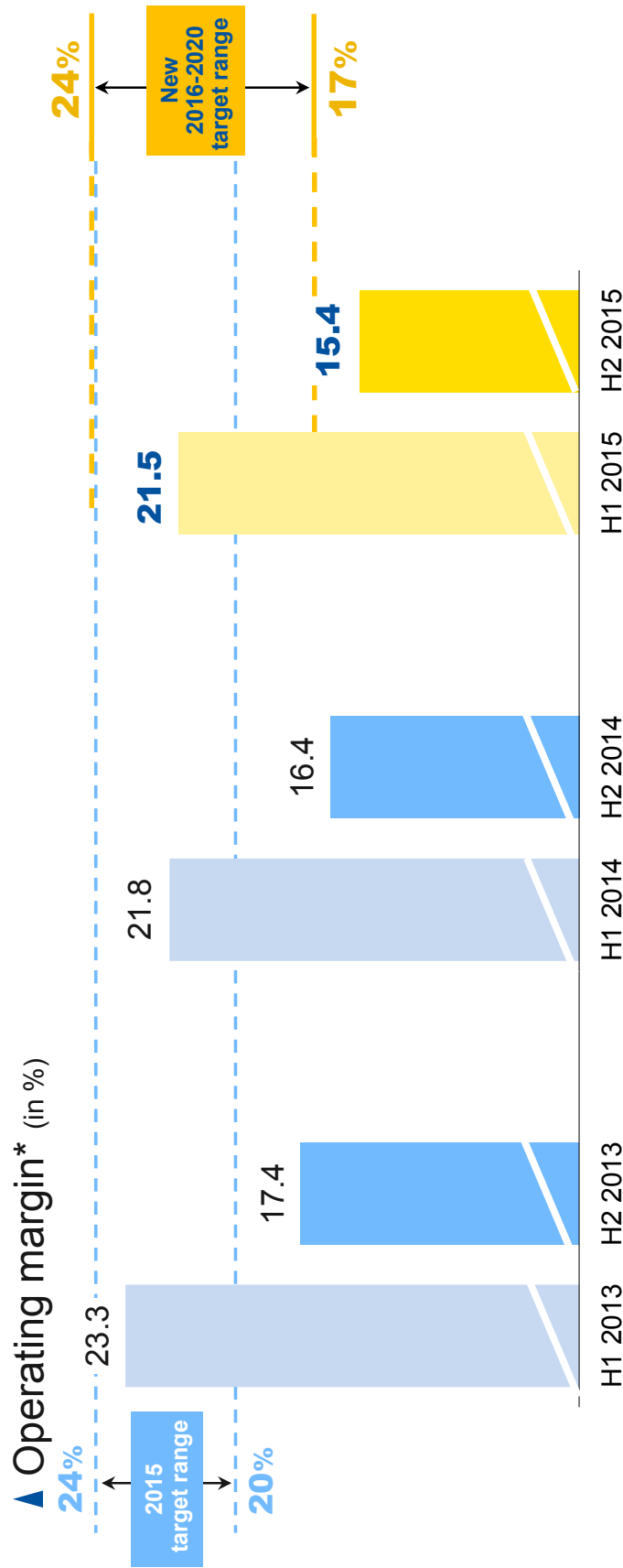
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Truck: FY operating margin exceeded 2015 target range



Specialty tires: H2 2015 operating margin shaped by the usual seasonal trends and by raw materials costs



* Before non-recurring items

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Faster gains from the competitiveness plan in H2, to end the year at €261m, in line with the objective

	SG&A	Materials	Manufacturing & Transports	Total
2012-2016* Objective	-€300m / -€400m	-€200m / -€300m	-€600m / -€700m	-€1,200m
Achieved at end 2015	-€421m	-€149m	-€394m	-€964m
Enablers	<ul style="list-style-type: none"> Efficiency program OPE Shared Service Centers Simplification 	<ul style="list-style-type: none"> New lines New materials Scrap process materials 	<ul style="list-style-type: none"> Best practices (MMW) Standardization Flexibility Footprint optimization 	

* Before inflation and including avoided costs

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More than €250m in annual productivity gains from the 2013-2015 industrial reorganization projects

(in € millions)	2013	2014	2015	2016e	2017e	2018e	2019e	
								Total non-recurring expense
Non-recurring cost	(250)	(84)	(275)	0	0	0	0	(609)
								Following Years
Productivity	0	+54	+71	+123	+155	+203	+244	+254



Investing to create value

▲ Succeed in our priority Capex and M&A investment to capture growth

- In the supply chain, to improve customer services (IS, logistics centers)
- In growing markets: PC premium tires, North America, Asia
- In Digital services
- In raw materials and semi-finished products

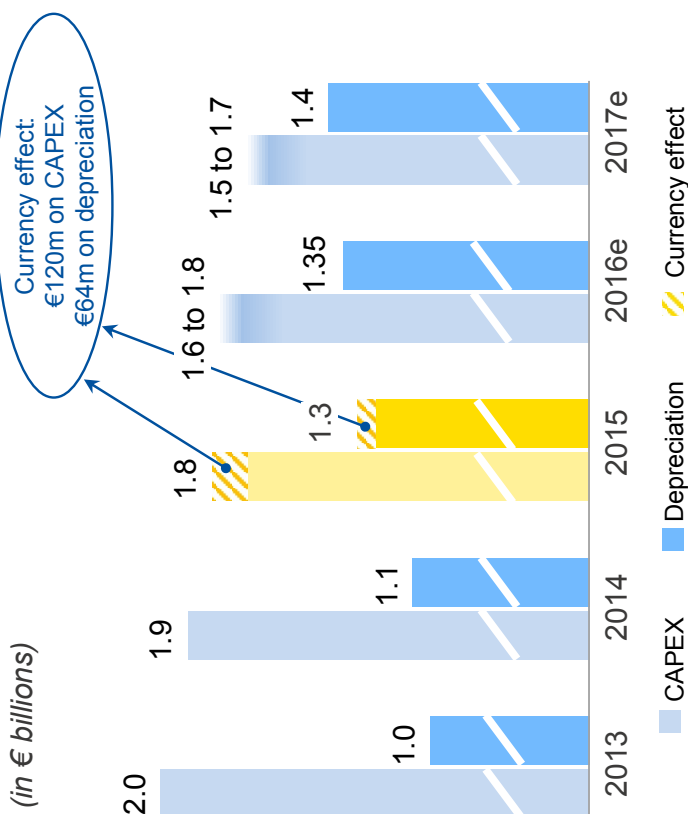


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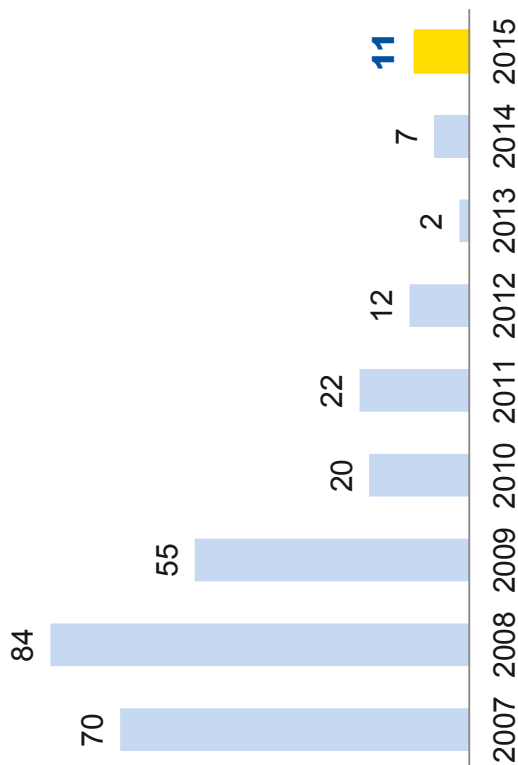
▲ Reducing the gap between capital expenditure and depreciation

(in € billions)



Balance sheet still robust after acquisitions and share buybacks, greeted by the rating agencies

▲ Gearing – Net debt/Equity (in %)



▲ S&P raised our Long term Debt rating

Short term	S&P Moody's	A-2 P-2
Long term	S&P Moody's	A- A3
Outlook	S&P Moody's	Stable Stable



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2015 ANNUAL RESULTS



2 / 2010-2015: a stronger Group

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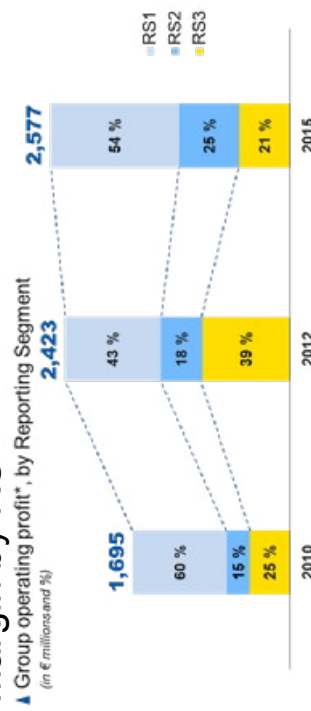


A stronger Group

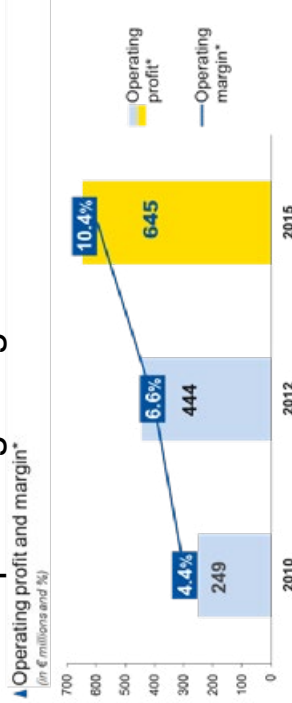
● RS1 volume growth



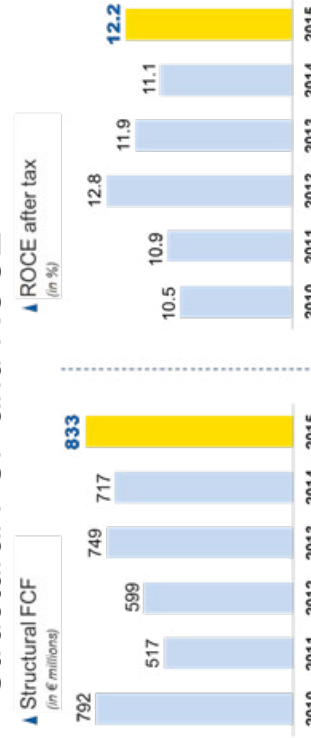
● Margin by RS



● RS2 operating margin



● Structural FCF and ROCE

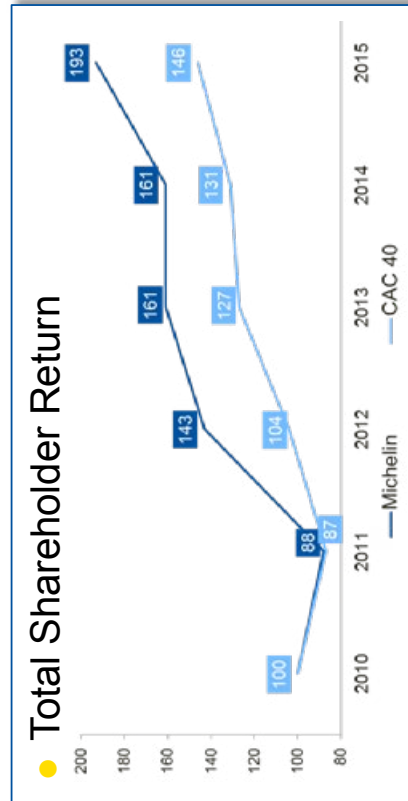
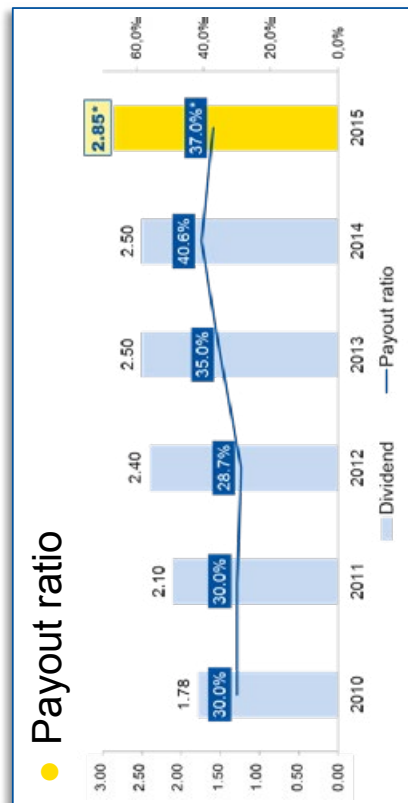


* Before non-recurring items

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2015-2016 Shareholder return: €981m dividend and €750m share buyback

- Earnings per share of €6.28, up 14% on 2014
- Dividend of €2.85*/share and payout of 37% of net income before non-recurring items
- €750m share buyback plan
 - Number of shares repurchased and cancelled in 2015: 4,961,534 shares or 2.7% of capital
 - €451m committed in 2015 and a new €150m tranche launched in January 2016
 - €20m committed in 2016 to date



* Submitted to shareholders for approval at the May 13, 2016 Annual Meeting
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3 / 2016 guidance



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2016 market outlook



PASSENGER CAR: +2%/+3%

Growth in line with long-term trends (CAGR \approx 2.5%)

- Faster growing demand in Western Europe, North America and China.



TRUCK: +0%/+2%

Slight growth of the worldwide demand

- Markets expanding in Western Europe and continuing to trend upwards in the North American replacement segment.



SPECIALTY: -2%/-5%

Earthmover and Agricultural markets impacted by commodity prices

- Mining: weaker demand and last year of destocking.
- Earthmover OE*: trending downwards.
- Agricultural OE*: stable to weak.

* Europe & North America



Guidance 2016

	2016
Volumes	Growth at least in line with the markets
EBIT before NR and at constant exchange rates	> 2015
Structural FCF	> €800m



2016 scenario based on January raw material prices





	2016
Raw materials	Around €400m tailwind
Net Price-mix vs Raw materials	Indexed businesses: negative Non indexed businesses: neutral
Competitiveness plan vs Inflation	Neutral

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New operating margin guidance* for 2016-2020

	 RS1	 RS2	  RS3
Previous target ranges	Between 10% and 12%	Between 7% and 9%	Between 20% and 24%
2016-2020 target ranges**	Between 11% and 15%	Between 9% and 13%	Between 17% and 24%

* Before non-recurring items

** At constant scope of consolidation and raw materials prices, and with markets expanding by a CAGR of 2.5% in PC tires and of 1.5% in Truck tires

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The Power of New Products



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2016 Upcoming events

- **2016 Events:**
 - April, 20: Q1 Net Sales
 - May, 13: Annual Shareholders' Meeting
 - June, 8: Investor Day (Ladoux, France)
 - July, 26: H1 Results
 - October, 19: Q3 Net Sales
- **Dates related to 2015 dividend:**
 - May, 17: Ex Date
 - May, 18: Record date
 - May, 19: Payment date



February 16, 2016

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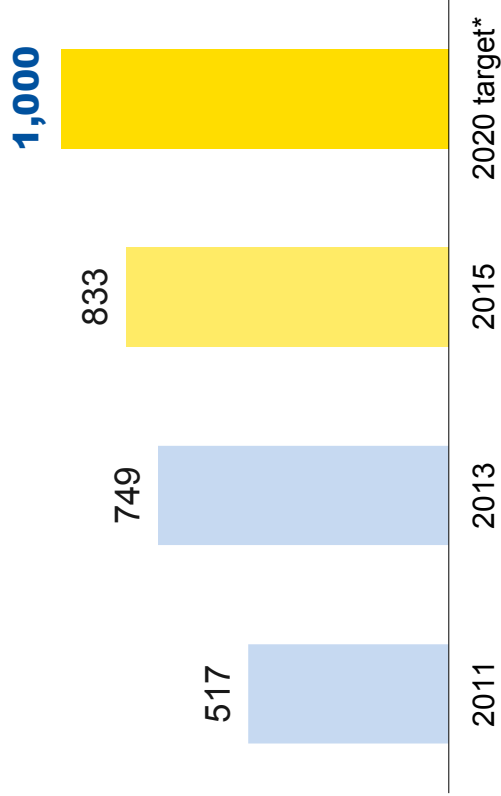


Appendices

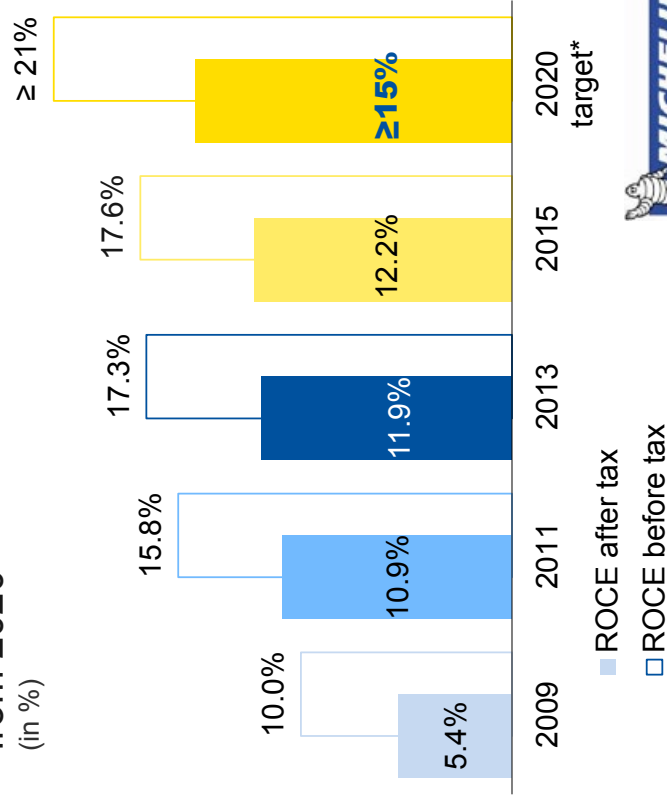
34 2015 ANNUAL RESULTS – February 16, 2016

2020: ambitious value creation targets

▲ Deliver a structural €1,000m Free cash flow from 2020*
(in € millions)



▲ Deliver a ROCE (after tax) ≥ 15% from 2020*
(in %)



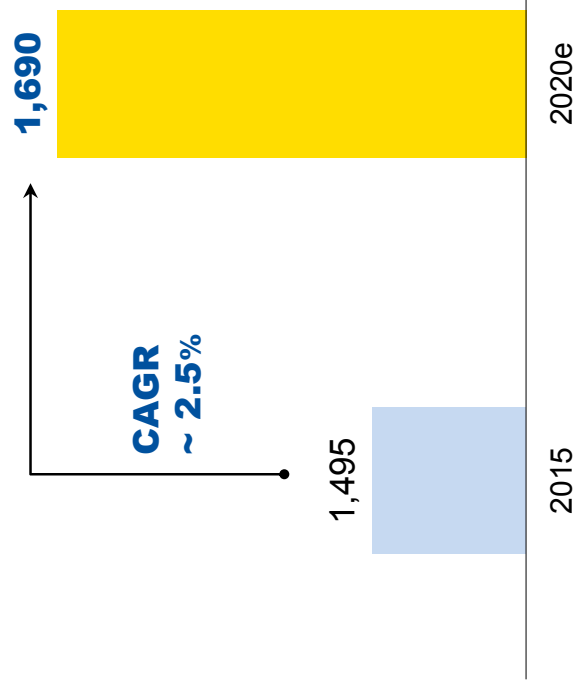
* At constant scope of consolidation

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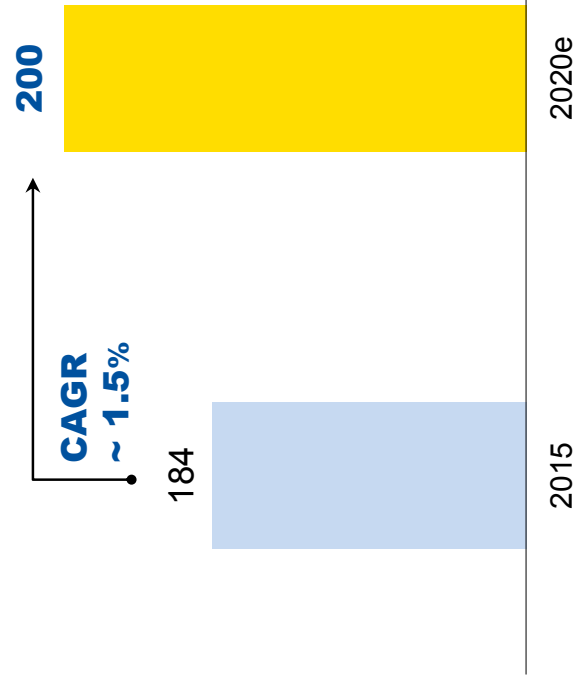


A growing worldwilde demand

▲ PC OE&RT market projection 2015-2020
(in millions units)



▲ TB OE&RT market projection 2015-2020
(Radial & Bias in millions units)



Source: Michelin

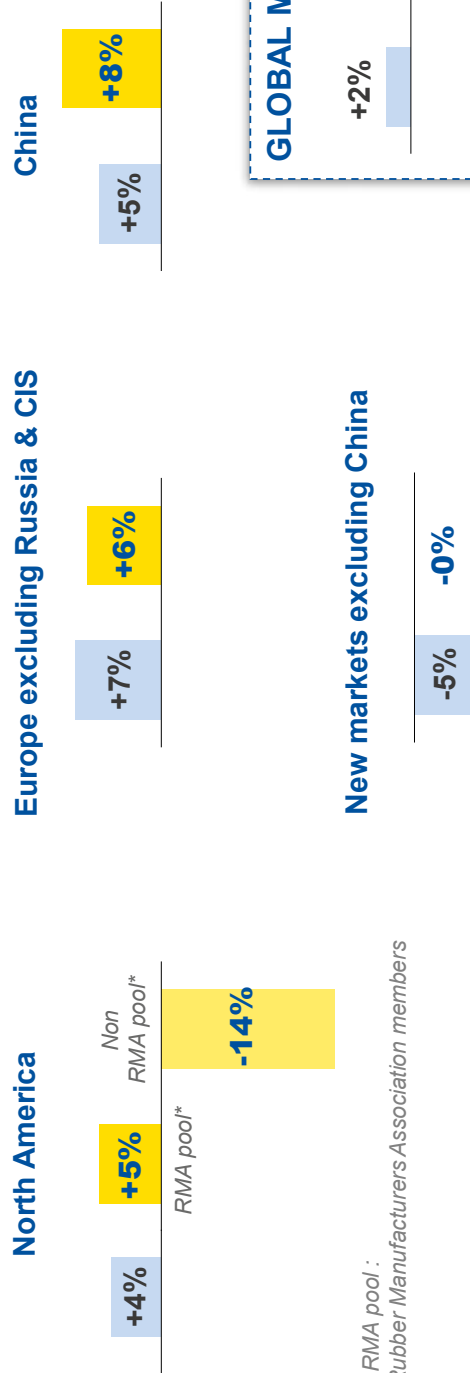
36 2015 ANNUAL RESULTS – February 16, 2016



PC: growth in mature countries with stable winter market in Europe, and sustained demand in China



▲ Passenger car market at December 31, 2015 (YoY in %, in number of tires)



* RMA pool :
Rubber Manufacturers Association members

Source: Michelin

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Truck tires: negative trend worldwide due to emerging markets while mature and Indian markets are growing

▲ Truck tires market at December 31, 2015
(YoY in %, in number of new tires)



North America Europe excluding Russia & CIS Africa India & Middle East (AIM)

+7% +4%

+11%

+7%

+16%

+1%

China New markets excluding China and AIM

-3%

-21%

-25%

-6%

GLOBAL MARKET

-1%

-7%

Source: Michelin

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2015 and 2014 financial highlights as reported

<i>(in € millions)</i>	2015	2014
Net sales	21,199	19,553
Operating profit (before non-recurring items)	2,577	2,170
Operating margin (before non-recurring items)	12.2%	11.1%
Non-recurring items	-370	-179
Net income	1,163	1,031
EBITDA (before non-recurring items)	3,934	3,286
Capital expenditure (excluding acquisitions)	1,804	1,883
Free cash flow before acquisitions*	965	722
Gearing	11%	7%
Employee benefit obligations	4,888	4,612
ROCE after tax	12.2%	11.1%
Earnings per share	6.28 €	5.52 €
Dividend per share	2.85 €**	2.50 €

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

** Submitted to shareholders for approval at the May 13, 2016 Annual Meeting

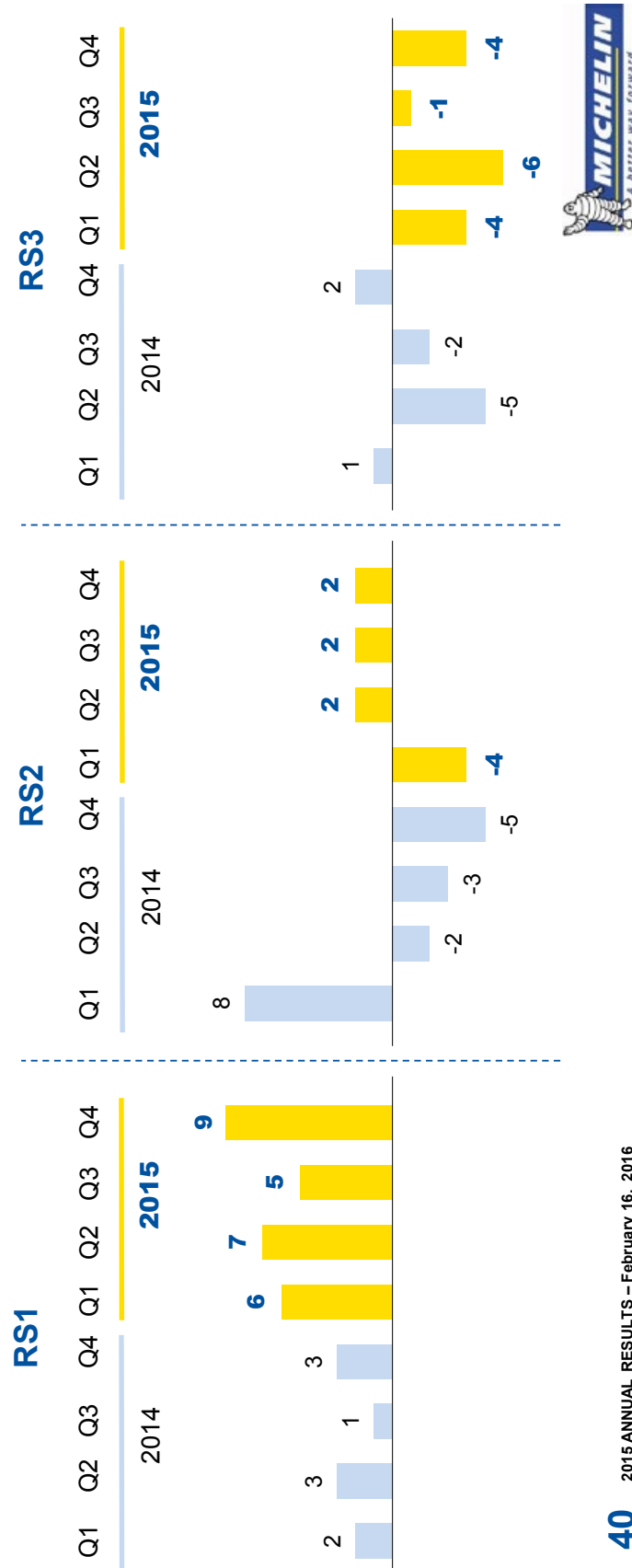
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Accelerating growth steered by Passenger car

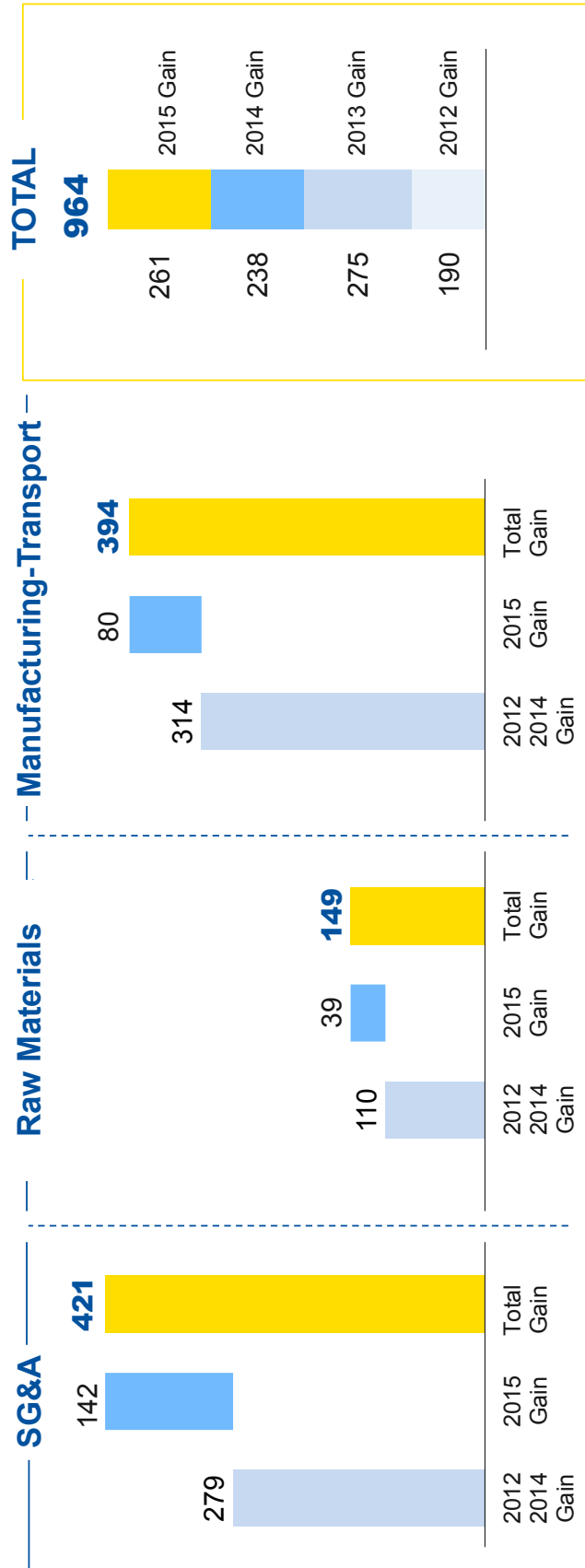
▲ YoY quarterly change
(in %)



40 2015 ANNUAL RESULTS – February 16, 2016

Competitiveness Plan: around €250m targeted in 2016

▲ Gain objectives* 2012-2016 = €1,200m

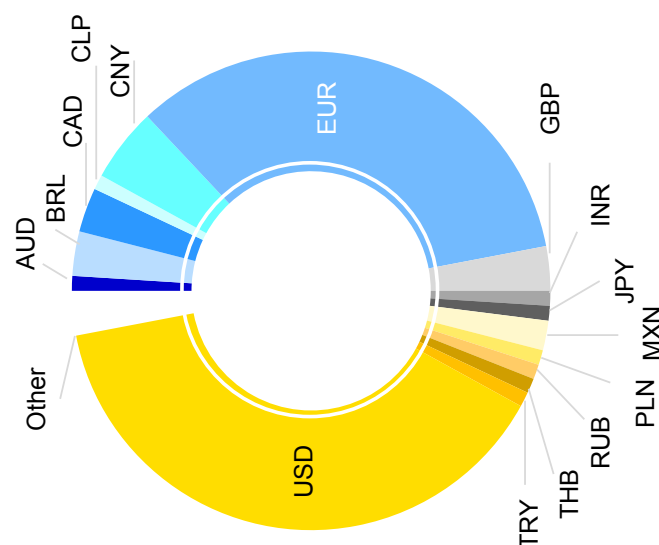


* Before inflation and including avoided costs

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2015 net sales by currency

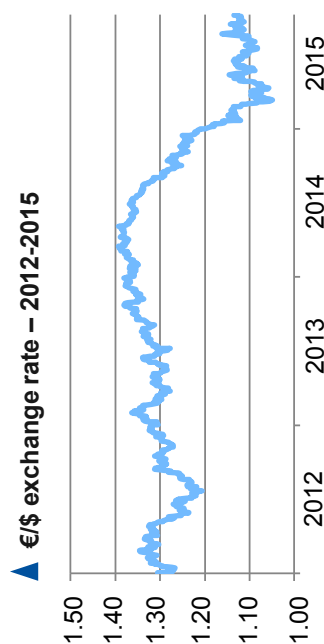


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EBIT sensitivity to €/€ exchange rate:

A one cent change in the average annual €/€ exchange rate would lead to a € 15-20 million change in EBIT for the year.

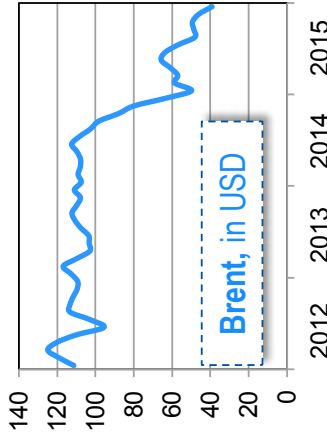
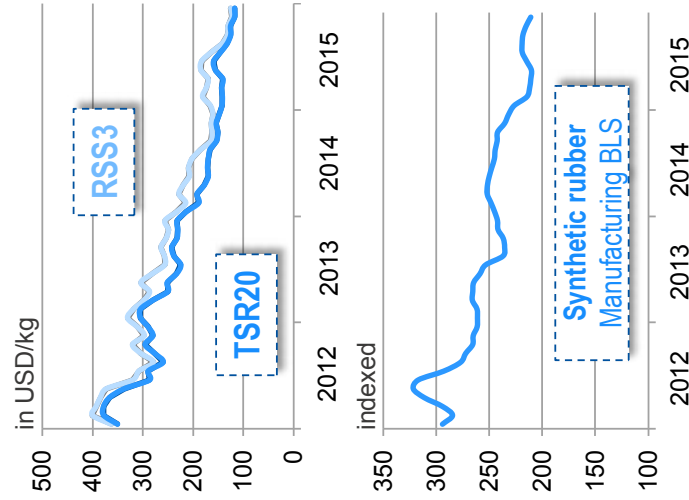
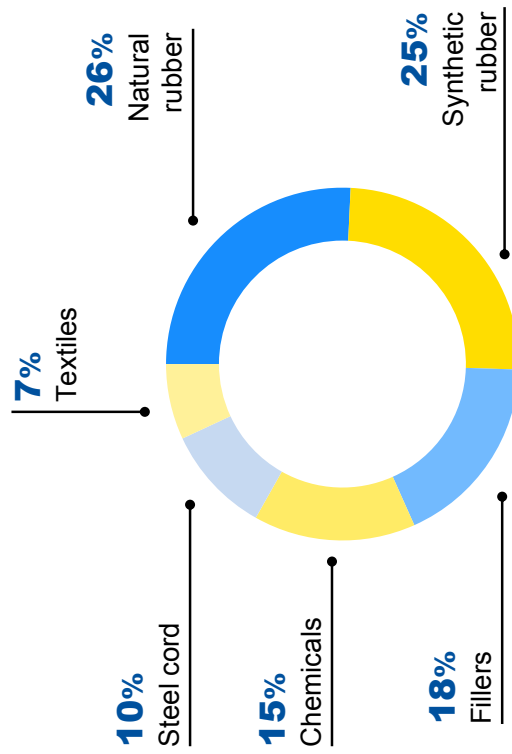


Source: ThomsonOne



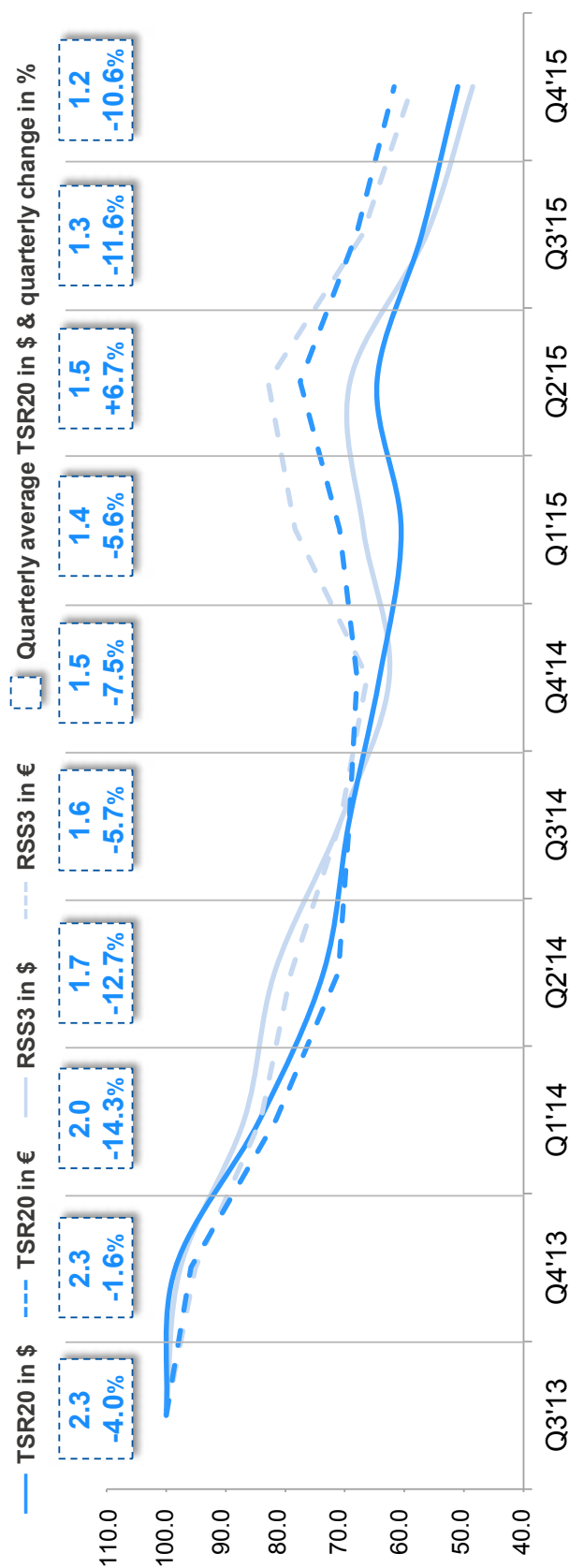
Raw materials trends in 2015

▲ Raw material purchases in 2015 (€4,711m)



Natural Rubber price trend

▲ At end of December 2015 (per kg, base 100 in Q3'13)



