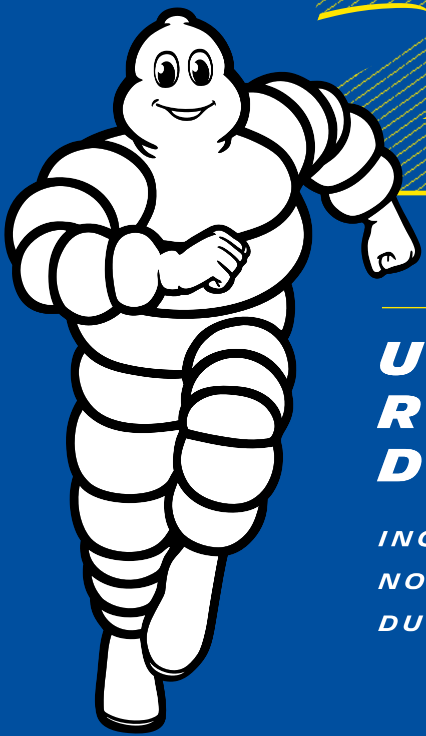
MICHELIN
A BETTER WAY FORWARD



2019

UNIVERSAL REGISTRATION DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT,
NON-FINANCIAL PERFORMANCE STATEMENT
DUTY OF CARE PLAN

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

2019

UNIVERSAL REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This document is a free translation of the original French version. In case of discrepancies, the French version shall prevail.

This Universal Registration Document was filed on April 17, 2020 with the French securities regulator (*Autorité des marchés financiers* – AMF) in its capacity as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said Regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if supplemented by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. All of these items are approved by the AMF in accordance with Regulation (EU) 2017/1129.

DISCLAIMER

When presenting its 2019 results (February 10th, 2020), the Michelin Group issued its guidance for 2020 excluding the systemic effects of the Covid-19 crisis (section *5.1.7 a) Outlook* of the Report of the Managers, released at the same time as the results).

The Report of the Managers, included in this Universal Registration Document, has not been modified since it was approved on February 10, 2020.

On March 18th, 2020 at 6:10 pm, the Michelin Group acknowledged, through a press release, that the global economy was in the midst of a systemic crisis, the Group's 2020 guidance being no longer relevant, without any possibility at present of assessing the potential impact.

Sections 2.1 and 5.1.11 of this Universal Registration Document report on the impact of recent events related to the Covid-19 crisis on the Group at the date the original French version of this Document was filed.

PURPOSE

OFFERING EVERYONE A BETTER WAY FORWARD

Because we believe that mobility is essential for human development, we are innovating passionately to make it safer, more efficient and more environmentally friendly.

Our priority and firm commitment is to offer our customers uncompromising quality.

Because we believe that all of us deserve personal fulfillment, we want to enable everyone to do his or her best, and to make our differences a valuable asset.

Proud of our values of respect for customers, people, shareholders, the environment and facts, we are sharing the adventure of better mobility for everyone.

127,200
people in **170 COUNTRIES**

126
research and production facilities

7,620
dealerships and distribution hubs

Sales:
€24.1 BILLION

Segment Operating Income:
€3 BILLION

Net income:
€1.7 BILLION

"IN THE MICHELIN OF TOMORROW, EVERYTHING WILL BE SUSTAINABLE"

FLORENT MENEGAUX
CEO

01

CONTENTS

GROUP PRESENTATION AND STRATEGY

"IN THE MICHELIN OF TOMORROW, EVERYTHING WILL BE SUSTAINABLE"

FLORENT ***MENEGAUX***
CEO

What are your takeaways from 2019?

2019 saw the unprecedented realization that we must urgently take action to save our climate and our planet.

That heightened awareness has shaped our vision of the future, which we have affirmed, along with the Executive Committee, in a simple phrase: "In the Michelin of tomorrow, everything will be sustainable." Everything we do must now meet three inseparable criteria: the growth and development of people, the financial and operational performance we deliver: a condition of our longevity and our independence, and the positive contribution we make to our planet and its inhabitants.

Thanks to its technologies, Michelin is and always will be a solutions provider. Our tires save energy and raw materials. Our hydrogen fuel cells are enabling the faster deployment of zero emission mobility. We are assertively committed to sustainable rubber tree farming, the circular economy and biosourced materials. We are convinced that we have to maintain this course, safeguarding not only our natural environment, but also our social environment.

How would you sum up the year for the Michelin Group?

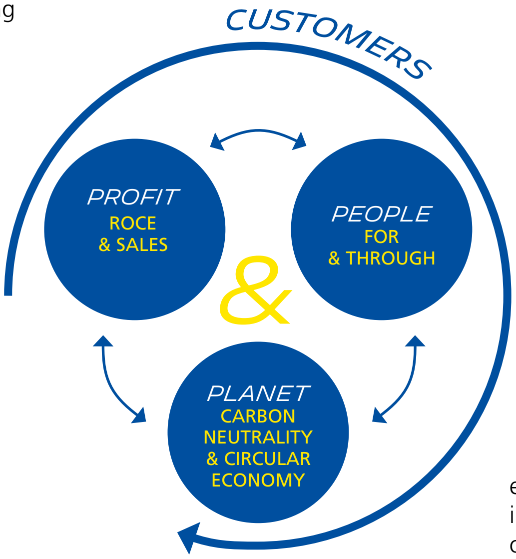
2019 underscored our resilience and ability to drive growth and performance. We maintained our market shares and delivered very good results in an unstable environment and weaker markets.

Sales exceeded €24 billion and segment operating income topped €3 billion, up 7.8% and 6.5% at constant exchange rates. Structural free cash flow stood at €1.6 billion and net income at €1.7 billion.

At the Annual Meeting on June 23, 2020, we will recommend that shareholders approve the payment of a dividend of €2 per share, corresponding to 19.5% of our net income excluding non-recurring items.

We have successfully completed new acquisitions and forged alliances in our four growth areas. Michelin strengthened its positions in tires in Asia with the acquisition of Multistrada in Indonesia. The mobility experiences business, which is helping to enhance the MICHELIN brand's impact, invested in wine reviews with the acquisition of the Robert Parker Wine Advocate guide and a strategic partnership was formed with TripAdvisor. In services and solutions, the portfolio of vehicle fleet telematics solutions was expanded in Europe with the consolidation of Masternaut.
Lastly, in high-tech materials, we joined forces with Faurecia to create Symbio, a leader in hydrogen-powered mobility.

" Along with tires, services and solutions and high-tech materials will be giving fresh momentum to our growth. "



How do you explain these very good results?

They primarily reflect the outstanding engagement demonstrated by our employees, who deserve our deepest thanks and appreciation. The smooth handover of Group leadership, organized with Jean-Dominique Senard and the members of the Supervisory Board, was also a contributing factor.

Our performance also stemmed from our disciplined price management, whose impact amply offset the increase in raw materials costs and customs duties in a tightening global trade environment. We also benefited from growth in premium 18-inch and larger tires, which accounted for 43% of MICHELIN brand sales volumes during the year, as well as from high margins in the specialty businesses and the seamless integration of Fenner and Camso, which had been acquired in 2018.

In addition, there were our competitiveness gains, which totaled €260 million in 2019 and more than €890 million over the past three years, plus the ongoing alignment of our manufacturing footprint. In 2019, we announced the closure of our production plants in Bamberg, Germany and La Roche-sur-Yon, France. These decisions were painful, and we are deeply committed to finding a solution for everyone concerned and to revitalizing the local communities by creating new jobs, just as we are doing in Dundee, Scotland.

In such a fast-changing world, what are your ambitions for Michelin?

Michelin has emerged from the past decade stronger than ever. Now we want to give it fresh momentum for sustainable growth and value creation. We will continue to invest in tires, our core business, to improve our manufacturing efficiency and strengthen our positions in segments where we can leverage our technological leadership and, in particular, the long-lasting performance of our tires.

At the same time, other segments are going to ramp up their contribution, including business services and solutions, built around tires and connected objects, and high-tech materials, with a focus on flexible composites, additive manufacturing and hydrogen mobility. Here too, the goal is to capitalize on our technologies while broadening the range of industries we can serve.

Despite the health crisis we are going through, and as the world transforms around us, we look to the future with confidence and determination. We're aiming for sustainable growth capable of creating fair, balanced value that is profitable for the company and beneficial for our employees, the planet and its inhabitants. Our objectives are very ambitious. We will share them at the latest during the first half of 2021 when we present our strategy for 2030.

TRENDS AND CHALLENGES

In a changing environment, Michelin mobilizes its technological skills to provide sustainable responses to the challenges of mobility and opening up to new opportunities.

01

SOLID FUNDAMENTALS IN TIRES

The global tire market is being driven by demographic trends, economic development and growth in travel and trade. Over the long term, Michelin expects demand for tires to grow by 1-2% in volume per year in mature markets and by 5-10% in the new markets.

A new geographic order

North America and Europe are facing extremely aggressive competition from Asia. China has become the world's leading tiremaker, accounting for almost one out of every three tires produced. In Europe, the market share of Chinese tires has risen from 5% to 30% in the past five years[(1)]. China also makes almost 30% of the world's cars, while producing half of all electric vehicles sold worldwide and 99% of electric buses[(2)].

Specialties: expanding, profitable markets

Demand for tires used in mining, farming, construction, logistics hubs and air transportation is structurally expanding by around 3% per year, but these markets are facing complex challenges in highly demanding environments. One example is dealing at the same time with the need to protect crop soil and to produce more at lower cost. To secure and improve their operations, our customers are looking for advanced technological solutions combining sustainable, readily available products and services.

02

HYDROGEN-POWERED ELECTRIC MOBILITY: A BRIGHT FUTURE

The transportation industry is actively exploring hydrogen's potential for powering cars, trucks, trains, ships and airplanes. California is committed to having 40,000 hydrogen powered vehicles on the road by 2022, Japan 800,000 by 2030, Korea 820,000 and China one million[(3)].

1 - Michelin estimates.
2 - Source: OICA – 2018 data.
3 - Source: Air Liquide.

03

FLEXIBLE COMPOSITES: A MARKET WORTH MORE THAN $220 BILLION

With an average growth of 5% per year, the flexible composites market offers numerous niches for creating high value in a broad range of industries, from medical devices to automobiles and aerospace[4].

04

METAL 3D PRINTING: A REVOLUTION IN MANUFACTURING

The metal 3D printing market is expected to increase from $3.3 billion in 2018 to $11 billion in 2024, with printer sales rising by 20% per year, led by demand from the automotive and aerospace industries[5].

05

THE CHANGING FACE OF MOBILITY

Climate change, the depletion of natural resources, urbanization and the digital revolution are spurring the emergence of new mobility systems, business models and providers. In the midst of an unprecedented capital spending drive, vehicle OEMs expect, more than ever, their equipment suppliers to respond with technological solutions.

New standards

The latest safety, emissions and recycling standards increasingly place tighter restrictions on the use of less energy-efficient vehicles. As CO_2 emission limits are lowered, the performance of low rolling resistance tires is becoming business-critical for automakers and trucking companies alike.

Electromobility

Several countries and cities have announced plans to ban internal combustion-powered vehicles by 2030. These restrictions are driving demand for hybrid electric powertrains, using batteries, hydrogen fuel cells or a combination of the two. Whether heavy or light, all these vehicles need tires with high technology content to optimize their performance.

The digital revolution

Whether it's connected cars today or self-driving cars tomorrow, the digital revolution means that mobility will be increasingly experienced as a pay-per-use, on-demand service. There will be fewer vehicles, but because they will be used longer, they will have to be more robust and reliable. This will encourage the development of specialized fleets and connected tires for managing them better.

Depletion of resources

In 2019, we collectively used up in seven months all of the resources that Earth could produce in one year[6]. More than ever, as needs continue to grow in line with the world's population, we have to get used to doing more and better with fewer resources and lower CO_2 emissions.

4 - Source: Roland Berger.
5 - Source: Smartech Analysis 2019.
6 - Source: Global Footprint Network.

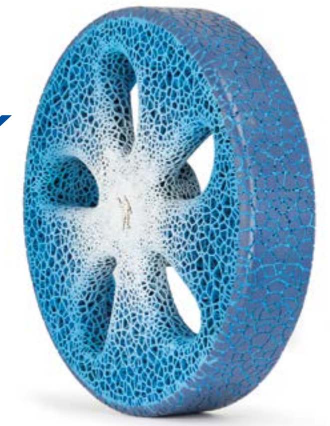
MICHELIN'S RESPONSES

THE FUTURE SHAPE OF MOBILITY

Mobility has to be safer, universally accessible, more efficient and more environmentally cleaner. For Michelin, these demands all represent opportunities to demonstrate the value of its technologies in meeting the expectations of its customers and modern society. As a pioneer leading the way in responsible, sustainable mobility, the Group is leveraging its technological leadership, innovation capabilities, engaged employees and powerful Michelin Sustainable Development and Mobility process to drive continuous improvement in mobility, as seen in the following examples. **EXAMPLES.**

THE VISION CONCEPT TIRE: OUR VISION OF THE FUTURE OF MOBILITY

Combining technologies and services, Vision is a light, highly robust airless wheel made from recycled or bio-sourced materials, whose tread can be recharged on demand using a 3D printer. It is also connected, so that it can warn the driver in the event of a problem. Vision, whose innovations are protected by 19 patents, is inspiring our Research and Development teams across the organization.