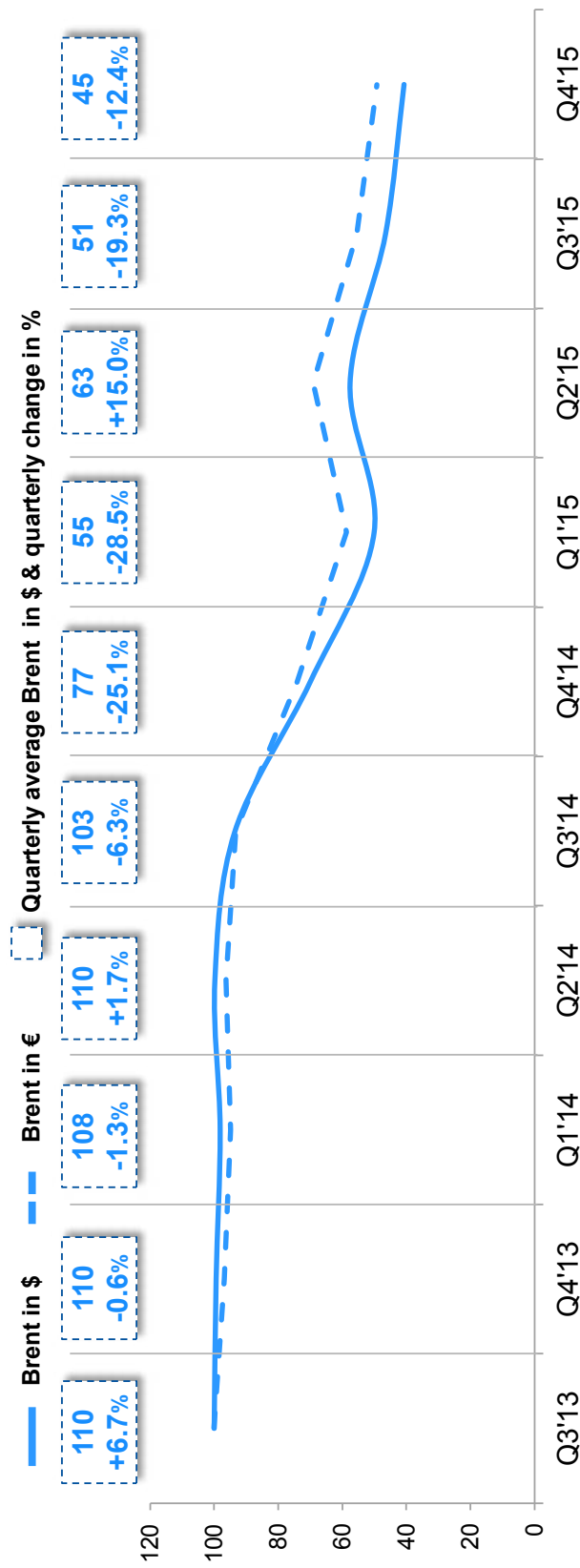
Source: SICOM

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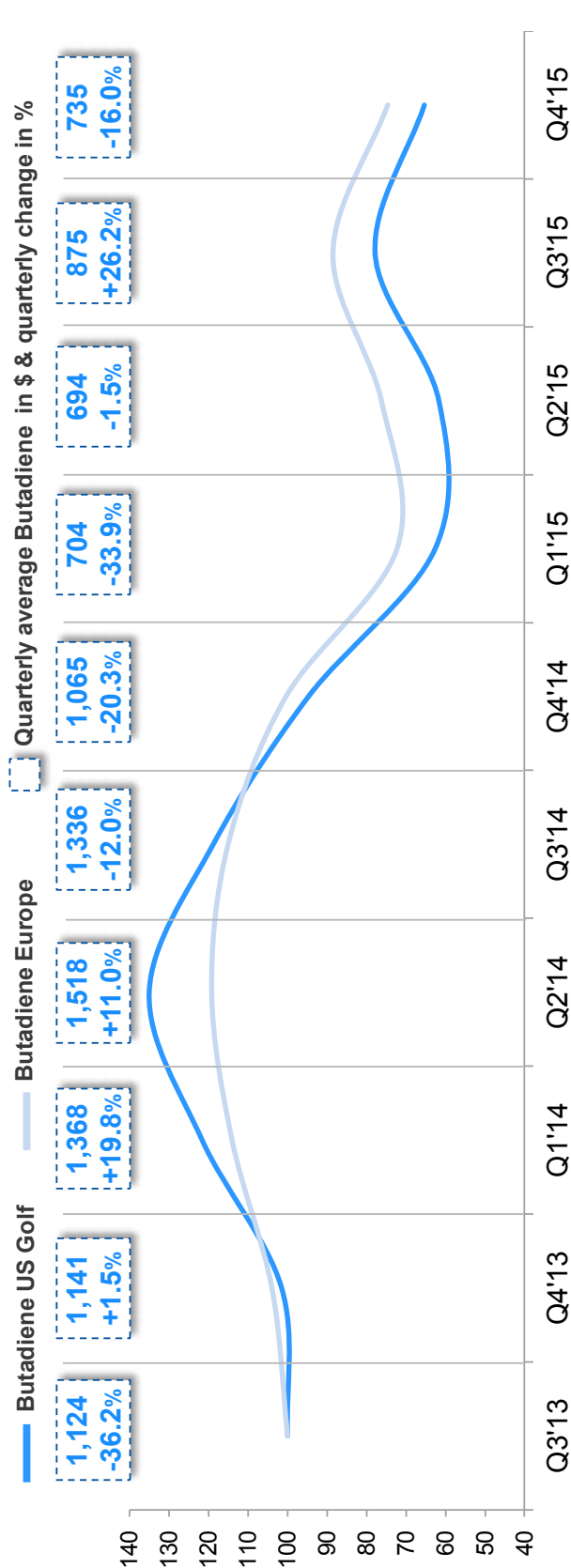
Brent price trend

▲ At end of December 2015 (per barrel, base 100 in Q3'13)



Butadiene price trend

▲ At end of December 2015 (per ton, base 100 in Q3'13)



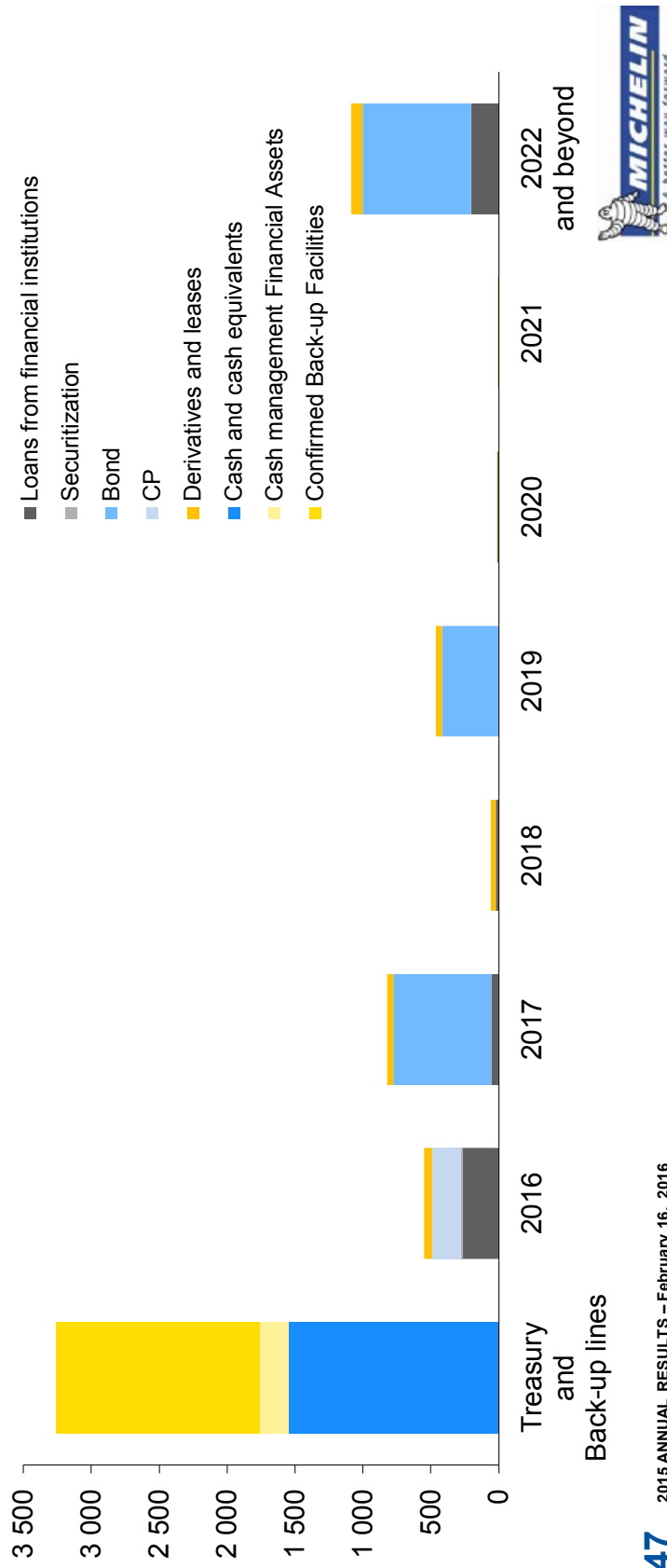
Source: IHS

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Opportunistic refinancing of the Group: 7-, 12- and 30-year bonds for a total of €809m

▲ Debt maturities at Dec. 31, 2015 (including accrued interests, in € millions)



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Defined benefit plans as at December 31, 2015

▲ (in € billions)

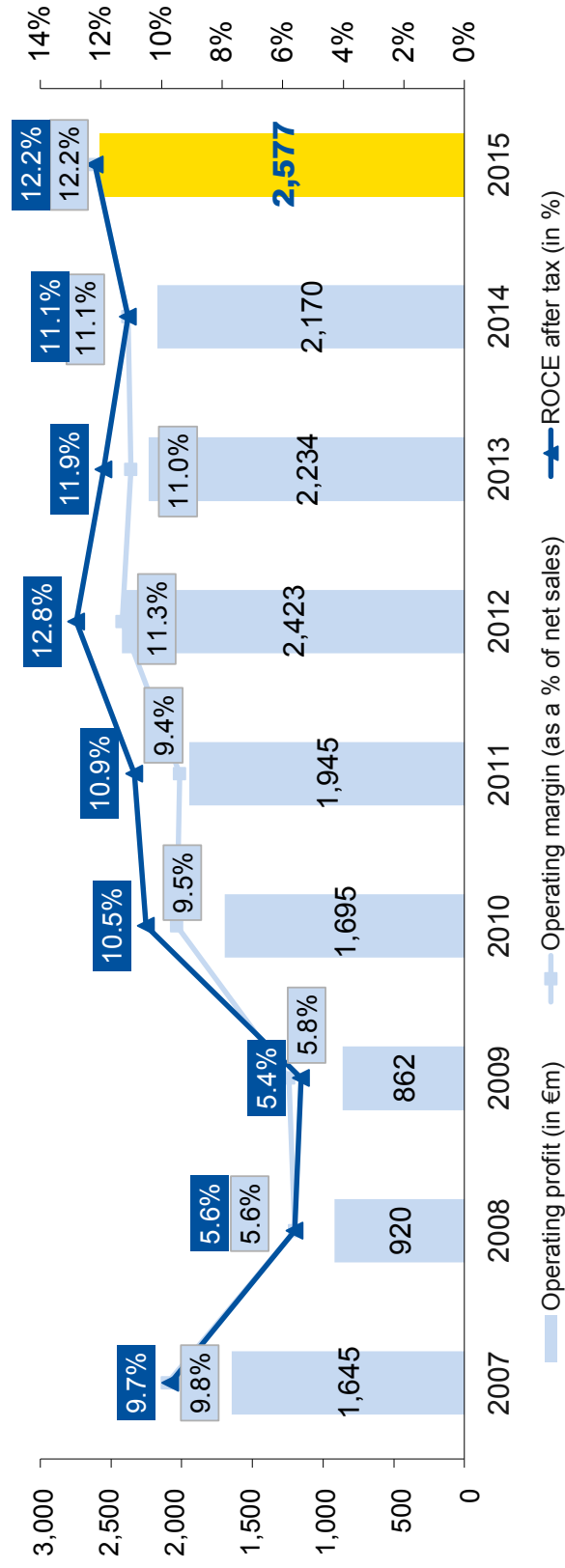


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A stronger Group with improving profitability

▲ Operating profit and margin* & ROCE



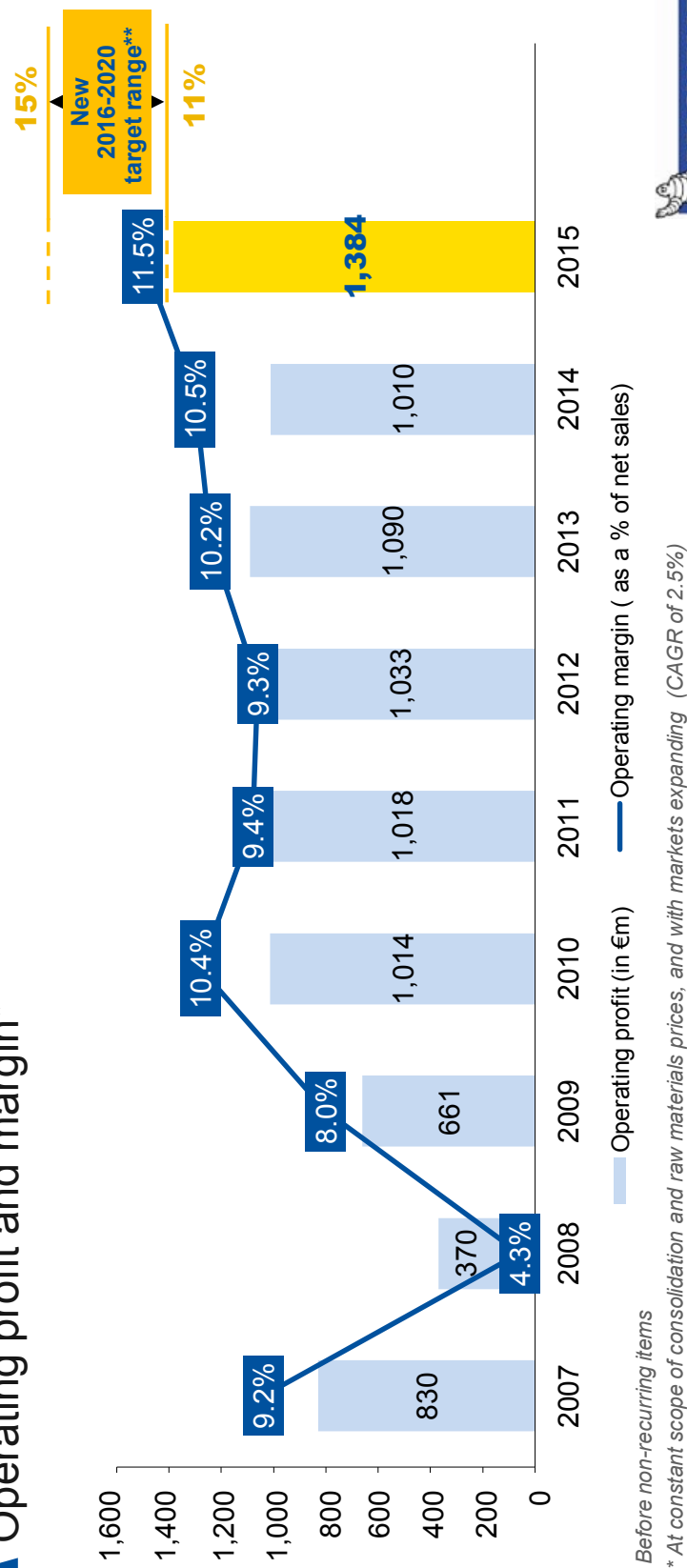
* Before non-recurring items

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Growing Passenger car margin through product innovation, mix and improving customer service

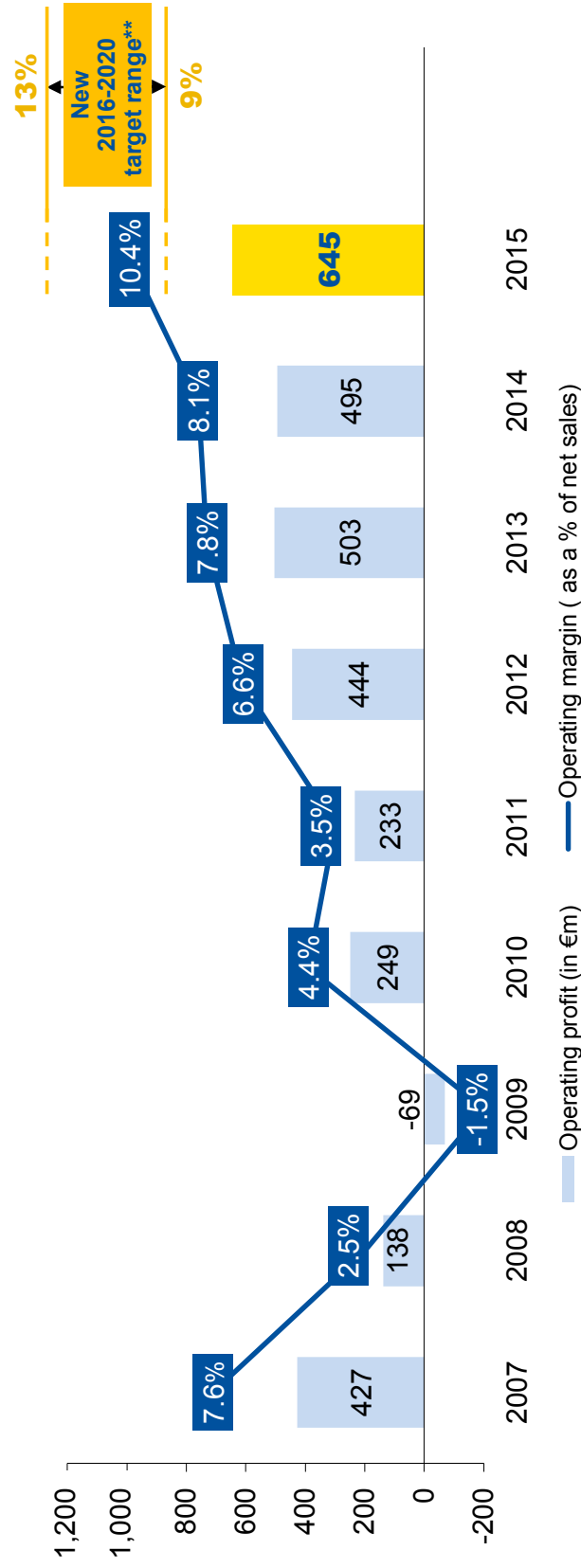
▲ Operating profit and margin*



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Strong Truck profitability growth through competitiveness, product & service innovation and customer focus

▲ Operating profit and margin*



* Before non-recurring items

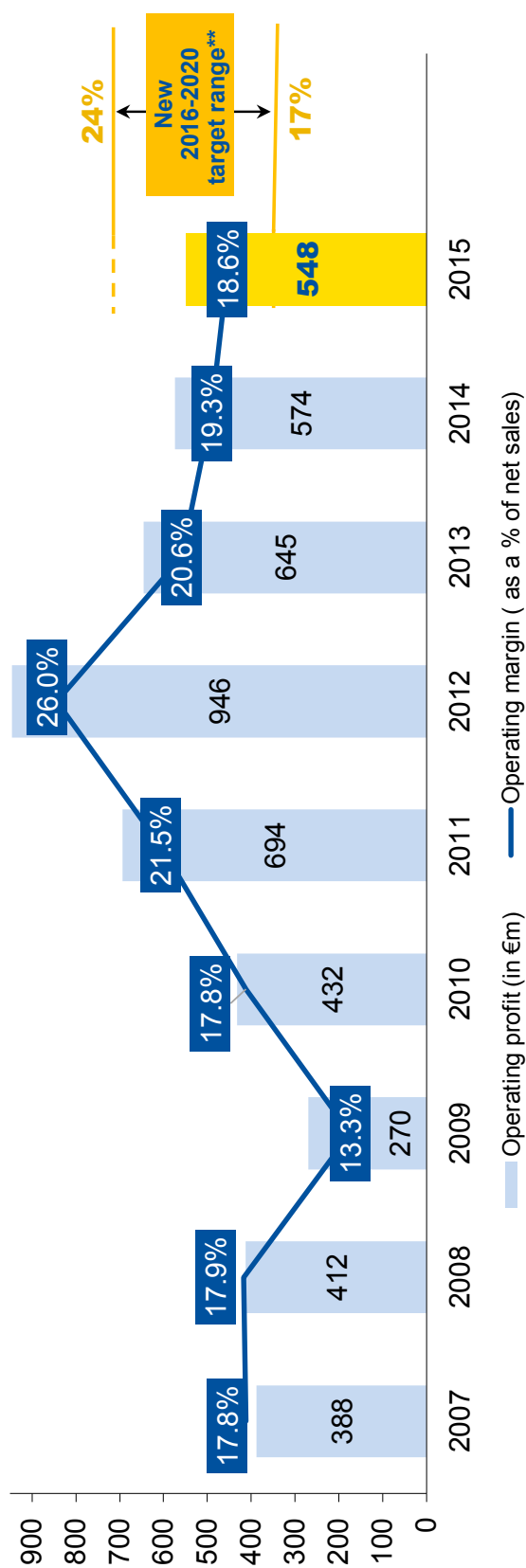
** At constant scope of consolidation and raw materials prices, and with markets expanding (CAGR of 1.5%)

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Specialty: resilient profitability in a challenging environment

▲ Operating profit and margin*



* Before non-recurring items

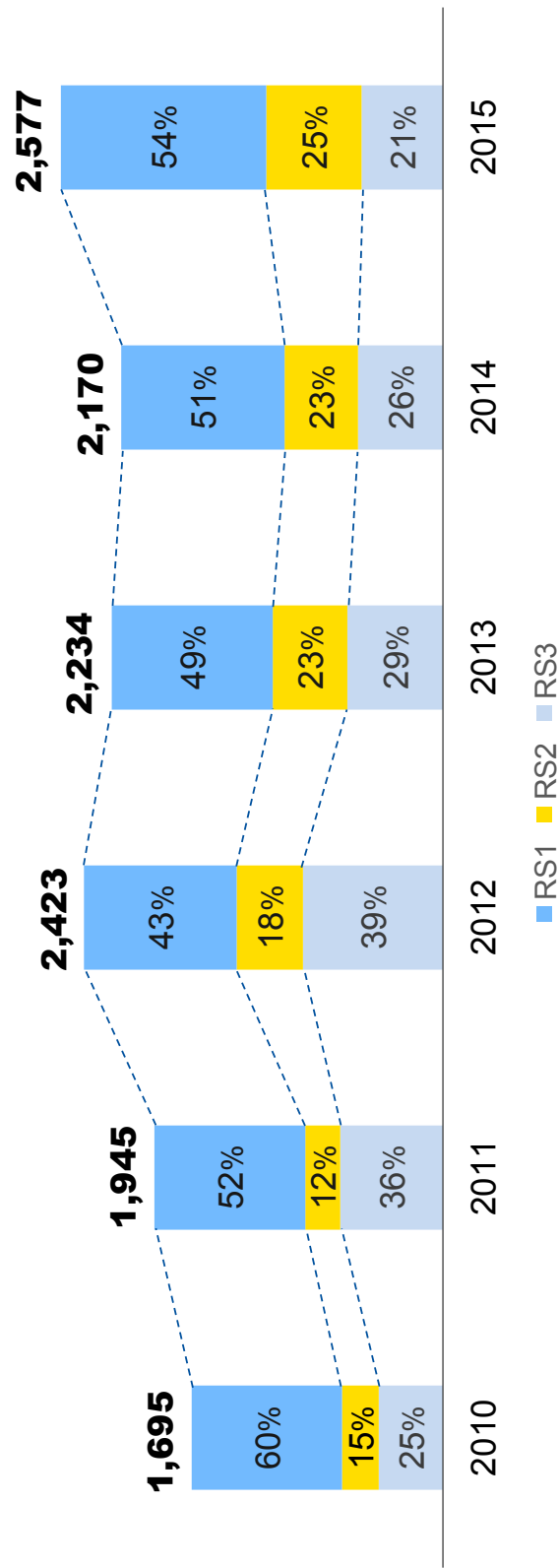
** At constant scope of consolidation and raw materials prices, and with markets expanding

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Strong operating profit growth through diversified and worldwide footprint

▲ Group operating profit*, by Reporting Segment (in € millions and %)



* Before non-recurring items

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This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of 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 induced by these statements."



Contacts

Valérie MAGLOIRE
Matthieu DEWAVRIN
Humbert de FEYDEAU

+33 (0)1 78 76 45 36

27, cours de l'île Seguin
92100 Boulogne-Billancourt - France

investor-relations@fr.michelin.com



3

2015 BUSINESS REVIEW

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3.1 TIRE MARKETS

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

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

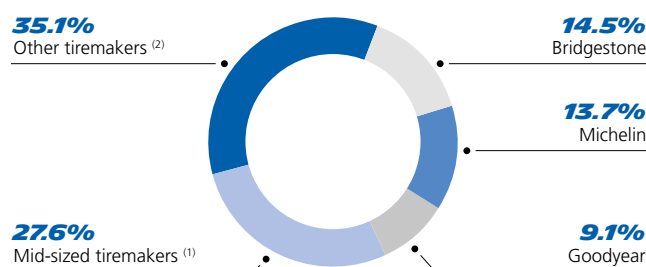
Over the 2014-2020 period, Michelin expects new tire demand to grow by an average of 2.5% a year in the Passenger car and Light truck segment and by an average 1.5% a year in the Truck segment. Longer term, tire demand is likely to expand by 1-2% a year in mature markets and by 5-10% a year in the new markets.

New standards

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

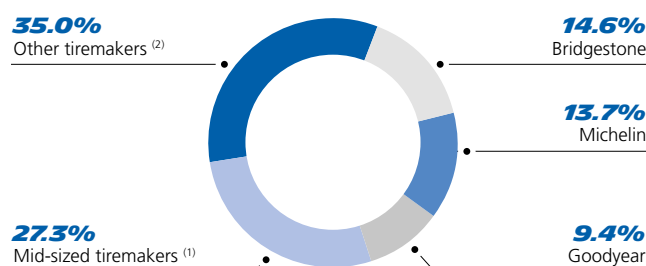
These trends are favorable to low rolling resistance tires, where Michelin sets the market standard. Original equipment sales of these tires are expected to increase by around 200 million units between 2010 and 2020 to a total of nearly 500 million units a year ⁽²⁾.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2014



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

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2013



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

3.1.2 TIRE MARKETS IN 2015

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

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

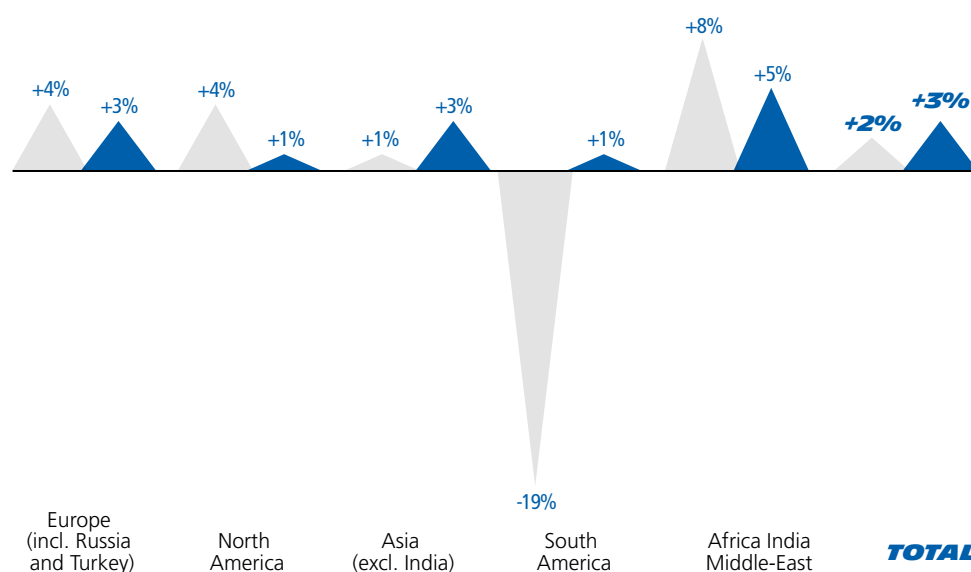
⁽¹⁾ Source: *Tire Business* – September 2015.
⁽²⁾ Michelin estimates.

3.1.3 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS IN 2015

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

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

■ Original Equipment
■ Replacement



Michelin estimates.

3.1.3 a) Original equipment

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

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

(1) Including Russia and Turkey.

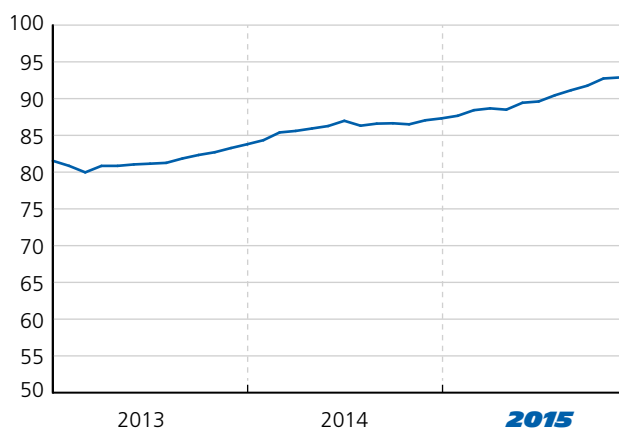
(2) United States, Canada and Mexico.

Michelin estimates.

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

THE OE PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

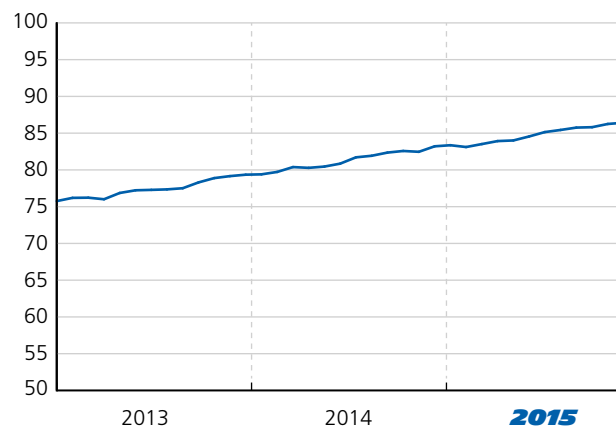


Michelin estimates.

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

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

(in millions of tires – moving 12 months)



Michelin estimates.

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

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

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

3.1.3 b) Replacement

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

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

(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

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

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

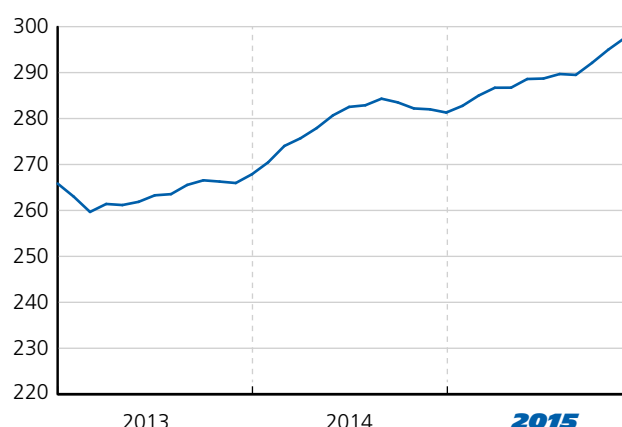
In the still difficult Eastern European economy, demand continued to drop, losing 7% over the year due to the devaluation of the ruble, the decline in winter tire sales and high dealer inventory.

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

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

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

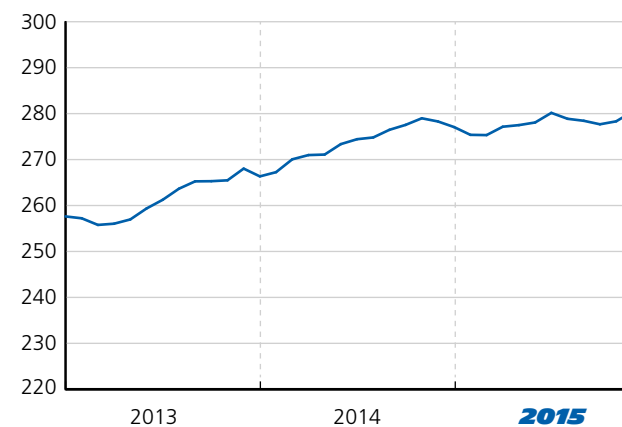
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

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

(in millions of tires – moving 12 months)



Michelin estimates.

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

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

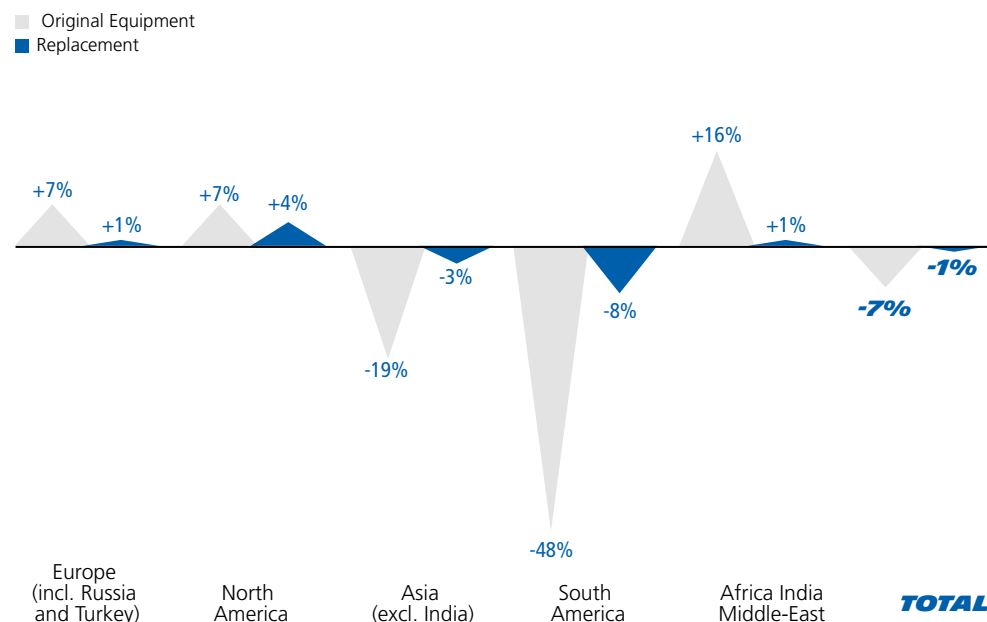
South American demand rose 3% overall in a mixed economic and political environment, reflecting a 3% gain in Brazil with a decline in imports, an upwards trend in the Pacific coast markets and a contraction in Argentina and Venezuela.

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

3.1.4 TRUCK TIRE MARKETS IN 2015

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

THE GLOBAL TRUCK TIRE MARKET, 2015 VS. 2014



Michelin estimates – new tire market only.

3.1.4 a) Original equipment

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

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

(1) Including Russia and Turkey.

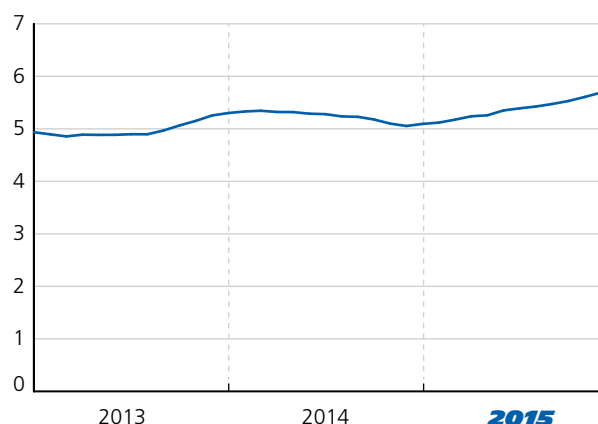
(2) United States, Canada and Mexico.

Michelin estimates.

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

THE OE TRUCK TIRE MARKET IN EUROPE

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

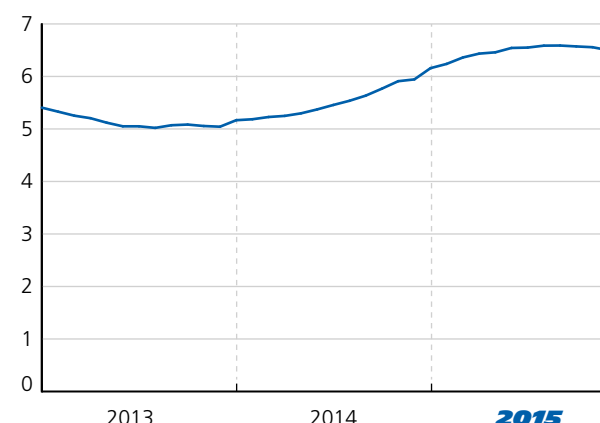


Michelin estimates.

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

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

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

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

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

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

3.1.4 b) Replacement

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

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

(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

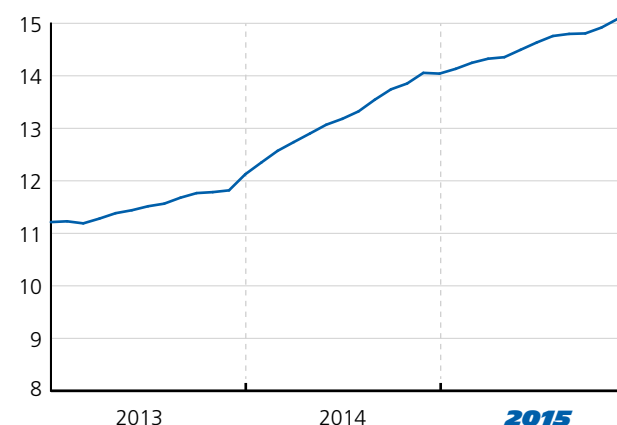
In **Europe**, the market edged up 1% overall, with the decline in Russia easing somewhat in the second half.

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

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

THE NEW REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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



Michelin estimates.

Demand for replacement radial and bias tires in **Asia (excluding India)** was down by 3% for the year, with the Chinese market losing 3% as the cooling economy weighed on freight demand.

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

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

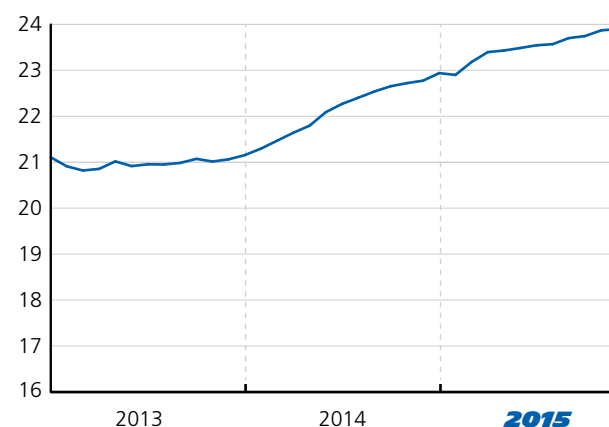
In the **Africa/India/Middle East** region, the radial and bias market rose 1% overall, reflecting a slight decline in Africa and the Middle East and gains in India, where demand rose 1%, thanks in part to imports from China.

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

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

THE NEW REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

3.1.5 SPECIALTY TIRE MARKETS IN 2015

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

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

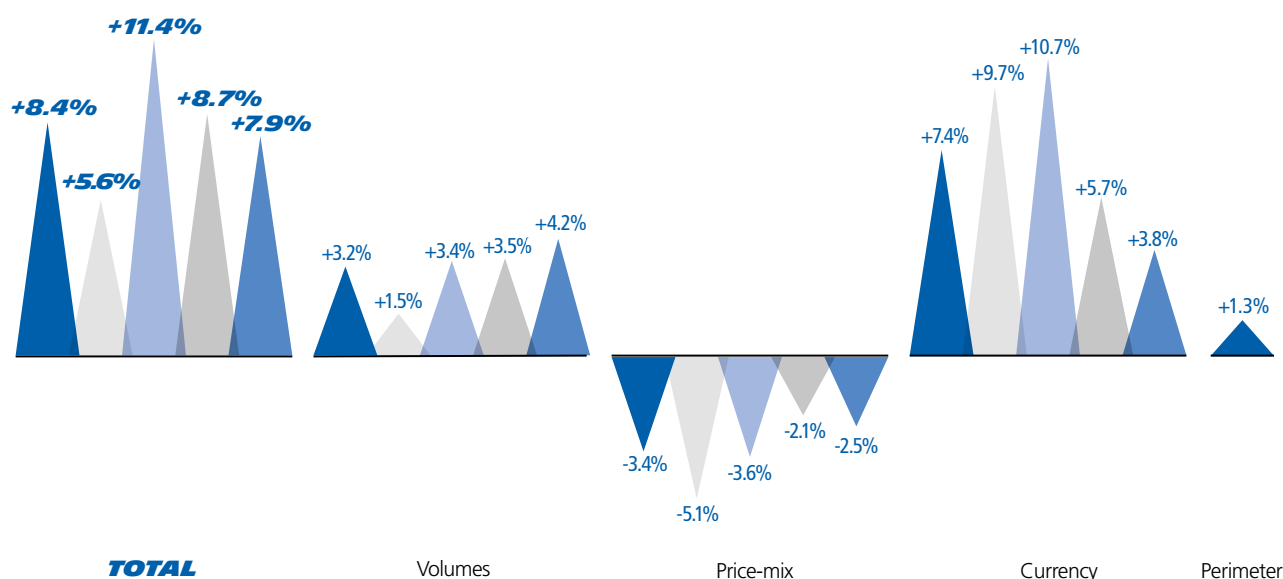
Two-Wheel tires: The motorcycle and scooter tire markets improved in both mature and emerging geographies.

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

3.2 NET SALES

3.2.1 ANALYSIS OF NET SALES

- 2015/2014
- 1st Quarter 2015/2014
- 2nd Quarter 2015/2014
- 3rd Quarter 2015/2014
- 4th Quarter 2015/2014



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

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

- ▶ a €624 million increase from the 3.2% growth in volumes, which outpaced the market;
- ▶ the €687 million or 3.4% negative effect of changes in the price mix. Price adjustments reduced net sales by €715 million, of which one third corresponded to the application of indexation clauses based on raw materials prices. The mix effect was positive at

€28 million, reflecting the still highly favorable product mix, less the adverse impact of (i) the geographic mix; (ii) the increasing sales of entry-level tires and original equipment fittings; and (iii) the decline in Earthmover tire sales;

- ▶ the favorable effect of changes in scope for €256 million reflecting the consolidation of Sascar, the Brazilian leader in digital fleet management, German wholesaler Ihle and Blackcircles.com, the UK's leading online tire retailer;
- ▶ €1,453 million or 7.4% increase from the currency effect, stemming primarily from the decline in the euro, against the US dollar, Chinese yuan, British pound, Thai baht and Canadian dollar.

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

3.2.2 NET SALES BY REPORTING SEGMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.2 c) Specialty businesses – Analysis of net sales

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

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

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

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

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

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

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

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

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

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

Net sales break down as follows by currency:

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

TOTAL

100%

3.2.4 NET SALES BY REGION

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

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

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

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

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

3.3.1 OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



(1) Before non-recurring items.

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

The increase may be analyzed as follows:

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

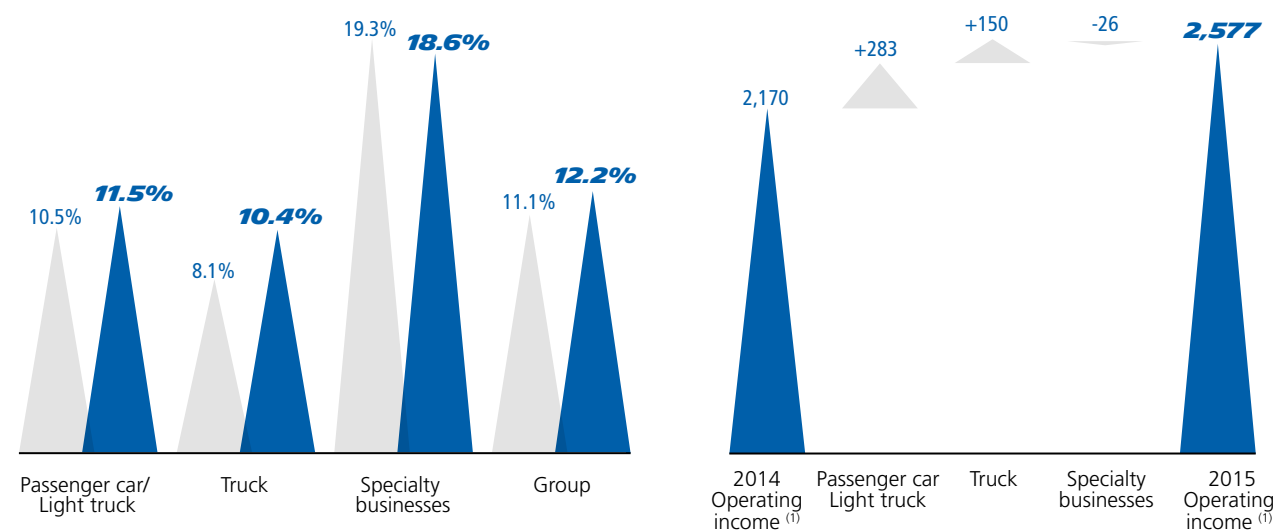
3.3.2 OPERATING INCOME BEFORE NON-RECURRING ITEMS BY OPERATING SEGMENT

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

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

■ 2014
■ 2015

(in € million)



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

(1) Before non-recurring items.

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

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

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

The one-point gain in operating margin before non-recurring items was led mainly by the steady 6.7% increase in tonnages, which was considerably more than the market's 2% growth and very evenly spread among brands, segments and geographies. The success of the new MICHELIN CrossClimate, MICHELIN Premier LTX, BFGoodrich KO2 and BFGoodrich g-Force Comp 2 A/S lines, and the similarly over-market 5% gain in the original equipment segment drove robust growth in sales of the MICHELIN brand (up 6%), 17-inch and

larger tires (up 13%) and the other Group brands (up 10%). The overall decrease in prices reflected the application of raw materials indexation clauses in the OE segment and the repositionings implemented in 2014 and 2015 in the replacement segment. The highly favorable impact from the product mix was dampened by the shift in the brand mix driven by the strong sales growth in the Tier 2 and Tier 3 segments.

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

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

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

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

The 2.3-point margin improvement was primarily led by resilient volumes (up 0.3%), despite a 2% decline in the global Truck tire market, as strong growth in OE sales in mature markets balanced out difficulties in the retread segment and the new Intermediate lines introduced in South America, the Africa/Middle East region and

Southeast Asia got off to a favorable start. Effective management of the business, particularly in the areas of price positioning, supplying growth markets and cost control, also contributed to the sustained improvement in margin performance.

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

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

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

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

Although operating margin was lifted by the currency effect, it was adversely impacted by the 4% decline in volumes in a market that shrank by 6% over the year due to mining company inventory drawdowns, the fall-off in mining output and the worldwide

contraction in agricultural tire demand. At the same time, unit margins were squeezed by the time lag impact of price adjustments under raw materials indexation clauses.

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

3.3.3 OTHER INCOME STATEMENT ITEMS

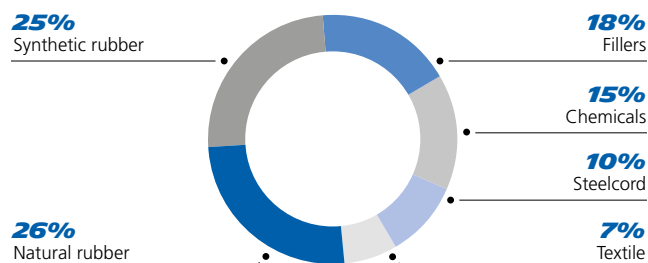
3.3.3 a) Raw materials

The cost of **raw materials** reported in the income statement under "Cost of sales" (€4,711 million in 2015 vs. €4,958 million in 2014) is determined by valuing raw materials, semi-finished and finished product inventories using a standard cost method that yields similar results to those that would be obtained using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product.

In 2015, raw materials costs recognized in cost of sales included the €594 million impact of lower prices, as well as the volume and currency effects.

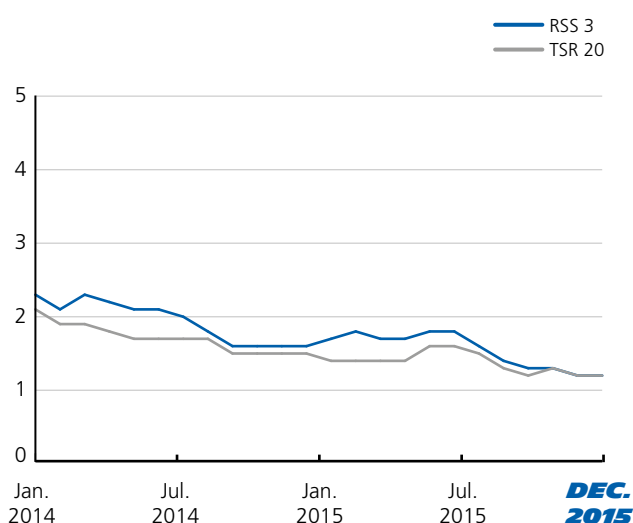
Changes in purchase prices for natural rubber and butadiene feed through to the income statement five to six months later.

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

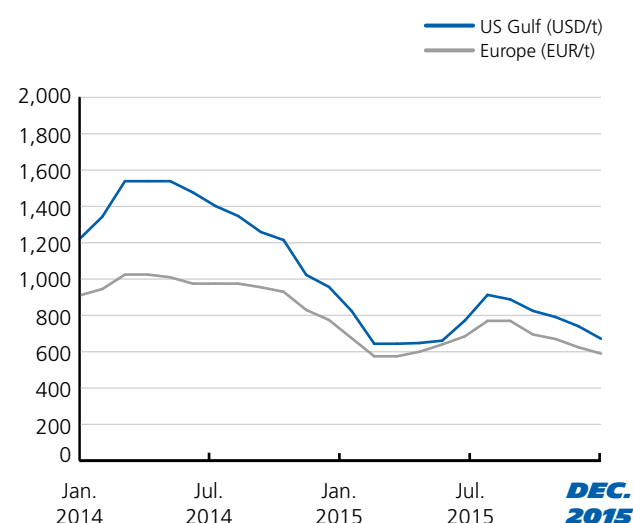


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



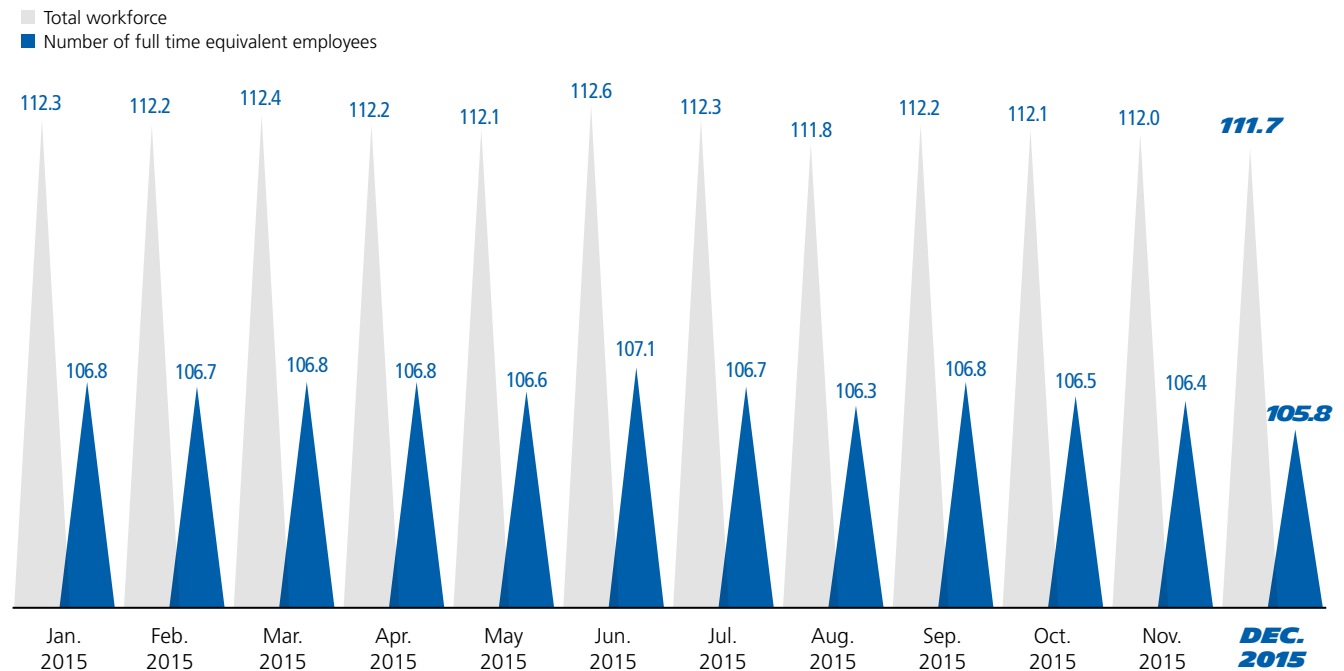
3.3.3 b) Employee benefit costs and number of employees

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

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

NUMBER OF EMPLOYEES

(in thousands)

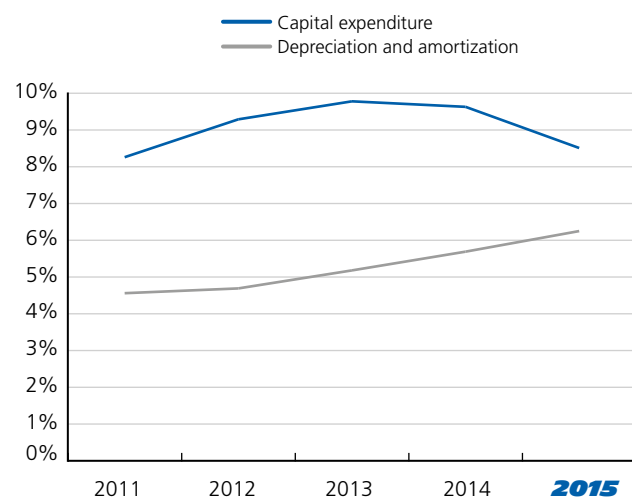


3.3.3 c) Depreciation and amortization

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

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

(as a % of net sales)



3.3.3 d) Transportation costs

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

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

3.3.3 e) Sales and marketing expenses

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

3.3.3 f) Research and development expenses

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

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

3.3.3 j) Cost of net debt

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

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

- ▶ a €66 million rise in net interest expense, primarily reflecting the combined impact of:
 - a €36 million increase due to the rise in average net debt to €1,517 million in 2015 from €992 million the year before,
 - a €7 million increase from the higher average gross interest rate on borrowings, at 6.06% versus 6.74% in 2014,

3.3.3 g) General and administrative expenses

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

3.3.3 h) Other operating income and expenses

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

3.3.3 i) Non-recurring income and expenses

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

- a €23 million net increase from a variety of factors, including the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost. In 2015, average invested cash and cash equivalents raised to €1,561 million from €1,442 million in 2014 and the average interest rate on investments represented 0.59% in 2015 versus 0.78% in 2014;
- ▶ a €13 million increase due to lower interest capitalization;
- ▶ an aggregate €24 million net decrease from other factors.

3.3.3 k) Other financial income and expenses

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

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

3.3.3 l) Income tax

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

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

3.3.3 m) Consolidated net income and earnings per share

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

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

▶ Favorable factors:

- the €407 million increase in operating income before non-recurring items,
- the €13 million improvement in other financial income and expenses, net,
- the €13 million decrease in net interest on net defined benefit obligations in 2015,

- the €30 million increase in the Group's share of profit from associates;

▶ Unfavorable factors:

- the €191 million increase in non-recurring expenses to €370 million in 2015 compared with €179 million the year before,
- the €54 million increase in the cost of net debt,
- the €86 million increase in income tax.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

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

The following comments refer to the 2014 and 2015 consolidated financial statements as reported at December 31, 2014 and December 31, 2015, respectively.

ASSETS

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

LIABILITIES AND EQUITY

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

3.4.1 GOODWILL

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

3.4.2 INTANGIBLE ASSETS

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

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €10,532 million at December 31, 2015, a €312 million increase from December 31, 2014 before taking into account the €140 million positive currency effect. The increase was primarily led by the on-going deployment of investments in fast growing markets (the premium Passenger car

segment, North America and Asia), and product investments for the premium and entry-level segments. The amount committed to investments in property, plant and equipment in 2015 was greater than depreciation expense for the year.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

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

- ▶ a €25 million decrease from fair value adjustments to available-for-sale financial assets;

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

3.4.5 INVESTMENTS IN ASSOCIATES

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

3.4.6 DEFERRED TAX ASSETS AND LIABILITIES

At December 31, 2015, the Group held a **net deferred tax asset of €1,141 million**, representing an increase of €41 million compared with the amount reported at end-2014 (before taking into account

the €46 million positive currency effect), mainly as a result of the actuarial gains recognized during the year on employee benefit obligations, notably in North America.

3.4.7 TRADE WORKING CAPITAL REQUIREMENT

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

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

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

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

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

3.4.8 CASH AND CASH EQUIVALENTS

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

► Increases from:

- the €653 million in free cash flow, after investing a little more than €300 million in acquisitions (mainly the 49% stake in Royal Lestari Utama, the 40% interest in AlloPneus, all outstanding shares in Blackcircles and 90% of Livebookings Holdings Limited),
- the €109 million in proceeds from the sale of cash management instruments,

- the net €462 million increase in debt, reflecting the €802 million in new bonds maturing in 2022 (€299 million), 2027 (€296 million) and 2045 (€206 million), less the repayment of €274 million in commercial paper and bank loans and €66 million in non-controlling interests,
- the €64 million in proceeds from the exercise of stock options,
- the €56 million in other proceeds;

► Decreases from:

- the payment of €483 million in cash dividends, including tax on the distribution of cash dividends,
- the outlay of €451 million for share buybacks during the year,
- the €9 million in other outlays.

3.4.9 EQUITY

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

► Increases:

- recognition of the €840 million in comprehensive income for the year, including:
 - net income of €1,163 million,
 - actuarial gains and losses of €235 million after deferred taxes, reflecting the combined impact of Canadian asset ceiling and lower-than-expected actual returns on plan assets,
 - €25 million in unrealized losses on available-for-sale financial assets, net of deferred tax,
 - the €70 million negative difference from translating foreign operations,
 - €7 million in other favorable items,

- €64 million from the issuance of 1,137,488 new shares upon exercise of stock options and for delivery under performance share plans,
- €9 million corresponding to the service costs linked to share-based payment plans (performance share plans),
- the €44 million in non-controlling interests in the new share issues carried out by Group subsidiaries;

► Decreases:

- the €483 million in dividends and other distributions,
- buyback and cancellation of 4,961,534 Michelin shares under the shareholder-approved plan, for €451 million.
- other factors in an amount of €3 million.

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

3.4.10 NET DEBT

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

► €161 million in net uses of cash, including:

- €653 million in free cash flow generated during the year, less
- dividends, net share buybacks and other items, for a total outlay of €814 million;

► €140 million in other factors increasing net debt, of which:

- the €33 million interest expense on the zero-coupon convertible bonds,
- €36 million in negative translation adjustments,
- €55 million corresponding to new finance leases,
- other unfavorable factors in an amount of €16 million.

CHANGES IN NET DEBT

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

(1) Free cash flow corresponds to cash flows from operating activities less cash flows used in investing activities (adjusted for net cash flows used in cash management instruments and loan guarantees).

3.4.10 a) Gearing

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

3.4.10 b) Credit ratings

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

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

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

3.4.11 PROVISIONS

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

3.4.12 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

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

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

The main factors underlying this increase are as follows:

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

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

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

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

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

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

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

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

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

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOWS FROM OPERATING ACTIVITIES

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

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

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

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

3.5.2 CAPITAL EXPENDITURE

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

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

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

Passenger car and Light truck tires:

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

Truck tires:

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

Specialty products:

- Agricultural tires.

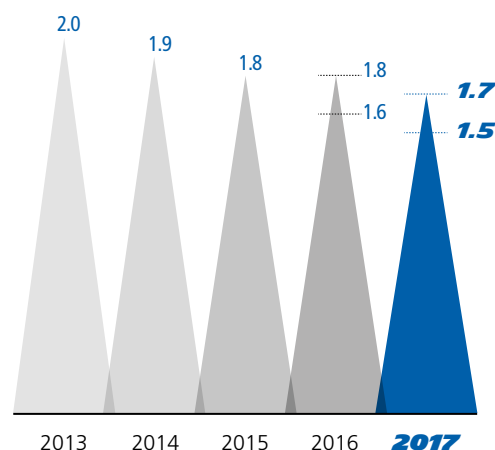
In addition, Michelin is actively investing in the following areas:

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

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

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

(in € thousand)



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

3.5.3 AVAILABLE CASH FLOW AND FREE CASH FLOW

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

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

(in € million)

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

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

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

3.6 RETURN ON CAPITAL EMPLOYED (ROCE)

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

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

ROCE is measured as:

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

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

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

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

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

3.7 OUTLOOK

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


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

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

3.8 SHARE INFORMATION

3.8.1 THE MICHELIN SHARE

Traded on the NYSE Euronext Paris stock exchange

- ▶ Compartment A;
- ▶ NYSE Euronext symbol; 
- ▶ Eligible for the SRD deferred settlement system;
- ▶ ISIN: FR 0000121261;
- ▶ Par value: €2.00;
- ▶ Traded in units of: 1.

Market capitalization

- ▶ €15,989 million at December 31, 2015.

Average daily trading volume

- ▶ 719,709 shares since January 1, 2015.

Indices

The Michelin share is included in two leading stock market indices. As of December 31, 2015, it represented:

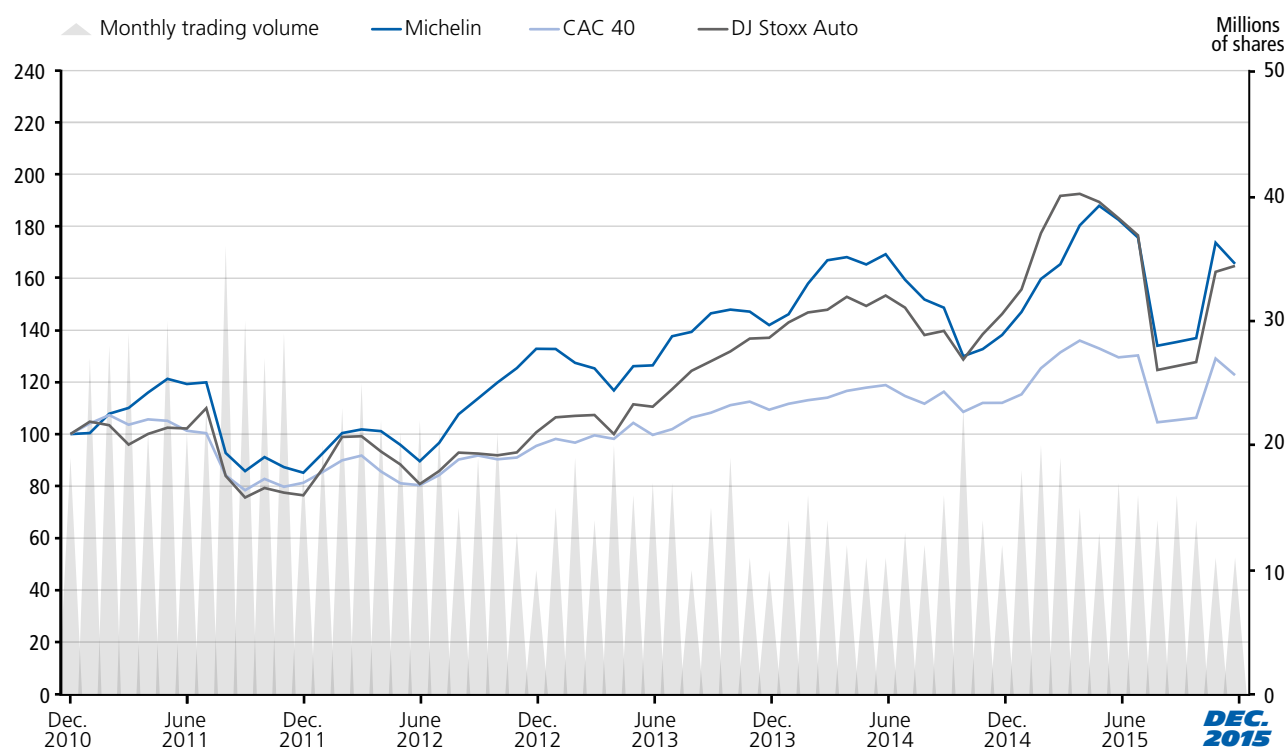
- ▶ 1.70% of the CAC 40 index;
- ▶ 0.71% of the Euronext 100 index.

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

- ▶ Dow Jones Sustainability Index (DJSI) Stoxx for European sustainability leaders and DJSI World for global sustainability leaders;
- ▶ Ethibel Sustainability Index (ESI) Europe.

SHARE PERFORMANCE

(Closing price at December 31, 2015)



3.8.2 SHARE DATA

Share price (in €)	2015	2014	2013	2012	2011
High	103.90	94.33	84.71	72.58	68.54
Low	71.60	65.10	57.23	45.32	40.20
High/low ratio	1.45	1.45	1.48	1.60	1.70
Closing price, end of period	87.90	75.27	77.25	71.59	45.68
Average share price over the period	90.28	82.10	72.28	57.15	55.34
Change over the period	16.78%	-2.56%	+7.91%	+56.74%	-14.93%
Change in the CAC 40 index over the period	8.53%	-0.54%	+17.99%	+15.23%	-20.45%
Market value at end of period (in € billions)	15.98	13.98	14.35	13.07	8.22
Average daily trading volume over the period	719,709	662,063	719,464	913,167	1,246,389
Average shares outstanding	185,960,394	185,954,390	184,901,269	181,099,501	178,446,812
Volume of shares traded over the period	184,245,619	168,826,055	183,463,371	233,770,814	320,321,901
Share turnover ratio	99%	91%	99%	129%	180%

3.8.3 PER-SHARE DATA

(in € per share, except ratios)	2015	2014	2013	2012	2011
Net assets per share	52.5	51.3	49.8	46.6	45.9
Basic earnings per share	6.28	5.52	6.08	8.62	8.14
Diluted earnings per share ⁽¹⁾	6.19	5.45	5.98	8.41	7.97
Price-earnings ratio	14.0	13.6	12.7	8.3	5.6
Dividend for the year	2.85*	2.50	2.50	2.40	2.10
Pay-out ratio	37%	40.6%	35.0%	28.7%	30.0%
Yield ⁽²⁾	3.2%	3.3%	3.2%	3.4%	4.6%

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

(2) Dividend/share price at December 31.

* To be submitted to shareholder approval at the Annual Meeting on May 13, 2016.

The goal of the Group's dividend policy is to pay out at least 35% of consolidated net income before non-recurring items for the year.

3.8.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2015, Michelin's share capital amounted to €363,804,364.

	At December 31, 2015			At December 31, 2014		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors		21.4%	24.1%		25.2%	26.8%
Non-resident institutional investors	3,183	63.0%	60.8%	3,176	57.9%	57.2%
Individual shareholders	119,307	13.8%	12.7%	155,319	15.1%	13.6%
Employee Shareholder Plan	69,068	1.8%	2.4%	73,467	1.8%	2.4%
TOTAL	191,558	181,902,182 SHARES*	242,005,720 VOTING RIGHTS	231,962	185,726,200 SHARES*	244,308,764 VOTING RIGHTS

* All fully paid up.

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

3.9 OPERATING HIGHLIGHTS

3.9.1 PERFORMANCE

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

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

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

In Italy

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

In the United Kingdom

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

In Germany

In Germany, the Pneu Laurent site in Oranienburg will cease operations, which are to move to the Avallon site in France by the end of 2016. In these three countries, Michelin Développement will implement the necessary means to support the revitalization of the territories affected by site closures.

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

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

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

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

Michelin strengthens its online sales strategy

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

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

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

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

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

A Future Major 3D Metal Printing Player

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

Implementation of a €750 million Share Buyback Program

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

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

Michelin successfully places a bond issue in three tranches

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

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

(December 15, 2015) – Pursuant to the decisions of the Chief Executive Officer on December 11 and 22, 2015 and the ninth resolution of the May 22, 2015 Shareholders Meeting, Compagnie Générale des

Établissements Michelin has decided to cancel 4,961,534 treasury shares, representing 2.65% of the total shares outstanding. The resulting capital reduction is effective.

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

Michelin Builds upon Ride-Sharing in China

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

3.9.2 INNOVATION

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

MICHELIN CrossClimate to conquer Europe

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

The JD Power study distinguishes Michelin once more

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

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

BFGoodrich expands its range of all-terrain tires

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

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

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

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

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

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

3.9.2 b) Truck tires and related distribution

MICHELIN X® LINE™ Energy rated AAA in rolling resistance

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

Compared with the MICHELIN X® LINE™ Energy tires rated BBA, these new models will help to save up to one liter of fuel per 100 km, thereby avoiding the emission of 2.66 kg of CO₂ over the same distance. Moreover, these gains are delivered while maintaining Michelin performance in other areas such as safety and mileage.

Something new for haulers

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

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

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

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

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

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

Uniroyal® launches truck tires in Canada

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

3.9.2 c) Specialty businesses

/ Earthmover tires

Breaking innovations for mining tires

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

/ Agricultural tires

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

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

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

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

Agricultural tires supporting the industry's growth

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

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

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

/ Two-Wheel tires

Michelin renews its two-wheel ranges

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

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

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

/ Aircraft tires

Michelin expertise recognized by the aviation

(April 16, 2015) – Last April, Michelin Group’s Aircraft Tire Division was recognized as “Supplier of the Year” by Boeing, a few months after having won the “Performance Excellence Award.” This distinction enhances Michelin’s ability to respond to cost, quality and technical expertise issues. Besides, Michelin presented during

the 2015 Paris Air Show its new range of tires MICHELIN Air X, integrating the Near Zero Growth technology. The tires, which are more reliable, efficient (up to 100% more landings) and cleaner, will be deployed on the Airbus A350, the Boeing 737 and 777, as well as on Dassault Aviation’s Falcon 5X and Falcon 8X.

/ Michelin Travel Partner

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

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

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

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

3.9.3 SUSTAINABLE DEVELOPMENT

An eco-friendly joint venture for the production of rubber

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

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

Sustainable mobility: Our ambition 2030

(November 30, 2015) – In 2050, there will be twice as many vehicles in circulation as there are today. By developing innovative technologies and services, Michelin is committed to a more environment-friendly daily mobility. By 2030, Michelin, inventor of the low-consumption

tire, has set a goal of reducing the carbon footprint of each tire sold by 20% compared to 2010, and the energy consumption of its production sites by 50%, by favoring clean energy sources.

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

The Michelin Group also participated in the World Bank’s Carbon Pricing Leadership Coalition, which wants to establish global carbon pricing. It would strengthen the economic competitiveness of companies which reduce their CO₂ emissions.

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

Michelin's sustainable policy acknowledged

(September 22, 2015) – The Michelin Group has once again been commended for its commitment to sustainable development. The latest Dow Jones Sustainability World Index ranking (DJSI survey by RobecoSAM), gives Michelin a score of 87/100, up 4 points, which takes it to first place in the original equipment sector. Michelin ranks

first in its sector in relation to 12 of the 18 assessment criteria used by the survey in the three major corporate social responsibility fields: social aspects, environmental aspects and societal aspects. As far as environment is concerned, for the second consecutive year, Michelin has kept the maximum score of 100 for its climate strategy. For the record, the Group is committed to reducing its environmental footprint by 40% by 2020.

3.9.4 RACING

Motor sport: a year of success

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

FIA Formula E: Testing tomorrow's Mobility

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

4

FINANCIAL HIGHLIGHTS

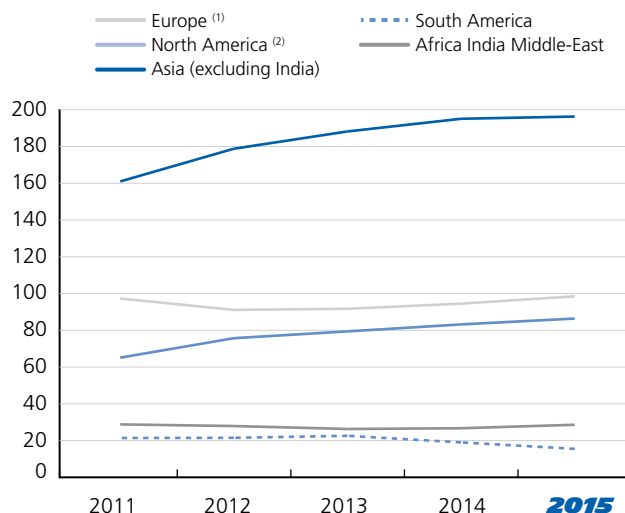
4.1	MARKETS	102
4.2	SALES	104
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4.4.1	Passenger Car and Light Truck Tires and Related Distribution	108
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4.7	CONSOLIDATED KEY FIGURES AND RATIOS	120



4.1 MARKETS

THE ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION

(in millions of tires)



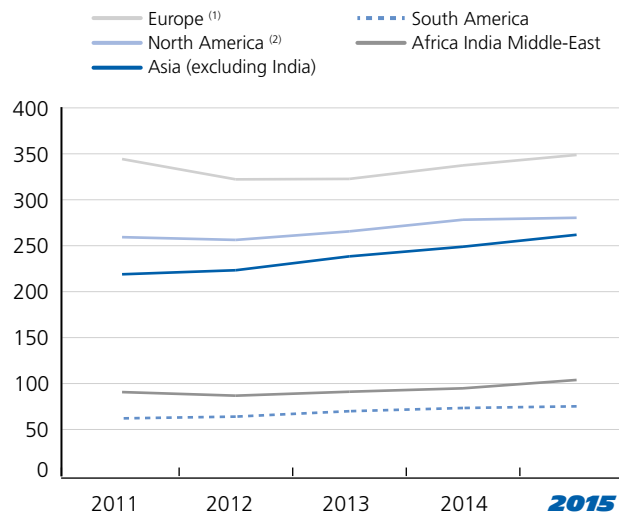
(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

THE REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET BY REGION

(in millions of tires)



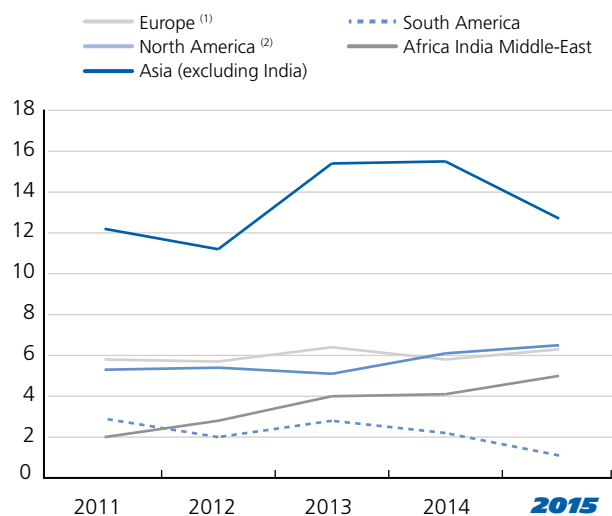
(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

THE ORIGINAL EQUIPMENT TRUCK TIRE MARKET BY REGION

(in millions of new tires)



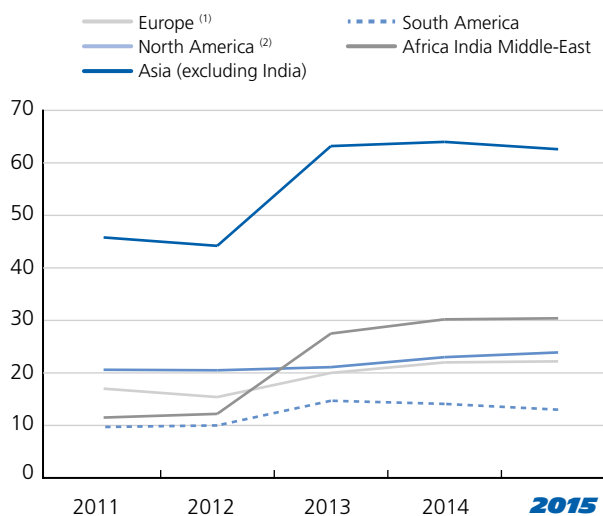
(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET BY REGION

(in millions of new tires)



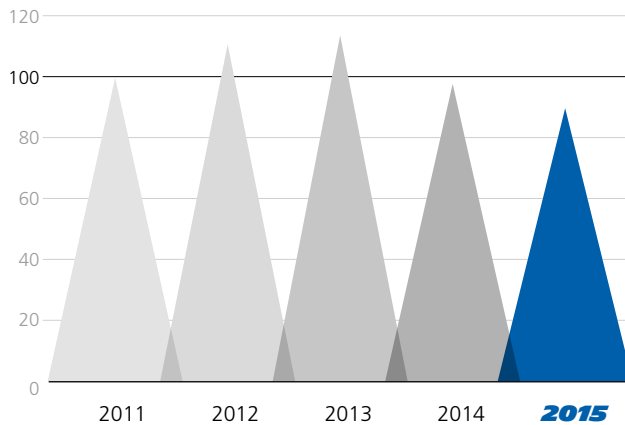
(1) Including Russia and Turkey.