OPTING FOR DURABILITY

To serve its customers and safeguard the environment, Michelin is dedicated to making tires that deliver the same safe, superior performance from the first to the last kilometer. Using every tire until it is worn down to its European legal minimum tread depth of 1.6 mm would avoid the unnecessary replacement of 128 million tires per year. In fact, some tires that have worn down to the minimum depth brake just as well as certain new ones. However, this cannot be confirmed if testing and labeling focus only on new tires. In 2019, as part of the review of the regulation concerning the general safety of motor vehicles, European authorities acknowledged the issue of tire performance in use by mandating tests on worn tires beginning in 2024.

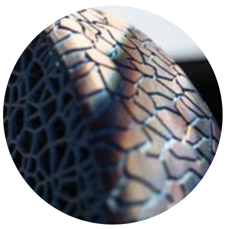
DEVELOPING SUSTAINABLE RUBBER TREE FARMING

In Indonesia, we are working with Barito Pacific Group to restore 88,000 hectares ravaged by deforestation. Part of the land will be planted with rubber trees, and the other part will be dedicated to the redevelopment of a natural environment, along with subsistence crops and native plant species. This project, like the other rubber production programs led by the Group, directly or through its joint ventures, will secure part of our natural rubber needs.

WORKING WITH AUTOMAKERS TO MEET THE CHALLENGE OF ZERO EMISSIONS

Making tires turn consumes an average 20% of the fuel burned by an internal combustion-powered car and 30% of the power used in an electric vehicle or the fuel burned in a truck. As the world's benchmark manufacturer of energy efficient, low rolling resistance tires, we are helping to avoid the release of 7.3 million tonnes of CO_2 per year. We are also working with automakers to develop tires that improve the range of electric vehicles, while supporting the deployment of hydrogen mobility solutions with fuel cells engineered for cars, vans and trucks.

BUSINESS SOLUTIONS DESIGNED AROUND CONNECTED TIRES



- **Enabling** them to adjust an agricultural tire's pressure to prevailing soil conditions,
- **Avoid** overheating a mining tire,
- **Check** the safety of an aircraft tire,
- **Improve** the fuel efficiency of a truck or bus fleet,
- **Optimize** preventive maintenance,
- **Improve** driver safety on the road.

We are making connected tires a "partner in performance" for our corporate customers.

MAKING ROADS SAFER

Road traffic injuries cause an estimated 1.35 million deaths every year[1]. Michelin is working directly, through its employees and its corporate foundation, to make mobility safer in all its host communities. Its worldwide partnership and local programs directly involved more than 330,000 people in 2019.

GETTING EVERYONE ENGAGED IN SUSTAINABLE MOBILITY

Held in June 2019 over three days in Montreal, Canada, the Movin'On worldwide sustainable mobility summit, created and inspired by Michelin, brought together more than 5,000 participants from 55 countries in a shared commitment to transforming ambition into action to make mobility more innovative and sustainable.

1 - Source: WHO - December 2018.

A BETTER WAY FORWARD FOR 130 YEARS

1889. Édouard Michelin becomes managing partner of a factory making farm machinery and rubber balls in Clermont-Ferrand. The company's name is changed to Michelin et Cie.

VISION

1891. Michelin repairs a cyclist's flat tire. It takes three hours to get it fixed and glued back on the rim, before leaving it overnight to dry. Realizing how successful an easily reparable tire would be, Edouard develops the first removable bicycle tire.

1895. Foreseeing the future of road transportation and the benefits of rubber technology, the Michelin brothers build the first automobile to ride on pneumatic tires. The idea will soon catch on.

TECHNOLOGY

1946. Michelin files a patent for the radial tire, which delivers revolutionary robustness and long-lasting tread life. Over the years, it is engineered for use on trucks (1952), earthmovers (1959), aircraft (1981) and motorcycles (1984). Michelin then rolls out one technological breakthrough after another, from the world's largest mining tire (2001) and the soil-sensitive agricultural tire (2003) to tires for the Airbus A380 (2005) and the first summer tire certified for winter use (2015).

SUSTAINABLE MOBILITY

1934. Le The Stop siped tire reduces the risk of skidding. The MICHELIN Energy line has been saving fuel since 1994. As a pioneer in fleet services (2001) and connected tires (2012), Michelin is helping business owners to attenuate their environmental impact and improve their safety performance. To drive faster progress, Michelin creates the Challenge Bibendum (2000), which evolves into the Movin'On Summit, the world summit for sustainable mobility (2017).

GLOBALIZATION

1906. Michelin begins manufacturing tires in Italy, England (1927), Germany (1931), Spain (1934) and the United States (1975), where it acquires Uniroyal Goodrich (1990). Along the way, it moves into Asia (1985), followed by Eastern Europe (1995). The Group opens three giant production plants in Brazil, China and India (2013) and acquires Multistrada in Indonesia (2019). It expands its proprietary and franchised dealer networks in every market, including Euromaster and Black Circles in Europe, TBC in North America in partnership with Sumitomo (2018) and Tyreplus in the growth regions.

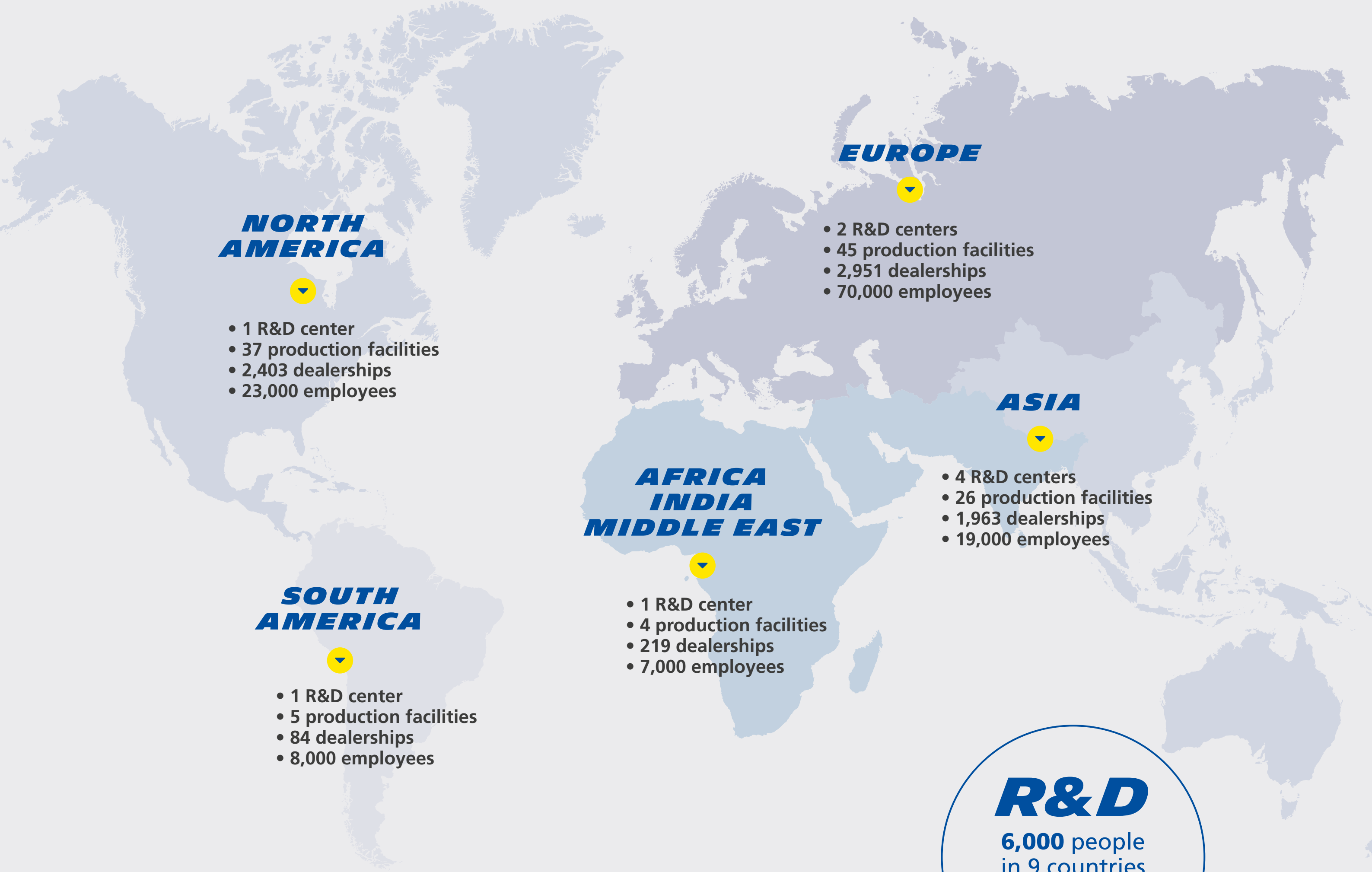
NEW AREAS OF GROWTH

Michelin broadens its digital services capabilities to fleets by acquiring Sascar in Brazil (2014), NexTraq in the United States (2017) and Masternaut in Europe (2019). It enhances its family of guides with Le Fooding (2017), Tablet (2018) and Robert Parker Wine Advocate (2019). It joins with Fives to create the AddUp metal 3D printing venture (2016), acquires Fenner, a British reinforced polymers manufacturer, and Canada-based Camso, the world leader in off-the-road mobility (2018). It is developing hydrogen-powered mobility solutions as part of Symbio and is partnering with Faurecia to bring them to market more quickly (2019).

MICHELIN AT A GLANCE

The world's tenth largest tire manufacturer in 1960, Michelin became one of the global top two in 1980, where it has remained ever since. With tires and so much more, the Group is focusing its passion for innovation and its pioneering spirit on offering a better way forward in a more sustainable world.

A GLOBAL FOOTPRINT

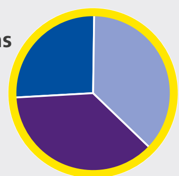


R&D
6,000 people in 9 countries

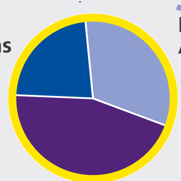
Production
117
facilities in **26** countries

Dealerships
7,600
proprietary or franchised centers in 30 countries

Sales 2019
€24.1 BILLION



Production capacity 2019
4,025,300 T(2)



NTW
TYRE PLUS
EUROMASTER
blackcircles.com

1 - Including Mexico.
2 - Tyres only.

OUR GROWTH AND VALUE CREATION MODEL

OUR STRENGTHS

THE MICHELIN BRAND

Ranked 8th among the world's 100 most reputable companies and No. 1 in the automotive industry
2019 *GlobalRepTrack survey*

Michelin Man, "Icon of the Millennium"
Advertising Week, 2018

ENGAGED EMPLOYEES

127,187 people

120 nationalities

7,023 new hires in 2019

81% engaged

98% trained in 2019

ROBUST PERFORMANCE

Segment Operating Margin at 12.5%

ROCE(1) at 13.7%

Structural free cash flow of €1,615M

UNIQUE EXPERTISE

A force for innovation at the service of sustainable mobility

125 years of innovation, 247 patents filed in 2019

6,000 researchers spread over 3 continents

251 R&D partnerships

€687M invested in R&D in 2019

and a global capacity in flexible composite materials

OPTIMIZED RESOURCES AND IMPACTS

Biosourced and recycled materials

Responsible purchasing

94% of facilities ISO-14001 certified

The 4R strategy(2)

The Long Lasting Performance approach

World leader in energy-efficient tires and connected tires

A GLOBAL FOOTPRINT

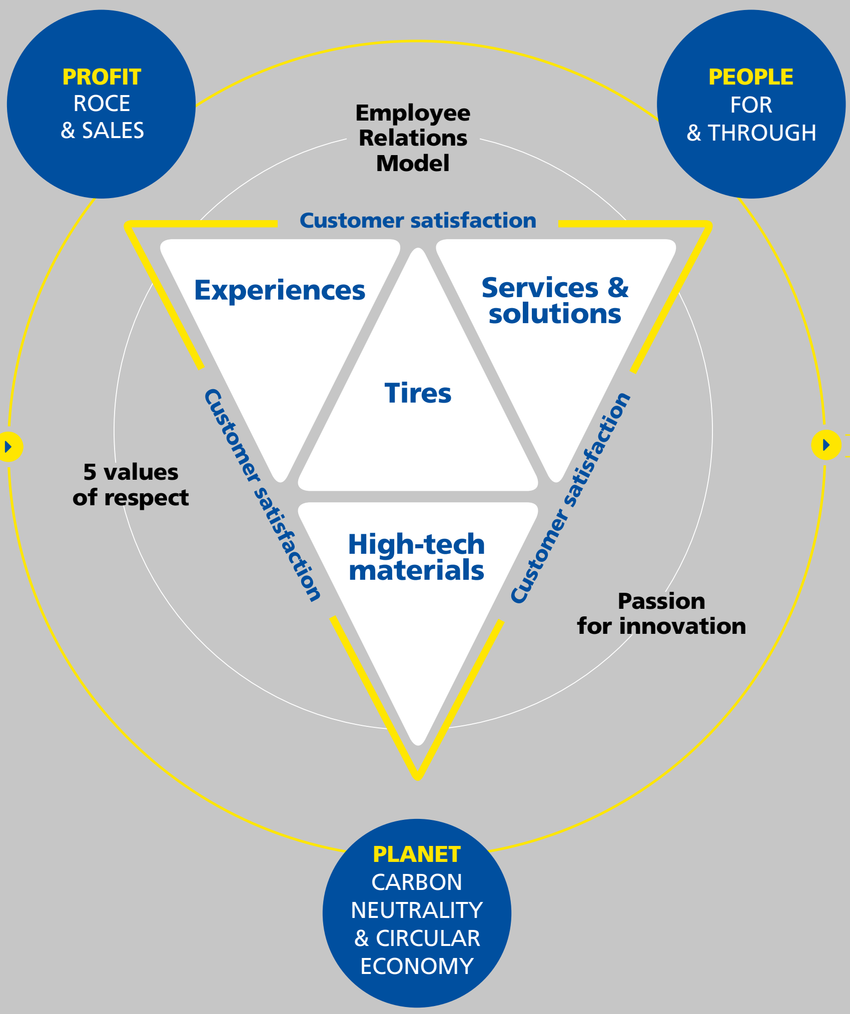
126 R&D and production facilities in 28 countries

7,600 dealerships and service centers in 30 countries

A trusted third-party in sustainable mobility: Movin'On Summit, Movin'On Lab, Paris Process on Mobility and Climate (PPMC)

OUR VISION
EVERYTHING WILL BE SUSTAINABLE AT MICHELIN

OFFERING EVERYONE A BETTER WAY FORWARD



NB: the size of the triangles is not representative of sales.