(2) United States, Canada and Mexico.

Michelin estimates.

THE EARTHMOVER MINING TIRE MARKET

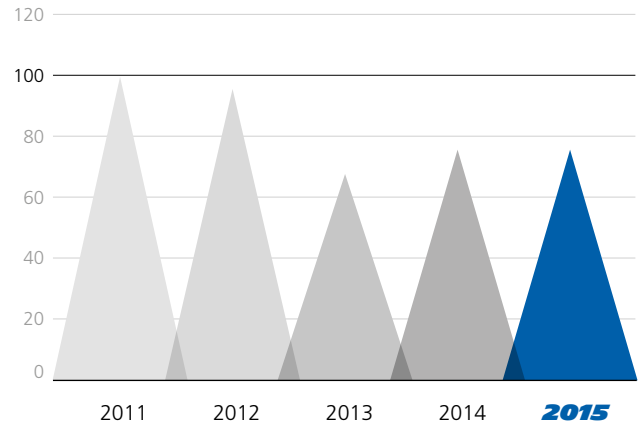
(base 100 in 2011 in number of tires)



Michelin estimates.

THE EARTHMOVER INFRASTRUCTURE & ORIGINAL EQUIPMENT TIRE MARKET

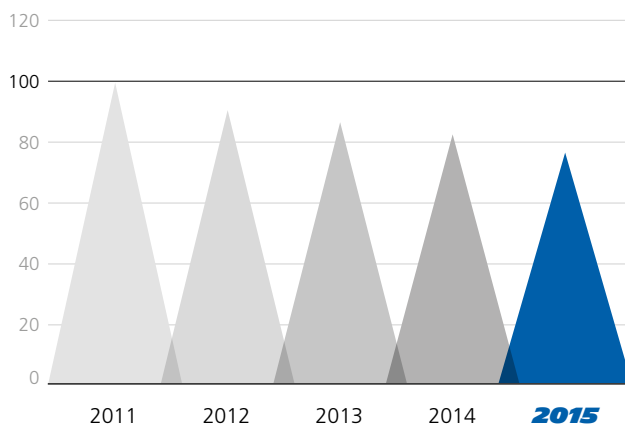
(base 100 in 2011 in number of tires)



Michelin estimates.

THE AGRICULTURAL TIRE MARKET

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

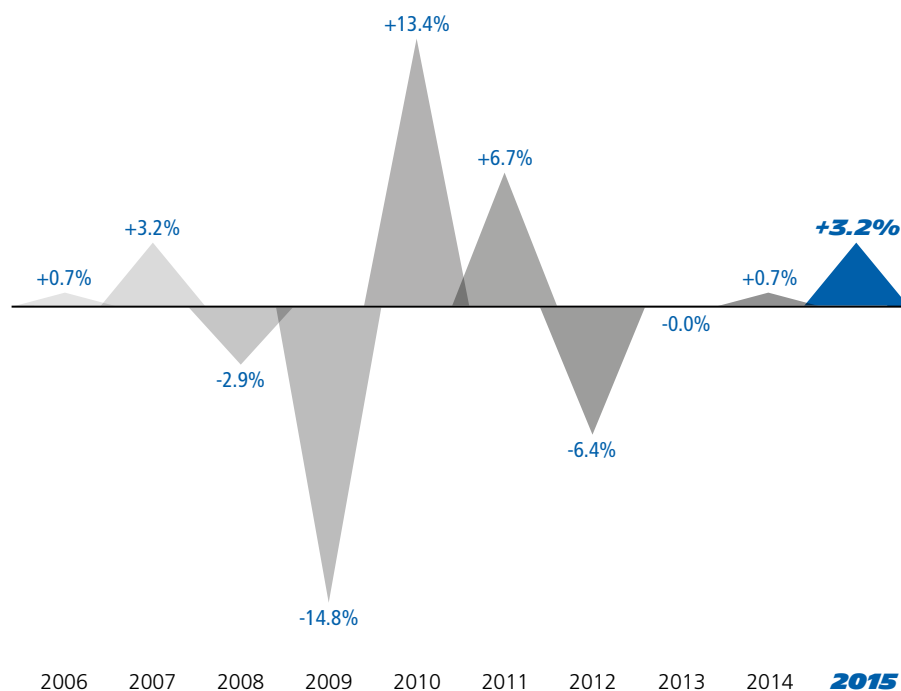


Michelin estimates.

4.2 SALES

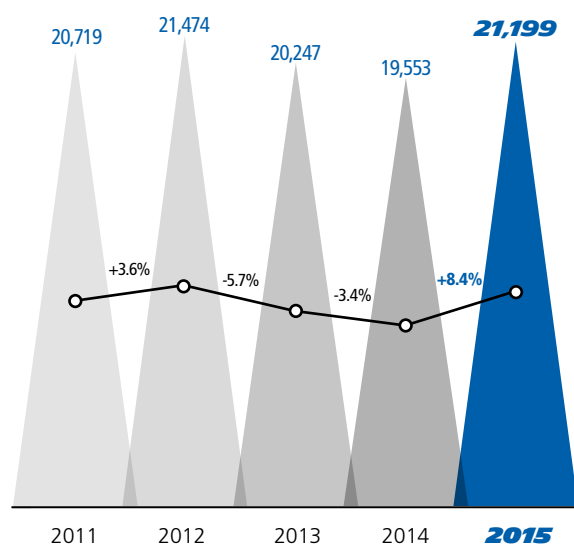
SALES VOLUME

(in tons)



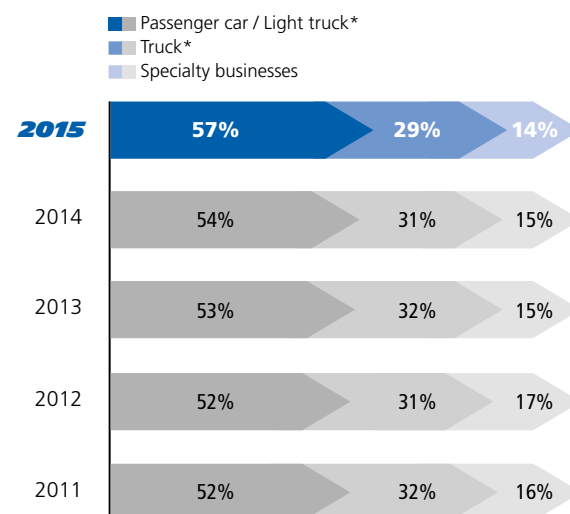
NET SALES

(in € million)



NET SALES BY REPORTING SEGMENT – BREAKDOWN

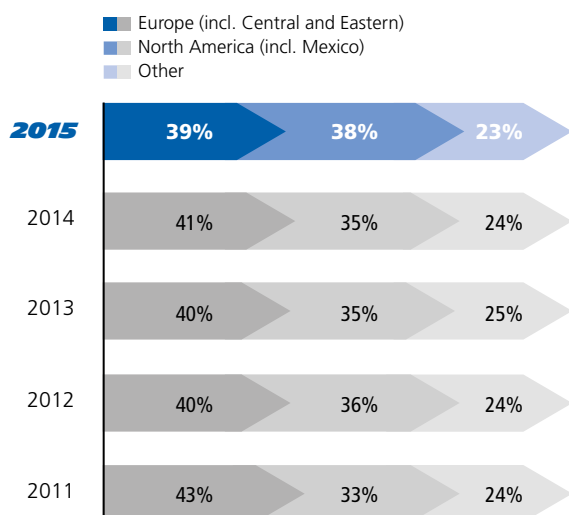
(in value)



* And related distribution.

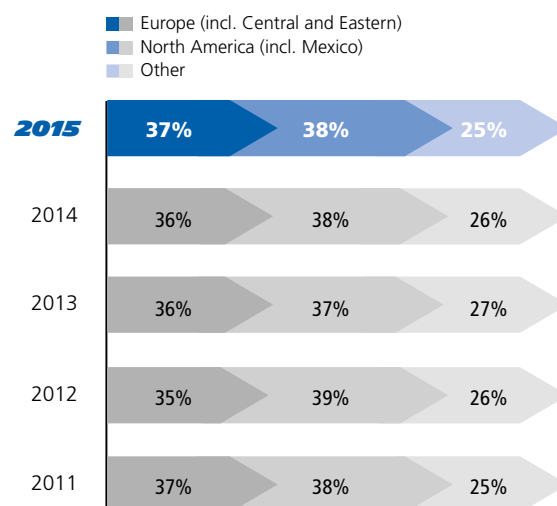
NET SALES BY REGION – BREAKDOWN

(in value)



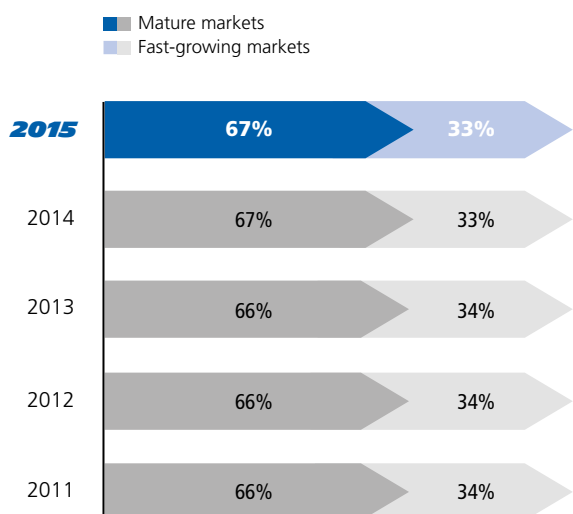
SALES BY REGION – BREAKDOWN

(in tons)



BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

(in tons)

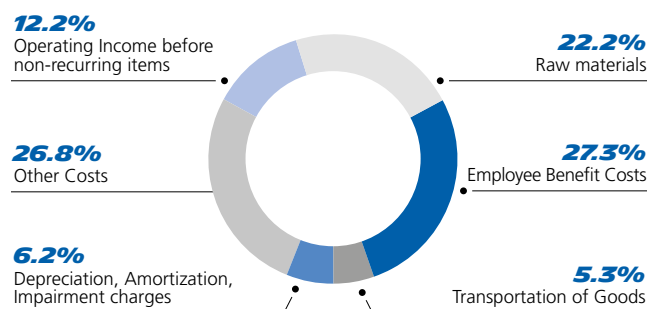


* Mature markets: United States, Canada, Western Europe and Japan.

4.3 EARNINGS

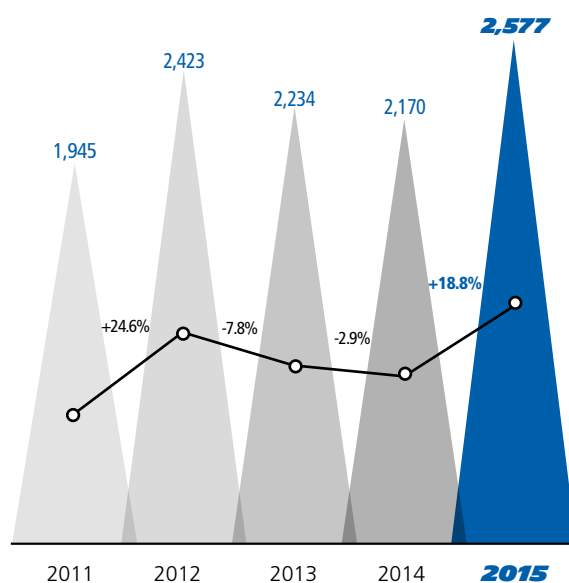
ANALYSIS OF OPERATING EXPENSES

(as a % of 2015 net sales)



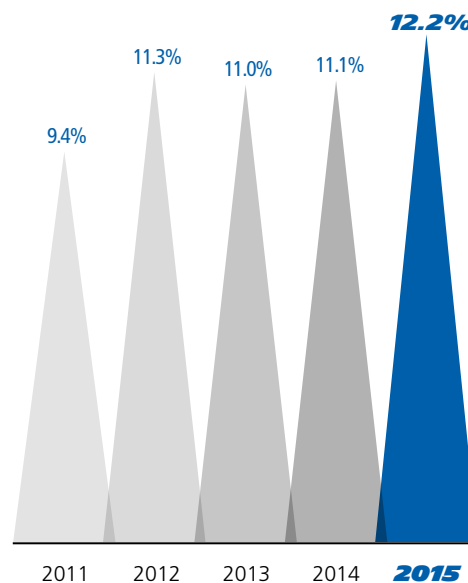
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



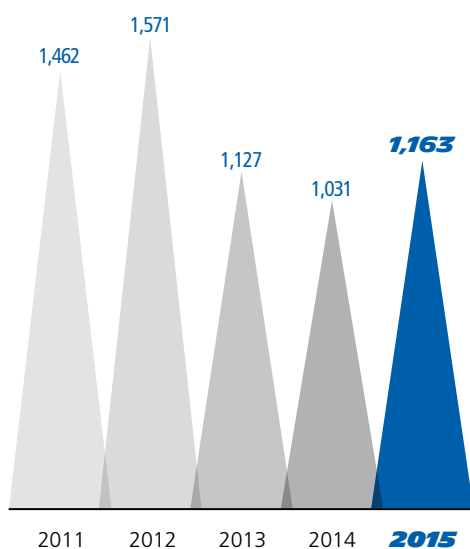
OPERATING MARGIN BEFORE NON-RECURRING ITEMS

(as a % of net sales)



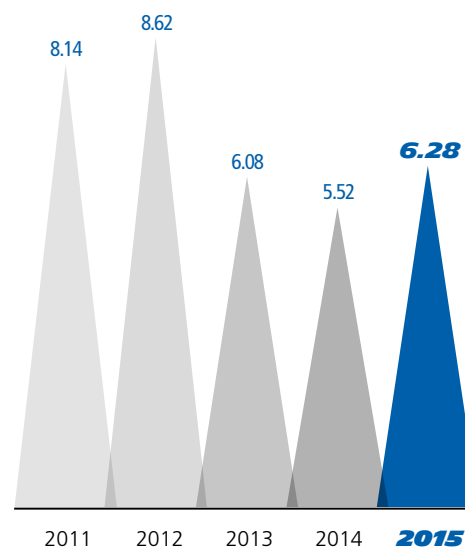
NET INCOME

(in € million)



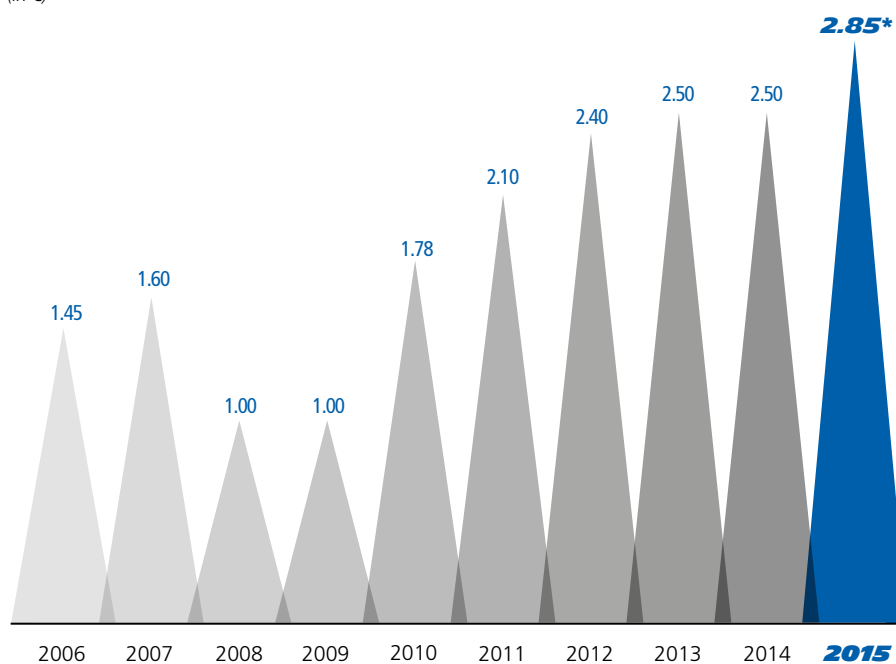
BASIC EARNINGS PER SHARE

(in €)



DIVIDEND PER SHARE

(in €)



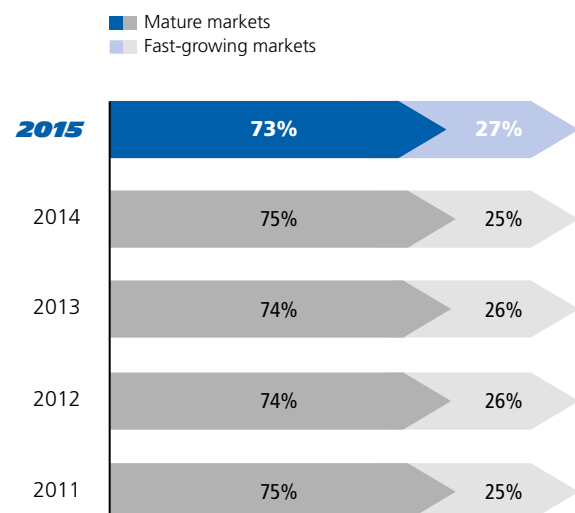
* Subject to approval by the Annual Meeting of May 13, 2016.

4.4 REPORTING SEGMENTS

4.4.1 PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

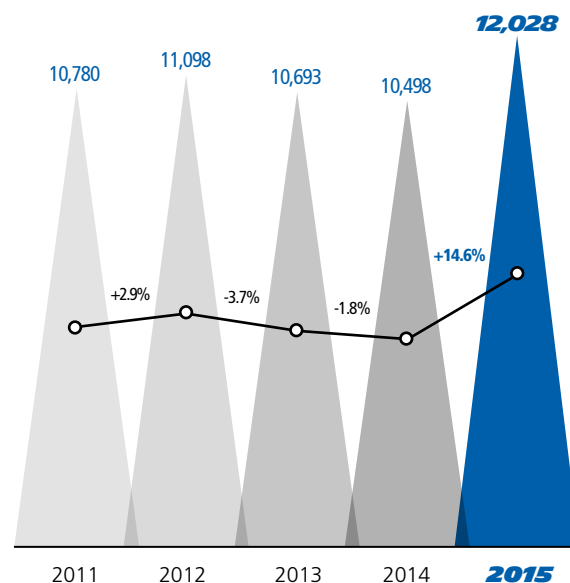
(in tons)



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

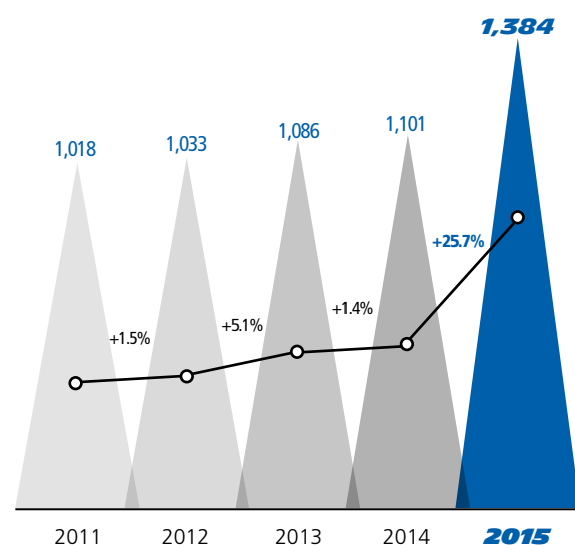
NET SALES

(in € million)



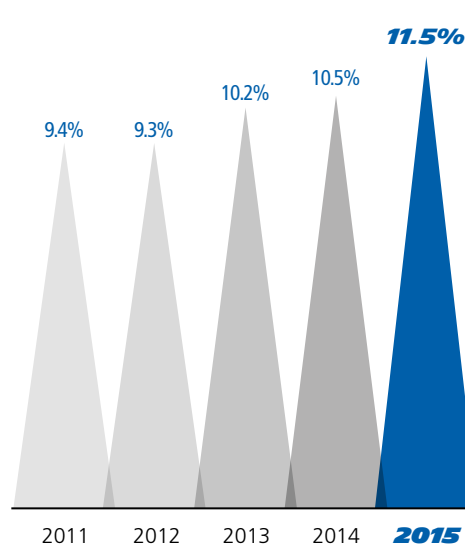
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

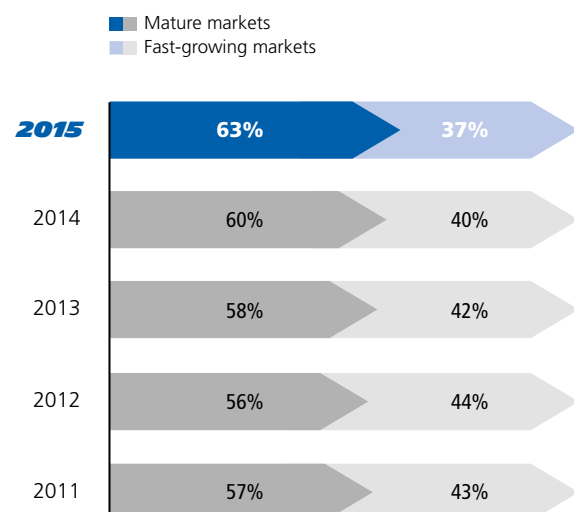
(as a % of net sales)



4.4.2 TRUCK TIRES AND RELATED DISTRIBUTION

BREAKDOWN OF SALES BETWEEN MATURE* AND FAST-GROWING MARKETS

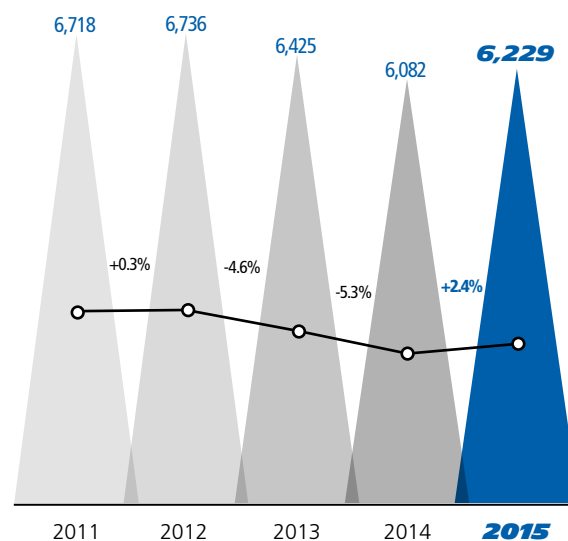
(in tons)



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

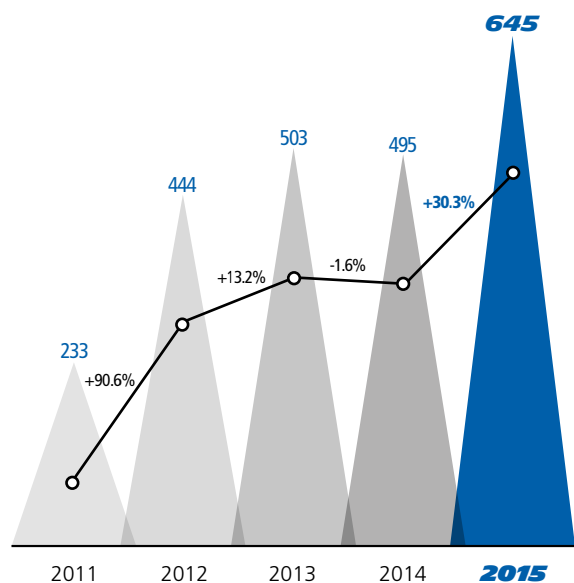
NET SALES

(in € million)



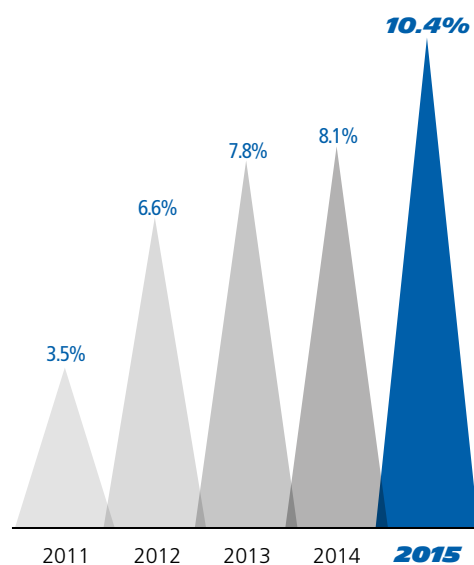
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

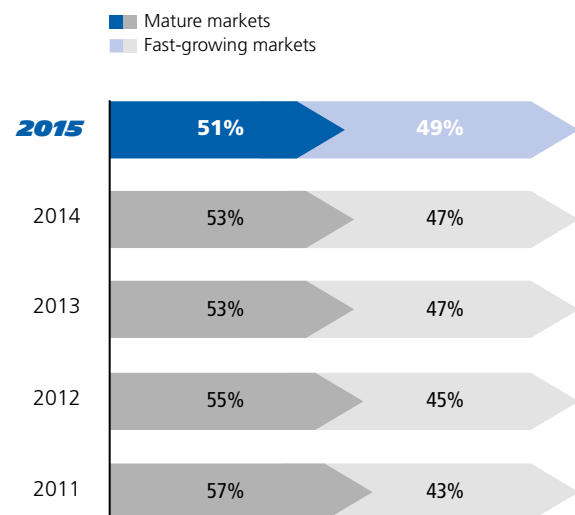
(as a % of net sales)



4.4.3 SPECIALTY BUSINESSES

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

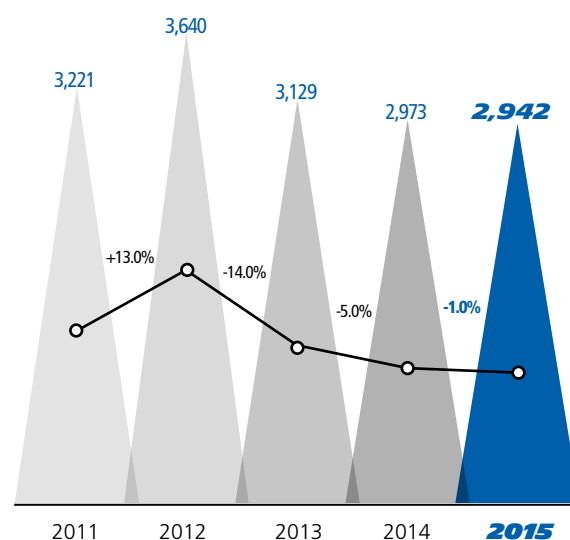
(in tons)



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

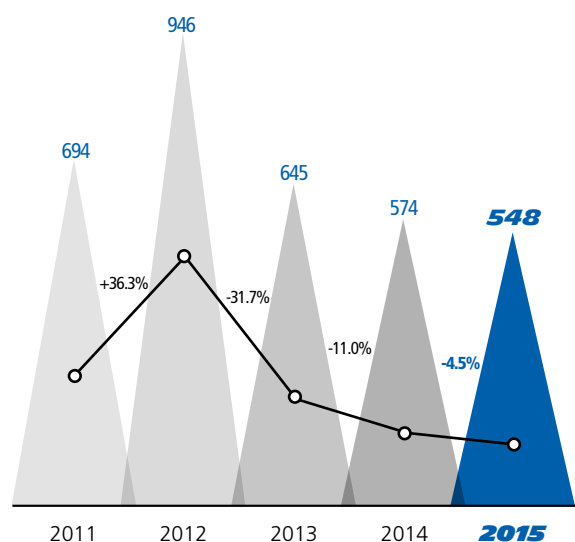
NET SALES

(in € million)



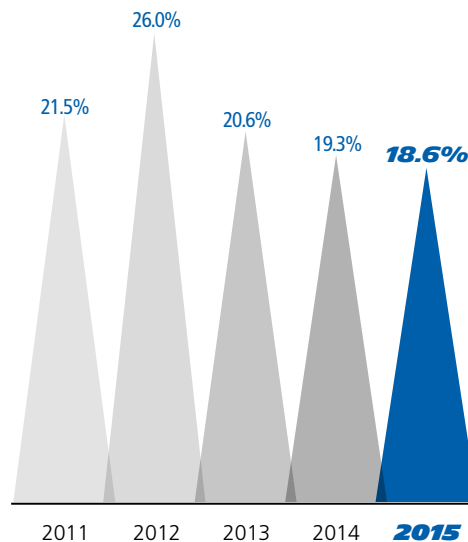
OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



OPERATING MARGIN BEFORE NON-RECURRING ITEMS

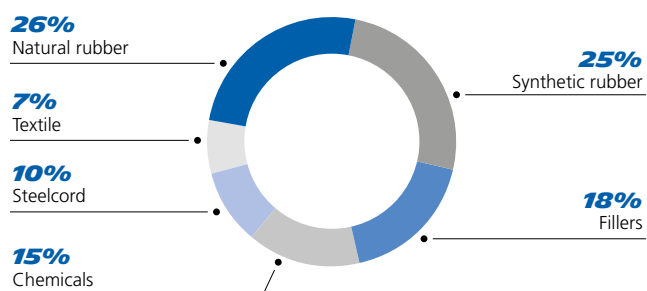
(as a % of net sales)



4.5 COST STRUCTURE

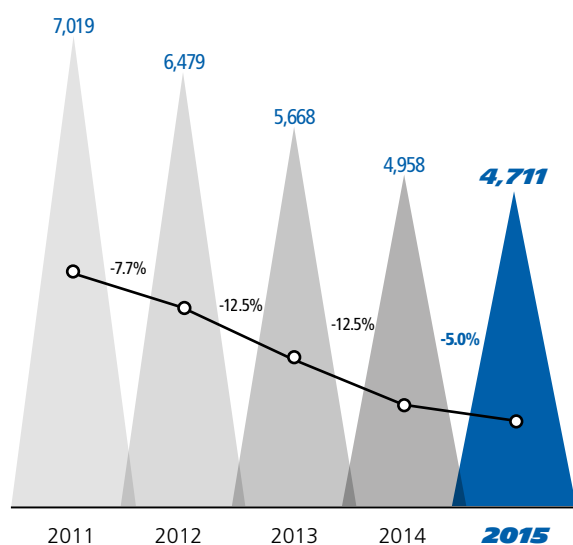
RAW MATERIAL COST

(in €, in 2015)



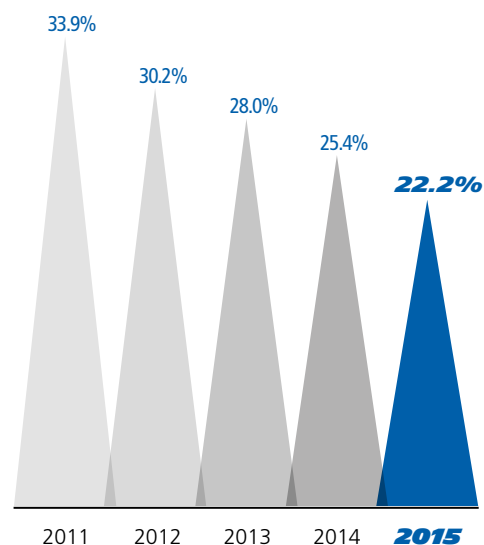
RAW MATERIAL COST

(in € million)



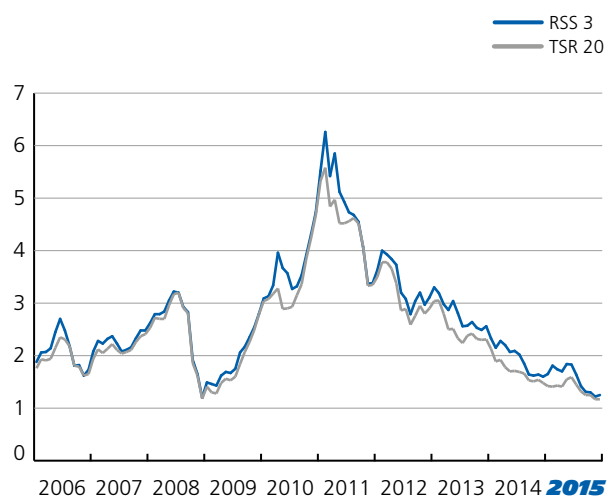
RAW MATERIAL COST

(as a % of net sales)



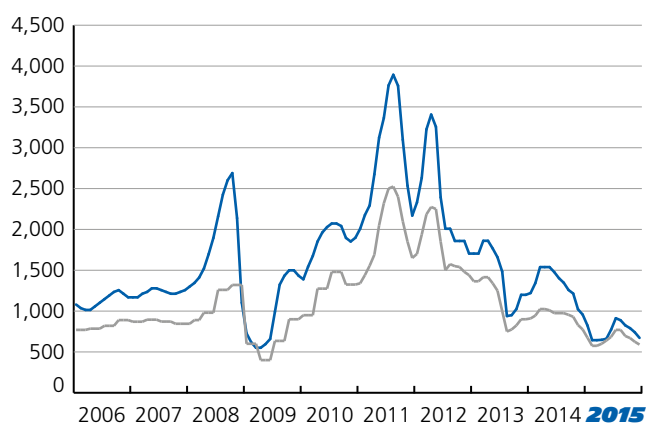
NATURAL RUBBER PRICES*

(in \$/kg)



BUTADIENE PRICES*

Legend: US Gulf (USD/t) (blue line), Europe (EUR/t) (grey line)



BRENT OIL PRICES*

(in \$/bbl)



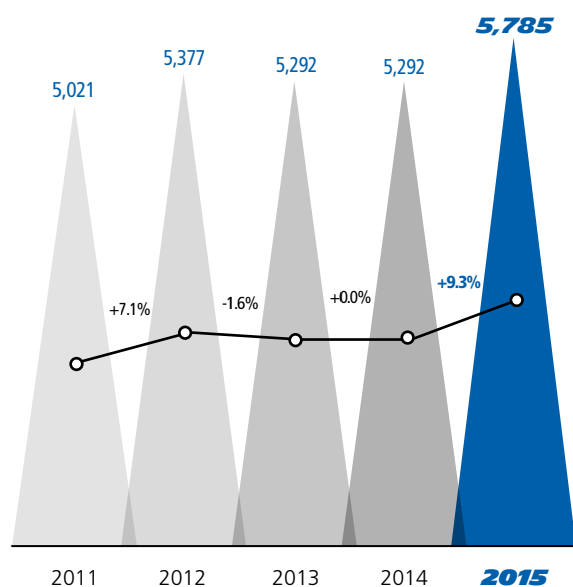
STYRENE PRICES*

(in €/ton)



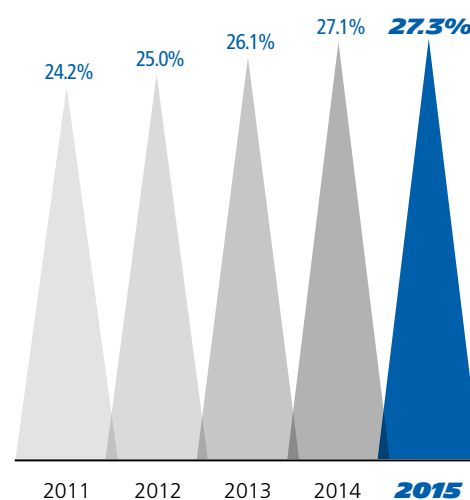
EMPLOYEE BENEFIT COSTS

(in € million)



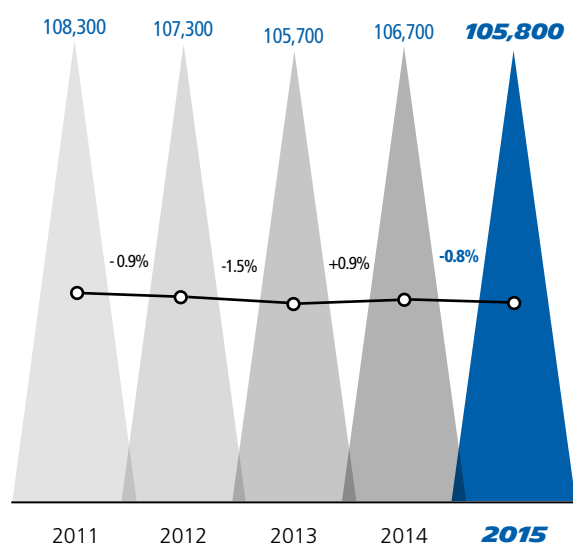
EMPLOYEE BENEFIT COSTS

(as a % of net sales)



NUMBER OF EMPLOYEE

(full-time equivalent employees at December 31)



EMPLOYEES BY REGION

(full-time equivalent employees at December 31)

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

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

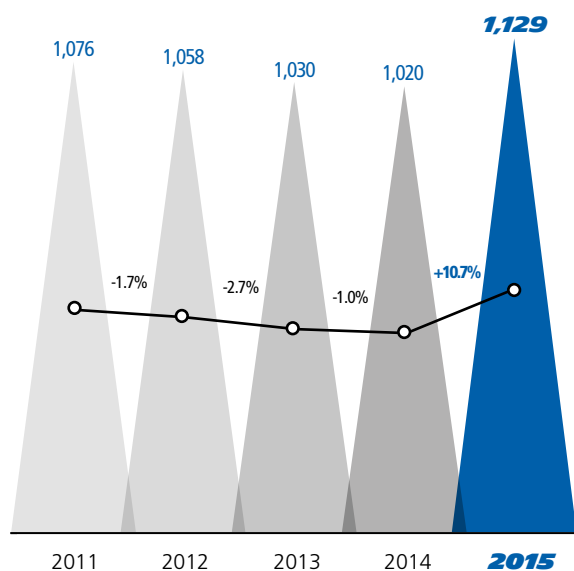
EMPLOYEES BY JOB CATEGORY

(total workforce at December 31)