OUR AMBITIONS FOR 2020[3]

CUSTOMER SATISFACTION

100% of targeted customer groups reach the intended NPS[4]

EMPLOYEE WELL-BEING & DEVELOPMENT

85% engagement rate

Health & Safety: TCIR[5] < 2

75% of managers promoted from within

30% women in management and supervisory roles

FINANCIAL PERFORMANCE[6]

€1.4bn in structural free cash flow per year

≥ 15% ROCE

PRODUCT AND SERVICE PERFORMANCE

Improve the overall performance of our products by 10% compared with 2010, while using less raw material in their production

Save 3 bn liters of fuel, or 7.3M tonnes of CO_2, by improving our tires' rolling resistance

Use 30% renewable or recycled materials in producing our tires

RESPONSIBLE MANUFACTURING

Reduce the environmental footprint of our production plants by 50% compared with 2005

Reduce CO_2 emissions in the supply chain by 10% compared with 2010

Assess our top 400 suppliers and ensure that 70% are confirmed as compliant with our standards

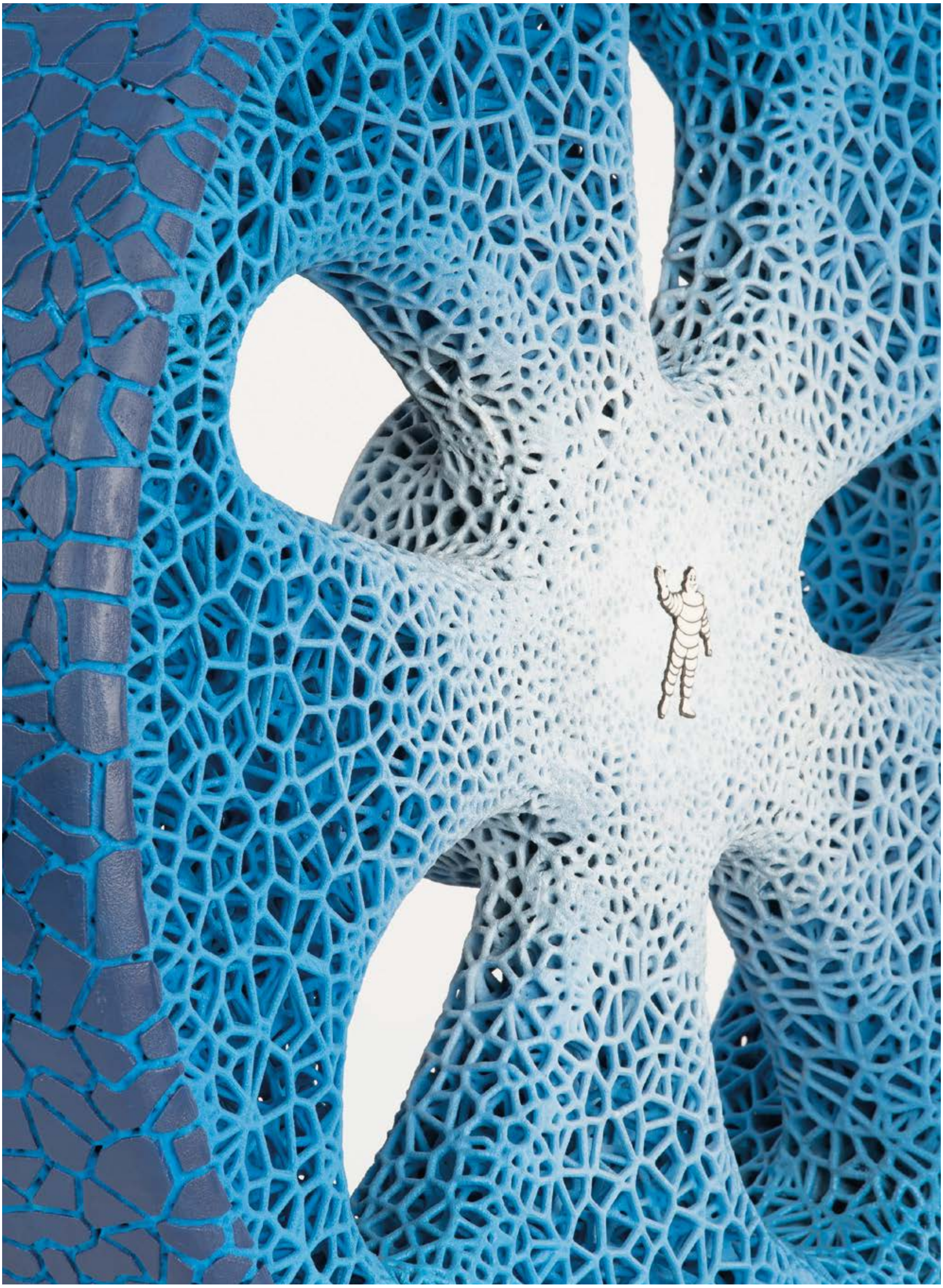
LOCAL COMMUNITY DEVELOPMENT AND SUSTAINABLE MOBILITY

Dedicate 30,000 work days per year to local communities.

Create 2,000 local jobs per year with Michelin Development.

Continue to raise road safety awareness among young drivers.

1 - Return on capital employed.
2 - Reduce, Reuse-repair-retread, Recycle and Renew.
3 - See pages 36 and 37, for the progress made towards fulfilling our 2020 Ambitions.
4 - Net Promoter Score: the net difference between a brand's promoters and detractors.
5 - Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.
6 - On March 18, 2020, the Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility, at that time, of assessing the potential impact. As a consequence, the 2020 financial ambitions established in 2013 are no longer relevant (see chapter 5.1.11 of this document).



Tires

FOUR AREAS OF GROWTH

The technological leader in tires, tracks and conveyor belts, Michelin works closely with manufacturers to bring innovations to every market. Both directly and through its dealership networks, it offers tires and solutions seamlessly aligned with end-user expectations and conditions of use and all delivering the same long-lasting performance.

OBJECTIVES

Increase revenue from tire sales by 20% from 2015 to 2020 and reduce the amount of energy used by a tire in use by 20% by 2030 compared to 2010.

DIVERSIFIED MARKETS SOLID LEADERSHIP

THE WORLD'S LEADING PREMIUM

tire brand for individual and corporate customers

THE LEADING TECHNOLOGY PARTNER

for OEMs worldwide

THE WORLD LEADER

in long-lasting tires,
in connected tires,
in radial earthmover, agricultural and aircraft tires,
in off-the-road solutions

/// STRATEGIC VISION

- Innovate to sustain our products' technological advance, strengthen our leadership in sustainable mobility, deliver long-lasting performance and facilitate the electrification of road transportation.
- Increase our market share in the promising, profitable specialty tire and off-the-road solutions businesses.
- Have competitive flexible right-sized production facilities in every geographic and currency area; digitalize our manufacturing base.
- Optimize our manufacturing footprint to capture growth opportunities especially in Asia.
- Broaden and secure our access to end-customers, who account for three-quarters of global tire sales, by forming strategic retailing and wholesaling partnerships and expanding our franchised chains.
- Foster synergies between brick & mortar and online channels to offer a high-quality fitting and service experience.

MORE THAN 200 DEALERSHIPS
opened in 2019

TIRES

PROGRESS MADE IN 2019

MICHELIN Uptis: boldly sustainable

Developed with General Motors, the Uptis airless car tire prototype eliminates any risk of flats and blowouts, while making pressure checks obsolete. These advantages could significantly improve the productivity of vehicle fleets, which are likely to grow larger as emerging mobility systems become more popular.
The puncture-proof tire also eliminates the spare tire, thereby saving the raw materials, energy and CO_2 emissions involved in its production.

Michelin acquiers Multistrada in Indonesia

The Group has broadened its presence in Indonesia, a high potential market dominated by local companies. With Multistrada, it has acquired highly competitive, immediately available manufacturing facilities capable of producing up to 180,000 tonnes of car, truck and two-wheel tires.

MICHELIN Pilot Sport EV2: high performance whatever the conditions

Even lighter, more efficient, longer-lasting and more versatile than its predecessor, the new MICHELIN Pilot Sport EV2 for Formula E racers delivers the same superior performance whatever the conditions, in cold and intense heat, on sand or rain-swept circuits. Unveiled in 2019, tires in the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup 2 R series directly incorporate technologies developed for motorsport.

Cleaner urban transit with the MICHELIN X-InCity Energy Z

The first tire in its size (275/70R22.5) that can carry eight tonnes per axle, the new, highly robust MICHELIN X-InCity Energy Z tire makes it possible to design higher capacity electric buses.

The PresSense smart tire for safer flights

Michelin and Safran Landing Systems have successfully completed in-flight testing of PresSense, the world's first connected aircraft tire.
The new system considerably simplifies pre and post-flight inspections while optimizing preventive maintenance.

TIRES

Tires and tracks for everything on wheels, both on and off the road; brands that meet a wide array of customer expectations.

MICHELIN

BFGoodrich | Kleber | CAMSO | ROAD FREE COMPANY

SIAMTYRE | RIKEN | kormoran | levorin | UNIROYAL (1) | TIGAR | TAURUS

CAMSO
the world leader in off-the-road mobility solutions

FENNER AND CAMSO: DELIVERING GROWTH AND SYNERGIES IN THE MINING AND OFF-THE-ROAD MARKETS

Fenner and its Engineered Conveyor Solutions (ECS) division are one of the world's largest suppliers of heavy conveyor belts and conveyor belt solutions. With them, Michelin has strengthened its leadership in the Mining market, enhanced its offering and broadened its footprint.

With Camso, the technology leader in rubber tracks and solid tires for farm machinery, materials handling and construction equipment, snowmobiles and all-terrain vehicles, the Group has created the world leader in the $13 billion market for off-the-road mobility solutions. Spurred by the close fit between the two partners, sales by the new combination vastly outpaced the market average to stand at nearly €2 billion in 2019.

$13BN
Off-the-road market estimate

1 - Except in Europe (including the countries in the former Soviet Union) and in Africa and the Middle East.

Michelin markets maps, guides, digital services and exclusive solutions that make mobility easier and enable customers to enjoy unforgettable experiences while on the road, which in turn help to embed the MICHELIN brand in their daily lives.

OBJECTIVES

To become the go-to independent selection of curated fine dining venues and travel services, while tripling revenue from these businesses from 2015 to 2020.

A PROMISING MARKET

Gourmet dining opportunities are an increasingly important factor in both business and leisure travel.

AN UNIQUE POSITION

At the top of two restaurant and wine guides that set the standard for the rest of the world.

Guides, maps and digital services to make travel and everyday journeys easier, safer, more enjoyable and more fulfilling.

MICHELIN | Robert Parker WINE ADVOCATE | Tablet. A MICHELIN EXPERIENCE | FOODING

/// STRATEGIC VISION

- Maintain top-of-mind awareness of the MICHELIN brand among consumers, who on average change their tires every two and a half years; nurture their affinity and interest.
- Enhance the MICHELIN brand's influence and broaden our fields of expertise with digital technology and targeted acquisitions.
- Expand the curating activities that enable customers to get more out of their travels and Michelin to demonstrate its position as a trusted partner.

PROGRESS MADE IN 2019

Worldwide strategic partnership with TripAdvisor and TheFork

By partnering with TripAdvisor, the world's leading participatory travel website with 460 million visitors every month, the MICHELIN Guide now offers its curated hotels and restaurants unprecedented visibility. The guide's 14,000 selected restaurants will be displayed with their Michelin ratings on TripAdvisor pages. In addition, 4,000 restaurants in Europe will be bookable online via TripAdvisor's TheFork subsidiary, the market leader in the region.

Robert Parker Wine Advocate

After raising its initial stake acquired in 2017, Michelin is now the sole owner of Robert Parker Wine Advocate, the world's most widely read wine tasting and rating guide. Full ownership will encourage the emergence of synergies between the two leaders in gourmet dining and fine wines, by creating new digital content and services, broadening RPWA's geographic reach and developing unique experiences around food and wine pairings.

A new selection of hotels curated by Tablet & Michelin

Acquired in 2018, Tablet is a booking platform that currently offers 3,500 hotels selected for their quality and unique features.
In 2019, Tablet and Guide MICHELIN teams worked together to curate an all-new selection in more than 100 countries. The recommended hotels stand out for their design, their high-quality amenities and service, their authenticity and their ability to offer a memorable experience at a wide range of price points.