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

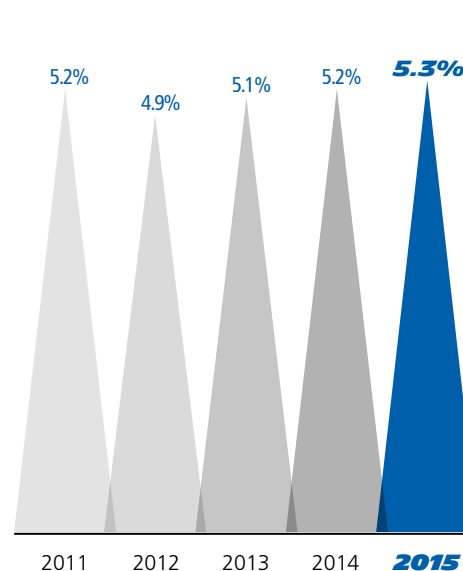
TRANSPORTATION COSTS

(in € million)



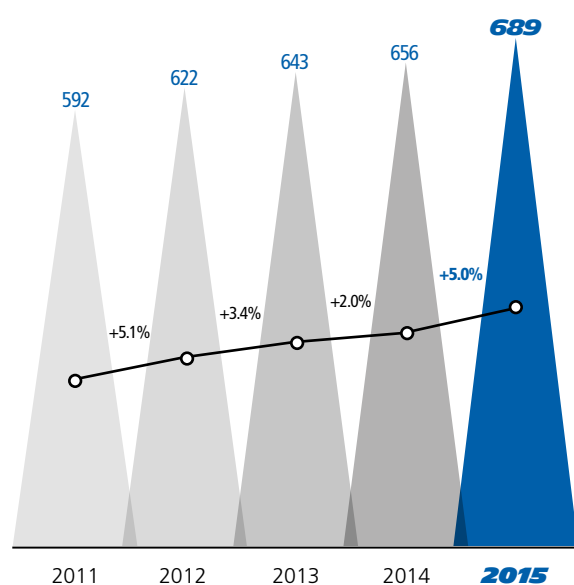
TRANSPORTATION COSTS

(as a % of net sales)



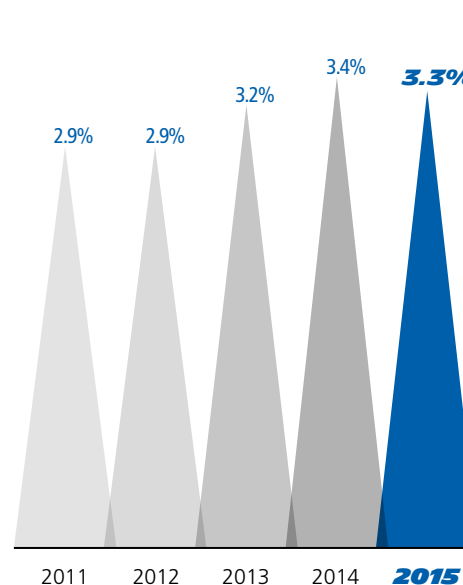
RESEARCH AND DEVELOPMENT COSTS

(in € million)



RESEARCH AND DEVELOPMENT COSTS

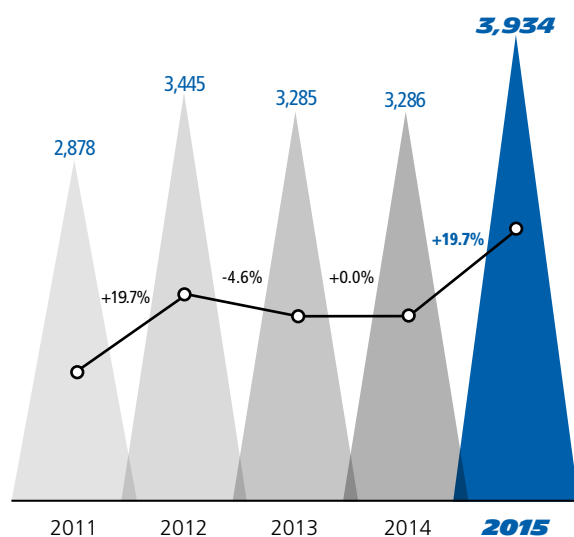
(as a % of net sales)



4.6 CASH FLOW AND BALANCE SHEET

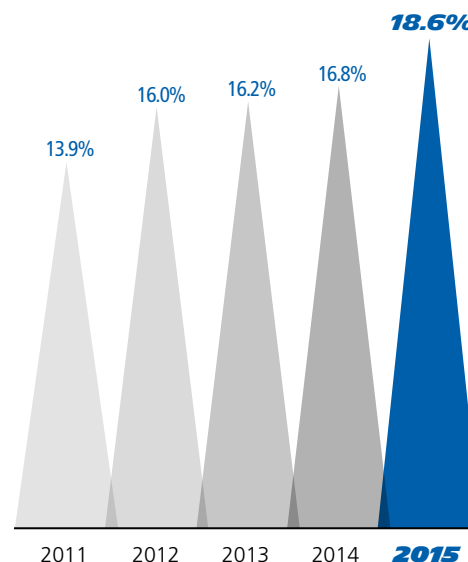
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES ⁽¹⁾

(in € million)



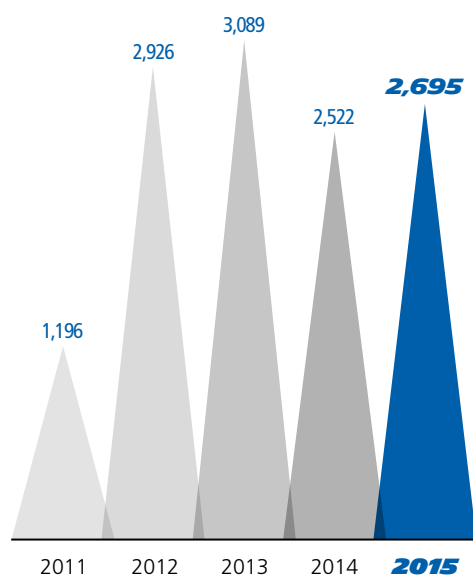
EBITDA BEFORE NON-RECURRING INCOME AND EXPENSES ⁽¹⁾

(as a % of net sales)



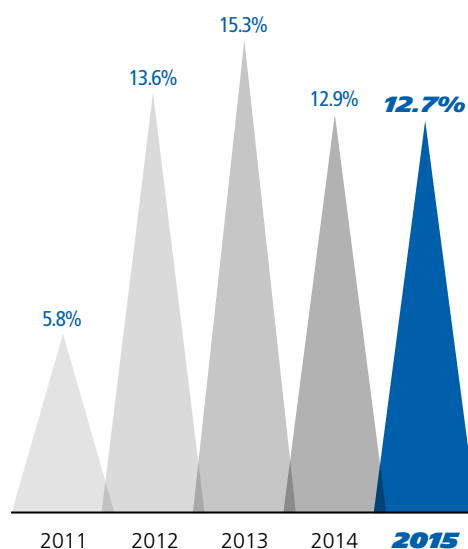
CASH FLOWS FROM OPERATING ACTIVITIES

(in € million)



CASH FLOWS FROM OPERATING ACTIVITIES

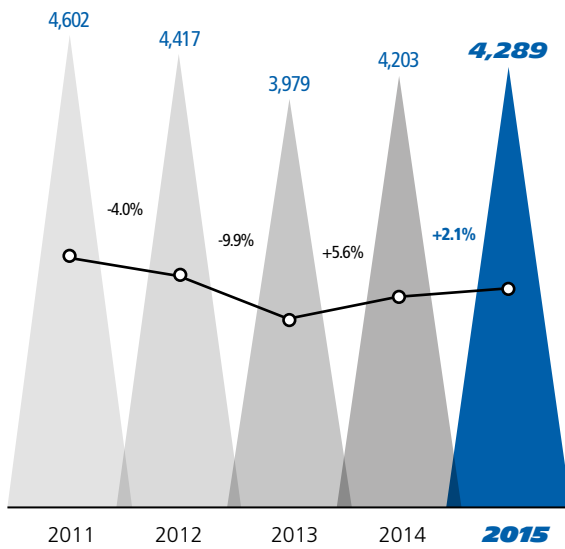
(as a % of net sales)



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

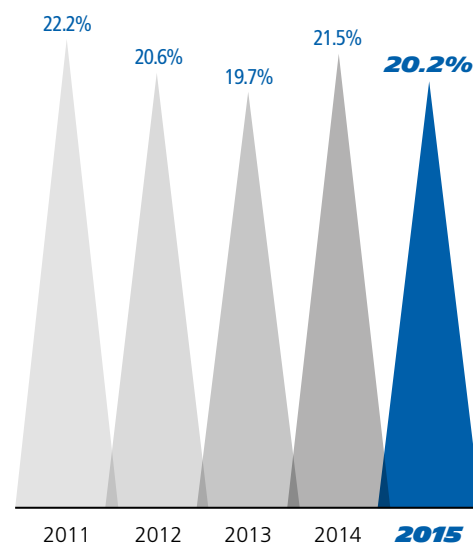
INVENTORIES

(in € million)



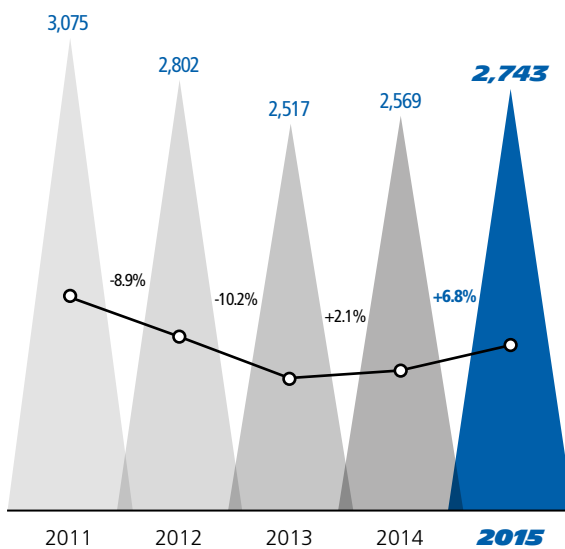
INVENTORIES

(as a % of net sales)



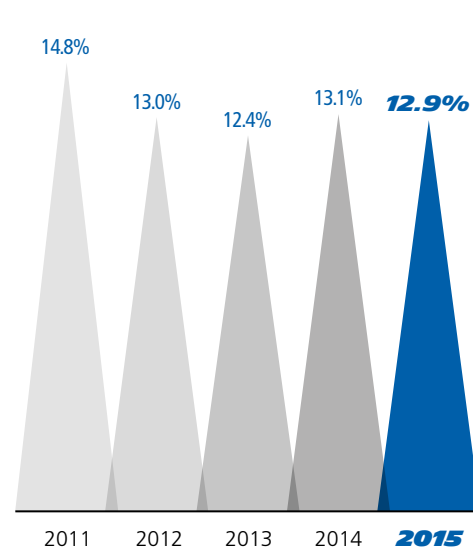
TRADE RECEIVABLES

(in € million)



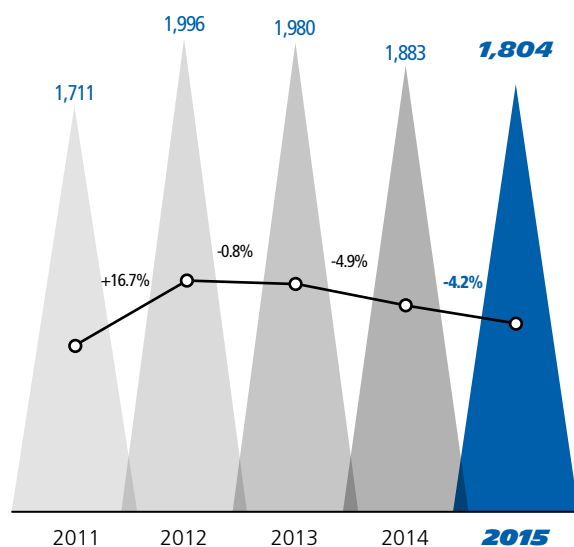
TRADE RECEIVABLES

(as a % of net sales)



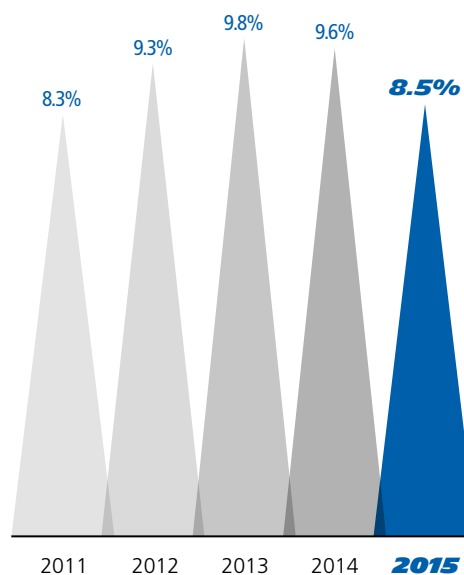
CAPITAL EXPENDITURE

(in € million €)



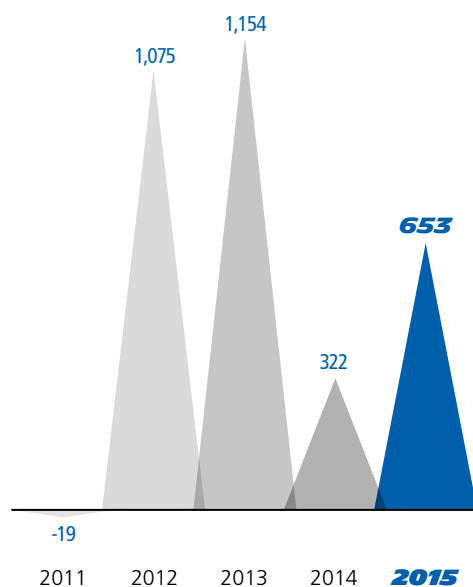
CAPITAL EXPENDITURE

(as a % of net sales)



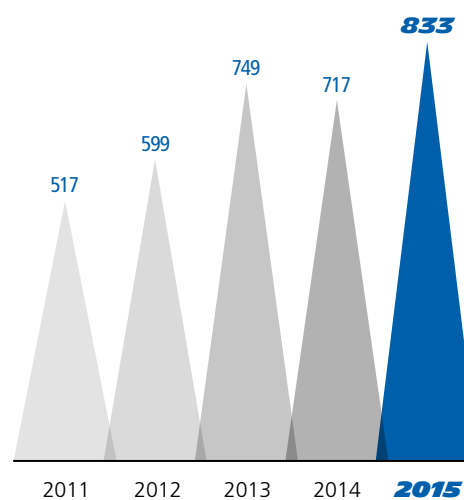
FREE CASH FLOW ⁽¹⁾ (AFTER CAPITAL EXPENDITURE AND BEFORE PAYMENT OF DIVIDENDS)

(in € million)



STRUCTURAL FREE CASH FLOW ⁽¹⁾

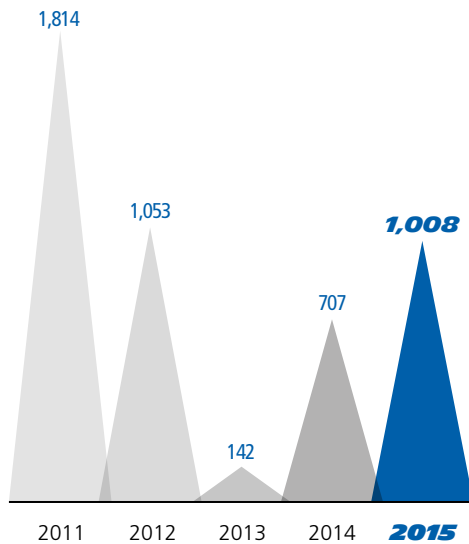
(in € million)



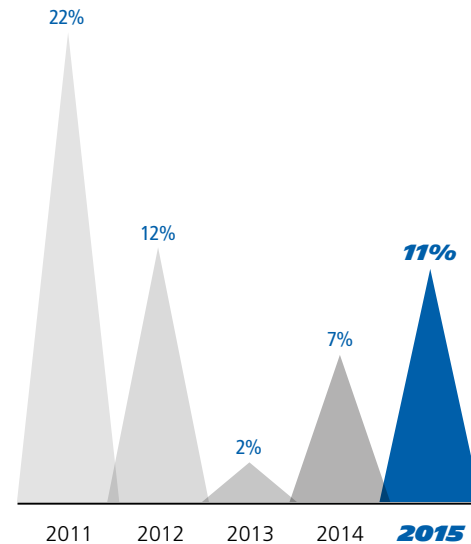
(1) This indicator is defined in section 3.6.3 of the present document.

NET DEBT ⁽¹⁾

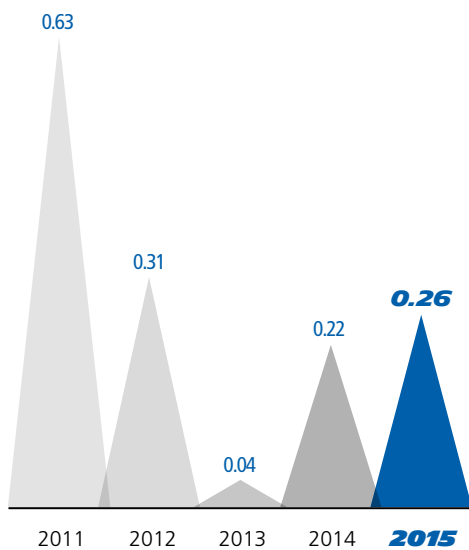
(in € million)



NET DEBT-TO-EQUITY RATIO ⁽¹⁾

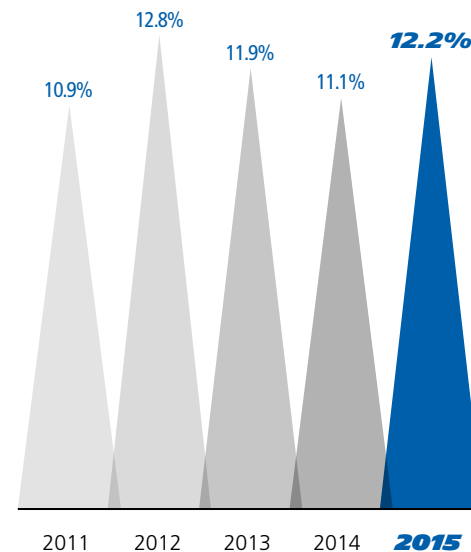


NET DEBT ⁽¹⁾-TO-EBITDA RATIO ⁽²⁾



RETURN ON CAPITAL EMPLOYED ⁽³⁾

(after tax)



(1) This indicator is defined in note 26 to the consolidated financial statements.

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

(3) This indicator is defined in section 3.7 of the present document.

4.7 CONSOLIDATED KEY FIGURES AND RATIOS

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

(1) As defined in note 3.7.2 to the 2015 consolidated financial statements.

(2) Including the dividends paid in shares.

(3) Net debt: financial liabilities - cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) +/- derivative assets, as defined in note 26 to the 2015 consolidated financial statements.

(4) Net interest charge: interest financing expenses - interest income from cash and equivalents.

(5) Free cash flow: cash flows from operating activities - cash flows from investing activities (excluding cash flows from cash management financial assets and borrowing collaterals), as defined in section 3.6.3.

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

(7) ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement), as defined in section 3.7.

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

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

(10) Subject to approval at the Annual Shareholders Meeting on May 13, 2016.

(11) Distribution rate: Dividend/Net income excluding non recurring income and expenses.

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

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

5

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

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CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

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CONSOLIDATED INCOME STATEMENT

<i>(in € million, except per share data)</i>	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net sales	5	21,199	19,553
Cost of sales		(14,238)	(13,299)
Gross income		6,961	6,254
Sales and marketing expenses		(1,929)	(1,842)
Research and development expenses		(689)	(656)
General and administrative expenses		(1,707)	(1,596)
Other operating income and expenses	8	(59)	10
Operating income before non-recurring income and expenses	5	2,577	2,170
Non-recurring income and expenses	9	(370)	(179)
Operating income/(loss)		2,207	1,991
Cost of net debt	10	(184)	(130)
Other financial income and expenses	10	(30)	(43)
Net interest on employee benefit obligations	27.1	(141)	(154)
Share of profit/(loss) from associates		17	(13)
Income/(loss) before taxes		1,869	1,651
Income tax	11	(706)	(620)
NET INCOME/(LOSS)		1,163	1,031
► Attributable to the shareholders of the Company		1,168	1,031
► Attributable to the non-controlling interests		(5)	-
Earnings per share <i>(in €)</i>			
► Basic	12	6.28	5.52
► Diluted		6.19	5.45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net income/(loss)		1,163	1,031
Post-employment benefits	27.1	(317)	(484)
Tax effect – Post-employment benefits	18	82	85
Other items of comprehensive income that will not be reclassified to income statement		(235)	(399)
Available-for-sale financial assets – change in fair values	15.1	(25)	(26)
Tax effect – available-for-sale financial assets – change in fair values	18	-	4
Available-for-sale financial assets – (gain)/loss recognized in income statement		-	-
Currency translation differences		(70)	169
Other		7	-
Other items of comprehensive income that may be reclassified to income statement		(88)	147
Other comprehensive income		(323)	(252)
COMPREHENSIVE INCOME		840	779
► Attributable to the shareholders of the Company		843	779
► Attributable to the non-controlling interests		(3)	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	December 31, 2015	December 31, 2014 ⁽¹⁾
Goodwill	13	803	835
Intangible assets	13	621	602
Property, plant and equipment (PP&E)	14	10,532	10,081
Non-current financial assets and other assets	15	410	283
Investments in associates	17	309	189
Deferred tax assets	18	1,259	1,156
Non-current assets		13,934	13,146
Inventories	19	4,289	4,203
Trade receivables	20	2,743	2,569
Current financial assets	21	363	462
Other current assets	22	1,012	883
Cash and cash equivalents	23	1,552	1,167
Current assets		9,959	9,284
TOTAL ASSETS		23,893	22,430
Share capital	24	364	371
Share premiums	24	3,222	3,601
Reserves	25	5,903	5,534
Non-controlling interests		53	12
Equity		9,542	9,518
Non-current financial liabilities	26	2,444	1,621
Employee benefit obligations	27.1	4,888	4,612
Provisions and other non-current liabilities	29	1,681	1,476
Deferred tax liabilities	18	118	95
Non-current liabilities		9,131	7,804
Current financial liabilities	26	548	726
Trade payables		2,260	2,154
Trade payables under factoring contracts	2.2	94	8
Other current liabilities	30	2,318	2,220
Current liabilities		5,220	5,108
TOTAL EQUITY AND LIABILITIES		23,893	22,430

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	Share capital (note 24)	Share premiums (note 24)	Reserves (note 25)	Non- controlling interests	Total
At January 1, 2014 ⁽¹⁾	372	3,641	5,232	6	9,251
Net income/(loss)	-	-	1,031	-	1,031
Other comprehensive income	-	-	(252)	-	(252)
Comprehensive income	-	-	779	-	779
Issuance of shares	2	44	-	-	46
Purchase of shares	-	-	(87)	-	(87)
Cancellation of shares	(2)	(85)	87	-	-
Disposal of shares	-	-	2	-	2
Dividends and other allocations	-	-	(486)	-	(486)
Share-based payments – cost of services rendered	-	-	7	-	7
Other	(1)	1	-	6	6
At December 31, 2014 ⁽¹⁾	371	3,601	5,534	12	9,518
Net income/(loss)	-	-	1,168	(5)	1,163
Other comprehensive income	-	-	(325)	2	(323)
Comprehensive income	-	-	843	(3)	840
Issuance of shares	2	62	-	-	64
Purchase of shares	-	-	(451)	-	(451)
Cancellation of shares	(10)	(441)	451	-	-
Dividends and other allocations	-	-	(483)	-	(483)
Share-based payments – cost of services rendered	-	-	9	-	9
Other	1	-	-	44	45
AT DECEMBER 31, 2015	364	3,222	5,903	53	9,542

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Net income		1,163	1,031
Adjustments			
▶ Cost of net debt	10	184	130
▶ Other financial income and expenses	10	30	43
▶ Net interest on benefits	27.1	141	154
▶ Income tax	11	706	620
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,357	1,116
▶ Non-recurring income and expenses	9	370	179
▶ Share of loss/(profit) from associates		(17)	13
EBITDA before non-recurring income and expenses	3.7.2	3,934	3,286
Other non-cash income and expenses	31	(9)	5
Change in provisions, including employee benefit obligations	31	(357)	(191)
Cost of net debt and other financial income and expenses paid	31	(143)	(144)
Income tax paid	18.2	(754)	(616)
Change in working capital, net of impairments	31	24	182
Cash flows from operating activities		2,695	2,522
Purchases of intangible assets and PP&E	31	(1,774)	(1,839)
Proceeds from sale of intangible assets and PP&E		43	46
Equity investments in consolidated companies, net of cash acquired		(181)	(404)
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(118)	(13)
Proceeds from sale of available-for-sale financial assets		2	2
Cash flows from other financial assets	31	86	121
Cash flows from investing activities		(1,942)	(2,087)
Proceeds from issuances of shares	24	64	46
Purchase of shares	24	(451)	(87)
Dividends paid to the shareholders of the Company	24	(463)	(464)
Cash flows from financial liabilities	31	462	(280)
Other cash flows from financing activities		36	(40)
Cash flows from financing activities		(352)	(825)
Effect of changes in exchange rates		(16)	(6)
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		385	(396)
Cash and cash equivalents at January 1		1,167	1,563
Cash and cash equivalents at December 31	23	1,552	1,167

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

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

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

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

After a review by the Supervisory Board, these consolidated financial statements were authorized for issue by the Managing Chairman on February 11, 2016.

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

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements:

- ▶ are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at closing date with a mandatory application (available on the internet website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm);
- ▶ are also in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and

- ▶ have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss or other items of comprehensive income.

2.2 Accounting policies

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

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union

Interpretation to existing standards, which is applicable for the accounting periods beginning on or after January 1, 2015 and having an impact for the Group, is described below.

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy that is not Income tax clarifying that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the

payment of the levy, as identified by the legislation. The Interpretation was adopted by the European Union on June 14, 2014 and shall be applied no later than the accounting period beginning on or after June 17, 2014. The Group applies this interpretation from the accounting period beginning on January 1, 2015. The impact of this change in accounting policy on the financial statement of the financial position is presented below:

(in € million)	January 1, 2014			December 31, 2014		
	As reported	Restatements	As restated	As reported	Restatements	As restated
Non-current assets	11,352	7	11,359	13,139	7	13,146
including deferred tax assets	1,054	7	1,061	1,149	7	1,156
Current assets	9,330	-	9,330	9,284	-	9,284
TOTAL ASSETS	20,682	7	20,689	22,423	7	22,430
Equity	9,256	(5)	9,251	9,523	(5)	9,518
Non-current liabilities	6,569	-	6,569	7,804	-	7,804
Current liabilities	4,857	12	4,869	5,096	12	5,108
including other current liabilities	2,031	12	2,043	2,208	12	2,220
TOTAL EQUITY AND LIABILITIES	20,682	7	20,689	22,423	7	22,430

The change has no effect on the consolidated income statement or on the consolidated cash flow statement for the year 2014.

There are no new standards or major amendments which are applicable for the accounting periods beginning on January 1, 2015 and which could have an impact on the consolidated financial statements of the Group.

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

IFRS 9, "Financial instruments", published in July 2014, replaces IAS 39. The standard contains requirements for the classification and measurement of financial assets, including the introduction of a new expected loss impairment model for financial assets. For financial liabilities, the standard retains most of the requirements of IAS 39. IFRS 9 also sets new principles for the use of hedge accounting. The impact of this standard is currently in progress with the intent of adopting it no later than the accounting period beginning on January 1, 2018, providing its adoption by the European Union.

IFRS 15, "Revenue from Contracts with Customers", published in May 2014, establishes the fundamental principle that the recognition of revenue arising from contracts with customers must reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing IFRS 15's full impact and intends to adopt it no later than the accounting period beginning on January 1, 2018, providing its adoption by the European Union.

IFRS 16 "Leases", published in January 2016, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting model are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and/or leases of low value assets). The Group will start assessing IFRS 16's impact and intends to adopt it no later than the accounting period beginning on January 1, 2019, providing its adoption by the European Union.

There are no other new standards, amendments and interpretations to existing standards, which have been published but are not yet effective that are expected to have a material impact on the Group.

2.5 Critical accounting estimates and judgments

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

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

/ 2.5.1 Impairment of non-financial assets

The cash generating units' (CGU) future cash flows used in the calculation of value in use (note 3.16 "Impairment of non-financial assets") are derived from the Group rolling five-year strategic plan.

The construction of the strategic orientations is an exercise involving the various actors within the CGUs and the projections are validated by the Managing Chairman. It requires critical estimates and judgments, especially in the determination of market trends, raw material costs and pricing policies. Therefore, the actual cash flows may differ from the estimates used in the calculation of value in use. Quantitative information is provided in note 13.1 "Goodwill".

/ 2.5.2 Employee benefit obligations

The Group plans are defined contribution plans which generally require, on top of the part financed by the Group, a contribution from each salaried employee defined in percentage of the compensation.

Some subsidiaries also book in their accounts liabilities for various pension plans, jubilees and other post-employment benefits linked to rights acquired by the employees in these plans reflecting their history or some legal obligations.

The valuation of these benefits is carried out annually by independent actuaries. The actuarial method used is the Projected Unit Credit Method.

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

Assumptions and statistical information are determined according to internal guidelines in consultation with the actuaries.

The discount rates are determined using tools from the actuaries having the same maturity as the liabilities.

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

The inflation rates having standard maturities are determined using several methods:

- ▶ by using the tools from the actuaries based on target rates published by Central Banks, forecasts from the Consensus Economics organization and inflation swap curves;
- ▶ by taking the spread between inflation-linked bonds and conventional securities. The rates are then adjusted with a spread which represents the liquidity and risk premium embedded in the inflation-linked bonds;
- ▶ based on historical averages.

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

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

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

/ 2.5.3 Income taxes

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

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

The period of reversal of tax losses carried forward is based on a reasonable horizon taking into account the specific circumstances of each Group company, such as:

- ▶ the origin of the historical tax losses (generally exceptional and non-recurrent: 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.

Quantitative information is provided in note 18 "Taxes".

NOTE 3 ACCOUNTING POLICIES

3.1 Consolidation

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

The Group treats transactions with non-controlling interests, as long as they do not result in a change of control from the Group over the entities (no loss or gain of control), as equity transactions having no impact on the comprehensive income. Expenses occurring from these operations are directly accounted for in equity. At the date the Group gains control of an entity, the carrying amount of previously held non-controlling interests, if any, is adjusted to fair value and the difference is recognized in the income statement. All other related items that were recognized in the comprehensive income are reclassified in the income statement. When the Group loses control over an entity but keeps some non-controlling interests in the entity, such a transaction is analysed as an exchange, i.e. the disposal of a controlling interest and the acquisition of a non-controlling interest.

Shareholdings in companies which are not subsidiaries, joint arrangements or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.17 "Non derivative financial assets").

/ 3.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) that the Group controls. The Group controls an entity when it has:

- ▶ power over the investee;
- ▶ exposure, or rights, to variable returns from its involvement with the investee;
- ▶ the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

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

/ 3.1.2 Joint ventures and associates

Joint ventures are joint arrangements (arrangements of which the Group has control jointly with one or more other parties) in which the Group has rights to the net assets. Joint control is defined as the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Generally, associates are entities in which the Group has a shareholding between 20% and 50% of the voting rights.

Investments in joint ventures and associates are accounted for using the equity method and are initially recognized at cost. The Group investment in joint ventures and associates includes goodwill identified at acquisition date and are presented net of any accumulated impairment losses.

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

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

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

3.2 Segment reporting

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

The Managing Chairman regularly examines segment operating income to assess their performance. He has therefore been identified as the chief operating decision maker of the Group.

3.3 Foreign currency

/ 3.3.1 Presentation and functional currency

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

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

/ 3.3.2 Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange differences on equity investments classified as available-for-sale financial assets are included in other items of comprehensive income until the investment is sold.

/ 3.3.3 Translation

The financial statements of Group entities whose functional currency is different from the Group's presentation currency are translated into Euros as follows: assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position, income and expenses are translated at the average rate of the period (as it is considered a reasonable approximation to actual rates at transaction date), and all resulting exchange differences are recognized in other items of comprehensive income.

Cash flows are also translated at the average rate of the period. When an entity is disposed of, the translation differences accumulated in other items of comprehensive income are recycled in the income statement as part of the gain or loss on disposal.

On the acquisition of an entity, goodwill and fair value adjustments recognized are treated as assets and liabilities of the acquired entity and translated at the spot rate on the transaction date.

/ 3.3.4 Exchange rates of major currencies

Against €:	Closing rates		Average rates	
	2015	2014	2015	2014
US dollar (USD)	1.093	1.213	1.111	1.330
Canadian dollar (CAD)	1.513	1.413	1.416	1.467
Mexican peso (MXN)	18.866	17.942	17.575	17.674
Brazilian real (BRL)	4.226	3.279	3.631	3.118
British pound (GBP)	0.737	0.782	0.726	0.807
Chinese yuan (CNY)	7.097	7.544	6.980	8.192
Indian rupee (INR)	72.577	77.327	71.218	81.113
Thai baht (THB)	39.420	39.995	37.979	43.194

3.4 Derivative financial instruments

Derivative financial instruments are used to manage financial exposures.

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

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

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

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

3.5 Hedging

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

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

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

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

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

/ 3.5.1 Fair value hedges

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

/ 3.5.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in other items of comprehensive income. The ineffective portion of the gain or loss is recognized immediately in the income statement. Amounts accumulated in other items of comprehensive income are recycled in the income statement in the period when the hedged item affects the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other items of comprehensive income at the time is immediately recognized in the income statement.

3.6 Fair value of financial instruments

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

- ▶ Level 1: Quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments (essentially cash and cash equivalents as well as quoted available-for-sale financial assets) are included in level 1.
- ▶ Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value these instruments are observable, these instruments (essentially cash management financial assets and derivative instruments) are included in level 2.
- ▶ Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument (essentially non-quoted available-for-sale financial assets) is included in level 3.

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

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

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

When observable yield curves include negative interest rates, those are used without change to determine the fair value of derivatives.

The Group assesses the counterparty risk included in the fair value of its OTC (over-the-counter) derivatives for which there is no exchange of collaterals. The Group includes the effect of its exposure to the credit risk of the counterparty or the counterparty's exposure to the credit risk of the Group. The valuation for long term derivatives with no exchange of collaterals is based on discounted cash flows using a rate including the counterparty credit risk.

3.7 Definition of certain indicators presented in the consolidated financial statements

/ 3.7.1 Net debt

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

- ▶ cash and cash equivalents as they appear on the consolidated statement of financial position;
- ▶ derivative instruments included in "Current financial assets and Non-current financial assets" on the consolidated statement of financial position;
- ▶ cash management financial assets included in "Current financial assets" on the consolidated statement of financial position (these assets are highly liquid, little affected by the interest rate risk and by the foreign currency risk); and
- ▶ borrowing collaterals included in "Current financial assets and Non-current financial assets" on the consolidated statement of financial position.

/ 3.7.2 EBITDA before non-recurring income and expenses

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

3.8 Revenue recognition

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

Sales are recognized as follows:

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

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

Financial income is recognized as follows:

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

3.9 Cost of sales

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

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

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

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

3.10 Research and development

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

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

3.11 Non-recurring income and expenses

Unusual, abnormal or non-frequent significant items of income and expenses are separately disclosed in the income statement. They are described in the note 9 "Non-recurring income and expenses".

3.12 Income tax

Current and deferred taxes, plus any withholding tax on royalties and on distributions of retained earnings within the Group, are included in the income statement except if they relate to items recognized either in other comprehensive income or directly in equity, in which case they are also recognized, respectively, in other comprehensive income or directly in equity.

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

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

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

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

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

3.13 Business combination and goodwill

When the Group obtains control of an entity, the business combination is valued and accounted for by applying the acquisition method. Goodwill is computed at acquisition date as the difference between:

- the fair value of the consideration transferred including, if any, the fair value of contingent consideration;
- the fair value at the acquisition date of the identifiable acquired assets, the liabilities and contingent liabilities assumed.

Goodwill is carried at cost less any accumulated impairment losses.

Costs directly attributable to the business combination are expensed as incurred and booked as other operating income and expense in the consolidated income statement.

The valuation period for a business combination does not exceed twelve months after acquisition date.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the synergies of the combination and that reflect the level at which the Group manages goodwill. Goodwill is tested for impairment annually.

3.14 Intangible assets

Intangible assets are recognized at cost. The cost of an intangible asset acquired as part of a business combination is its fair value at the acquisition date.

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment. Those with finite useful lives are amortized on a straight-line basis over their estimated useful life which generally does not exceed seven years, with the exception of trademarks acquired in a business combination and land-use rights which are amortized over the period the right is granted for.

3.15 Property, plant and equipment

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

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

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

Property, plant and equipment are depreciated on a straight-line basis, except land which is not depreciated. Depreciation on property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed. Depreciation is allocated to cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

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

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

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

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

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

The obligations arising from future finance lease payments are discounted and recognized as a financial liability in the consolidated statement of financial position. The payments related to operating leases are expensed on a straight-line basis over the lives of the contracts.

3.16 Impairment of non-financial assets

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

Whether there is an indication of impairment or not, an annual impairment test for goodwill, intangible assets with indefinite useful life and intangible assets not ready for use is performed by comparing their carrying amount with their recoverable amount.

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

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

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

CGUs to which goodwill have been allocated are tested annually or more frequently if events or changes in circumstances indicate a potential impairment. Those without goodwill are tested if there is a specific indication of impairment.

The recoverable amount is the higher of the value in use and the fair value less cost of disposal.

For most CGUs, recoverable amount is based on value in use, which is equal to future discounted cash flows using the Weighted Average Cost of Capital (WACC) as a discount rate. Future cash flows are based on the CGU's five-year cash flow forecasts plus a terminal value, measured by dividing projected cash flows by the WACC. The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt capital and a risk premium reflecting the risks of the countries where the assets are located. Those rates are adjusted in order to determine a pre-tax discount rate, consistent with the pre-tax cash flow forecasts. The gearing is based on target information. The beta is calculated according to the variance and the covariance between the Company stock price and the CAC 40 index using a moving average on 24 months.

The recoverable amount of the distribution CGUs on the other hand is measured at fair value less costs of disposal. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

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

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

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

3.17 Non derivative financial assets

/ 3.17.1 Asset categories

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

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

/ 3.17.2 Transactions

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

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

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

/ 3.17.3 Measurement

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

/ 3.17.4 Impairment

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

3.18 Inventories

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

The cost of raw material, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor cost, other direct costs and production overheads based upon normal capacity of production facilities. Borrowing costs are expensed as incurred. The measurement of inventories and of cost of sales with the standard cost method put in place by the Group is close to what would be obtained using the actual cost method, after taking under consideration variances.