Food & Travel: traveling your way

This new collection of mook-like travel guides combines the top recommendations from the Green Guide, the choice restaurants from the MICHELIN Guide and the pleasure of a magazine. The first issues featured Corsica and New York City.

Michelin is one of the 300 most valuable global brands, worth

$7.2 BILLION

Source : Brand Finance 2019

Services & solutions

FOUR AREAS OF GROWTH

As the market leader in connected tires and a major partner in digital fleet management, Michelin offers its corporate customers services and solutions that improve their performance, simplify their maintenance, increase asset uptime, enhance their safety performance, reduce their operating costs and attenuate their environmental impact.

OBJECTIVES

To continuously deepen our understanding of customer needs, so that we can offer solutions that create value for everyone, and to double revenue from these businesses from 2015 to 2020.

A VERY FAST GROWING MARKET

up 15% per year
in the case of telematics in Europe[1].

A MAJOR PROVIDER

1.2 million vehicles under contract in 30 countries, the world's 5th largest operator.
As of end-2019, every MICHELIN-brand truck tire is equipped with an RFID[2] chip.

Harnessing digital technology, geolocation solutions and data analysis to drive performance for road transportation professionals.

/// STRATEGIC VISION

- Develop connected mobility solutions and services supported by data capture and analytics.
- Develop tires sales as pay-per-use services.
- Offer all-in-one fleet management solutions.
- Market the collected data to other industries besides transportation.

PROGRESS MADE IN 2019

Michelin expands in telematics with Masternaut

Following on from Sascar in Brazil in 2014 and NexTraq in the United States in 2017, the Group acquired a third specialty provider of fleet telematics solutions in 2019. Masternaut manages more than 220,000 mostly light utility vehicles in France and the United Kingdom.
Its solutions will now be rolled out in every country across Europe.

Connected tires, a lever for productivity gains in the mines

Over $500 million: that's what a mine with 100 ultra class dumpers can save with the MICHELIN XDR 3 Extra Load 63" tire paired with the MEMS4 onboard monitoring and management system.

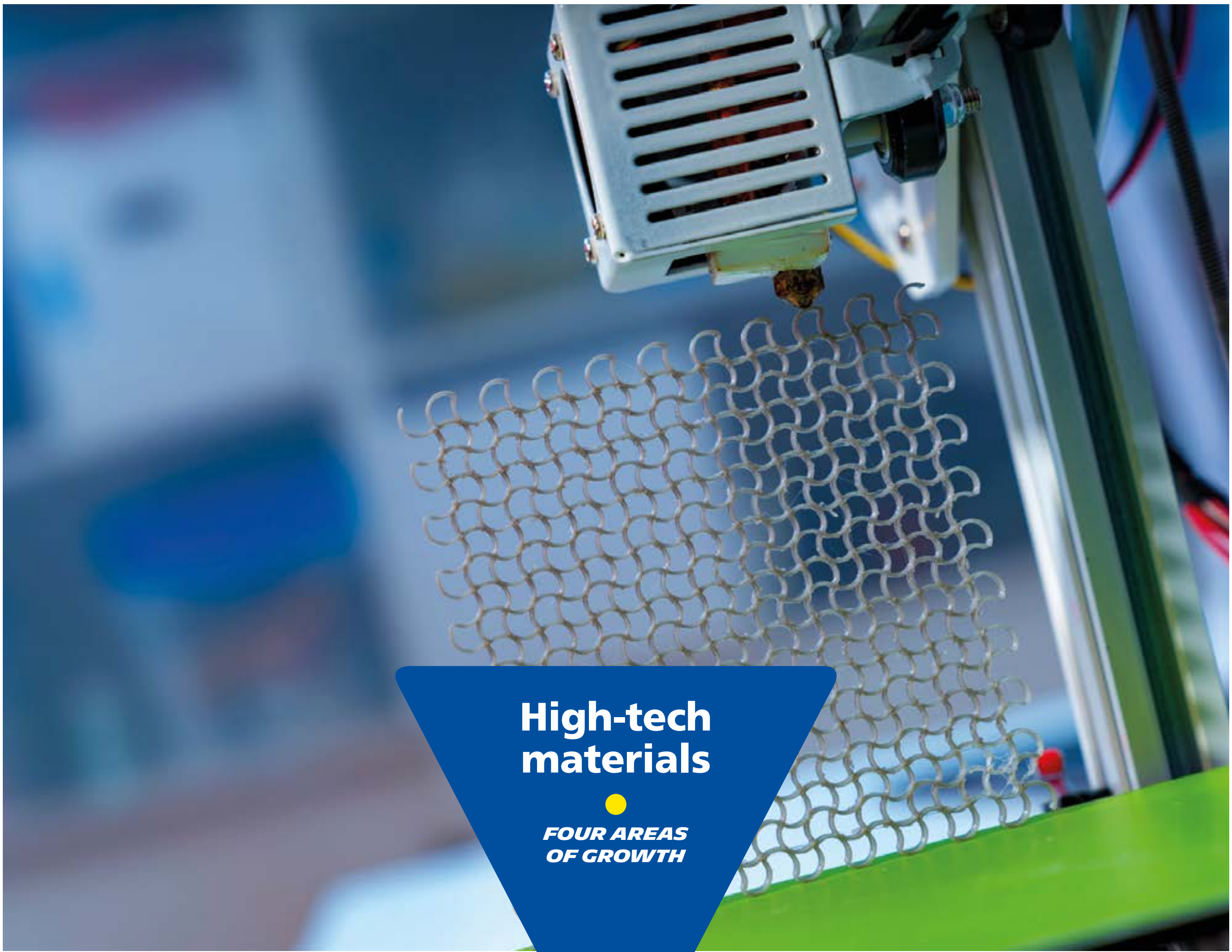
Driving Data to Intelligence

Michelin DDI helps to make mobility safer by extensively analyzing driving behavior and vehicle use based on exclusive algorithms and data from state-of-the-art sensors. Applications include driver training, predictive maintenance, connected insurance, road infrastructure diagnostics and the optimization of automotive equipment.

Tracking containers in real time with Safecube

Created in 2019 with IoT service provider Sigfox and Argon Consulting, Safecube locates containers in intercontinental transit and tracks their transport conditions (temperature, humidity, shocks, etc.) end-to-end in real time. In case of delays, the container trackers immediately alert the customer companies, which can then respond appropriately.

1 - Source: Berg Insight.
2 - RFID: Radio Frequency Indentification



High-tech materials

FOUR AREAS OF GROWTH

Michelin has built up extraordinary expertise in the design and production of high-tech materials. Already a core factor in the performance of the Group's tires, this expertise is being actively marketed to other industries and enhanced with targeted acquisitions.

OBJECTIVES

Position Michelin in profitable, high potential growth markets and make our solutions increasingly sustainable.

FUTURE-FACING MARKETS

• Flexible composites for applications in technological sectors such as aeronautics or medical
• Recycled and biosourced materials
• Metal 3D printing
• Hydrogen-powered mobility

AN UNRIVALED CAPACITY FOR INNOVATION

• More than 50% of our research partnerships are in the field of materials

High-performance flexible composites, recycled and biosourced materials, metal 3D printing and hydrogen fuel cell: marketing expertise to other industries.

STRATEGIC VISION

- Market our expertise to the aerospace, energy, industrial equipment and medical devices industries.
- Expand our flexible composites portfolio (Fenner AEP).
- Develop our range of sustainable materials solutions, including micronized rubber powders from scrap tires (Lehigh Technologies) and biosourced butadiene and resins (BioButterfly ResiCare / BioImpulse).
- Become a world leader in metal 3D printing (AddUp) and hydrogen-powered mobility systems (Symbio).

PROGRESS MADE IN 2019

Fenner: seamless integration into the Group

Acquired in 2018, Fenner and its Advanced Engineered Products (AEP) division are one of the world's leading manufacturers of reinforced polymer seals, belts, flexible hoses and transfusion kits. They provide Michelin with access to the industrial equipment and medical devices markets, with synergies and cross-fertilization outcomes that have exceeded high expectations.

Michelin and Faurecia join forces to create a leader in hydrogen-powered mobility

Bringing together its two partners' hydrogen-related assets, the new 50/50-owned venture, Symbio, will develop, manufacture and market hydrogen fuel cell systems for all types of vehicles. Combining Michelin's technological skills with Faurecia's systems integration expertise will shorten time-to-market for this zero emission electric powertrain, which is highly compatible with battery-powered solutions.

BioButterfly: France's first demonstrator unit for the production of bio-butadiene

Initiated in 2012 in association with IFP Energies Nouvelles and Axens, the BioButterfly project is designed to produce butadiene from biosourced ethanol, to replace the petrochemical-based product currently used in the manufacture of synthetic rubber. The project's demonstrator unit is being built at the Michelin plant in Bassens, France, with delivery of initial production scheduled for 2021.

Metal 3D printing: AddUp expands its portfolio

Metal additive manufacturing makes it possible to produce high performance parts, using a highly flexible process and a minimum amount of material and energy. Created in 2016 with Fives to capitalize on the Group's expertise, the AddUp joint venture is actively creating industry-specific platforms to accelerate take-up of the new technology. Following on from the aerospace platform, Addilys for plastic processing and tooling and Famergie for energy-related components were set up in 2019.

BioImpulse: biosourced adhesive resins

Coordinated by Michelin's ResiCare unit, BioImpulse is a new research project aimed at replacing substances of very high concern (SVHC) in adhesive resins by developing an industrial fermentation process that is less expensive than its petrochemical equivalent. The resins will be produced in simple, compact, cost-effective facilities located close to customers, primarily in the automotive and forest products industries.

AMONG OUR GROWTH AND VALUE CREATION DRIVERS

INNOVATING FOR AND WITH OUR CUSTOMERS

Innovation enables us to differentiate our products and justify their price premium, based on the power of the MICHELIN brand. We are investing and organizing our operations to innovate more efficiently and faster, so that we can offer customers superior, long-lasting performance aligned with the sustainable development aspirations of today's society.

The customer-centric organization introduced in 2018, our collaborative networking systems, the global deployment of Research, Development and Process Engineering facilities in France, Spain, Switzerland, the United States, Brazil, China, Thailand, India and Japan, and the roll-out of the new Engage customer relationship management system are all enabling us to deepen our user intelligence, strengthen our cooperative ties with OEMs, fleet managers and dealers, and adapt global concepts more quickly to local needs.

As the world's foremost driver of innovation in sustainable mobility, Michelin is leading a vibrant, open strategy, with more than 300 research partnerships, as well as incubators, accelerators, a venture capital fund, joint ventures and co-developments. It also plays a widely recognized role as a trusted third party in sustainable mobility.

R&D: €687M INVESTED IN 2019
251 PARTNERSHIPS WITH CUSTOMERS

THE ENGAGE CRM* PROGRAM
100,000 CUSTOMERS AND DEALERS,
4,000 CONNECTED EMPLOYEES

*CUSTOMER RELATIONSHIP MANAGEMENT.

CLOSE-UP: A WINNING COMBINATION FOR PREMIUM TIRES

The global market for 18-inch and larger tires is expected to expand from 250 million units in 2018 to around 430 million in 2023. Michelin's robust growth in this buoyant, profitable segment is being driven by its technological leadership and the power of the MICHELIN brand.
OEM customers recognize and appreciate the performance of Michelin tires. A large proportion of users whose vehicles came with Michelin 18-inch and larger tires as original fittings remain loyal to the brand, feeding through to higher replacement sales. In 2019, 43% of all MICHELIN-brand tires sold during the year were 18-inch or larger models, compared to 39% in 2018. In 2023, they are expected to account for more than half. This move up the value chain represents, on average, more than €100 million in additional income every year through 2023.

Source: Michelin.

THE 2017-2020 COMPETITIVENESS PLAN:

TARGETING

€1.2BN

IN GAINS (1)

€891M

ACHIEVED

STRENGTHENING OUR COMPETITIVE EDGE

To offset rising costs and finance future-facing investments, we have to constantly improve the competitiveness of our manufacturing facilities and non industrial activities. Following on from the €1.2 billion competitiveness plan deployed in 2012-2016, the Group is now targeting similar gains over the 2017-2020 period.

	Overhead costs	Raw materials	Manufacturing - Logistics
OBJECTIVE	€500M/€550M	€150/€200M	€450/500M
ACTUAL	€281M	€141M	€469M
DRIVERS	• Disciplined management + Simple BPM • Efficiency and Engage programs • Lean corporate functions • Shared Services Centers • Flatter management pyramids • Empowerment	• Eco-design • Design to cost • Standardization • Innovation in materials, processes, production lines • Energy efficiency • Materials recycling	• Optimization of plant siting and capital expenditure • Larger, more flexible, more productive plants • Standardization • Continuous improvement in Michelin Manufacturing Way • Empowerment • Simplexity program • Digital Manufacturing

LARGER, MORE FLEXIBLE, MORE PRODUCTIVE PLANTS

	2012	2019	2023
Percentage of output from plants with capacity exceeding 100,000 t/year	49%	60%	70%
Capacity utilization rate	75%	84%	≥90%

DIGITAL MANUFACTURING: 60 DEMONSTRATOR UNITS UP AND RUNNING IN FIVE AREAS

Digital manufacturing is putting the latest technology to work on the production line. Simulation, augmented reality, additive manufacturing, autonomous robots, the Internet of things, big data and data analysis are boosting the efficiency, flexibility and productivity of plants and their supply chain. They contribute to enhancing the quality of manufactured products. Industry 4.0 is becoming a reality, with more than 60 demonstrators launched in five main areas: maintenance, quality, supply chain, training, remote control, automation and human/machine collaboration.

INDUSTRIAL REORGANIZATION PROGRAMS: SUPPORTING AND REVITALIZING

In response to structural shifts in their markets, the production plants in La Roche-sur-Yon, France and Bamberg, Germany will be closed in 2020 and 2021. Every employee will be offered a placement solution and appropriate training. An active search is underway for opportunities to repurpose the sites, along the lines of the conversion of the Dundee, Scotland site into the Michelin Scotland Innovation Park, which will welcome its first tenants, from the low carbon energy and sustainable mobility industries, in 2020. At the same time, a new Michelin Development unit will be set up in Dundee in February 2020 with the goal of creating locally 860 new jobs.

1 - Before inflation and including avoided costs.

A SOLID GOVERNANCE ORGANIZATION

Michelin's governance is a solid, stable process focused on the long-term responsibility of its executives, with a clear separation of management and supervisory powers.

THE MICHELIN PARTNERSHIP LIMITED BY SHARES

Throughout its history, Compagnie Générale des Établissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (SCA).This form of corporate organization supports the deployment of long-term strategies by a management team whose interests are aligned with those of shareholders. It also fosters direct ties with each shareholder, as all shares must be registered.

- **The Managing Partners** are elected by shareholders at the Annual Meeting for renewable four-year terms. As a General Partner, the Managing Chairman has personal liability for Michelin's debts.

- **The Supervisory Board** exercises permanent oversight of Michelin's management and assesses its quality every year on behalf of the shareholders. Its members are elected by shareholders at the Annual Meeting for renewable four-year terms. It issues opinions on the Group’s strategy, capital expenditure, acquisitions and disposals, as well as the election or dismissal of Managing Partners and their compensation.

THE GENERAL MANAGERS AND THE EXECUTIVE COMMITTEE AT JANUARY 1, 2020

The General Managers form with eight Executive Vice Presidents the Executive Committee.

In the center: • **Florent Menegaux** CEO.

From left to right: • **Éric Philippe Vinesse** Executive Vice President, Research & Development • **Adeline Challon-Kemoun**, Executive Vice President, Engagement and Brands • **Jean-Christophe Guérin** Executive Vice President, Manufacturing • **Scott Clarck** Executive Vice President, Automotive, Motorsport, Experiences, and Americas Regions • **Yves Chapot** Partner and Chief Financial Officer • **Serge Lafon** Executive Vice President, Specialties and Africa/India/Middle East, China, East Asia & Australia Regions • **Jean-Claude Pats** Executive Vice President & Chief HR Officer • **Sonia Artinian-Fredou** Executive Vice President, Services & Solutions, High Tech Materials • **Laurent Bourrut** Executive Vice President, Road Transportation and European Regions.

THE SUPERVISORY BOARD

The Supervisory Board has nine members, including seven independent members, an employee representative, four women and two non-French people. It met five times in 2019 with an attendance rate of 98%.

From left to right:

- **Cyrille Poughon**
  Member of the Audit Committee
  Non-independent, non-executive member
- **Aruna Jayanthi**
  Member of the Compensation and Appointments Committee
  Independent Member
- **Thierry Le Hénaff**
  Member of the Audit Committee
  Independent Member
- **Monique F. Leroux**
  Member of the Audit Committee
  Independent Member
- **Michel Rollier**
  Chairman of the Supervisory Board
  Member of the Compensation and Appointment Committee
  Non-independent, non-executive member
- **Barbara Dalibard**
  Chairman of the Compensation and Appointments Committee
  Lead Independent Member of the Supervisory Board
  Independent Member
- **Jean-Pierre Duprieu**
  Member of the Audit Committee
  Independent Member
- **Anne-Sophie de La Bigne**
  Member of the Audit Committee
  Member of the Compensation and Appointments Committee
  Independent Member
- **Olivier Bazil**
  Chairman of the Audit Committee
  Independent Member

SUPERVISORY BOARD

9
members of which 1 lead independent member

78%
Independent members

45%
women

22%
of members nationality other than French

A CUSTOMER-CENTRIC ORGANIZATION

Focused on identifying and meeting customer needs, the simpler, more flexible organization introduced in 2018 is supported by an employee empowerment process embraced at every level and in every aspect of the business.

10
Regions are responsible for managing customer relationships and increasing sales

19
Global Business Lines design solutions to meet the expectations of customers with similar characteristics

1
Lean Corporate Unit comprises departments focused on their strategic missions

6
Operating Units provide their expertise and support

THE GROUP MANAGEMENT COMMITTEE

It cross-functionally manages transformation, competitiveness, diversity and the integration of acquisitions. It also manages the development of Corporate & Business Services (CBS) and the internal control, quality and risk management processes, as well as supporting the growth of high-potential employees. It forms a panel of Business Lines and Regions to ensure that its decisions are widely embraced across the organization. The Group Management Committee brings together the Group Executive Committee and the following entities: Strategy, Purchasing, CBS, Finance, Legal Affairs, Quality, Audit, Internal Control and Risk Management, Supply Chain, Information Systems, and the China and North America Regions.

CONSTRUCTIVE STAKEHOLDER DIALOGUE

Stakeholder dialogue is a core component of good governance, which Michelin actively encourages and practices locally, nationally and globally.

At the corporate executive level, a Stakeholders Committee set up in 2016 brings together 12 people representative of the Group's leading stakeholders, including suppliers, investors, unions, customers and NGOs. Four continents are represented on the Committee, which meets with the Executive Committee for a full day at least once per year.

SHARED RULES AND PRACTICES GOVERNING **ETHICS, INTEGRITY AND COMPLIANCE**

Michelin has pledged to uphold the United Nations Global Compact and ensures that its employees act in accordance with the standards of integrity and ethical behavior that form the bedrock of its corporate culture.

These values and standards are assembled into a solid collection of easily accessible codes, charters and manuals that are widely promoted across the Group. Ethics Committees have been set up in each of the regions and in certain countries. A database provides everyone with access to all of our best practices. Compliance with the rules of conduct is regularly audited and whistle-blowing procedures are in place to enable employees to anonymously and securely report possible violations.

RESPECTING PEOPLE AND THE ENVIRONMENT

Every aspect of the Group's strategic vision is irrigated by the Sustainable Development and Mobility[1] approach, which is managed by the Corporate Engagement and Brands Department.

Michelin guidelines are based on the ISO 26000 (Social Responsibility) and ISO 20400 (Sustainable Procurement) standards. Supplier performance is assessed by EcoVadis, an independent company.

All of the plants have deployed an environment, health and safety (EHS) management system. 94% have been certified to ISO 14001 (environmental management) standards, covering 98% of our tire production. Every new plant has to earn certification within five years. Our Environment and Prevention Management System is also based on OHSAS 18001 (occupational health and safety) specifications.

As one of the world's leading users of natural rubber, Michelin has since 2016 pursued a sustainable sourcing strategy built on the principles of zero deforestation, land conservation and respect for supplier communities. More broadly, in 2019 the Group defined its Biodiversity Roadmap for 2030.

1 - Previously known as Michelin Performance and Responsibility.

THE GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER

Since 2015, Michelin and the WWF have been working together to transform rubber farming and the natural rubber market by instilling more sustainable practices. The partnership, which was renewed in 2019, was instrumental in setting up the Global Platform for Sustainable Natural Rubber, whose goal is to lead improvements in procurement and production practices to preserve threatened forests and ecosystems by getting every stakeholder involved, from producers to consumers.

At the same time, Michelin, Continental and Smag have created a joint venture to develop Rubberway®, a smartphone app that maps sustainability practices across the natural rubber industry. It enables tiremakers to identify at-risk practices and improve sustainability in their supply chain, from small planters to rubber processing plants.

A ROBUST **RISK MANAGEMENT SYSTEM**

The Michelin group has deployed an enterprise risk management (ERM) system in accordance with the reference framework of the French securities regulator (AMF) and the international professional standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

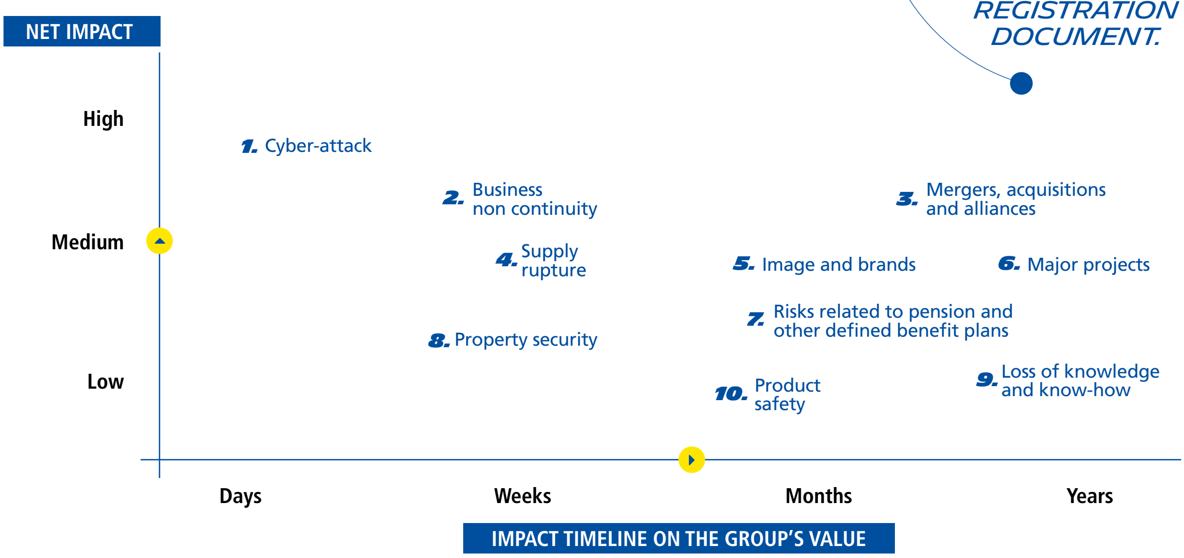
A single corporate department overseeing Internal Audit, Risk Management and Internal Control activities.
While facilitating a shared vision of the primary risks and challenges, this organization also ensures cooperation among teams across the entire Group over every time horizon.

An efficient crisis management system. Led by the Internal Audit, Risk Management, Internal Control and Quality Department, the crisis management system is deployed among the corporate management teams through full-scale simulation exercises and training seminars. The Computer Emergency Response Team (CERT) tracks cyber intrusions and stands ready to respond quickly at all times across all continents. In 2019, a worldwide cyber-attack was simulated and in 2020, more than ten full-scale simulation exercises are planned based on different types of crises.

Global insurance programs covering every Group subsidiary have been arranged for the most significant risks, including property & casualty/business interruption, liability, accidental pollution and cyber risk.

TO FIND OUT MORE ABOUT MICHELIN'S **RISK** EXPOSURE, PLEASE SEE THE **RISK** AND **EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION** SECTIONS OF THE 2019 UNIVERSAL REGISTRATION DOCUMENT.

/// THE TEN HIGHEST-IMPACT RISK FACTORS SPECIFIC TO THE MICHELIN GROUP

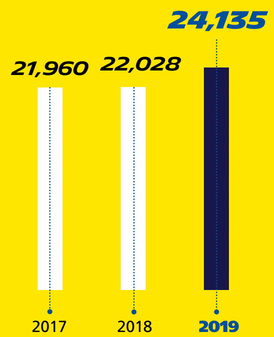


FINANCIAL PERFORMANCE

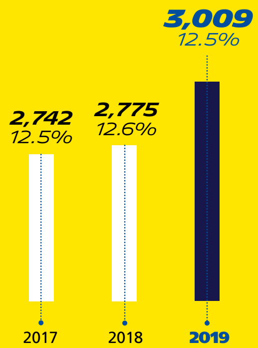
(In € millions and %)

€1.8 BN
invested in 2019

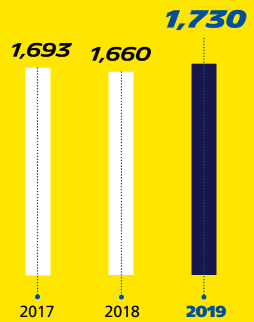
and
€464M
in acquisitions



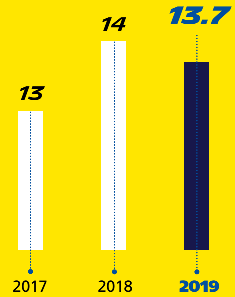
Sales



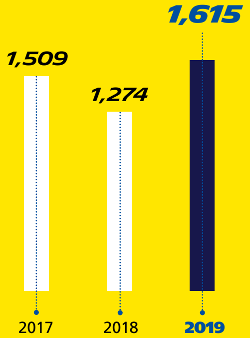
Segment operating income



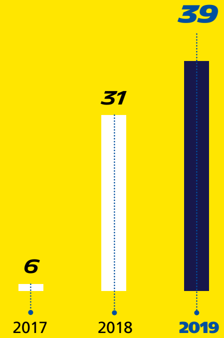
Net income



Return on capital employed (ROCE)[1]



Structural free cash flow



Net debt
As a % of equity

CREDIT RATINGS

	Standard & Poor's	Moody's	Fitch
Short term	A-2	P-2	F2
Long term	A-	A3	A
Outlook	STABLE	STABLE	STABLE

1 - ROCE after tax, excluding goodwill, intangible assets acquired and equity-accounted companies (including IFRS 16 impact in 2019).