Net realizable value is the estimated selling price less the estimated costs of completion and sale.

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

3.19 Trade receivables

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

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

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

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

3.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

3.21 Share capital

Ordinary shares are classified as equity.

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

Treasury shares are presented separately in reserves. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

3.22 Non-derivative financial liabilities

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

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

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

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

3.23 Employee benefits

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

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

/ 3.23.1 Pension and other post-employment benefits

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

The Group provides post-employment benefits under defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group pays fixed contributions to fund managers or insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay the benefits expected by the beneficiaries.

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

Group guidelines regarding post-employment benefits have led to the transformation of defined benefit plans to defined contribution benefit plans since early 2000's. Nevertheless most of the current post-employment benefit plans are defined benefit plans. They are either externally funded plans (mainly pension plans), for which the plan assets are held separately in independently administered funds, or unfunded plans such as healthcare benefit plans and retirement bonus plans.

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

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

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

The liability or the asset recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. They take into account any unrecognized assets not available in form of refunds or reduction in future contributions.

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Past service costs may arise when new defined benefit plans are set up, when changes to benefits payable under an existing defined benefit plan are introduced or when curtailments occur. They are recognized immediately in the income statement.

The Group net benefit plan cost recognized in operating income consists of current service cost, curtailment and settlements gains and losses, past service cost as well as actuarial gains and losses arising under other long term benefit plans. Net interest on the net defined benefit liability (asset) is recognized below operating income.

/ 3.23.2 Share based payments

Employee share option plans

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

The grant date is the date when the Managing Chairman decides on the plan list of beneficiaries and the number of options granted to them.

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

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

Performance share plans

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

The grant date is the date when the Managing Chairman decides on the plan list of beneficiaries and the number of performance shares granted to them.

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

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

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

3.24 Provisions

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

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

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

3.25 Trade payables

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

The Group has put in place paying agent contracts with some financial institutions. Under these agreements, the financial institution acts as a paying agent with respect to invoices due to our suppliers that have entered into a bilateral agreement with the financial institution in order to be in position to assign their trade receivables from the Group.

Given the nature of these contracts, the total balance of trade payables to such suppliers is presented on a separate line of the consolidated statement of financial position "Trade payables under factoring contracts".

In the consolidated cash flow statement, these operations are included in operating activities.

NOTE 4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk management policy

/ 4.1.1 Organization of financial risk management

Financial risk control, measurement and supervision are carried out under the responsibility of the Corporate Financing Department, at the subsidiary, geographic zone level as well as at the Group level. It reports directly to the Group Financial Department.

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

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

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

/ 4.1.2 Liquidity risk

4.1.2.1 Risk factors

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

4.1.2.2 Risk management processes

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

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

- cash pooling with the Group for the management of day to day liquidity requirements;

- intercompany credit lines and loans to meet medium and long term requirements.

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

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

As a matter of prudent financial policy, the Group guards against the inclusion in its financial contracts of covenants providing for ratios or "material adverse change" clauses that could affect its ability to mobilize credit lines or affect their term. At closing date no such clause featured in Group loan agreements. With regard to clauses in financial contracts relating to default or acceleration, the probability of such circumstances arising is low and their possible impact on the financial situation of the Group is not significant.

/ 4.1.3 Currency risk

4.1.3.1 Risk factors

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

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

Foreign currency translation risk arises from the Group's net investment in foreign subsidiaries. It corresponds to the risk of a change in the exchange rate used to translate the net investment in the foreign subsidiary into Euros during the consolidation process.

4.1.3.2 Risk management processes

Currency transaction risk

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

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

Foreign currency payables and receivables of the same type and with equivalent maturities are netted off and only the net exposure is hedged. This is normally carried out through the financial holding company, or, alternatively, through a bank. The financial holding company in turn assesses its own resulting exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts. The structural part of the exposure is hedged with long term instruments (seven years maturity at the longest) and the operating part is hedged with short term instruments (generally maturity is shorter than or equal to three months). Currency risk monitoring and hedging is based on Group internal

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

Currency translation risk

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

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

/ 4.1.4 Interest rate risk

4.1.4.1 Risk factors

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

4.1.4.2 Risk management processes

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

Interest rate exposure is analyzed and monitored by the financial risks committee using monthly performance indicators and management reports.

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

/ 4.1.5 Equity risk

4.1.5.1 Risk factors

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

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

4.1.5.2 Risk management processes

The Group Investment Committee, which includes representatives of the Financial, Legal and Corporate Finance Departments, is responsible for the application of monitoring rules on investments. It therefore makes an annual review of the investments to assess the risk level and the evolution of the results compared to defined targets.

/ 4.1.6 Counterparty risk

4.1.6.1 Risk factors

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

4.1.6.2 Risk management processes

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the industrial and commercial risks that are associated with its operations, the Group gives priority to the security and the liquidity of all its cash investments. Cash investments consist of (i) financial instruments that are subject to no risk or an insignificant risk of changes in value purchased from a sufficiently diversified group of leading banks, and (ii) unrestricted units in diversified money market funds or short-term bond funds. As well as cash investments, counterparty risk is borne on the value of the assets of derivative instruments used for hedging purposes. These amounts and their distribution by bank are tracked weekly by the Group Treasury and monitored monthly by the Financial Risks Committee.

In order to mitigate the counterparty risk on its derivatives instruments, the Group realizes exchange of collaterals with its main banks.

/ 4.1.7 Credit risk

4.1.7.1 Risk factors

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

4.1.7.2 Risk management processes

The Credit Department, which is part of the Group Financial Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is also responsible for credit and collection. The main policies and procedures are defined at Group level and are monitored and controlled at both the geographical zone and Group level. A monthly credit reporting system operates within the Group.

4.2 Financial risk data

/ 4.2.1 Liquidity risk

At December 31, 2015, the repayment schedule of financial debts (interest included) as well as the ageing balance of undrawn confirmed credit lines are as follows:

(in € million)	2016	2017	2018	2019	2020	2021	2022 and beyond
Bonds	239	745	25	431	14	14	1,000
Loans from financial institutions and other	308	50	25	2	10	3	208
Obligation under finance lease	24	5	5	5	5	5	67
Derivative instruments	3	(50)	27	16	-	(1)	-
Repayment schedule of financial debts	574	750	82	454	29	21	1,275
Long-term undrawn confirmed credit lines	-	-	-	-	1,500	-	-

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

The refinancing risk of the Group short term debt is covered by the amount of the undrawn confirmed credit lines (€1,500 million), cash available (€1,552 million) as well the cash management financial assets (€205 million).

In December 2014, the Group renewed its syndicated credit line for five years with an option to extend it twice for a one year period.

In November 2015, the Group exercised the one year extension option of this syndicated credit line. The final maturity date of the line is now 2020.

/ 4.2.2 Currency risk

Transactional Currency Risk

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

(in € million)	December 31, 2015						December 31, 2014					
	USD	AUD	RON	GBP	EUR	Other	USD	AUD	RON	GBP	EUR	Other
Monetary assets	3,635	180	60	56	789	2,427	3,867	164	51	183	971	2,553
Monetary liabilities	(2,691)	(102)	(39)	(111)	(1,878)	(1,204)	(2,471)	(94)	(72)	(346)	(1,752)	(1,240)
Net position before hedging	944	78	21	(55)	(1,089)	1,223	1,396	70	(21)	(163)	(781)	1,313
Hedges	(897)	(70)	(14)	46	1,047	(1,247)	(1,381)	(77)	(5)	162	771	(1,336)
NET POSITION AFTER HEDGING	47	8	7	(9)	(42)	(24)	15	(7)	(26)	(1)	(10)	(23)

At 31 December, 2015, a subsidiary had net exposure in USD for € 53 million and in EUR for € 66 million, due to the change of its functional currency as of 1 January, 2016. This exposure is being hedged from the beginning of January 2016.

An unfavorable change in each of the foreign currencies mentioned in the table above against the functional currencies of the companies which have the currency transaction exposure would have a negative aggregate impact, after hedging, of less than €1 million (2014: €1 million) in the consolidated income statement for every cent change. A favorable change would have a totally symmetrical impact. This relatively low sensibility to the transaction currency risk is due to the objective described in paragraph 4.1.3 "Currency risk".

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

Currency Translation Risk

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

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
EUR	5,383	5,452
BRL	744	870
USD	1,317	782
THB	753	710
CNY	403	431
CAD	278	398
INR	255	251
Other	409	624
TOTAL	9,542	9,518

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

/ 4.2.3 Interest rate risk

Net debt at December 31, 2015 by type of hedges and currencies can be detailed as follows:

(in € million)	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
EUR	1,806	(915)	891	(2,409)	1,806	(3,324)	(1,518)	(400)	400	1,406	(2,924)	(1,518)
CNY	-	61	61	980	-	1,041	1,041	429	(429)	429	612	1,041
USD	1	25	26	480	1	505	506	412	(412)	413	93	506
BRL	116	(2)	114	339	116	337	453	233	(233)	349	104	453
INR	-	8	8	127	-	135	135	69	(69)	69	66	135
AUD	-	35	35	68	-	103	103	40	(40)	40	63	103
Other currencies	19	(140)	(121)	415	19	275	294	82	(82)	101	193	294
Total before derivatives	1,942	(928)	1,014	-	1,942	(928)	1,014	865	(865)	2,807	(1,793)	1,014
Fair value of derivatives included in net debt			(6)				(6)					(6)
NET DEBT (NOTE 26)			1,008				1,008					1,008

A 1-point parallel shift in the yield curves applied to the net debt components would represent as at December 31, 2015:

(in € million)	Annualized cash impact booked in income statement	Fair value impact			Total
		Booked in income statement ⁽¹⁾	Booked in other comprehensive income ⁽²⁾	Not booked ⁽³⁾	
1-point downward shift	(18)	(10)	(5)	93	78
1-point upward shift	18	10	4	(93)	(79)

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

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

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

/ 4.2.4 Equity risk

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

(in € million)	December 31, 2015	December 31, 2014
Carrying amount (note 15.1)	243	151
Impact on equity of a 10% unfavorable change in the price of the Group investment portfolio	(8)	(10)

/ 4.2.5 Counterparty risk

At December 31, 2015, 57% of cash and cash equivalents (including cash management financial assets) is invested in money market or short term bond funds to allow for a maximum diversification of the counterparty risk. The balance is invested directly in international bank institutions which meet the counterparty risk management criteria defined by the Group.

Furthermore, most of the derivatives are contracted with the same banking groups.

/ 4.2.6 Credit risk

At December 31, 2015, net receivable balances from the ten largest customers amounted to €453 million (2014: €439 million). Seven of these customers are located in Europe and three in North America. At the same date, 58 customers (2014: 49) have been granted credit limits in excess of €10 million. Out of these, 24 are located in Europe, 22 in North America, three in Asia, six in Africa, India, or Middle-East and three in South America. There was no significant collateral received to limit credit risk. In 2015, credit losses represented 0.13% of sales (2014: 0.10%).

/ 4.2.7 Commodities derivatives

In 2015, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

4.3 Capital risk management

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

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

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
Net debt (note 26)	1,008	707
Total equity	9,542	9,518
Gearing ratio	0.11	0.07

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

4.4 Fair value measurement hierarchy

The following tables present the Group assets and liabilities that are measured at fair value at December 31, 2015 and 2014 by level of the fair value measurement hierarchy:

(in € million)	Level 1	Level 2	Level 3	Total 2015
Cash and cash equivalents	1,220	332	-	1,552
Cash management financial assets	-	205	-	205
Deposits borrowing collaterals	80	-	-	80
Derivatives (note 16.1)	-	147	-	147
Available-for-sales financial assets (note 15.1)	24	-	219	243
TOTAL ASSETS	1,324	684	219	2,227
Derivatives (note 16.2)	-	141	-	141
TOTAL LIABILITIES	-	141	-	141

(in € million)	Level 1	Level 2	Level 3	Total 2014
Cash and cash equivalents	816	351	-	1,167
Cash management financial assets	10	303	-	313
Deposits borrowing collaterals	72	-	-	72
Derivatives (note 16.1)	-	88	-	88
Available-for-sales financial assets (note 15.1)	48	-	103	151
TOTAL ASSETS	946	742	103	1,791
Derivatives (note 16.2)	-	120	-	120
TOTAL LIABILITIES	-	120	-	120

There has been no significant transfer during these two years between level 1 and level 2.

The following table presents the changes in level 3 instruments for the year ended December 31, 2015:

(in € million)	
At January 1, 2015	103
Additions	116
Disposals	(6)
Transfers from other level to level 3	-
Transfers from level 3 to other levels	-
Gains or losses for the year included in net income	-
Gains or losses for the year included in other comprehensive income	-
Others	6
AT DECEMBER 31, 2015	219

NOTE 5 SEGMENT REPORTING

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

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

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

The operating segment performance is evaluated based on operating income before non-recurring income and expenses, consistently with that of the consolidated income statement.

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

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

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

The segment information is as follows:

	2015				2014			
	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
<i>(in € million)</i>								
Profit and loss information								
Net sales	12,028	6,229	2,942	21,199	10,498	6,082	2,973	19,553
Operating income before non-recurring income and expenses	1,384	645	548	2,577	1,101	495	574	2,170
<i>In percentage of net sales</i>	11.5%	10.4%	18.6%	12.2%	10.5%	8.1%	19.3%	11.1%
Depreciation and amortization	(720)	(375)	(230)	(1,325)	(590)	(322)	(200)	(1,112)
Impairment	(15)	(17)	-	(32)	(4)	1	(1)	(4)
Segment assets								
Intangible assets and PP&E	6,457	3,410	2,089	11,956	5,794	3,640	2,084	11,518
Finished products inventories	1,425	885	429	2,739	1,313	882	457	2,652
Trade receivables	1,492	972	279	2,743	1,304	967	298	2,569
Total of segment assets	9,374	5,267	2,797	17,438	8,411	5,489	2,839	16,739
Other information								
Capital expenditure	1,077	487	239	1,803	1,034	511	338	1,883

Sales between segments are carried at arm's length.

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

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
Segment assets	17,438	16,739
Non-current financial assets and other assets	410	283
Investments in associates and joint ventures	309	189
Deferred tax assets	1,259	1,156
Other net inventories (raw materials and supplies, work in progress)	1,550	1,551
Current financial assets	363	462
Other current assets	1,012	883
Cash and cash equivalents	1,552	1,167
TOTAL GROUP ASSETS	23,893	22,430

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The geographic information is broken down by zone hereunder:

(in € million)	2015				2014			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	8,203	8,084	4,912	21,199	7,990	6,883	4,680	19,553
Intangible assets and PP&E	5,404	2,898	3,654	11,956	5,141	2,593	3,784	11,518
Capital expenditure	901	434	468	1,803	870	533	480	1,883

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

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

The net sales in France amounted to €1,974 million (2014: €1,924 million). The intangible assets and PP&E located in France amounted to €2,059 million (2014: €2,043 million).

Approximately 80% of the North American net sales are done in the United States of America during these two years.

No single external customer amounted to 10% or more of the Group net sales in 2015 and 2014.

NOTE 6 EXPENSES BY NATURE

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

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Raw materials and consumables used and changes in finished products inventories	(7,552)	(7,344)
Employee benefit costs (note 7)	(5,785)	(5,292)
Transportation of goods	(1,129)	(1,020)
Depreciation, amortization and impairment charges	(1,357)	(1,116)
Other expenses	(2,799)	(2,611)
EXPENSES BY NATURE	(18,622)	(17,383)

NOTE 7 EMPLOYEE BENEFITS COSTS

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

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	(4,484)	(3,929)
Payroll taxes	(971)	(1,110)
Defined benefit plan costs (note 27.1)	(134)	(107)
Defined contribution plan costs (note 27.2)	(187)	(139)
Share-based payments – cost of services rendered (note 25)	(9)	(7)
EMPLOYEE BENEFIT COSTS	(5,785)	(5,292)

The average number of employees in 2015 is 112,484 (2014: 111,671).

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are recognized within in the income statement:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Net restructuring costs	3	(12)
(Charge)/reversal on impairment of intangible assets and property, plant and equipment	(21)	(5)
Retiree benefit costs	(12)	(5)
Share-based payments – cost of services rendered (note 25)	(9)	(7)
Other operating income/(expenses)	(20)	39
OTHER OPERATING INCOME AND EXPENSES	(59)	10

NOTE 9 NON-RECURRING INCOME AND EXPENSES

9.1 Year 2015

The non-recurring income and expenses are detailed in the table below:

	Provision	Impairment	2015 Total
Earthmover tire facility project in India (note 9.1.1)	-	(78)	(78)
Reorganization of Truck tire activities in Europe (note 9.1.2)	(188)	(87)	(275)
Reorganization of the logistic and the distribution network (note 9.1.3)	(14)	(3)	(17)
NON-RECURRING INCOME AND EXPENSES	(202)	(168)	(370)

/ 9.1.1 Earthmover tire facility project in India

After demand for Earthmover tires fell in the original equipment (OE) and Infrastructure segments, the Group suspended in mid-2013 the construction of a facility to produce 49 inch and smaller Earthmover tires at the Chennai, India plant. However, it continued to work on a new Truck tire facility, which came on stream in 2013 and uses a certain number of common facilities and installations that were undertaken for both Earthmover and Truck tire projects.

During the second semester of 2015, when preparing its strategic plan and given the worldwide situation of the OE Earthmover and Infrastructure markets, where demand remains severely down, the Group decided not to implement the Earthmover tire project at the Chennai plant.

As a result, a €78 million provision has been recognized in non-recurring expenses corresponding to the impairment of buildings on the Chennai site, of equipment already manufactured dedicated to this facility and capitalized process engineering costs for the planned equipment related to the OE and Infrastructure segments.

/ 9.1.2 Reorganization of the Truck tire activities in Europe

The competitive environment and the economic crisis of the past few years having a lasting impact on the European tire market, especially the market for new and retread truck tires, the Group has decided a reorganization plan of its activities and announced it will close some sites and facilities in different European countries.

In Italy, the retread activity at the Alessandria plant will cease by mid-2016 and the Fossano site, which produces semi-finished products, will close by the end of 2016. The logistics network will be reorganized and the Tribano warehouse will be closed by the end of 2017.

In the United Kingdom, the Group announced the closure of the Truck tire plant at Ballymena which will be effective mid 2018.

In Germany, the Pneu Laurent subsidiary's facility located at Oranienburg and producing truck retread tires will cease its activity by the end of 2016.

A provision amounting to €275 million has been recognized which will mainly cover the costs of the social elements of these projects, the impairment of non-reusable equipment and the costs necessary to deploy the revitalization plan implemented to help the impacted areas.

/ 9.1.3 Logistics and distribution

The Group continues the reorganization of its logistics and distribution activities by implementing, mainly in Europe, several restructuring plans for a total amount of €17 million which include provisions covering the social costs of the restructuring as well as the impairment of non-reusable equipment.

9.2 Year 2014

/ 9.2.1 Canada

The Group announced in March 2014 a significant reduction of tire manufacturing capacity at its Pictou, Canada car and light truck tire plant. The move was in response to a continuing shift in the North American car tire market to larger size tires and the limits of the existing plant (14-, 15-, and 16-inch tires) that would have required investment costs deemed to be too important to adapt its production equipment for the manufacturing of larger size tires.

The global charge corresponding to this operation has been recorded in non-recurring expenses, in the amount of €46 million, which includes costs of the social elements of the reorganization as well as adjustments to the value of employee defined benefits and to the fixed assets of the Company.

/ 9.2.2 Hungary

In June 2014, the Group announced the closure of its truck tire production unit in Budapest. The plant will discontinue its operations in the course of 2015. Despite the efforts made and the productivity gains achieved in recent years, the site has reached its limits in terms of development and competitiveness because its urban location is preventing any expansion and because of the excessive amounts of investments required to adapt its machinery.

A provision amounting to €38 million has been recognized in non-recurring expenses corresponding to the social costs of the restructuring, the equipment impairments and the cost necessary to deploy the revitalization plan implemented to help the impacted region.

/ 9.2.3 Logistics and distribution

In the context of the optimization of its European operations, the Group reorganizes its logistic and distribution activities. A provision amounting to €39 million has been recognized in non-recurring items covering the social costs of the restructuring as well as the warehouse and the distribution center closures.

/ 9.2.4 URSSAF audit

A French subsidiary of the Group received formal claims, by the administration in charge of the social security contribution collection, to pay €97 million (excluding interests and penalties) relating to several grievances. Certain of these claims, not accepted, and for which the Group has submitted for out-of-court and/or legal settlements, have been provided for an amount of €52 million.

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

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

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Interest expenses	(212)	(149)
Interest income	9	13
Interest rate derivatives	15	(9)
Fees on credit lines	(7)	(8)
Capitalized borrowing costs	11	23
COST OF NET DEBT	(184)	(130)
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	8	27
Currency remeasurement (including currency derivatives)	(22)	(14)
Other	(16)	(56)
OTHER FINANCIAL INCOME AND EXPENSES	(30)	(43)

10.1 Derivatives not accounted for using hedge accounting

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

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

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

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS (and therefore they cannot be recognized as cash flow hedges as described in note 3.5 "Hedging"). Fluctuations in the derivatives' fair values are therefore accounted for in the income statement. The increase in fair value during the year amounted to €15 million (2014: decrease of €9 million) and is included in "Interest rate derivatives (Cost of net debt)".

10.2 Ineffective hedges

No ineffective portion of fair value hedges was recognized in the income statement (2014: nil) in "Interest rate derivatives (Cost of net debt)". No cash flow hedge ineffectiveness was recognized in the income statement (2014: nil).

NOTE 11 INCOME TAX

Income tax expense is detailed as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Current tax expense (note 18.2)	(664)	(563)
Deferred tax income/(expense) (note 18.1)	(42)	(57)
INCOME TAX	(706)	(620)

Current tax includes €48 million of withholding tax on royalties and distribution of retained earnings between Group companies (2014: €52 million).

Reconciliation of the Group effective income tax:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Income before tax	1,869	1,651
Tax calculated using domestic tax rates applicable to income in the respective countries	(496)	(464)
Tax effect from:		
▶ untaxed transactions	10	(9)
▶ deferred tax assets not recognized during the year	(103)	(73)
▶ net change in unrecognized deferred tax assets	-	(21)
▶ changes in tax rates	(9)	(4)
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(105)	(51)
▶ other items	(3)	2
INCOME TAX	(706)	(620)

The Group has operations in various countries that have differing tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary from year to year depending on the relative size of taxable incomes.

In 2015, the difference between the Group's effective and theoretical tax rates can be explained mainly by deferred tax assets not recognized during the year and by withholding taxes or tax credits whose base is not the income before tax.

In 2014, the difference between the Group's effective and theoretical tax rates can be explained in particular by deferred tax assets not recognized during the year.

NOTE 12 EARNINGS PER SHARE

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

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

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

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net income/(loss) (in € million), excluding the non-controlling interests	1,168	1,031
▶ Less, estimated grants to the General Partners	(8)	(6)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	1,160	1,025
▶ Plus, interest expenses on convertible bonds	27	27
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	1,187	1,052
Weighted average number of shares (thousands of shares) outstanding used in the calculation of basic earnings per share	184,734	185,669
▶ Plus, adjustment for share option plans	561	685
▶ Plus, adjustment for convertible bonds	5,598	5,900
▶ Plus, adjustment for performance shares	974	754
Weighted average number of shares used in the calculation of diluted earnings per share	191,867	193,008
Earnings per share (in €)		
▶ Basic	6.28	5.52
▶ Diluted	6.19	5.45

Since the convertible bonds, as described in the note 26.1 "Bonds and commercial paper", are dilutive in 2015, they have been considered in the calculation of diluted earnings per share. Taking into account the evolution of the average share price in 2015, all the stock option plans as described in the note 28.1 "Stock option plans" are dilutive.

No transaction on shares having an impact on the weighted average number of shares entering in the calculation of basic earnings per share and diluted earnings per share has occurred after the 2015 reporting period.

NOTE 13 GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets are as follows:

(in € million)	Goodwill	Intangibles	Total
Gross carrying amounts at January 1, 2014	409	1,382	1,791
Translation adjustments	(15)	25	10
Additions (including new emission rights: €9 million)	-	140	140
Disposals	-	(10)	(10)
Changes in scope of consolidation	462	103	565
Transfers and other	-	7	7
Gross carrying amounts at December 31, 2014	856	1,647	2,503
Translation adjustments	(76)	1	(75)
Additions (including new emission rights: €5 million)	-	140	140
Disposals	-	(33)	(33)
Changes in scope of consolidation	53	36	89
Transfers and other	(1)	4	3
Gross carrying amounts at December 31, 2015	832	1,795	2,627
Amortization and impairment at January 1, 2014	(21)	(931)	(952)
Translation adjustments	-	(22)	(22)
Amortization	-	(99)	(99)
Net impairment	-	-	-
Disposals	-	4	4
Changes in scope of consolidation	-	3	3
Transfers and other	-	-	-
Amortization and impairment at December 31, 2014	(21)	(1,045)	(1,066)
Translation adjustments	-	(12)	(12)
Amortization	-	(126)	(126)
Net impairment	(9)	(9)	(18)
Disposals	-	25	25
Changes in scope of consolidation	-	(7)	(7)
Transfers and other	1	-	1
Amortization and impairment at December 31, 2015	(29)	(1,174)	(1,203)
NET CARRYING AMOUNTS AT DECEMBER 31, 2015	803	621	1,424
Net carrying amounts at December 31, 2014	835	602	1,437

13.1 Goodwill

The amounts allocated to the CGUs are as follows:

(in € million)	December 31, 2015	December 31, 2014
CGU Passenger car and light truck tires Southeast Asia / Australia	120	118
CGU Passenger car and light truck tires North America	123	113
CGU Passenger car and light truck tires Europe	119	77
Group of CGUs Truck tires South America ⁽²⁾	189	-
Group of CGUs Truck tires North America ⁽²⁾	71	-
Group of CGUs Truck tires Europe ⁽²⁾	106	68
Other CGUs ⁽³⁾	75	52
Unallocated goodwill ^{(1) (2)}	-	407
GOODWILL	803	835

(1) As at 31 December 2014, this amount corresponds to the goodwill recognized in relation to the acquisition of Sascar in August 2014 whose allocation was in progress. In 2015, the Group completed the determination of Sascar's goodwill, which was still in progress on 31 December 2014 (see note 33 to the 2014 consolidated financial statements), and reduced the amount of the goodwill by €22 million after reassessing tax positions.

(2) Furthermore, in 2015, synergies identified at Sascar's acquisition, reflecting the opportunity for Sascar to have access to the Group's customers in Brazil and to expand its service offering in other geographical zones led the Group to allocate the goodwill to three groups of CGUs (comprising Truck tire-, fleet services and digital activities) in South America, in North America and in Europe.

(3) Including €22 million that are a part of the goodwill recognized in relation to the acquisition of Blackcircles (note 33 "Acquisitions and divestments of businesses").

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

- ▶ The terminal value measured with a 1.5% annual growth rate for the CGUs located in mature countries, a 3.0% annual growth rate for the CGUs located in emerging countries and a 4.5% annual growth rate for Sascar.
- ▶ The discount rate used to discount the future cash flows of the CGUs is based on the WACC (Weighted Average Cost of Capital) before tax, which is calculated based on the Capital Asset Pricing Model (CAPM). The rates range between 10.5% and 13.4% and include a specific premium risk for each country. The main market data used to calculate the WACC are: a beta of 1.0, a market premium of 7.6% and a risk free interest rate of 2.4%.

Since the amount of goodwill is low compared to the amount of both total assets and net equity in the consolidated statement of financial position, the Group does not disclose any sensitivity analysis to the main key assumptions.

13.2 Intangible assets

In 2015, additions to intangible assets, amounting to €140 million (2014: €140 million) break down into the following categories:

- ▶ Software €126 million
- ▶ Emission rights – allowances granted €5 million
- ▶ Other €9 million

The most significant variation in the scope of consolidation is the acquisition of Blackcircles (note 33 – "Acquisitions and divestments of businesses").

/ 13.2.1 Software

The net carrying amount of software at December 31, 2015 was €424 million (2014: €392 million). Software is initially recognized at cost. Cost includes cost of acquisition or production cost and other cost directly attributable to the acquisition or production.

/ 13.2.2 Trademarks

At December 31, 2015 the net carrying amount of trademarks was €48 million (2014: €45 million). These amounts correspond mainly to the fair value of Sascar and Blackcircles trademarks, acquired in 2014 and 2015 respectively.

/ 13.2.3 Emission rights

The allowances granted are recognized as an intangible asset at their price on the grant date. A government grant for the same amount is recognized in liabilities. The expense and the related liability for actual emissions and the income corresponding to the use of the government grant are accounted for using the price in force at the grant date. The balance of the rights granted at December 31, 2015 amounted to 1.8 million metric tons (2014: 1.9 million metric tons) representing a value of €13 million (2014: €14 million). The liability related to actual emissions in 2015 amounts to 0.7 million metric tons (2014: 0.9 million metric tons) representing a value of €6 million (2014: €6 million). It will be offset by the delivery of the allowances granted.

/ 13.2.4 Development costs

In 2015 and 2014, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfil six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM's approval and when the level of profitability generated from the business plan proposed by the manufacturers is in line with Group objectives. In practice, the corresponding development costs are incurred at a stage of the project which is prior to OEM's approval.

13.3 Impairment of goodwill and intangible assets

Accumulated impairment losses on goodwill and intangible assets at December 31, 2015 amounted to €50 million (2014: €34 million).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

(in € million)	Lands and Buildings	Plant and Industrial Equipment	Other Equipment	Total
Gross carrying amounts at January 1, 2014	5,124	15,086	1,423	21,633
Translation adjustments	191	698	40	929
Additions (including finance leases: €24 million)	374	1,283	119	1,776
Disposals	(17)	(349)	(50)	(416)
Changes in scope of consolidation	(3)	30	23	50
Transfers and other	103	84	(189)	(2)
Gross carrying amounts at December 31, 2014	5,772	16,832	1,366	23,970
Translation adjustments	85	267	12	364
Additions (including finance leases: €55 million)	464	1,141	118	1,723
Disposals	(39)	(454)	(49)	(542)
Changes in scope of consolidation	-	2	13	15
Transfers and other	5	(43)	2	(36)
Gross carrying amounts at December 31, 2015	6,287	17,745	1,462	25,494
Depreciation and impairment at January 1, 2014	(2,326)	(9,325)	(1,027)	(12,678)
Translation adjustments	(85)	(415)	(31)	(531)
Depreciation	(152)	(801)	(59)	(1,012)
Net impairment	(14)	(7)	(2)	(23)
Disposals	10	309	36	355
Changes in scope of consolidation	1	3	4	8
Transfers and other	(1)	(139)	132	(8)
Depreciation and impairment at December 31, 2014	(2,567)	(10,375)	(947)	(13,889)
Translation adjustments	(38)	(173)	(13)	(224)
Depreciation	(169)	(957)	(72)	(1,198)
Net impairment	(50)	(104)	-	(154)
Disposals	21	419	45	485
Changes in scope of consolidation	-	(2)	(10)	(12)
Transfers and other	14	16	-	30
Depreciation and impairment at December 31, 2015	(2,789)	(11,176)	(997)	(14,962)
NET CARRYING AMOUNTS AT DECEMBER 31, 2015	3,498	6,569	465	10,532
Net carrying amounts at December 31, 2014	3,205	6,457	419	10,081

PP&E under construction amounted to €1,931 million (2014: €2,208 million).

Accumulated impairment losses amounted to €362 million (2014: €220 million).

The borrowing costs capitalized in 2015 in PP&E amounted to €11 million (2014: €23 million).

PP&E held under finance leases amounted to €123 million (2014: €84 million). The gross carrying amounts of these assets totalled €168 million (2014: €130 million).

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

(in € million)	December 31, 2015		December 31, 2014	
	Present value	Undiscounted value	Present value	Undiscounted value
Within one year	16	18	9	9
Between one and five years	53	59	41	47
More than five years	48	57	22	29
TOTAL FUTURE MINIMUM PAYMENTS (NOTE 26)	117	134	72	85

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

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

<i>(in € million)</i>	December 31, 2015	December 31, 2014
Available-for-sale financial assets (note 15.1)	243	151
Loans and deposits (note 15.2)	71	61
Derivative instruments (note 16.1)	89	63
Other	7	8
NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS	410	283

15.1 Available-for-sale financial assets

Available-for-sale financial assets consist essentially of a portfolio of shares of non-listed companies (note 4.4).

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

<i>(in € million)</i>	2015	2014
At January 1	151	174
Translation adjustments	4	5
Additions	118	13
Disposals	(6)	(20)
Impairment reversal	1	5
Fair value changes	(25)	(26)
AT DECEMBER 31	243	151

Available-for-sale financial assets at December 31, 2015 include €114 million related to the acquisition on December 29, 2015 of Livebookings Holdings Limited (note 33 – Acquisitions and divestments of businesses).

15.2 Loans and deposits

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

<i>(in € million)</i>	December 31, 2015	December 31, 2014
Gross loans and deposits	111	101
Impairments	(40)	(40)
TOTAL	71	61

The balance includes loans to employees and customers.

NOTE 16 DERIVATIVE FINANCIAL INSTRUMENTS

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

16.1 Derivatives recognized in assets

(in € million)	December 31, 2015		December 31, 2014	
	Fair values	Contractual amounts	Fair values	Contractual amounts
Interest-rate derivatives qualifying as fair value hedging instruments	22	400	23	400
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	1	40	1	30
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	66	532	39	585
▶ Interest-rate derivatives	-	91	-	82
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 15)	89	1,063	63	1,097
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	4	33	-	12
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	9
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	54	1,650	25	1,173
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 21)	58	1,683	25	1,194
TOTAL ASSETS	147	2,746	88	2,291

The Group grants cash collaterals to mitigate its credit risk associated with its derivative assets. The amount of collaterals paid is €80 million as of December 31, 2015 (December 31, 2014: €72 million).

16.2 Derivatives recognized in liabilities

(in € million)	December 31, 2015		December 31, 2014	
	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	10	129	4	79
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	-	-	-	-
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	88	517	61	601
▶ Interest-rate derivatives	5	935	8	1,261
▶ Other derivatives	-	-	-	-
Non-current derivative instruments (note 26)	103	1,581	73	1,941
Interest-rate derivatives qualifying as fair value hedging instruments	-	-	-	-
Derivatives qualifying as cash flow hedging instrument				
▶ Currency derivatives	-	9	5	69
▶ Interest-rate derivatives	-	-	-	-
▶ Other derivatives	1	6	2	8
Derivatives not qualifying for hedge accounting				
▶ Currency derivatives	36	1,360	38	1,916
▶ Interest-rate derivatives	1	321	2	174
▶ Other derivatives	-	-	-	-
Current derivative instruments (note 26)	38	1,696	47	2,167
TOTAL LIABILITIES	141	3,277	120	4,108

The Group holds cash collaterals to guarantee its own credit risk associated with its derivatives liabilities. The amount of collaterals received is €7 million as of December 31, 2015 (December 31, 2014: €10 million).

16.3 Derivative contractual amounts

The Group concluded long term currency derivative contracts with maturities between one and seven years for a total amount of €1,218 million (2014: €1,191 million). The nominal amounts by major currencies bought against the Euro are denominated in USD for €221 million (2014: €295 million), in BRL for €206 million (2014: €236 million), in CNH and CNY for €394 million (2014: €284 million) and in THB for €220 million (2014: €220 million). The maturity of the other currency derivative contracts does not generally exceed one year.

The contractual amounts of the currency derivatives are presented by currency in the table below:

(in € million)	December 31, 2015						December 31, 2014					
	Currencies purchased forward						Currencies purchased forward					
	EUR	USD	THB	BRL	Other	Total	EUR	USD	THB	BRL	Other	Total
Currencies sold forward												
EUR	-	466	292	411	1,098	2,267	-	405	288	344	1,057	2,094
CNY	493	56	-	-	22	571	326	96	-	-	30	452
USD	13	-	216	40	101	370	244	-	192	43	221	700
JPY	262	7	1	-	-	270	368	3	2	-	-	373
BRL	41	4	-	-	-	45	164	6	-	-	-	170
ZAR	34	20	-	-	-	54	62	19	-	-	-	81
THB	56	15	-	-	-	71	24	41	-	-	2	67
Other	542	75	1	2	2	622	455	72	1	1	(1)	528
TOTAL	1,441	643	510	453	1,223	4,270	1,643	642	483	388	1,309	4,465

Currency hedges in CNY include off-shore derivatives denominated in CNH.

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

(in € million)	December 31, 2015				December 31, 2014			
	Less than 1 year	Between 1 and 3 years	More than 3 years	Total	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
► EUR	-	200	899	1,099	-	100	1,000	1,100
► INR	22	47	-	69	-	43	22	65
► THB	25	51	-	76	50	100	25	175
► USD	274	229	-	503	124	412	41	577
Interest-rate derivatives	321	527	899	1,747	174	655	1,088	1,917
► EUR	5	-	-	5	12	1	-	13
► USD	1	-	-	1	4	-	-	4
► Other currencies	-	-	-	-	-	-	-	-
Other derivatives	6	-	-	6	16	1	-	17
TOTAL	327	527	899	1,753	190	656	1,088	1,934

At December 31, 2015, the Group has outstanding short term futures contracts with an asset market value of €1 million (2014: asset of €1 million) which has been fully cashed in through the daily margin calls.

NOTE 17 EQUITY METHOD INVESTMENTS

The Group announced in May 2015 the creation of a joint-venture in Indonesia with Barito Pacific Group to develop and eco-friendly operate three natural rubber plantations. The Group acquired 49% of the shares of the company Royal Lestari Utama, for an amount of €49 million.

In July 2015 the Group took a 40% equity stake in Allopnus SAS, a French internet tire sales company, for an amount of €60 million.

Investments in joint ventures and associates amounted to €309 million (2014: €189 million). In addition to the two companies mentioned above, these include essentially Double Coin Group (Anhui) Warrior Tire Co., Ltd in China, E.A. Juffali & Brothers for Tyres in Saudi Arabia, MC Projects B.V. in the Netherlands and SIPH Group in France.