SOCIAL RESPONSIBILITY INDICATORS

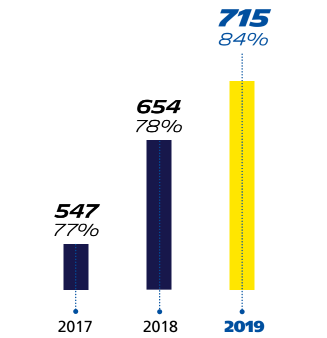
CUSTOMER SATISFACTION

67.4% of targeted customer groups reached the intended customer satisfaction level

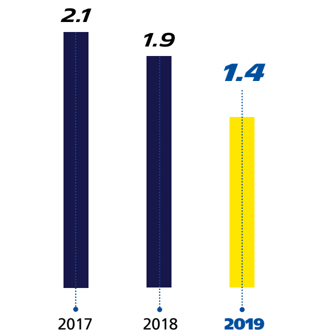
27.4% women in management and supervisory roles

74% of managers promoted from within

81% of employees engaged



Assessed suppliers
% confirmed as compliant with Michelin standards

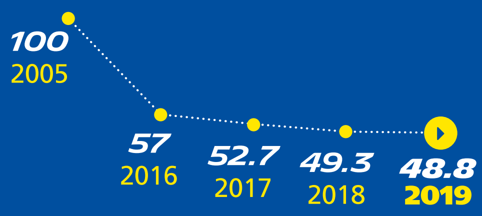


Workplace safety
Total Case Incident Rate[1]

32,850
Paid working days offered to local communities

MICHELIN ENVIRONMENTAL FOOTPRINT[2]

26% renewable or recycled materials used in making a tire



ESG RATINGS

CDP 2019	LEADERSHIP
ECOVADIS 2019	GOLD
ISS-OEKOM 2019	PRIME
MSCI 2019	AA
VIGEO EIRIS 2018	A1+
SUSTAINALYTICS 2018	OUTPERFORMER

1 - Number of accidents and cases of occupational illness recorded per 200,000 hours worked.
2 - MEF: Weighted indicator measuring water withdrawals, energy use, CO_2 and VOC emissions, the amount of waste produced and amount of waste landfilled, all per tonne of tires produced.

PROGRESS ON OUR AMBITIONS FOR 2020

Defined and deployed in 2013, our six Ambitions for 2020 are designed to make Michelin one of the world's most innovative, responsible and top-performing companies in fulfilling all of its financial, environmental and social responsibility commitments.

2020 OBJECTIVES	2019	2018	2017	2016	2015
1. CONTINUOUSLY IMPROVE **CUSTOMER** SATISFACTION					
• **100%** of targeted customer groups reach the intended NPS1[1]	**67.4%**	67.7%[2]	72%	nd	nd
2. MOVE FORWARD TOGETHER **IN PERSONAL WELL-BEING AND DEVELOPMENT**					
• Health & Safety: **TCIR[3] <2**	**1.4**	1.9	2.1	2.5	2.7
• **85%** of employees engaged[4]	**81%**	80%	80%	80%	77%
• **75%** of managers promoted from within	**74%**	76%	76%	76%	75%
• **30%** women in management and supervisory roles[5]	**27.4%**	26.9%	25.7%	24.8%	24.2%
• **80%** of top managers in the growth regions were born there	**75%**	75%	74%	72%	68%
3. DELIVER A ROBUST **FINANCIAL PERFORMANCE[6]**					
• **€1,400m** in structural free cash flow per year[7]	**€1,615M**	€1,274M	€1,509M	€961M	€833M
• **≥ 15%** ROCE[8]	**13.7%**	14.0%	11.9%	12.1%	12.2%

1 - Net Promoter Score: the net difference between a brand's promoters and detractors.
2 - Broader scope and more demanding criteria.
3 - Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.
4 - Employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey.
5 - Level of individual responsibility of A to N, according to the Hay method used by the Group.
6 - On March 18, 2020, the Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility, at that time, of assessing the potential impact. As a consequence, the 2020 financial ambitions established in 2013 are no longer relevant (see chapter 5.1.11 of this document).
7 - Cash flows from operating activities less cash flows used in investing activities, adjusted for the impact of raw materials and end-of-year inventory on working capital requirement and for non-recurring items.
8 - Return on capital employed.

2020 OBJECTIVES	2019	2018	2017	2016	2015
4. INNOVATE TO WIDEN OUR LEAD IN PRODUCT AND SERVICE PERFORMANCE					
• Improve the overall performance of our products by at least **10%** compared with 2010, while using less raw material in their production	**+9.9%**	+9.7%	+7.6%	nd	nd
• Save **3 billion** liters of fuel over the lifespan of our tires, representing eight million tonnes of CO_2 avoided[9]	**2.9Mdsl** **7.3Mt**	3.3bn liters 8.4Mt	nd nd	nd nd	nd nd
• Use **30%** renewable or recycled materials in making our tires	**26%**	26%	nd	nd	nd
5. SET THE INDUSTRY STANDARD FOR RESPONSIBLE MANUFACTURING					
• Reduce the environmental impact[10] of our sites by **50%**, notably by improving our energy efficiency[11] by 38% in relation to 2005	**-51.2%** **-31.5%**	-50.7% -30.7%	-47.3% -30.4%	-43.0% -28.4%	-37.2% -25.0%
• Reduce CO_2 emissions across the supply chain by **10%** compared with 2010[12]	**-10.3%**	-9.6%	-7.6%	nd	-5.0%[13]
• Ensure that 70% of the **400** leading suppliers assessed by EcoVadis are confirmed as compliant with Michelin standards	**715** **84%**	654 78%	547 77%	419 74%	263 66%
6. CONTRIBUTE TO THE DEVELOPMENT OF OUR HOST COMMUNITIES AND SUPPORT SUSTAINABLE MOBILITY					
• **100%** des of Michelin sites are deploying a community involvement program, in line with the guidelines[14]	**110**	110	110	110	110
• Dedicate **30,000 work days** per year to local communities	**32,850**	34,800	33,800	31,612	27,733
• Create **2,000 local jobs** per year with the support of Michelin Development	**1,702**	1,822	1,918	1,695	1,665
• **Reinforce** our advocacy of road safety, with a strong focus on driver education in emerging countries[15]		**In 2019, the worldwide partnerships and local programs deployed by Michelin through its employees and its corporate foundation directly reached more than 330,000 people.**			

9 - Measured by the improvement in the rolling resistance of car, van and truck tires sold in the year in question.
10 - Measured by the Michelin Environmental Footprint, which tracks, on a weighted basis, water withdrawals, energy use, CO_2 and VOC emissions, the amount of waste produced and amount of waste landfilled, all per tonne of tires produced.
11 - Energy consumption per tonne of tires produced.
12 - CO_2 emissions per tonne of tires sold outside the Group.
13 - In the overland supply chain operations.
14 - Number of plants and offices that have moved their programs into compliance with the guidelines.
15 - Number of people directly concerned by global partnerships and local programs deployed by Michelin with its employees and its Fundation.

INVESTOR RELATIONS

By investing in Michelin, our shareholders not only become part of an extraordinary human, technological and industrial saga that has been improving mobility for more than 130 years, they are also contributing to human well-being.

They are also supporting a project whose success is being driven by an extraordinary capacity for innovation, widely recognized technological leadership, engaged employees, a world renowned brand, and global expansion in buoyant, diversified end-markets around the world. And lastly, they are embracing the "All Sustainable" vision in a commitment to creating more value for everyone.

Michelin has more than 213,000 shareholders, including more than 200,000 private investors, including employees in 50 ountries and more than 3,700 institutional investors. All of them hold their shares in registered form, which supports effective, high-quality shareholder dialogue.

Through its recommendations, the Shareholder Consultative Committee has been steadily enhancing communication with private shareholders since 2003.

The Group also seeks to give employees a personal stake in its performance, with six worldwide employee share issues carried out since 2002.

Michelin is committed to paying out at least 35% of consolidated net income before non-recurring items.

A shareholder who invested €1,000 in a share of Michelin stock in 2011 and reinvested all of his or her dividends would have an investment worth €3,081 as end 2019.

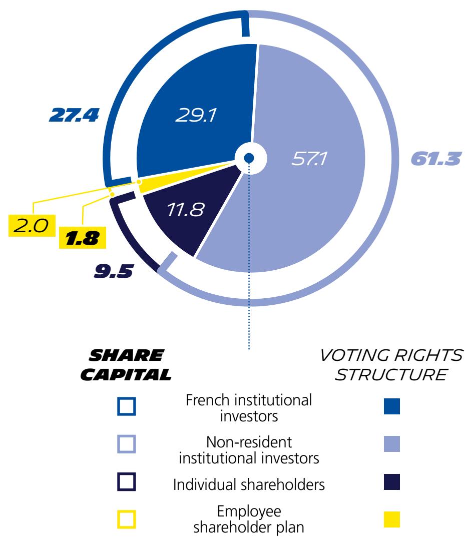
The Group regularly carries out share buyback programs, which will total €500 million in the 2019-2023 period.

OWNERSHIP STRUCTURE AND VOTING RIGHTS

(%)

at December 31, 2019

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



THE MICHELIN SHARE

TRADED ON THE EURONEXT PARIS STOCK EXCHANGE

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

MARKET CAPITALIZATION

€19.5BN
at December 31, 2019

AVERAGE DAILY TRADING VOLUME

577,545
shares in 2019

STOCK INDEX WEIGHTING

CAC 40:
1.47%
of the index at December 31, 2019

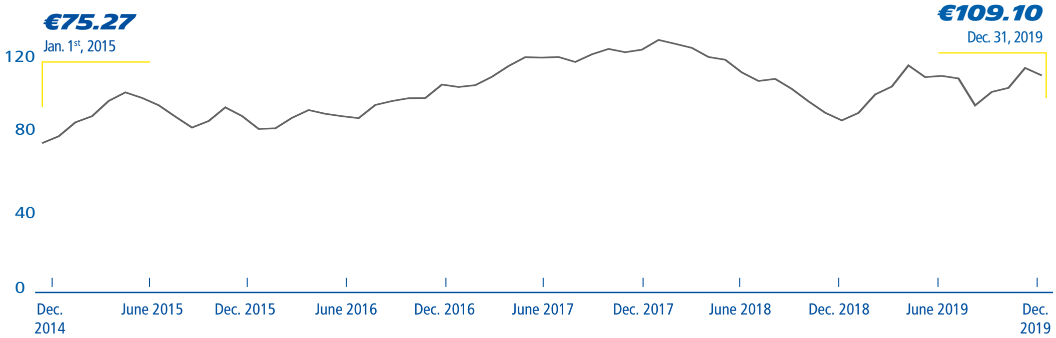
Euronext 100:
0.64%
of the index at December 31, 2019

SRI INDICES

- FTSE4Good
- Ethibel Sustainability Index (ESI) Europe

SHARE PERFORMANCE

Michelin share, from December 2014 to December 2019



SHARE INFORMATION

SHARE PRICE (in €)	2019	2018	2017	2016	2015
High	**119.50**	130.85	128.40	106.80	103.90
Low	**83.74**	82.68	98.93	77.40	71.60
Closing price, end of period	**109.10**	86.70	119.55	105.70	87.90
Change over the period	**+25.84%**	-27.48%	+13.10%	+20.25%	+16.78%
Change in the CAC 40 index	***+26.37%***	*-10.95%*	*+9.26%*	*+4.86%*	*+8.53%*

PER-SHARE DATA

(in € per share, except ratios)	2019	2018	2017	2016	2015
Net assets per share	**74.1**	67.8	62.7	59.1	52,5
Basic earnings per share	**9.69**	9.30	9.39	9.21	6,28
Diluted earnings per share[1]	**9.66**	9.25	9.34	9.03	6,19
Price-earnings ratio	**11.3**	9.3	12.7	11.5	14,0
Dividend for the year	**2.00[2]**	3.70	3.55	3.25	2,85
Payout ratio	**19.5%**	36.4%	36.0%	36.5%	37,0%
Yield[3]	**1.8%**	4.3%	3.0%	3.1%	3,2 %

1 - Earnings per share adjusted for any impact on net income and average shares outstanding of the exercise of any dilutive instruments.
2 - Subject to approval by the Annual Meeting of June 23, 2020.
3 - Dividend/share price at December 31.

IN A LONGER TERM...

Despite the crises, the Group's structural free cash flow has more than doubled since 2014.

Michelin enjoys a number of robust drivers for securing its long-term growth:
- its growing exposure to profitable markets for premium car tires and specialty tires;
- its ability to maintain high prices in a very competitive environment;
- its increasingly efficient manufacturing base and untapped sources of competitiveness;
- its ability to leverage technological innovation to deliver sustainable performance and solutions;
- its promising new areas of growth.

At the latest during the first half of 2021, Michelin will present its strategy and objectives for 2030.

6 REASONS TO INVEST IN MICHELIN

1. **Be a partner** to the world leader in sustainable mobility, i.e., mobility that is safer, cleaner, universally accessible and more efficient.
2. **Help to support a Group** whose innovation is part of DNA.
3. **Embrace** a sustainable, strong and diversified strategy of geographic and segment growth based on leveraging unique expertise.
4. **Share** in the history of MICHELIN, a world-renowned French brand with an extraordinary capital of trust and affinity.
5. **Become part** of a company with a robust, engaged governance system focused on responsible leadership over the long term.
6. **Regularly share** in the value created by a very healthy balance sheet.

02. RISK MANAGEMENT

IMPACT OF THE HEALTH CRISIS ON THE RISK FACTORS

To a certain extent, the current health crisis, which is not specific to the Group, has exacerbated a number of risks or classes of risks specific to the Group such as business interruption or continuity of supply as described in section 2.1. On the other hand, this crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in this chapter.

Section 5.1.11 of this Universal Registration Document reports on the impact of recent events related to the Covid-19 crisis on the Group at the date the original French version of this Document was filed.

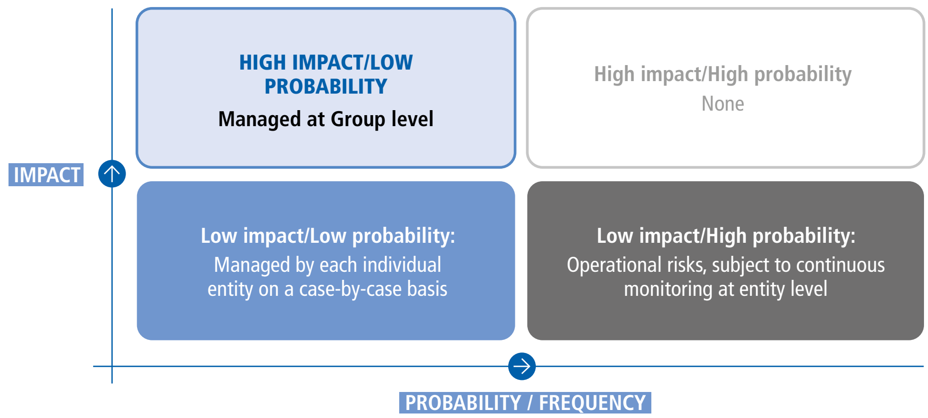
2.1 RISK FACTORS SPECIFIC TO MICHELIN, DESCRIPTION AND RELATED MANAGEMENT SYSTEMS

In today's constantly evolving economic, competitive and technological environment, anticipating and managing risks are central to the success of Michelin's corporate strategy. Its geographic reach and leadership position in the global tire market, as well as the diversity of its business activities, mean that the Group is exposed to a variety of risks, both endogenous and exogenous. Strategic, financial, industrial, commercial, environmental and people-related risks have been clearly identified and are being managed in ways that minimize their occurrence and impact.

For Michelin, a risk corresponds to the possibility of an event occurring whose consequences could affect its objectives, particularly as concerns its financial position, reputation or impact on people or the environment. To ensure that risks are rigorously managed, the Group has set up a global risk management process that complies with the most exacting international professional standards such as COSO or the reference framework of the French securities regulator, the AMF.

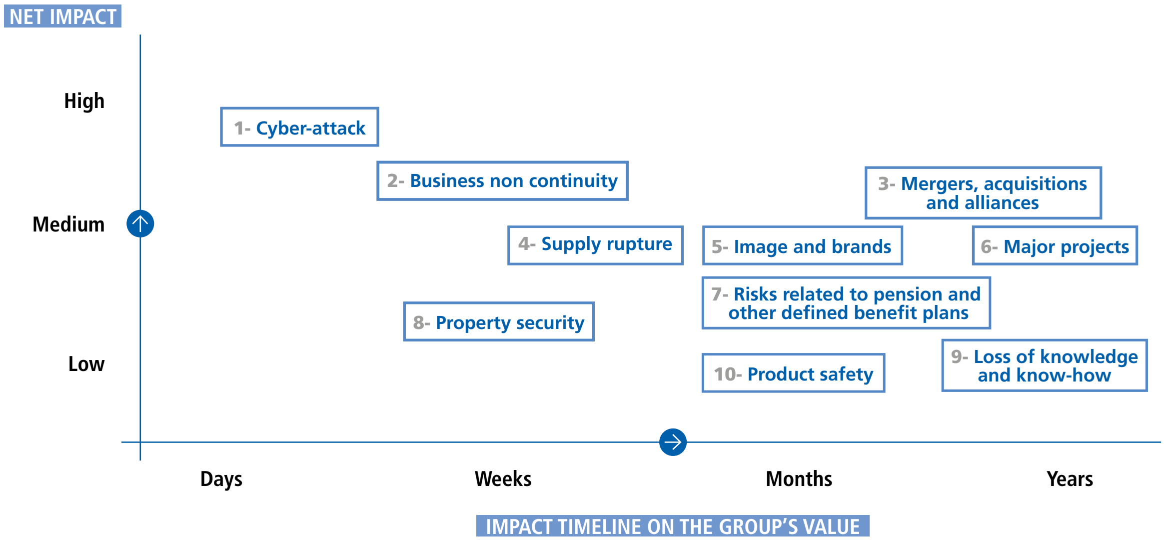
This process is continuously updated to reflect the latest regulatory changes and risk management best practices. As part of its risk mapping procedure, Michelin has reviewed the risks that could have a material adverse effect on its operations, financial position, reputation or impact on people or the environment.

At Group level, risk management processes focus on risks that could have a significant gross impact on Michelin but whose probability of occurrence is low, as explained below.



Changes in the Risk Factors section for the 2019 URD: in compliance with the requirements of Article 16 of Regulation (EU) 2017/1129, the risk factors featured in this section are limited to risks specific to Michelin whose net impact we consider material and that are likely to inform investment decisions. The disclosures have been simplified and streamlined compared with those published in prior years.

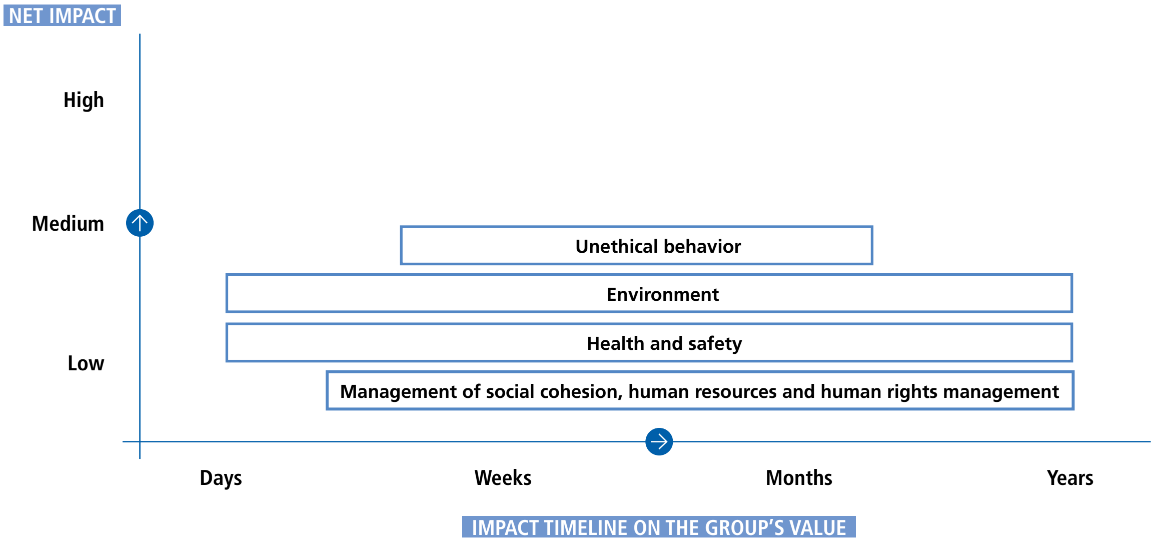
Concerning the methodology, the selected risk factors are those factors that (i) have been demonstrated to be specific to Michelin and (ii) have the greatest net impact. The net impact corresponds to the gross impact and all the risks mitigation measures deployed by the Group including preventive, protection, crisis management, risk transfer and risk governance measures. Factors were selected based on a review of the 14 risk families mapped by the Group. This led to ten risk factors being retained. They are presented below according to their net impact and the length of time that their occurrence would be likely to affect the Group's value.



Due to the latest guidance issued by the European Securities Markets Authority (ESMA) and the AMF on the risk factors to be discussed pursuant to the revised European prospectus regulation, several risk factors identified by the Group in the "Risk management" section up until 2018 are not discussed this year:

- **Environmental, health and safety risks, social cohesion, human resources and human rights management risks, and ethical risks**

Although these risks concern crucial issues of primary importance for Michelin, they do not qualify among the ten risk factors with the greatest net impact. There are two reasons for this: first, the risks are considered as being effectively managed thanks to the preventive measures deployed by the Group, and second, they are not necessarily specific to Michelin. Nevertheless, the main non-financial risks and the policies in place to prevent or reduce their occurrence are presented in detail in the Non-Financial Performance Statement.



- **Financial risks associated with climate change and the low-carbon strategy:** the Group's low-carbon strategy is presented in section 4.1.4.1. In its annual disclosures to the CDP (formerly the Carbon Disclosure Project) Michelin follows the recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (June 2017) by publishing a list of the risks and opportunities identified as being associated with climate change (https://www.cdp.net/en/responses, see section 4.1.4.1 d). Five risks have been identified, including one physical risk and four "transition" risks. The disclosures include an estimate of the risks' financial impacts and the methods used to manage them. The estimated financial impacts of these five risks are currently considered as not being material for the Group's operations.

The CDP, an environmental performance-scoring organization, awarded Michelin a score of A- for 2019 based on its assessment that the Group had demonstrated leadership in tackling the challenges of climate change. This score recognizes the quality of the Group's governance and strategy, the real progress made in reducing its CO_2 emissions and its long-term goals to reduce its carbon footprint.

- **Market, innovation and competition risks** are considered as being medium or long-term trends that influence the Group's strategy and business model. They are discussed in chapter 1, section *Trends and challenges* (pages 8 and 9).
- **Other risks not specific to Michelin and/or whose net impact is considered low due to the measures deployed to address them:**
  - financial risks: liquidity risks, interest rate risks, currency risks, counterparty risks;
  - risk of default by dealers;
  - raw materials risks;
  - legal and tax risks.

Risk 1 – Cyber-attack

/ Risk factors

Michelin's business relies on state-of-the-art information technology, systems and infrastructure (datacenters, servers and networks). Like any organization using information technology, the Group is exposed to the risk of cyber-attacks. These now represent a constant danger and the attacks are becoming increasingly sophisticated. Their potential consequences include business interruption, theft of know-how or confidential information or ransom demands.

/ Specific nature of the risk

Over the past ten years, we have extensively overhauled our information technology and systems, building on both legacy assets and those of the successive companies acquired. Our broad geographic footprint and highly diverse business base, product ranges and procedures all make for a complex environment, with the result that our information system has several thousand applications, a thousand or so main servers and around 100 datacenters.

The areas of the Group exposed to the risk of cyber-attacks are expanding, due in particular to recent acquisitions, the emerging use of connected technologies and objects by operators in our plants and bring-your-own-device practices in some countries.

/ Risk management response

To deal with the above-described information technology and systems risks, multi-year action plans have been prepared based on the following measures: (i) closely tracking contractual terms and conditions to be able to respond in the event of service provider default, (ii) reinforcing the physical and logical security of IT systems, (iii) systematically reviewing IT continuity needs and putting in place IT recovery plans, and (iv) replacing obsolete components with new ones or a solution combining several applications. The internal auditors periodically monitor and analyze these measures to ensure that they are effective and are being correctly applied. Intrusion tests are regularly carried out to validate the reliability of the Group's detection and protection system. In addition, the Group's Computer Emergency Response Team (CERT) stands ready to intervene at all times across all continents.

Risk 2 – Business non continuity

/ Risk factors

The Group's tires are produced in two stages. First, semi-finished products are manufactured for use as components, which are then processed and assembled to produce the finished products that make up the different types of tires we sell. Consequently, any business interruption incident at a semi-finished product facility could have a significant impact, given that its output may be used by several different finished product plants.

There are a variety of external and internal factors that could give rise to business interruption for either type of production facility. External factors include (i) pandemics, such as the crisis related to the spread of Covid-19 virus, (ii) natural disasters, particularly in high-risk Regions such as the United States (tornadoes) and Asia (flooding), or even (iii) regulatory or geopolitical changes. Internal sources of business interruption could include fire, IT failures and other technical problems.

/ Specific nature of the risk

The business non continuity risk at semi-finished product facilities is especially important at Michelin due to our historical manufacturing model. Under this model, semi-finished products are mass-produced at certain plants, with each plant sometimes supplying several different finished product facilities. Consequently, if any of these semi-finished product facilities were to be put out of action, this could affect several finished product facilities.

/ Risk management response

To anticipate this risk, Michelin has set up a specific plan focused on the following three action areas:

1. prevention, by stepping up training for plant staff, conducting technical inspections, strengthening fire safety measures, and strategically selecting plant locations;
2. protection, by keeping buffer inventory of replacement parts for critical equipment, performing regular maintenance, multi-sourcing finished-product inputs, developing multi-sourcing among component suppliers, and striking the right balance between insourcing and outsourcing of component production;
3. management, notably by deploying a Business Continuity Management process for all production activities. This process makes it possible to respond swiftly in the event of a crisis, by quickly transferring a production line to another plant and identifying critical products so that strategic decisions can be made ahead of time.