The financial statements of equity method investments include the following amounts:

(in € million)	2015	2014
Assets	1,173	1,007
Liabilities	542	468
Net sales	1,544	1,206
Net income	50	(49)

NOTE 18 TAXES

18.1 Deferred taxes

Deferred taxes in the consolidated statement of financial position are as follows:

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
Deferred tax assets	1,259	1,156
Deferred tax liabilities	(118)	(95)
NET DEFERRED TAX ASSET	1,141	1,061

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

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

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
Employee benefits	1,180	1,098
Inventories	166	134
Financial instruments	110	125
Provisions	56	96
Unused tax losses	55	31
Unused tax credits	11	15
Goodwill & Intangible assets	(38)	(52)
Property, plant and equipment	(564)	(549)
Other	165	163
NET DEFERRED TAX ASSET	1,141	1,061

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

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

(in € million)	2015	2014 ⁽¹⁾
At January 1	1,061	1,018
Translation adjustments	46	70
Deferred tax income/(expense) (note 11)	(42)	(57)
Tax recognized in other comprehensive income	82	89
Changes in scope of consolidation	(5)	(62)
Other	(1)	3
AT DECEMBER 31	1,141	1,061

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

In 2015, excluding the effect of tax recognized in comprehensive income and translation adjustments, the reduction in the net deferred tax asset comes essentially from provisions for withholding taxes on subsidiaries' retained earnings.

In 2014, excluding the effect of tax recognized in comprehensive income, the reduction in the net deferred tax asset comes essentially from the acquisition of Sascar and from the net reversal of deductible temporary differences in the USA.

The deferred income tax recognized in other items of comprehensive income is as follows:

(in € million)	December 31, 2015	December 31, 2014
Post-employment benefits	576	494
Available-for-sale financial assets	(13)	(13)
Compound financial instruments (convertible bond)	(13)	(13)
TOTAL DEFERRED TAX INCOME RECOGNIZED IN OTHER COMPREHENSIVE INCOME	550	468

The detail of unrecognized deferred tax assets is as follows:

(in € million)	December 31, 2015	December 31, 2014
Deductible temporary difference	119	127
Tax losses		
▶ of which expiring in less than one year	-	5
▶ of which expiring between one to five years	80	65
▶ of which expiring in more than five years	125	54
▶ of which no expiration	240	257
Total tax losses	445	381
Tax credits	5	1
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	569	509

18.2 Current taxes

Current taxes in the consolidated statement of financial position are as follows:

(in € million)	2015	2014
Taxes receivables (note 22)	278	162
Taxes payables (note 30)	(144)	(87)
Net total at January 1	134	75
Current tax expense (note 11)	(664)	(563)
Income tax paid	754	616
Translation adjustments and other	10	6
Total changes	100	59
Taxes receivables (note 22)	360	278
Taxes payables (note 30)	(126)	(144)
NET TOTAL AT DECEMBER 31	234	134

NOTE 19 INVENTORIES

Inventories include the following:

(in € million)	December 31, 2015	December 31, 2014
Raw materials and supplies	1,148	1,158
Work in progress	447	437
Finished goods	2,787	2,702
Total gross inventory	4,382	4,297
Write-downs on raw materials and supplies	(44)	(44)
Write-downs on work in progress	(1)	-
Write-downs on finished goods	(48)	(50)
Total write-downs	(93)	(94)
NET INVENTORY	4,289	4,203

Movements in inventory write-downs were as follows:

(in € million)	2015	2014
At January 1	(94)	(93)
Translation adjustments and other	(1)	(1)
Write-downs of inventories recognized as an expense in the period	(32)	(49)
Reversals of write-downs	34	49
AT DECEMBER 31	(93)	(94)

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Gross trade receivables	2,855	2,690
Impairment	(112)	(121)
TRADE RECEIVABLES	2,743	2,569

All trade receivables are due within twelve months.

The following table presents an ageing analysis of trade receivables as at December 31, 2015:

<i>(in € million)</i>	Gross	Impairment	Net
Current trade receivables	2,551	(33)	2,518
Overdue			
▶ from less than three months	187	(4)	183
▶ between three and six months	22	(5)	17
▶ from more than six months	95	(70)	25
Overdue trade receivables	304	(79)	225
TRADE RECEIVABLES	2,855	(112)	2,743

Movements in impairment are broken down in the table below:

<i>(in € million)</i>	2015	2014
At January 1	(121)	(94)
Translation adjustments	1	(2)
Impairment charges	(29)	(45)
Impairment reversals	39	34
Changes in scope of consolidation	(2)	(14)
AT DECEMBER 31	(112)	(121)

Impairment reversals in 2015 include write-offs of €29 million (2014: €20 million).

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of the current financial assets is broken down in the table below:

<i>(in € million)</i>	December 31, 2015	December 31, 2014
Loans and deposits	100	124
Cash management financial assets (note 26)	205	313
Derivative instruments (note 16.1)	58	25
CURRENT FINANCIAL ASSETS	363	462

The characteristics of the cash management financial assets, although being highly liquid, little affected by the interest rate risk and by the foreign currency risk (mainly invested in Euros or hedged), do not strictly meet those of cash and cash equivalent (note 3.20 "Cash and cash equivalents"). They are therefore accounted for at fair value through profit or loss (note 3.17 "Non derivative financial assets").

Loans and deposits include collaterals with financial institutions of €80 million (2014: €72 million) that are not freely available.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is broken down in the table below:

<i>(in € million)</i>	December 31, 2015	December 31, 2014
Suppliers – advances	135	110
Current tax – advance payments	360	278
Other taxes receivable	286	288
Other	237	216
Less impairment	(6)	(9)
OTHER CURRENT ASSETS	1,012	883

Other tax receivables mainly relate to VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is broken down in the table below:

(in € million)	December 31, 2015	December 31, 2014
Cash at bank and in hand	172	177
Short-term bank deposits of less than three months and other cash equivalents (money market funds essentially)	1,380	990
CASH AND CASH EQUIVALENTS	1,552	1,167

The average effective interest rate on short-term bank deposits was 0.59% in 2015 (2014: 0.88%).

Cash and cash equivalents are essentially held in Euros (2015: 88% after hedge, 2014: 88%)

The less easily available amounts to meet the needs of the Group are mainly related to prudential rules in Ireland specific to captive insurance companies (2015: €150 million, 2014: €113 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2014	372	3,641	4,013
Issuance of shares from the exercise of share options and performance shares	2	44	46
Cancellation of shares	(2)	(85)	(87)
Other	(1)	1	-
At December 31, 2014	371	3,601	3,972
Issuance of shares from the exercise of share options and performance shares	2	62	64
Cancellation of shares	(10)	(441)	(451)
Other	1	-	1
AT DECEMBER 31, 2015	364	3,222	3,586

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2014	185,789,643	(30,000)	185,759,643
Issuance of shares from the exercise of share options and performance shares	946,891	-	946,891
Purchase of shares	-	(1,000,000)	(1,000,000)
Disposal of shares	-	19,664	19,664
Reduction in capital	(1,010,336)	1,010,336	-
Other	2	-	2
At December 31, 2014	185,726,200	-	185,726,200
Issuance of shares from the exercise of share options and performance shares	1,137,488	-	1,137,488
Purchase of shares	-	(4,961,534)	(4,961,534)
Disposal of shares	-	-	-
Reduction in capital	(4,961,534)	4,961,534	-
Other	28	-	28
AT DECEMBER 31, 2015	181,902,182	-	181,902,182

The par value per share amounts to €2 (unchanged from 2014). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

In 2015, the dividend payable for the year 2014 to the shareholders was €2.50 per share (2014: €2.50 per share). It has been fully settled in cash for a net amount of €463 million.

The Managing Chairman will recommend to the Shareholders the payment of a dividend of €2.85 per share in 2016 for the year 2015.

NOTE 25 RESERVES

<i>(in € million)</i>	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2014 ⁽¹⁾	(403)	(2)	163	5,474	5,232
Dividends and other allocations	-	-	-	(486)	(486)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	-	7	7
Purchase of shares	-	(87)	-	-	(87)
Cancellation of shares	-	87	-	-	87
Disposal of shares	-	2	-	-	2
Other	-	-	-	-	-
Transactions with the shareholders of the Company	-	2	-	(479)	(477)
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,031	1,031
<i>Post-employment benefits</i>	-	-	-	(484)	(484)
<i>Tax effect – Post-employment benefits</i>	-	-	-	85	85
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	(399)	(399)
<i>Available-for-sale financial assets – change in fair values</i>	-	-	(26)	-	(26)
<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>	-	-	-	-	-
<i>Currency translation differences</i>	169	-	-	-	169
<i>Other</i>	(2)	-	(3)	5	-
Other items of comprehensive income that may be reclassified to income statement	167	-	(25)	5	147
Comprehensive income	167	-	(25)	637	779
At December 31, 2014 ⁽¹⁾	(236)	-	138	5,632	5,534
Dividends and other allocations	-	-	-	(483)	(483)
Share-based payments – cost of services rendered (notes 7 and 8)	-	-	-	9	9
Purchase of shares	-	(451)	-	-	(451)
Cancellation of shares	-	451	-	-	451
Other	-	-	-	-	-
Transactions with the shareholders of the Company	-	-	-	(474)	(474)
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,168	1,168
<i>Post-employment benefits</i>	-	-	-	(317)	(317)
<i>Tax effect – Post-employment benefits</i>	-	-	-	82	82
Other items of comprehensive income that will not be reclassified to income statement	-	-	-	(235)	(235)
<i>Available-for-sale financial assets – change in fair values</i>	-	-	(25)	-	(25)
<i>Tax effect – available-for-sale financial assets – change in fair values</i>	-	-	-	-	-
<i>Available-for-sale financial assets – (gain)/loss recognized in income statement</i>	-	-	-	-	-
<i>Currency translation differences</i>	(72)	-	-	-	(72)
<i>Other</i>	-	-	7	-	7
Other items of comprehensive income that may be reclassified to income statement	(72)	-	(18)	-	(90)
Comprehensive income	(72)	-	(18)	933	843
AT DECEMBER 31, 2015	(308)	-	120	6,091	5,903

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

The equity part of the OCEANE zero coupon convertible bond (note 26 "Financial debts") amounts to €65 million (2014: €65 million) after tax. It is included in "Other reserves".

In April 2015, the Group announced a share buyback program of €750 million over a period of 18 to 24 months.

During 2015, the Group concluded with an investment services provider three payback conventions that committed the Group to repurchase a variable number of shares within the limit of a total amount of €450 million before December 15, 2015.

The average purchase price of the 4,961,534 shares acquired during 2015 was €90.70. All the shares were cancelled during the year.

During 2014, the Group repurchased 1,000,000 shares for €86 million and disposed of 19,664 shares for €2 million. 1,010,336 shares for €87 million were also cancelled during 2014.

NOTE 26 FINANCIAL LIABILITIES

The carrying amount of financial liabilities is presented in the table below:

(in € million)	December 31, 2015	December 31, 2014
Bonds	1,940	1,108
Loans from financial institutions and other	300	377
Finance lease liabilities	101	63
Derivative instruments	103	73
Non-current financial liabilities	2,444	1,621
Bonds and commercial paper	212	419
Loans from financial institutions and other	282	251
Finance lease liabilities	16	9
Derivative instruments	38	47
Current financial liabilities	548	726
FINANCIAL LIABILITIES	2,992	2,347

The Group net debt is analyzed in the table below:

(in € million)	December 31, 2015	December 31, 2014
Financial liabilities	2,992	2,347
Derivatives recognized as assets (note 16.1)	(147)	(88)
Borrowing collaterals (note 32.3.2)	(80)	(72)
Cash management financial assets (note 21)	(205)	(313)
Cash and cash equivalents (note 23)	(1,552)	(1,167)
NET DEBT	1,008	707

The fair value of non-current financial liabilities, calculated in accordance with note 3.6 "Fair value of financial instruments", is presented in the table below:

(in € million)	December 31, 2015	December 31, 2014
Bonds	1,894	1,091
Loans from financial institutions and other	320	377
Finance lease liabilities	101	63
Derivative instruments	103	73
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	2,418	1,604

26.1 Bonds and commercial paper

Bonds and commercial paper issued by the Group have the characteristics mentioned in the table below:

(in € million)	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
Bonds issued by Michelin Luxembourg SCS				
▶ nominal value of €209 million				
▶ issued in September 2015 and due in September 2045				
▶ nominal interest rate of 3.25%				
▶ effective interest rate of 3.33%	-	206	-	-
Bonds issued by Michelin Luxembourg SCS				
▶ nominal value of €300 million				
▶ issued in May 2015 and due in May 2027				
▶ nominal interest rate of 1.75% (1.68% after hedging)				
▶ effective interest rate of 1.86% (1.80% after hedging)	-	296	-	-
Bonds issued by Michelin Luxembourg SCS				
▶ nominal value of €300 million				
▶ issued in May 2015 and due in May 2022				
▶ nominal interest rate of 1.125%				
▶ nominal interest rate of 1.17%	-	299	-	-
Bonds issued by Michelin Luxembourg SCS				
▶ nominal value of €400 million (2014: €400 million)				
▶ issued in June 2012 and due in June 2019				
▶ nominal interest rate of 2.75% (1.26% after hedging)				
▶ hedged through a €400 million interest rate swaps (2014: €400 million) expiring in June 2019 (fair value hedge) (note 16)	-	419	-	421
Liability component of zero-coupon convertible bonds (OCEANES) issued by Compagnie Générale des Établissements Michelin				
▶ net proceeds received of €694 million				
▶ annual gross yield of 3.07%				
▶ effective interest rate of 4.76%				
▶ conversion and/or exchange ratio of 1 bond for 1.036 ordinary share				
▶ issued in March 2007 and due in January 2017				
▶ amount redeemable at maturity date: €754 million	-	720	-	687
Commercial paper issued by Compagnie Générale des Établissements Michelin				
▶ nominal value of €212 million (2014: €385 million)				
▶ effective interest rate of 0.002% at December 31, 2015	212	-	385	-
Commercial paper issued by Compagnie Générale des Établissements Michelin and Michelin Luxembourg SCS				
▶ nominal value of \$0 million (2014: \$41 million)				
▶ effective interest rate not applicable at December 31, 2015	-	-	34	-
TOTAL	212	1,940	419	1,108

At December 31, 2015, the weighted average nominal interest rate for bonds and commercial paper is 2.61% (2.29% after hedging).

26.2 Loans from financial institutions and other

Loans from financial institutions and other include mainly amounts drawn on credit lines, borrowings secured by trade receivables as mentioned in note 32.3.3 "Trade receivables" and liabilities arising from put options granted to minority shareholders of subsidiaries.

Loans from financial institutions and other at December 31, 2015 have the characteristics mentioned in the tables below (before hedging):

(in € million)	EUR	BRL	CNY	Other	Total
Fixed rates	-	120	-	-	120
Floating rates	286	15	63	98	462
LOANS FROM FINANCIAL INSTITUTIONS AND OTHER	286	135	63	98	582
Average effective interest rate paid in 2015	0.98%	8.97%	4.46%	5.55%	3.97%

The contractual repricing of the interest rates of these loans is generally less than six months.

26.3 Rating

At December 31, 2015, the corporate credit ratings sought by the Group are as follows:

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

On January 29, 2016 Standard & Poor's has upgraded the Group's long-term credit rating from BBB+ to A- stable outlook.

NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

According to the laws and regulations applicable in each country, as well as in application of its social responsibility policy, the Group takes part in pension, insurance, healthcare and end of service benefits, for which the amount of benefits paid varies based on a number of factors including the employee's years of service, salary, accumulated funds with an independent manager or contributions paid to insurers.

Such plans can be either defined benefit plans or defined contribution plans. In the case of defined benefit plans, Group commitments are measured using the Projected Credit Unit method. These commitments are calculated by independent actuaries. In the case of defined contribution plans, liabilities correspond to the contributions due. Since 2003 the Group has been closing its defined benefit plans to new entrants and also, in some cases, to future accruals in order to reduce the risk on the Group's consolidated statement of financial position and has put in place new or improved defined contribution plans.

Since 2005 the Group has a governance body, the Global Employee Benefit Board, that monitors benefits. This board defines Group policies in term of benefits and ensures that local benefit programs comply with them (validation of the changes, introduction of new benefits, etc.), monitors asset returns and benchmarks, as well as the de-risking policies put in place by local boards or Trustees, and

proposes an audit plan. The board is assisted by two teams, the Global Benefit Policy Team composed of members from the accounting, finance and human resources departments and the Global Benefit Investment Team composed of the chairmen of the investment committees of the main funded pension plans. In countries with substantial benefit obligations similar organization exists.

27.1 Defined Benefit Plans

These plans are retirement plans and retiree healthcare plans, the vast majority of which are now closed to new entrants, even to future accruals, as well as some minor plans such as long service awards or end-of-service benefits.

In Europe, the discount rates are determined using the actuary's yield curve models. These rates are based on the yield of high quality corporate bonds and have the same durations as the liabilities. The discount rate in the USA is based on the actuary's AA Only Bond yield curve rates. The discount rate in Canada is based on the Canadian Institute of Actuaries Canadian Corporate Aa Bond yield curve rates. For countries having several plans (but only one material plan) the assumption of the main plan is used for all plans. For countries having several plans of comparable size but quite different durations, two different rates are used.

The inflation assumptions are set using different methods. For the Euro zone, the actuary tool is used with reference to different sources of information as the target inflation set by the Central Banks, the forecasts from the Consensus Economics organization and inflation swap curves. In the UK, the market implied inflation rate is also considered (differential between gilts and indexed linked gilts less a spread). In the USA, the cost of living increases for some pensions is set using historical averages.

The salary increase assumptions can be either spreads above inflation (either RPI or CPI) or absolute values. These assumptions take into account expected long-term yearly average salary increases as well as the effects of promotions. In some cases, assumptions by category of personnel can be used.

The post-employment mortality assumptions used for the pension plans which are funded through insured contracts are the insurers' tables. For the other main post-employment plans the following tables have been used: (i) USA: RP-2014 Aggregate table using Scale MP-2014; (ii) Canada: 95% of CPM 2014 Private – Scale B; (iii) UK: Generational SAPS S2PA CMI 2013 adjusted with 1.25% underpin and (iv) Germany: Heubeck RT 2005 G.

	December 31, 2015				December 31, 2014			
	USA	Canada	UK	Germany	USA	Canada	UK	Germany
Life expectancy for males at 65 at the end of the reporting period	19.8	22.0	22.0	18.8	18.6	21.8	21.9	18.8
Life expectancy for males at 65 (15 years after the end of the reporting period)	21.2	22.8	23.0	20.7	20.2	22.7	22.9	20.7
Life expectancy for females at 65 at the end of the reporting period	21.8	24.4	24.7	22.8	20.9	24.3	24.7	22.8
Life expectancy for females at 65 (15 years after the end of the reporting period)	23.3	25.1	26.0	24.8	22.3	25.1	25.9	24.8

The financial position of the main defined benefit plans is summarized below:

(in € million)	Pension plans	Other plans	December 31, 2015	December 31, 2014
Present value of fully or partly funded obligations	7,919	-	7,919	7,518
Fair value of plan assets	(6,448)	-	(6,448)	(6,142)
Funded status deficit/(surplus)	1,471	-	1,471	1,376
Present value of unfunded obligations	933	2,271	3,204	3,208
Unrecognized asset due to application of asset ceiling	213	-	213	28
NET DEFINED BENEFIT OBLIGATION	2,617	2,271	4,888	4,612
Amounts recognized in the consolidated statement of financial position:				
► As assets in Non-current financial assets and other assets (note 15)			-	-
► As liabilities in Employee benefit obligations			4,888	4,612
NET LIABILITY			4,888	4,612

At December 31, 2015, the present value of the defined benefit obligation is made up of €4,618 million relating to active employees, €1,097 million relating to deferred members and €5,408 million relating to members in retirement (2014: respectively €4,615 million, €1,094 million and €5,017 million).

At December 31, 2015, the present value of the defined benefit obligation is made up of €8,461 million relating to vested benefits and €2,662 million relating to non-vested benefits (2014: respectively €8,239 million and €2,487 million).

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

The Group does not recognize as an asset any surplus in excess of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group immediately recognizes a liability for any surplus resulting from the contributions paid under the MFR which would not be fully recoverable through economic benefits available to the Group.

Any reduction in assets or increase in liabilities resulting from the asset ceiling application is recognized in other comprehensive income.

The movements in net defined benefit obligations recognized in the consolidated statement of financial position are shown below:

(in € million)	Pension plans	Other plans	2015	2014
At January 1	2,326	2,286	4,612	3,895
Contributions paid to the funds	(240)	-	(240)	(70)
Benefits paid directly to the beneficiaries	(32)	(123)	(155)	(152)
Other movements	-	(53)	(53)	-
Items recognized in operating income				
Current service cost	73	64	137	121
Actuarial (gains) or losses recognized on other long term benefit plans	-	(5)	(5)	20
Past service cost resulting from plan amendments	-	-	-	(7)
Effect of plan curtailments or settlements	1	1	2	(27)
Effect of plan amendments recognized in non-recurring items	(3)	(2)	(5)	11
Other items	-	-	-	-
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	68	73	141	153
Items recognized in other comprehensive income				
Translation adjustments	67	70	137	184
Actuarial (gains) or losses	158	(40)	118	461
Portion of unrecognized asset due to the application of the asset ceiling	199	-	199	23
AT DECEMBER 31	2,617	2,271	4,888	4,612

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € million)	Pension plans	Other plans	2015	2014
At January 1	1,551	500	2,051	1,565
Actuarial (gains) or losses recognized during the year related to demographic assumptions:				
▶ Due to change in assumptions	188	62	250	134
▶ Due to experience	(76)	(45)	(121)	(108)
Actuarial (gains) or losses recognized during the year related to financial assumptions:				
▶ Due to change in assumptions	(63)	(76)	(139)	964
▶ Due to experience	108	20	128	(528)
Unrecognized asset due to application of asset ceiling	199	-	199	24
AT DECEMBER 31	1,907	461	2,368	2,051
<i>Of which actuarial gains or (losses)</i>	<i>1,677</i>	<i>461</i>	<i>2,138</i>	<i>2,021</i>
<i>Of which asset ceiling effect</i>	<i>230</i>	<i>-</i>	<i>230</i>	<i>30</i>

In 2015, the net amount recognized in the consolidated income statement was an expense of €270 million (2014: expense of €271 million), broken down as follows:

(in € million)	Pension plans	Other plans	Year ended December 31, 2015	Year ended December 31, 2014
Cost of services rendered during the year	73	64	137	121
Net interest on the defined benefit liability (asset)	68	73	141	153
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(5)	(5)	20
Past service cost recognized during the year:				
▶ Due to the introduction of or modifications to defined benefit plans	-	-	-	(7)
▶ Due to curtailments of defined benefit plans	1	1	2	(11)
Effect of defined benefit plans settlements	-	-	-	(16)
Portion of defined benefit expenses recognized within non-recurring restructuring costs	(3)	(2)	(5)	11
TOTAL RECORDED IN THE INCOME STATEMENT	139	131	270	271

Annual charges are determined by independent actuaries at the beginning of each financial year based on the following factors:

- ▶ charge corresponding to acquisition of an additional year of rights ("cost of services rendered during the year");
- ▶ charge/income corresponding to the discounting adjustment to reflect the impact of the passage of time ("net interest");
- ▶ income or charge from annual recognition of actuarial gains or losses on other long term defined benefit plans ("Actuarial (gains) or losses recognized during the year");
- ▶ gain/loss resulting from changes or introduction of benefit plans ("past service cost recognized during the year");
- ▶ gain/loss resulting from curtailments of any benefit plans ("past service cost recognized during the year");
- ▶ gain/loss resulting from settlements of any benefit plans ("settlements").

/ 27.1.1 Pension plans

The Group offers to its employees different pension plans that vary according to applicable laws and regulations in each country and in accordance with the respective collective bargaining agreements relevant to each subsidiary.

Under defined benefit plans, future level of benefits are defined by the plan regulations. The valuation of such defined benefit plans is carried out by independent actuaries using actuarial techniques. Defined benefit pension plans can be funded through payments to external funds or insurers specialized in managing these assets. In the case of unfunded plans such as the German pension plans, a provision is made in the consolidated statement of financial position.

The main pension plans provided within the Group are as follows:

USA

There is one major defined benefit plan in USA, the Michelin Retirement Plan (MRP) which is described below. Other plans, much less significant, were closed in 2014.

The plan was closed to new entrants as of January 1, 2004. After this date new entrants are enrolled in a defined contribution plan.

Some participants chose to stop participating in the Michelin Retirement Plan as of July 1, 2004 or as of July 1, 2007. Those participants may choose to receive the accrued frozen benefit as an annuity or as a lump sum on retirement. These participants have been enrolled in a defined benefit contribution plan.

For participants that did not choose to stop participating in the Michelin Retirement Plan as of July 1, 2007, accruals will be frozen under the Plan as of December 31, 2016. Those participants may only receive this benefit as an annuity. These participants will be enrolled in a defined contribution plan.

The Plan sets the normal retirement age at 65. However, employees who have reached age 55 and have completed at least 10 years of vesting service are eligible for early retirement provisions.

In the event of early retirement a reduction is applied to the calculation of the pension but a supplemental benefit may be granted for employees reaching age 55 and who have completed 30 years of service until the employee is eligible for social security benefit.

The plan provides a guaranteed monthly benefit at retirement based on a defined formula (with a lower accrual rate on the social security wage bases) that takes into consideration the years of plan membership and total pensionable recurring earnings. Employees can opt for a lump sum instead of an annuity and a majority of them do so.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit and orphan's pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides a cost-of-living adjustment of the pension only for employees hired before January 1, 1991.

The plan is funded solely by employer contributions.

Canada

There is one major defined benefit plan in Canada, Michelin Retirement Plan (MRP). Other minor defined benefit plans which are closed to new entrants are valued but not detailed further.

The Michelin Retirement Plan (MRP) was closed to new entrants as from January 1, 2005. After this date new entrants are enrolled in a defined contribution plan. Accruals for most of the participants will be frozen under the plan as of December 31, 2015. These participants will be enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees having 30 years of service or who have reached the age 55 are eligible for early retirement provisions.

In the event of early retirement a reduction is applied to the calculation of the pension but a supplemental bridge is granted for employees having 30 years of service to partially compensate early retirement.

The plan provides a guaranteed monthly annuity at retirement based on a defined formula that takes into consideration the years of plan membership and total pensionable recurring earnings.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit or a beneficiary pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides an annual increase of the pension based on a percentage inferior to Consumer Price Index.

The plan is funded solely by employer contributions.

United Kingdom

The defined benefit retirement plan in the UK is the Michelin Pension and Life Assurance Plan.

The plan was closed to new entrants as from December 6, 2004 and replaced by a defined contribution plan and as of January 1, 2009 it was closed for all future accruals.

Accruals up to December 31, 2008 are frozen but pensions are still linked to the average final salary at retirement.

The Plan sets the normal retirement age at 65. However, employees who have reached age 55 are eligible for early retirement with the Group's consent. In the case of early retirement, the accrued benefit is reduced by an actuarial reduction factor.

The plans provide for an annual pension based on the employee's pensionable earnings. Most employees take the maximum amount allowed by tax legislation in the form of a lump sum.

The plan includes provision for death in service benefits as well as provision for spouse reversion benefit and orphan's pension upon death of retirees. The plan also includes provision for disability benefits.

The plan provides an indexation of the pension benefit based on a capped inflation rate.

The plan is funded solely by employer contributions.

Germany

There is one major defined benefit retirement plan in Germany, the "Versorgungsordnung 1979 (VO 1979)" of MRW (Michelin Reifenwerke AG).

The plan was closed to new entrants as from January 1, 2000. After this date new entrants are enrolled in defined contribution plans.

The plan sets the normal retirement age at 65.

The plans provide lifetime monthly annuity which are based on the employee pensionable compensation.

A flat rate applies to the compensation exceeding the social security ceiling and an additional rate takes into account the years of service on the total pensionable earnings.

The plan includes provision in case of death in service provisions as well as post-retirement spouse and orphan's pensions and disability provisions.

There is a legal obligation to adjust every three years the pension annuity by the inflation up to the average increase of the employees' salaries.

France

There is one major pension defined benefit plan in France, "Régime de retraite supplémentaire MFPM".

In order to be eligible, employees must reach 10 years of service and be present at the retirement date.

This plan had been set up in 1996 in order to grant an additional retirement benefit to all employees when the retirement replacement ratio of the mandatory state plans is below the trigger threshold of 55%. At this point an additional benefit is calculated based on service and pensionable earnings (capped additional plan).

If mandatory state pension plus additional benefit from this plan reaches 55% of pensionable salary, the annuity paid by the plan is capped at this level. Closure of the plan being not possible for new entrants, the threshold of 55% is decreasing progressively until 2046 where it will be nil. In return, employees must participate to a defined contribution plan (Article 83) and can also participate in other defined contribution plans (PERCO).

The plan includes provision in case of post-retirement spouse's pensions and disability provisions.

Plan is insured for the retirees and covered by two insurance companies.

Adjustments or increase of annuity are possible but not automatic and are based on the reserves available.

The following table analyzes changes in the financial position of the Group defined benefit pension plans:

(in € million)	2015				2014			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	4,130	4,265	45	8,440	3,486	3,553	40	7,079
Translation adjustments	250	178	(6)	422	378	152	-	530
Changes in scope of consolidation	5	(7)	(2)	(4)	-	-	-	-
Current service cost	36	32	2	70	33	28	-	61
Interest cost on the defined benefit obligation	172	140	3	315	174	148	2	324
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	-	-	-	-	8	-	-	8
▶ Past service cost due to curtailments of defined benefit plans	1	(3)	-	(2)	4	(1)	-	3
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	-	(18)	-	-	(18)
Benefits paid	(264)	(177)	(3)	(444)	(260)	(147)	1	(406)
Other items	-	-	-	-	-	(1)	-	(1)
Actuarial (gains) or losses generated during the year	(56)	115	(4)	55	325	533	2	860
Present value of the obligations at the end of the year	4,274	4,543	35	8,852	4,130	4,265	45	8,440
Fair value of plan assets at the beginning of the year	3,731	2,383	28	6,142	3,056	2,103	23	5,182
Translation adjustments	205	140	(6)	339	325	127	-	452
Changes in scope of consolidation	-	(4)	-	(4)	-	-	-	-
Interest income on plan assets	153	91	3	247	150	95	2	247
Contributions paid to the plans	32	208	1	241	49	21	1	71
Administration costs	-	(5)	-	(5)	-	(5)	-	(5)
Benefits paid by the plans	(263)	(147)	(1)	(411)	(258)	(120)	2	(376)
Other items	-	-	-	-	-	-	-	-
Actual return on plan assets excluding interest income	(45)	(56)	-	(101)	409	162	-	571
Fair value of plan assets at the end of the year	3,813	2,610	25	6,448	3,731	2,383	28	6,142
Deficit/(Surplus) at the end of the year	461	1,933	10	2,404	399	1,882	17	2,298
Deferred items at the beginning of the year	(28)	-	-	(28)	(5)	-	-	(5)
Translation adjustments	13	-	1	14	-	-	-	-
Unrecognized asset due to application of the asset ceiling generated during the year	(195)	-	(4)	(199)	(23)	-	-	(23)
Deferred items at the end of the year	(210)	-	(3)	(213)	(28)	-	-	(28)
NET LIABILITY/(ASSET) RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	671	1,933	13	2,617	427	1,882	17	2,326

In 2014, the Group announced a significant reduction of tire manufacturing capacity at its Pictou plant, Canada (note 9.2.1). The impact of this restructuring on the Canadian pension plan results in a curtailment and a past service cost for a global amount of €12 million recognized in non-recurring expenses.

In 2014, the Group has decided to offer the possibility to the US pension plan participants to get their pension in form of a lump sum generating a partial settlement of the plan amounting to an income of €16 million recognized in operating income before non-recurring expenses and income.

For Canadian pension plans, the Group does not have any rights to a refund of the plan surplus. The economic benefits available are measured as the present value of future service cost. These pension

plans are subject to a minimum funding requirement. The surplus recognized as an asset is the sum of:

- ▶ any prepaid amount that would reduce the future minimum funding requirement; and
- ▶ the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service.

Any amount exceeding this limit is immediately recognized within the other comprehensive income.

In 2015, the amount recognized resulting from the effect of the asset ceiling was €199 million (2014: €23 million).

In 2015, the present value of defined benefit pension obligations increased by €412 million. This change was due to:

(in € million)	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the Euro	(422)	(530)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(55)	(860)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	59	21
Changes in plan regulations	2	7
Changes in the scope of consolidation	4	-
Other items	-	1

The fair value of plan assets amounted to €6,448 million at December 31, 2015, showing an increase of €306 million compared to December 31, 2014. The factors behind this variation were as follows:

(in € million)	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the Euro	338	452
Difference between the contributions paid to the funds and the benefits paid by the funds	(175)	(310)
Actual return on plan assets	147	818
Changes in the scope of consolidation	(4)	-
Other items	-	-

The present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follows for 2015 and the previous four periods:

(in € million)	2015	2014	2013	2012	2011
Defined benefit obligation	(8,852)	(8,440)	(7,079)	(7,563)	(6,634)
Plan assets	6,448	6,142	5,182	5,195	4,810
SURPLUS/(DEFICIT)	(2,404)	(2,298)	(1,897)	(2,368)	(1,824)
Experience adjustment to:					
▶ plan liabilities	75	32	(43)	(60)	8
▶ plan assets	(107)	538	166	227	(58)

The experience adjustments in percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

	2015	2014	2013	2012	2011
Experience adjustment to:					
▶ the plan liabilities in percentage of the present value of the obligation (DBO)	-0.85%	-0.38%	0.61%	0.79%	-0.12%
▶ to the plan assets in percentage of the fair value of the assets	-1.66%	8.76%	3.20%	4.37%	-1.21%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2015			December 31, 2014		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.23%	3.08%	12.65%	3.97%	3.15%	11.50%
Inflation rate	2.38%	2.54%	5.00%	2.36%	2.71%	5.00%
Rate of salary increases	2.84%	2.49%	6.00%	2.88%	2.94%	6.42%
Weighted average duration of the defined benefit obligation	12.3	15.1	10.5	13.0	15.6	11.9

The discount rates, salary increase and inflation are the main financial assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported.

All actuaries provide for each plan sensitivities on the obligation (DBO) and Current Service Cost to a change of the main assumptions. DBO and cost (meaning in that case the aggregate of the current

service cost and interest cost on the obligation) sensitivities are the weighted average change of respectively the DBO and the Cost when one of these assumptions changes.

For the sensitivity of the fair market value of plan assets due to the interest rates movement it is considered that all the yield curve is moving up or down by 0.5 point and only the value of the bonds are impacted, all other assets keeping their value. The sensitivity indicated is the overall change of the value of the total portfolio due to the change in the interest rates.

A 0.5-point shift in these rates, while holding all other assumptions constant, compared to those used for 2015 would have the following effect on:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-6.61%	7.22%
Discount rate on the aggregate of current service cost and interest cost on the obligation	4.00%	-4.94%
Inflation rate on the defined benefit obligation (DBO)	4.79%	-4.38%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	4.66%	-4.26%
Salary increase rate on the defined benefit obligation (DBO)	1.30%	-1.15%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	2.07%	-1.81%
Interest rates on the fair market value of plan assets	-4.14%	4.54%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	Year ended December 31, 2015				Year ended December 31, 2014			
	North America	Europe	Other	Total	North America	Europe	Other	Total
<i>(in € million)</i>								
Cost of services rendered during the year	36	35	2	73	30	32	2	64
Interest cost on the defined benefit obligation	172	140	3	315	161	144	3	308
Interest income on plan assets	(153)	(91)	(3)	(247)	(139)	(92)	(3)	(234)
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	-	-	-	-	-	-	-
Past service cost recognized during the year:								
► Due to the introduction of or modifications to defined benefit plans	-	-	-	-	(1)	-	-	(1)
► Due to curtailments of defined benefit plans	1	-	-	1	-	(1)	-	(1)
Effect of defined benefit plans settlements	-	-	-	-	(16)	-	-	(16)
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	(3)	-	(3)	12	-	-	12
TOTAL DEFINED PENSION BENEFIT EXPENSES	56	81	2	139	47	83	2	132
Actual return on plan assets	109	36	2	147	559	257	3	819

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2015					December 31, 2014				
	Canada	USA	UK	Other	Total	Canada	USA	UK	Other	Total
Quoted securities										
Local equities	3.5%	13.1%	3.4%	0.0%	7.3%	5.6%	16.0%	4.3%	2.4%	9.4%
Foreign and global equities	7.8%	10.6%	14.3%	0.0%	11.1%	10.8%	10.2%	14.5%	0.0%	11.5%
Alternative investments	8.3%	9.3%	24.8%	0.0%	14.6%	7.8%	7.9%	21.5%	0.0%	12.4%
Real estate	0.0%	0.0%	7.6%	0.0%	2.8%	0.0%	0.0%	7.2%	0.0%	2.6%
Indexed linked bonds	0.2%	0.2%	8.2%	8.4%	3.4%	0.2%	0.0%	8.8%	2.2%	3.3%
Fixed income government and agencies	20.5%	7.3%	3.0%	1.6%	7.8%	17.9%	5.7%	8.4%	4.2%	11.1%
Corporate bonds	11.8%	25.3%	8.5%	0.0%	15.8%	10.0%	23.2%	10.8%	2.6%	15.7%
Other fixed income, multi-asset credit, emerging market bonds	33.8%	20.7%	21.5%	0.0%	22.6%	30.7%	24.0%	19.2%	0.1%	20.3%
Cash & cash equivalent	1.6%	3.1%	5.1%	0.7%	3.5%	2.1%	3.2%	1.8%	0.8%	2.4%
Total quoted securities	87.5%	89.6%	96.4%	10.7%	88.9%	85.1%	90.2%	96.5%	12.3%	88.7%
Non-quoted securities										
Funds managed by insurance companies	0.0%	0.0%	0.0%	89.3%	3.2%	0.0%	0.0%	0.0%	87.7%	3.2%
Private placements ⁽¹⁾	4.8%	3.6%	3.6%	0.0%	3.7%	7.0%	4.2%	3.5%	0.0%	4.3%
Real estate	7.7%	6.8%	0.0%	0.0%	4.2%	7.9%	5.6%	0.0%	0.0%	3.8%
Total non-quoted securities	12.5%	10.4%	3.6%	89.3%	11.1%	14.9%	9.8%	3.5%	87.7%	11.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Duration in years of the bond portfolio, excluding cash & cash equivalents	18.9	17.9	18.3	N/A	18.3	19.9	18.1	15.6	N/A	16.9

(1) Hedge funds and private equity.

In the above allocation, assets reported under "Quoted Securities" are assets which have a regular market value at which such assets can be sold and the ones under "Non-Quoted Securities" are assets managed by insurance companies and less liquid assets which could be sold at a discounted price.

An internal group of experts, composed by the chairmen of the main investment committees and Group specialists, has issued investment guidelines for the use of the local investment committees giving the investment best practices. Among other issues, these guidelines state not to invest directly in any Michelin securities or in any properties used by the Group. Fund managers do not have such restrictions. The Group has no significant amount invested in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios. Detailed information is not available about the underlying assets held in general insurance funds or alternative investments.

Alternative investments are composed of hedge funds and some funds of hedge funds. In the UK there are also diversified growth funds for which the managers can switch between main asset classes depending on market conditions. This kind of investment is expected to have an equity-like return for a lower volatility.

Other fixed income are composed of emerging market bonds, commingled funds, liability hedging portfolios for which the managers invest in government and corporate bonds as well as in derivatives, as well as in multi asset credit in the UK for which the managers can switch between main credit products depending on market conditions. This kind of investment is expected to have a corporate bonds like return with a lower volatility due to its diversification to asset backed securities, loans, high yield bonds as well as cash, government and corporate bonds.

For the UK portfolio the real estate investment is an investment into a Limited Price Index Property Fund with long term leases which is expected to hedge inflation risk.

In most countries assets are managed by local independent boards which are required under local pension laws. The boards are required by their articles of association as well as by law to act in the best interest of the fund and of all relevant stakeholders in the plan, i.e. current and future beneficiaries as well as employers.

Asset allocation studies are performed periodically, generally every three to five years, by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent advisors (actuaries, consultants, investment management firms). The asset allocation takes into account the structure of employee-related liabilities and their terms. In case of a large rise in funding ratio such asset allocation study should be performed to ensure the target allocation is still appropriate.

The largest pension plans have implemented a dynamic asset allocation, where the target asset allocations are based on plan funded status. An improvement in funding status results in the de-risking of the portfolios, allocating more funds to liability hedging assets (LHA) and less to return seeking assets (RSA). In case of a decrease of the funding ratio the target allocation remains unchanged, as re-risking of the portfolios is not permitted.

The RSA are diversified with the objective to target efficient portfolios where the level of volatility is minimized for the targeted return. These portfolios combine domestic and global equities with real estate

and alternative assets such as hedge funds and private placements. Special attention is given to lower liquid asset classes which may complicate the de-risking process by creating concentrated positions or requiring transactions at discounted prices.

The LHA are hedging the duration risk as well as in some cases the credit spread and inflation risk. The LHA portfolios are primarily composed of government and corporate bonds. The larger plans also use completion managers to implement custom solutions in order to hedge key rate duration according to the policy set by each pension fund.

Foreign exchange risks might be covered when the exposure to foreign currency is considered as non-negligible. For instance the UK fund has a large exposure to non UK equities and has a policy to hedge 75% of its foreign currencies. In other cases, investment managers are given discretion to hedge currency exposure as they deem necessary.

Group contributions to pension plans and benefit payments made by these plans in 2015 and to be made during the 10 following years are as follows:

<i>(in € million)</i>	North America	Europe	Other	Total
Contributions paid and benefits paid directly by the Group				
2015	33	236	3	272
Estimates of contributions to be paid and benefits to be paid directly by the Group				
2016	14	102	1	117
2017	14	119	1	134
2018	14	108	1	123
2019	14	72	1	87
2020	91	88	1	180
2021-2025	369	524	1	894

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In the US the following year contribution is determined annually using IRS rules including temporary funding relief provided by HATFA (Highway and Transportation Funding Act of 2014) legislation.

In Canada the contributions are determined on a tri-annual base and the funding plan is spread over 15 years as required under local regulations.

In the UK the contributions are determined based on tri-annual actuarial valuations as required by the Pension Act. In case of deficit the employer must agree a recovery plan with the Trustees. The current Recovery Plan matures in 2027.

In 2015, in addition to the ordinary contributions, it was decided to make contributions in advance due in the UK for an amount of €138 million.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly via the relevant administrators.

The estimates of future payments for unfunded plans are based on data included in the calculation of the projected defined benefit obligation based on expected leaving dates each year. The same method is used for the constitutive funds for partially funded plans paid to insurance companies. For funded plans, the estimates of future contributions take into account the changes in regulations that are known to date (Pension Protection Act 2006 in the US and Pension Act 2004 in the UK).

/ 27.1.2 Other Defined Benefit Plans

In many countries, Group employees receive other post-employment benefits and long-term benefits throughout their term of employment. The “other post-employment benefits” mainly include health insurance and end of service benefit. The “Other defined benefit plans” are mainly found in the United States, Canada and France. “Other long-term benefits” include deferred compensation plans that are mandatory in the countries where the Group operates or provided for under local company-specific agreements. Such defined benefit plans generally concern the Group European companies and are based on seniority.

As in the case of the above-described defined benefit plans, “other defined benefit plans” are valued by independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets and are recognized as liabilities.

The main plans provided within the Group are:

USA

The Group offers retiree medical benefits that provide healthcare coverage for Pre-Medicare and Medicare eligible retirees and their dependents.

Eligible retirees are mainly those who were active prior to January 1, 2004 and will have at least 10 years of service at the date of retirement.

For the Medicare retirees, the health care coverage comes as an addition to the Medicare basis.

Medical and prescription drug expenses are covered by the plan. The retirees contribute to the cost of the post-retirement medical plan.

The Group pays a premium for the administrative services. This plan is not pre-funded

Canada

The Group offers retiree medical benefits that provide healthcare coverage for certain retirees and their dependents. Medical and prescription drug expenses are covered by the plan.

This plan was closed to new entrants as from January 1, 2005.

The Group pays a premium for the administrative services. This plan is not pre-funded.

France

The main plan is a mandatory rubber branch end-of-service benefit plan.

The plan provides that a lump sum payment is made upon retirement for employees being present at the retirement date. The normal age of retirement is 65. The calculation of the lump sum corresponds to a number of months of salary based on years of service at the time of retirement.

This plan is not pre-funded.

Changes in the financial position of "other defined benefit plans" are as follows:

(in € million)	December 31, 2015				December 31, 2014			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	1,095	1,159	32	2,286	946	1,024	23	1,993
Translation adjustments	70	(6)	(3)	61	105	-	1	106
Changes in scope of consolidation	(4)	(47)	2	(49)	-	-	-	-
Current service cost	14	49	4	67	12	42	2	56
Interest cost on the defined benefit obligation	46	25	2	73	47	34	2	83
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or modifications to defined benefit plans	(1)	1	-	-	-	(7)	1	(6)
▶ Past service cost due to curtailments of defined benefit plans	-	(1)	-	(1)	1	(12)	-	(11)
▶ (Gains) or losses on settlements of defined benefit plans	-	-	-	-	-	-	-	-
Benefits paid	(53)	(68)	(2)	(123)	(55)	(71)	(1)	(127)
Other items	-	-	-	-	-	-	-	-
Actuarial (gains) or losses generated during the year	17	(57)	(3)	(43)	39	149	4	192
Present value of the obligations at the end of the year	1,184	1,055	32	2,271	1,095	1,159	32	2,286
Fair value of plan assets at the beginning of the year	-	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	-	-	-	-	-	-	-	-
Contributions paid to the plans	-	-	-	-	-	-	-	-
Administration costs	-	-	-	-	-	-	-	-
Benefits paid by the plans	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
Actual return on plan assets excluding interest income	-	-	-	-	-	-	-	-
Fair value of plan assets at the end of the year	-	-	-	-	-	-	-	-
Deficit/(surplus) at the end of the year	1,184	1,055	32	2,271	1,095	1,159	32	2,286
NET LIABILITY/(ASSET) RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	1,184	1,055	32	2,271	1,095	1,159	32	2,286

The calculation formula of the benefit offered by the jubilee plan in Italy has been changed in 2014 generating a past service cost amounting to €7 million recognized as an income within the operating income before non-recurring expenses and income.

In 2014, a curtailment on the whole of the defined benefit plans in France, linked to the restructuring of Joué-lès-Tours, has been recognized for an amount of €11 million as an income within the operating income before non-recurring expenses and income.

At the same time, a provision for restructuring has been recognized in the expenses within the operating income before non-recurring expenses and income for an equivalent amount.

In 2015 the present value of "other defined benefit plans" decreased by €15 million, due to:

	2015	2014
Effect of changes in exchange rates for the US dollar, British pound and Canadian dollar against the euro	(61)	(106)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	43	(192)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(17)	(12)
Changes in plan regulations	1	17
Changes in the scope of consolidation	49	-
Other items	-	-

The present value of the defined benefit obligation and experience adjustments are as follows for 2015 and the previous four periods:

(in € million)	2015	2014	2013	2012	2011
Defined benefit obligation	(2,271)	(2,286)	(1,993)	(2,252)	(1,920)
Experience adjustments to plan liabilities	25	65	86	5	3
Experience adjustments to plan liabilities (in % of present value of the obligation (DBO))	1.10%	2.84%	4.32%	0.22%	0.16%

The main actuarial weighted average assumptions used to measure obligations for "other defined benefit plans" are as follows:

	December 31, 2015			December 31, 2014		
	North America	Europe	Other	North America	Europe	Other
Discount rate	4.23%	1.99%	6.38%	3.97%	2.11%	7.19%
Weighted average duration of the defined benefit obligation	12.9	11.7	10.9	13.6	11.9	10.4

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2015		December 31, 2014	
	USA	Canada	USA	Canada
Expected growth in healthcare costs in the first year	8.00%	5.12%	7.33%	5.25%
Minimum long-term rate of annual growth in healthcare costs	5.00%	4.25%	5.00%	4.25%
Year in which the minimum growth rate will be achieved	2023	2023	2021	2023

The discount rate and the assumed health care cost trend rate are the main assumptions used in the measurement of the defined benefit obligation and changes in these rates may have a significant effect on the amounts reported. All actuaries provide for each plan sensitivities on the obligation (DBO) and Current Service Cost to a

change of the main assumptions. DBO and Cost (meaning in that case the aggregate of the current service cost and interest cost on the obligation) sensitivities are the weighted average change of respectively the DBO and the Cost when one of these assumptions changes.

A 0.5-point shift in these rates, all else otherwise being equal, compared to those used for 2015 would have the following effect:

	0.5-point upward shift	0.5-point downward shift
Discount rate on the defined benefit obligation (DBO)	-5.86%	7.12%
Discount rate on the aggregate of current service cost and interest cost on the obligation	0.80%	-0.54%
Healthcare cost trend on the healthcare defined benefit obligation	5.90%	-5.10%
Healthcare cost trend on the aggregate of current service cost and interest cost of healthcare plan obligation	6.26%	-5.44%

Net income and expenses recognized in the income statement are as follows:

(in € million)	Year ended December 31, 2015				Year ended December 31, 2014			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of services rendered during the year	14	46	4	64	11	42	4	57
Interest cost on the defined benefit obligation	46	25	2	73	43	34	2	79
Interest income on plan assets	-	-	-	-	-	-	-	-
Actuarial (gains) or losses recognized during the year on other long term defined benefit plans	-	(5)	-	(5)	-	20	-	20
Past service cost recognized during the year:								
▶ Due to the introduction of or modifications to defined benefit plans	(1)	1	-	-	-	(7)	1	(6)
▶ Due to curtailments of defined benefit plans	-	1	-	1	-	(10)	-	(10)
Effect of defined benefit plans settlements	-	-	-	-	-	-	-	-
Portion of defined benefit expenses recognized within non-recurring restructuring costs	-	(2)	-	(2)	1	(2)	-	(1)
TOTAL OTHER DEFINED BENEFIT EXPENSES	59	66	6	131	55	77	7	139

Group payments made under "other defined benefit plans" in 2015 and to be made during the 10 following years are as follows:

(in € million)	North America	Europe	Other	Total
Benefit payments made				
2015	53	67	3	123
Estimates of benefit payments to be made				
2016	64	50	4	118
2017	65	51	1	117
2018	67	54	2	123
2019	68	58	1	127
2020	69	76	2	147
2021-2025	338	386	8	732

For unfunded plans, such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

27.2 Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-employment plans.

In 2015, the contributions paid to defined contribution plans and expensed amounted to €187 million (2014: €139 million).

These plans are mainly found in the United States of America, Canada, the United Kingdom and France.

USA

The defined contribution plans in the United States consist of the Michelin Retirement Account Plan (MRAP) and various 401(k) plans. The MRAP plan is fully funded by employer contributions. The contribution levels are based on age and years of service. The 401(k) plans are voluntary and are funded by employee contributions with employer matching contributions. In both the MRAP and 401(k) plans, asset allocation decisions are made by the employees.

The asset allocation choices are determined and monitored by the North American Investment committee under the authority of the US Pension Board.

Canada

The defined contribution plans in Canada consist of the Defined Contribution Plan for the Employees of Michelin North America (Canada) Inc. as well as a registered retirement savings plan (RRSP). The defined contribution plan is funded by core employer contributions and optional employee contributions with employer matching. The core contribution levels, modified at January 1, 2016, are based on years of service and age. The RRSP plan is voluntary and is funded by employee contributions with employer matching contributions. In both the DC and RRSP plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

United Kingdom

The main defined contribution pension plan in UK is the Michelin Pension and Life Assurance plan DC section (for Michelin and ATS employees). It has been implemented as from December 1, 2004 for the new entrants and for January 1, 2009 for all employees who did not opt out.

For Michelin employees, there are employee and employer contributions to this Plan which are based on a percentage of the eligible pay and age of the employee. Employees may also make optional contributions to the plan and the Group will match some of these optional contributions.

For ATS employees, there are employee and employer contributions. The range of contribution is chosen by the employee and matched by the employer. Contributions are a flat rate whatever the age of the employee.

All contributions to the plan are held in a Pension Account in a Trust. The employees choose how to invest these contributions among the different options made available for the Plan. The asset allocation choices are determined and monitored by the Board of Trustees.

France

There are two defined contribution pension schemes in France: the "Article 83" scheme and the "PERCO".

The defined-contributions "Article 83" retirement savings plan has been implemented as from January 1, 2012 in order to replace the defined benefit plan which will be progressively terminated. It is a mandatory retirement plan for all employees of the French companies concerned by the applicable agreement. Contributions are paid by the employee and the employer on the gross annual salary capped. An individual account is opened on the name of each employee. The employee can claim his additional retirement benefit at the date he is entitled to his pension in a compulsory retirement scheme.

The PERCO has been implemented on June 1, 2007 and revised as from January 1, 2012. It is a voluntary pension saving plan. Each employee can contribute to this plan and the Group will match the voluntary contributions made by the employee up to a cap.

NOTE 28 SHARE-BASED PAYMENTS

28.1 Stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2015		2014	
	Weighted average exercise price (in € per option)	Number of options	Weighted average exercise price (in € per option)	Number of options
At January 1	67.41	2,743,458	63.98	3,635,116
Granted	-	-	-	-
Forfeited	66.68	(99,988)	60.56	(25,338)
Exercised	70.41	(909,999)	53.25	(866,320)
AT DECEMBER 31	65.87	1,733,471	67.41	2,743,458

1,592,445 of the 1,733,471 options outstanding as at December 31, 2015 are exercisable (2014: 2,743,458 in total and 2,349,432 exercisable).

Stock option plans have the following exercise prices and expiry dates:

Grant dates	Vesting dates	Expiry dates	December 31, 2015		December 31, 2014	
			Exercise prices (in € per option)	Number of options outstanding	Exercise prices (in € per option)	Number of options outstanding
May 2005	May 2009	May 2014	46.34	-	46.34	-
November 2005	November 2009	November 2014	46.34	-	46.34	-
May 2006	May 2010	May 2015	55.99	-	55.99	40,718
May 2007	May 2011	May 2016	87.85	596,721	87.85	1,052,978
May 2008	May 2012	May 2017	59.85	167,878	59.85	204,672
November 2009	November 2013	November 2018	51.16	541,785	51.16	836,800
May 2010	May 2014	May 2019	52.12	150,951	52.12	214,264
May 2011	May 2015	May 2020	66.00	135,110	66.00	252,900
June 2012	June 2016	June 2021	51.16	141,026	51.16	141,126
NUMBER OF STOCK OPTIONS OUTSTANDING				1,733,471		2,743,458

28.2 Performance share plans

Changes in the number of performance share rights are as follows:

	2015	2014
	Number of outstanding performance share rights	Number of outstanding performance share rights
At January 1	1,007,798	733,712
Granted	84,892	396,718
Forfeited	(132,795)	(42,061)
Shares delivered	(227,489)	(80,571)
AT DECEMBER 31	732,406	1,007,798

In November 2015, 84,892 rights to performance shares of the Company have been granted to Group employees. Grantees are subject to a vesting period of four years ending in November 2019 and are not subject to any lock-up period. The shares will vest providing that the performance conditions (Group net sales growth percentage, increase in operating income, rate of return on capital

employed and employee engagement level) are met. The fair value of a right to a performance share is estimated at €82.24. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The total cost for the plans issued in 2015 is estimated at €5 million.

The performance share plans have the following characteristics:

Grant dates	Vesting dates		Lock-up period		Fair value at grant date		December 31, 2015	December 31, 2014
							Number of outstanding performance share rights	Number of outstanding performance share rights
	France	Other countries	France	Other countries	France	Other countries		
2011	2014	2015	2 years	None	37.49	35.49	-	163,008
2012	2015	2016	2 years	None	61.87	59.46	178,632	366,672
2013	2017	2017	None	None	69.43	69.43	78,544	81,400
2014	2018	2018	None	None	63.05	63.05	283,670	288,426
2014	2018	2018	None	None	63.05	63.05	106,668	108,292
2015	2019	2019	None	None	82.24	82.24	84,892	-
NUMBER OF OUTSTANDING PERFORMANCE SHARE RIGHTS							732,406	1,007,798

The expense recognized in 2015 for the performance share plans amounts to €9 million (2014: €6 million) and is included in "Other operating income and expenses".

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other long-term liabilities amount to €1,680 million (2014: €1,476 million) and include restructuring and litigation provisions as well as other provisions and long-term liabilities.

Movements in provisions during the year:

(in € million)	Restructuring	Litigation	Other provisions	Total
At January 1, 2015	206	241	137	584
Additional provisions	219	95	28	342
Provisions utilized during the year	(98)	(78)	(48)	(224)
Unused provisions reversed during the year	(10)	(5)	(2)	(17)
Translation adjustments	(2)	(1)	(10)	(13)
Other effects	1	-	-	1
AT DECEMBER 31, 2015	316	252	105	673

29.1 Restructuring

At December 31, 2015, the remaining restructuring provisions were related to restructuring taking place in the following countries:

	December 31, 2015	December 31, 2014
Spain	15	25
France	80	113
United Kingdom	110	1
Hungary	14	24
Italy	50	6
Germany	34	17
Other countries	13	20
RESTRUCTURING PROVISIONS	316	206

29.2 Other provisions

These amounts represent the risks arising from a commercial, technical, tax or social origin and have been identified by the Group with regard to its clients, suppliers and other third parties. These risks arise in the course of the Group ordinary activities.

NOTE 30 OTHER CURRENT LIABILITIES

The carrying amount of other current liabilities is presented in the table below:

(in € million)	December 31, 2015	December 31, 2014 ⁽¹⁾
Customers – Deferred rebates	971	935
Employee benefits	514	474
Social security liabilities	232	223
Restructuring liabilities	5	14
Current income tax payable	126	144
Other taxes	190	163
Other	280	267
OTHER CURRENT LIABILITIES	2,318	2,220

(1) Figures have been adjusted as mentioned in note 2.3 "New standards, amendments and interpretations to existing standards effective from January 1, 2015 in the European Union" and may therefore be different from those presented in previously published financial statements.

NOTE 31 DETAILS OF THE CASH FLOW STATEMENT

Details of the cash flows are presented in the table below:

<i>(in € million)</i>	Year ended December 31, 2015	Year ended December 31, 2014
(Gains)/Losses on disposal of non-financial assets	(11)	6
Other	2	(1)
Other non-cash income and expenses	(9)	5
Change in employee benefit obligations	(260)	(117)
Change in restructuring provisions	(99)	(64)
Change in litigation and other provisions	2	(10)
Change in provisions, including employee benefit obligations	(357)	(191)
Interest and other financial expenses paid	(198)	(203)
Interest and other financial income received	32	25
Dividends received	23	34
Cost of net debt and other financial income and expenses paid	(143)	(144)
Change in inventories	60	(71)
Change in trade receivables and advances	(66)	234
Change in trade payables and advances	(47)	79
Change in trade payables under factoring contracts	81	8
Change in other receivables and payables	(4)	(68)
Change in working capital, net of impairments	24	182
Purchases of intangible assets (note 13)	(135)	(131)
Purchases of PP&E (note 14)	(1,668)	(1,752)
Government grants received	11	11
Change in capital expenditure payables	18	33
Purchases of intangible assets and PP&E	(1,774)	(1,839)
Increase in other non-current financial assets	(23)	(8)
Decrease in other non-current financial assets	11	14
Net cash flows from cash management financial assets	109	172
Net cash flows from borrowing collaterals	(8)	(60)
Net cash flows from other current financial assets	(3)	3
Cash flows from other financial assets	86	121
Increase in non-current financial liabilities	843	122
Decrease in non-current financial liabilities	(62)	(96)
Repayment of finance lease liabilities	(10)	(13)
Net cash flows from current financial liabilities	(258)	(400)
Derivatives	(51)	107
Cash flows from financial liabilities	462	(280)
Details of non cash transactions:		
▶ New finance leases (note 14)	55	24
▶ Increase/(Decrease) of liabilities to minority shareholders	16	(15)
▶ New emission rights	5	9
▶ Dividends paid in shares (note 24)	-	-

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

/ 32.1.1 Operating lease commitments

Future minimum payments under non-cancellable operating leases by maturity are as follows (not discounted):

(in € million)	December 31, 2015	December 31, 2014
Within one year	196	189
Between one and five years	361	347
More than five years	89	88
TOTAL FUTURE MINIMUM PAYMENTS	646	624

Total operating lease rents recognized in the income statement in 2015 amounted to €381 million (2014: €346 million).

/ 32.1.2 Capital commitments

PP&E capital expenditure on the main extension projects, which were contracted but not delivered before December 31, 2015, amounts to €174 million (of which €13 million is likely to be delivered from 2017).

/ 32.1.3 Other commitments

The Group has various purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2016. They are established under normal market conditions and arise in the course of the Group ordinary activities.

32.2 Contingencies

/ 32.2.1 Michelin Pension Trust Ltd UK

Following the introduction of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension funds, "Recovery Plan", was established between Michelin Pension Trust Ltd U.K. and Michelin U.K. In order to limit the amount of the contributions and to stagger them over more than ten years, the Group a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make.

The calculation of the Recovery Plan is done every three years. The last one was carried out as at March 31, 2014. The actuarial assumptions used to evaluate the liability for the Recovery Plan are globally more conservative than the ones used to evaluate the defined benefit obligations under IAS 19.

The amount of the guarantee given is equal to the difference, if positive, between the present value of future contributions and the amount of the provision booked in the accounts. As of December 31, 2015, the present value of the future contributions is lower than the provision booked in the Group accounts.

/ 32.2.2 URSSAF audit

A French subsidiary of the Group received formal claims, by the administration in charge of the social security contribution collection, to pay €97 million (excluding interests and penalties) relating to several grievances. The Group evaluated these claims in the following way:

- ▶ Certain claims were accepted for an amount of €6 million, expensed and paid in 2013;
- ▶ Claims which are not accepted and not provided represent an amount of €29 million, for which the Group has submitted for out-of-court and/or legal settlements. Despite the uncertainties inherent to this type of procedures, the Group believes it has good chances to make its point of view prevail;
- ▶ All other claims not accepted and for which the Group has submitted for out-of-court and/or legal settlements were fully taken into consideration in the consolidated financial statements.

/ 32.2.3 Tax audit in Germany

Following a tax audit covering the periods 2005 to 2009, a German subsidiary received during the year 2015 two notifications of intended tax adjustment from the tax authorities. They are contesting the effects on the subsidiary of the transfer price policy applied by the Group. The risk of a potential adjustment covers a taxable base of €286 million. Information received from tax authorities is not a formal tax notice as of yet. The Group does not accept any of the positions taken by the German tax authorities and considers that:

- ▶ It is more unlikely than likely that the subsidiary will have to face a financial loss in connexion with these tax adjustments;
- ▶ Furthermore, it is not possible at this stage of the proceedings to reliably evaluate the potential financial risk related to these tax litigations.

/ 32.2.4 Other contingencies

In the course of their ordinary activities, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and the cash outflows probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of the Group management, there is no other governmental, judicial or arbitration proceedings likely to have significant impacts on its net assets or cash flows.

32.3 Assets pledged as collateral

/ 32.3.1 PP&E

PP&E pledged as collateral amounted to €28 million (2014: €28 million).

/ 32.3.2 Financial assets

Loans and deposits amounting to €80 million (2014: €72 million) are pledged as collateral for financial borrowings (note 26 "Financial liabilities").

/ 32.3.3 Trade receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in their eligible trade receivable portfolios. The maximum financing that can be drawn from these programs amounts to €483 million (2014: €465 million). Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to €15 million as at December 31, 2015 (2014: €15 million), has been accounted for as collateralized loans (note 26.2 "Loans from financial institutions and other").

NOTE 33 ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

33.1 Blackcircles

On April 30, 2015, the Group acquired 100% of the shares and voting rights in Blackcircles, the leading Internet tires sales company in the United Kingdom.

This acquisition generated a net cash outflow of €69 million included in "Equity investments in consolidated companies, net of cash acquired" in the Group consolidated cash flow statement.

At the acquisition-date, the fair value of the consideration transferred, which includes a contingent consideration, amounts to €88 million. The measurement at their fair value of assets acquired and liabilities assumed are detailed in the following table:

(in € million)	April 30, 2015
Intangible assets ⁽¹⁾	27
Property, plant and equipment (PP&E)	-
Non-current financial assets and other assets	-
Non-current assets	27
Inventories	-
Trade receivables and other current assets	-
Cash and cash equivalents	4
Current assets	4
Non-current financial liabilities	-
Provisions and other non-current liabilities	-
Deferred tax liabilities	5
Non-current liabilities	5
Current financial liabilities	-
Trade payables and other current liabilities	4
Current liabilities	4
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	22

(1) The fair value of intangible asset has been measured, with the assistance of an external consultant, using the royalty relief method for the trademark and using an income approach for the client portfolio. The Blackcircles trademark has been valued at €22 million. Its remaining useful life is 15 years. The fair value of the client portfolio has been measured at €2 million. It will be amortized over its remaining useful life of 8 years.

The allocation of the purchase price, after the measurement of identifiable assets acquired and liabilities assumed, led to the recognition of a goodwill for €66 million, calculated as follows:

(in € million)	April 30, 2015
Fair value of consideration transferred (1)	88
Fair value of net assets acquired (2)	22
GOODWILL (1) - (2)	66

Furthermore, synergies identified at the time of the acquisition and relating to the increase in the United Kingdom of sales of the Group's branded tires, either by online purchases through Blackcircles internet

site or by purchases from a retailer after visiting the site, led the Group to allocate a part of the goodwill, amounting to €44 million, to the Passenger car and light truck tires Europe CGU.

In the eight months to December 31, 2015, Blackcircles contributed €42 million to the Group's net sales, €-1 million to its operating income and €-1 million to its net income. Had the acquisition taken place on January 1, 2015, the net sales in the consolidated income statement would have amounted to €21,214 million, the operating result would have amounted to €2,206 million and consolidated net income for the year would have amounted to €1,163 million. In determining these amounts, the Group assumed that the fair value of the identifiable assets acquired and liabilities assumed as determined at the acquisition date would have been the same as if the acquisition had occurred on January 1, 2015.

The purchase price includes a contingent consideration arrangement for a maximum aggregate amount of 40 million pounds sterling. The amount to be paid depends on net sales and EBITDA thresholds for the years 2015, 2016 and 2017 and payment in respect of the relevant earn-out period will occur a few months after the end

of each of the three years if the targets are met. The fair value of the contingent consideration as at 31 December, 2015 amounts to €20 million.

33.2 Livebookings Holdings Limited

On December 29, 2015, the Group took control over Livebookings Holdings Limited, the European leader in the online restaurant reservation market with headquarters in London. The Group was previously holding a 9.1% interest in the company and acquired an additional 90.8% of the share capital for an amount of €108 million. This acquisition is temporarily presented as "Non-current financial assets and other assets" in the consolidated statement of financial position at December 31, 2015. Consolidation and purchase price allocation will be carried out during the accounting period beginning on January 1, 2016.

NOTE 34 RELATED PARTY TRANSACTIONS

34.1 Subsidiaries, joint ventures and associates

The list of the major Group subsidiaries is included in note 36 "List of main Group companies". Transactions between the parent company and its subsidiaries and between subsidiaries are eliminated in consolidation.

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € million)	2015	2014
Income statement		
Income for the sale of goods or supply of services	140	115
Expenses for the purchase of products or supply of services	(116)	(128)
Statement of financial position		
Financial liabilities	(14)	(8)
Accounts payable	(7)	(7)
Accounts receivable	29	27

34.2 Senior Management and Supervisory Board

In 2015, Jean-Dominique Senard, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution based on 2014 net income and amounting to €0.8 million (2014: €1.2 million). He was entitled to a global compensation of €1.4 million (social charges included) as non-general Managing Partner of Manufacture Française des

Pneumatiques Michelin (2014: €1.5 million). The present value of the benefits attributed during the period in a post-employment defined benefit plan amounts to €0.4 million (2014: €0.5 million). A provision of €1.7 million (social charges included) is recognized as at December 31, 2015 (2014: €1.4 million) based on the present value of the vested rights in a long term incentive bonus program.

The global compensation granted in 2015 to the 12 ⁽¹⁾ members of the Group Executive Committee (2014: 11 ⁽¹⁾ members) was €19.0 million (2014: €14.1 million). This amount breaks down as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014
Short term benefits	14.4	9.8
Post-employment benefits	2.7	2.7
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	1.9	1.6
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	19.0	14.1

(1) Members of the Group Executive Committee as at December 31.

The attendance fees paid in 2015 to the Supervisory Board members for 2014 meetings were €0.3 million (2014: €0.3 million).

NOTE 35 EVENTS AFTER THE REPORTING DATE

The reported amounts of assets and liabilities at the date of the consolidated statement of financial position were adjusted, if needed, up to the date when the Managing Chairman authorized for issue the 2015 consolidated financial statements.

NOTE 36 LIST OF MAIN GROUP COMPANIES

Countries are presented based on the Michelin geographical regions and within each regions are listed according to the alphabetical order of the French names.

Companies	Registered office	Nature	% of interest
EUROPE			
Germany			
Laurent Reifen GmbH	Oranienburg	Manufacturing & commercial	100.00
Michelin Reifenwerke AG & Co. KgaA	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Kaiserslautern	Commercial	99.98
Michelin Finanz Gesellschaft für Beteiligungen AG & Co.OHG	Karlsruhe	Financial	100.00
Meyer Lissendorf GmbH & Co. KG International Trading	Goennersdorf	Miscellaneous	100.00
Ihle Baden-Baden AG	Baden-Baden	Miscellaneous	100.00
Tirecorp GmbH	Baden-Baden	Miscellaneous	100.00
Ihle International GmbH	Baden-Baden	Miscellaneous	100.00
Belgium			
Michelin Belux S.A.	Zellik	Commercial	100.00
Denmark			
Euromaster Danmark A/S	Skanderborg	Commercial	99.94
Spain			
Michelin España Portugal, S.A.	Tres Cantos	Manufacturing & commercial	99.80
Euromaster Automoción y Servicios, S.A.	Madrid	Commercial	99.94
Nex Tyres, S.L.	Lleida	Miscellaneous	49.97
Finland			
Suomen Euromaster Oy	Pori	Commercial	99.94
France			
Compagnie Générale des Etablissements Michelin	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Avallon	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Bassens	Manufacturing	100.00
Euromaster France	Montbonnot Saint-Martin	Commercial	98.41
Michelin Aircraft Tyre	Clermont-Ferrand	Commercial	100.00
Transityre France	Clermont-Ferrand	Commercial	100.00
Michelin Travel Partner	Boulogne-Billancourt	Commercial	100.00
Spika	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Etablissements Piot Pneu	Montbonnot Saint-Martin	Commercial	96.81
Tyredating	Lyon	Commercial	100.00
Ihle France	Schiltigheim	Miscellaneous	100.00
Greece			
Elastika Michelin A.E.	Halandri	Commercial	100.00
Hungary			
Michelin Hungaria Tyre Manufacture Ltd	Nyíregyháza	Manufacturing & commercial	100.00
Ireland			
Miripro Insurance Company Limited	Dublin	Miscellaneous	100.00
Italy			
Società per Azioni Michelin Italiana	Turin	Manufacturing & commercial	100.00
Luxembourg			
Michelin Luxembourg SCS	Luxembourg	Financial	100.00

Companies	Registered office	Nature	% of interest
The Netherlands			
Eurodrive Services and Distribution N.V.	Amsterdam	Commercial	99.94
Euromaster Bandenservice B.V.	Deventer	Commercial	99.94
Michelin Nederland N.V.	Drunen	Commercial	100.00
Transityre B.V.	Breda	Commercial	100.00
Michelin Finance (Pays-Bas) B.V.	Amsterdam	Financial	100.00
Poland			
Michelin Polska S.A.	Olsztyn	Manufacturing & commercial	100.00
Serbia			
Tigar Tyres d.o.o.	Pirot	Manufacturing & commercial	100.00
Romania			
Michelin Romania S.A.	Voluntari	Manufacturing & commercial	99.86
Euromaster Tyre & Services Romania S.A.	Voluntari	Commercial	99.94
United Kingdom			
Michelin Tyre Public Limited Company	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Birmingham	Commercial	99.94
Blackcircles.com Limited	Peebles	Commercial	100.00
Sweden			
Euromaster AB	Varberg	Commercial	99.94
Michelin Nordic AB	Stockholm	Commercial	100.00
Switzerland			
Euromaster (Suisse) S.A.	Givisiez	Commercial	99.94
Nitor S.A.	Granges-Paccot	Financial	100.00
Michelin Suisse S.A.	Givisiez	Commercial	100.00
Compagnie Financière du Groupe Michelin, "Senard et Cie"	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Granges-Paccot	Miscellaneous	100.00
Michelin Mexico Properties Sàrl	Granges-Paccot	Miscellaneous	100.00
Turkey			
Michelin Lastikleri Ticaret A.S.	Istanbul	Commercial	100.00
AFRICA / INDIA / MIDDLE EAST			
South Africa			
Michelin Tyre Company South Africa Proprietary Limited	Boksburg	Commercial	100.00
Algeria			
Michelin Algérie SPA	Algiers	Commercial	100.00
Nigeria			
Michelin Tyre Services Company Ltd	Lagos	Commercial	60.28
India			
Michelin India Private Limited	Chennai	Manufacturing	100.00
NORTH AMERICA			
Canada			
Michelin North America (Canada) Inc.	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	New Glasgow	Commercial	100.00
United States of America			
Michelin North America, Inc.	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Wilmington	Commercial	100.00
Tire Centers, LLC	Wilmington	Commercial	100.00
CR Funding Corporation	Wilmington	Financial	100.00
Michelin Corporation	New York	Financial	100.00
Oliver Rubber Company, LLC	Wilmington	Manufacturing	100.00
Mexico			
Michelin Mexico Holding, S.A. de C.V.	Queretaro	Financial	100.00
Industrias Michelin, S.A. de C.V.	Mexico City	Manufacturing & commercial	100.00

Companies	Registered office	Nature	% of interest
SOUTH AMERICA			
Argentina			
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Buenos Aires	Commercial	100.00
Brazil			
Sociedade Michelin de Participações, Indústria e Comércio Ltda.	Rio de Janeiro	Manufacturing & commercial	100.00
Michelin Espírito Santo – Comércio, Importações e Exportações Ltda.	Vila Velha	Commercial	100.00
Plantações E. Michelin Ltda.	Rio de Janeiro	Miscellaneous	100.00
Michelin Monitoramento de Ativos do Brasil Ltda.	Rio de Janeiro	Miscellaneous	100.00
Sascar Participações S.A.	Santana Do Parnaíba	Miscellaneous	100.00
Sascar Tecnologia E Segurança Automotiva S.A.	Santana Do Parnaíba	Miscellaneous	100.00
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00
Colombia			
Industria Colombiana de Llantas S.A.	Bogotá	Commercial	99.96
Peru			
Michelin del Perú S.A.	Lima	Commercial	100.00
SOUTHEAST ASIA / AUSTRALIA			
Australia			
Michelin Australia Pty Ltd	Melbourne	Commercial	100.00
Indonesia			
PT Michelin Indonesia	Jakarta	Commercial	100.00
PT Synthetic Rubber Indonesia	Jakarta	Manufacturing	55.00
Malaysia			
Michelin Malaysia Sdn. Bhd.	Petaling Jaya	Commercial	100.00
Singapore			
Michelin Asia (Singapore) Co. Pte. Ltd	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte Ltd	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd	Singapore	Miscellaneous	100.00
Thailand			
Michelin Siam Company Limited	Bangkok	Manufacturing & commercial	100.00
Michelin Thai Holding Co., Ltd	Bangkok	Financial	100.00
Vietnam			
Michelin Vietnam Company Limited	Ho Chi Minh City	Commercial	100.00
CHINA			
China			
Michelin Shenyang Tire Co., Ltd	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd	Shanghai	Commercial	100.00
Taiwan			
Michelin Tire Taiwan Co., Ltd	Taipei	Commercial	100.00
EASTERN EUROPE			
Russia			
Michelin Russian Tyre Manufacturing Company LLC	Davydovo	Manufacturing & commercial	100.00
Ukraine			
Michelin Ukraine LLC	Kiev	Commercial	100.00
JAPAN / KOREA			
Japan			
Nihon Michelin Tire Co., Ltd	Tokyo	Commercial	100.00
South Korea			
Michelin Korea Co., Ltd	Seoul	Commercial	100.00

MICHELIN

+ 33 (0) 4 73 32 20 00 – 23, place des Carmes-Déchaux – 63040 Clermont-Ferrand Cedex 9 – France
www.michelin.com

INVESTOR RELATIONS

VALÉRIE MAGLOIRE, MATTHIEU DEWAVRIN, HUMBERT DE FEYDEAU
+ 33 (0) 1 78 76 45 36 – 27, cours de l'Île Seguin – 92100 Boulogne-Billancourt – France
investor-relations@fr.michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS

JACQUES ENGASSER

+ 33 (0) 4 73 98 59 08 – 12, cours Sablon – 63040 Clermont-Ferrand Cedex 9 – France
Toll-free calls in France: 0 800 000 222
actionnaires-individuels@fr.michelin.com

COMMUNICATION AND BRANDS

MEDIA RELATIONS: CORINNE MEUTEY

+ 33 (0) 1 45 66 22 22 – 27, cours de l'Île Seguin – 92100 Boulogne-Billancourt – France