Impact of recent events related to the Covid-19 crisis on the Group: in mid-March, the Group decided to temporarily suspend part of its manufacturing operations in Europe, India and North America. These decisions were taken after carefully reviewing the following criteria:

- how fast the virus was spreading in the country concerned;
- the type of health and economic measures undertaken by the local government;

- what the plant was producing, and particularly if it was making priority products or meeting the vital needs of public services;
- the amount of semi-finished product inventory;
- the amount of demand.

In early April, the Group announced that some of its operations, particularly in Italy and France, were going to partially reopen.

To date, the business continuity procedures prepared by the Group have kept key manufacturing, sales and administrative operations up and running wherever temporary closures for health reasons have not been required.

Risk 3 – Mergers, acquisitions and alliances

/ Risk factors

The main risks associated with mergers, acquisitions and alliances are as follows:

- risk of overestimating the value of the target;
- pre-existing risks at the target company, such as ethical, tax, environmental, legal, product liability and cyber risks;
- risk that expected synergies may not be achieved;
- risk of losing key employees;
- risk of strategic misalignment with a joint venture partner.

/ Specific nature of the risk

The Group has defined a strategic model organized around four growth drivers: tires and three "adjacent territories" supported by our core business and expertise, our accelerated digitization and our commitment to enhancing the customer experience. Acquisitions are necessary to help us achieve our strategic goals and we have stepped up our efforts in this area since 2014, by acquiring Sascar, Camso, Fenner, Multistrada and Masternaut, and creating various joint ventures including TBC with Sumitomo, Symbio with Faurecia and Add-Up with Fives. Our ability to meet our goals depends on the success of these acquisitions and alliances.

/ Risk management response

A governance system has been set up to manage the portfolio of M&A and alliance projects, supported by a specific governance system for each project, under the responsibility of the Managing Partners, supported by the Mergers & Acquisitions department.

For each project, the risk of overestimating the value of the target is attenuated by using a variety of valuation methods (EBITDA multiples, discounted cash flow, ratios on similar deals) and comparing their results, sometimes with the support of an advisory bank. Material projects are submitted to the Supervisory Board for comment.

Each acquisition is subject to very thorough due diligence with the support of internal and/or external specialists. In this way, all of the risks in the acquired company are identified so that the Group can protect itself either by (i) deducting the financial cost of the risks from the purchase price or (ii) covering the risks by escrowing a portion of the proceeds corresponding to their cost. Post-acquisition audits are performed for all material acquisitions.

An integration plan led by an integration project manager is designed and implemented under the supervision of a member of the Executive Committee. The results are reported using an appropriate procedure and are communicated to the Supervisory Board twice a year.

The risk of losing key employees following the acquisition is analyzed and appropriate retention programs are implemented as necessary.

Risk 4 – Supply rupture

/ Risk factors

Every year, Michelin purchases nearly €13 billion worth of goods and services from around 50,000 different suppliers. These purchases may be broken down into three families:

1. raw materials, divided into eight categories: natural rubber, monomers, elastomers, fillers, chemicals, oils and resins, textile reinforcements and metal reinforcements;
2. industrial inputs, including engineering services for building new plants and improving existing facilities;
3. services, primarily logistic, IT, advertising, consulting and travel and transportation for our employees.

The Group is therefore exposed to three types of risk factors related to supply continuity:

- any imbalance between supply and demand can lead to tighter markets, which in turn can create supply difficulties for rare, high-demand or single-source raw materials;
- the scarcity of certain components can make the Group dependent on its suppliers. For example, consolidation in commodity markets can exert pressure on the supply chain;
- certain regulatory constraints – such as the tightening of environmental regulations in Europe, the United States and a number of emerging markets – can impact the operations of some suppliers.

The Group is also exposed to the risk that one or more suppliers may cease trading, which can happen for a wide variety of reasons including financial difficulties, a deliberate decision to withdraw from an insufficiently profitable business, termination of production following acquisition by a competitor, or the closure of a production facility as a result of a fire, explosion, natural disaster, pandemics (such as the one related to the spread of Covid-19 virus) or geopolitical event.

/ Specific nature of the risk

A tire includes more than a hundred different chemicals, some of which are highly specific, and their continuous availability is critical to production. The risk of supplies being interrupted is particularly acute for Michelin. This is because its products are highly technical and customers expect them to perform to consistently high standards, including over their period of use, leading the Group to introduce procedures banning supplier substitutions unless the impact on performance has been tested.

/ Risk management response

To more effectively anticipate and prevent supply continuity risks, procedures have been introduced to manage purchasing across the Group at the most pertinent level, *i.e.,* local, regional or global.

The procedures are also designed to anticipate and manage risks more effectively. More generally, a variety of risk management measures have been implemented across the organization to deal with every type of supply continuity risk. These include training employees in this issue to improve risk planning, conducting audits of critical suppliers' business continuity plans, signing multi-year contracts with the main suppliers, looking for new suppliers, maintaining strategic buffer inventory for critical products and seeking substitute products when certain commodities become scarce.

Impact of recent events related to the Covid-19 crisis on the Group: the supply chain is encountering disruptions, but these are not preventing the delivery of critical components, semi-finished products and finished products. Nevertheless, the situation is evolving very quickly, requiring the entire chain to respond accordingly.

Risk 5 – Image and brands

/ Risk factors

Michelin has an excellent brand image, both in terms of its products and as a company. However, like any other well-known multinational corporation, it is exposed to events and circumstances that could damage its brands and/or reputation. In addition, the rapidly growing influence of social media means that we are exposed to online reputational risk, at a time when information is being openly and rapidly circulated, in particular on the Internet.

/ Specific nature of the risk

In light of the MICHELIN brand's image and reputation (the MICHELIN brand power score is nearly two times higher than that of its nearest competitor), an attack on Michelin's image and brand would have a serious adverse effect on the Group.

/ Risk management response

It is vital to safeguard our reputational equity, which is one of our major assets. A dedicated corporate department, Engagement and Brands, therefore leads a full array of measures to ensure that our brands and reputation are protected.

Among these efficient measures is a systematic, ongoing intelligence process that analyzes online and other media, to identify any initiatives or comments that could spiral out of control and lastingly damage our image.

The crisis management system also helps control reputational risk.

Risk 6 – Major projects

/ Risk factors

The Group intends to continue investing in its core tire market and the three "adjacent territories" (Services & Solutions, Experience and High-Tech Materials) to support its medium and long-term growth strategy.

It also has a pipeline of technological innovation projects concerning new components or new products and services, to support its strategic expansion in the High-Tech Materials and Services & Solutions territories.

Michelin is therefore exposed to a number of risks that may arise when implementing major projects, such as the risk of a project falling out of alignment with corporate strategy or failing after not meeting its milestone or budget targets.

/ Specific nature of the risk

In light of the evolution of Michelin's strategy, the challenge of adapting to keep pace with the tire markets and the Group's growth objectives in other markets, it is essential for resources to be allocated to the right projects and for each project to be executed as efficiently as possible in order to guarantee a healthy return on investment.

/ Risk management response

To effectively manage the risks that may arise on major projects, the Group has deployed both an annual process to allocate the resources required for their successful completion and a governance system for the entire project portfolio, under the responsibility of the Strategy Department. In addition, to ensure consistent implementation, standard project management methods defined at Group-level are used across the organization. Each major project has its own governance framework, with responsibilities allotted among the project owner, the project manager and the project contributors. Coaches are also assigned to major projects to support project managers in leading the project and managing change. Material projects are submitted to the Supervisory Board for comment.

Quality controls are performed to ensure that any potential risks have been identified and addressed in line with Group practices. Lastly, major projects are audited by the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

Risk 7 – Risks related to pension and other defined benefit plans

/ Risk factors

In certain Regions, employee benefit obligations include pension and other defined benefit plans that represent a long-term benefit payment obligation for the Group. These plans may be partly or fully funded. The main factors that affect the amount of the employee benefit obligation are returns on plan assets, actuarial assumptions (including the discount rate), experience adjustments, changes in legislation and plan amendments. An adverse change in one or more of these factors could result in an increase in the amount of the net obligation and consequently require the Group to make additional contributions to make up for the funding shortfall.

/ Specific nature of the risk

The Group's pension and other defined benefit plans mainly concern North America and the United Kingdom. The total obligation for pensions and other employee benefits amounts to €11.1 billion. The related plan assets total €7.3 billion.

/ Risk management response

For further information on the measurement and treatment of defined benefit plan risks, please refer to note 27 to the consolidated financial statements, which gives a breakdown of provisions for employee benefit obligations.

Risk 8 – Property security risk

/ Risk factors

The main property security risk is fire, both in production processes and in storage areas for raw materials and finished products. However, very few significant fire incidents have been reported Group-wide.

/ Specific nature of the risk

Given the nature of our finished products, semi-finished products and raw materials, a fire or explosion could have health and safety consequences and environmental impacts, as well as leading to the destruction of assets.

In line with our Group's values, priority is given to protecting people (employees, service providers, local communities, etc.) and the environment around our sites.

/ Risk management response

To manage this risk, Michelin developed the proprietary High Protected Risk Michelin (HPRM) standard, which covers prevention, protection, early detection and rapid response. A corporate team of risk management experts oversees a network of on-site correspondents to ensure that the standard is properly applied. In addition, existing facilities are currently being upgraded to HPRM standards. All new projects are audited by an Environmental and Prevention expert for HPRM-compliance using a proprietary application. Feedback and best practices are systematically shared across the organization and formally documented. Thanks to effective application of this standard, in the past decade no fire or other industrial accident at any of Michelin's sites worldwide has caused serious damage to Group or third-party assets or the environment.

Risk 9 – Loss of knowledge and know-how

/ Risk factors

One of Michelin's competitive advantages stems from the ability to sharply differentiate its products and services thanks to continuous, sustained innovation. Consequently, protecting its knowledge, expertise and any and all trade secrets is a key factor in maintaining its leadership and driving its future growth.

Sensitive information mainly concerns products, services, materials, procedures, equipment, techniques and methods, as well as design, testing and manufacturing data. However, information about production, research, marketing and other business strategies, as well as consumer and supplier databases, also risks being lost or stolen.

The Group is exposed to risks in its cooperation with external stakeholders, including consumers, suppliers, partners, subcontractors and academic institutions.

Likewise, it is dependent on the information systems used to store and share sensitive information. In addition, the Group has to take into account the growing use of social networks and the resulting risk of information leakage.

/ Specific nature of the risk

Given Michelin's heavy investment in innovation, protecting its expertise is essential to maintaining its technological leadership.

/ Risk management response

To prevent the risk of Michelin know-how and/or expertise being disclosed or lost:

- data are classified and protected according to their level of sensitivity. For example, Cloud Computing solutions are not used for certain categories of data and encryption levels are raised for certain other categories;
- intellectual property is protected through our policy of obtaining patents wherever this is possible or desirable based on a broad vision of the secrets to be protected. Operating markets are monitored to ensure that our intellectual property rights are not infringed;
- sensitive information and assets are also protected by physical security systems.

Risk 10 – Safety risks associated with tire products

/ Risk factors

Michelin's core business is the manufacture of tires, which are a factor in vehicle safety. Michelin's brand image is inextricably linked to the innovative features, quality, reliability and safety of its products. Every year, we manufacture around 200 million tires worldwide to equip everything on wheels, including cars, trucks, buses, aircraft, scooters, motorcycles, earthmovers, farm tractors and subway trains.

The regulatory environments in our operating markets vary widely and our tires are used in a broad range of conditions. Michelin's exposure to product risk can arise from weather conditions (temperature and humidity), from the quality and type of pavement (motorways, highways and runways) or from the unusually extreme use of our tires in some Regions (in terms of load or speed).

/ Specific nature of the risk

This product safety risk is common to all tire manufacturers. Due to Michelin's brand image and premium positioning, stakeholders have high expectations in terms of product safety.

/ Risk management response

Tire quality, reliability and safety are part of our corporate DNA and the primary concern of every employee. This corporate culture is demonstrated in operations by strict procedures and processes that guarantee optimal quality at each stage in a tire's service life (from specifications and design to process engineering, manufacture, distribution and use) and that have earned certifications from independent organizations. To effectively anticipate and manage potential risks related to the use of our products, their in-use behavior is constantly monitored to detect even the slightest hint of malfunction and to swiftly implement the requisite corrective measures.

2.2 CROSS-FUNCTIONAL RISK MANAGEMENT PROCEDURES

Procedures are in place to manage cross-functional risks.

2.2.1 SYNCHRONIZATION BETWEEN INTERNAL AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Quality, Internal Audit, Risk Management and Internal Control have been brought together within a single corporate department, so that a complete part of the organization is dedicated to risk management. This organization provides a shared vision of the primary risks and challenges for the Group. It also promotes efficient monitoring between the second (Internal Control and Risk Management) and third (Internal Audit) lines of defense across all time horizons and across all Group units.

2.2.2 INTERNAL CONTROL PROCESS

Objectives of the internal control process

The Group's internal control process has the following core objectives:

- application of the instructions and guidelines issued by the Managing Partners and the Executive Committee;
- compliance with laws and regulations;
- the proper functioning of internal processes, particularly those relating to the protection of corporate assets;
- the reliability of financial information.

It comprises a set of resources, procedures, practices and actions aligned with the characteristics of the Group's businesses, which:

- contribute to the control over its activities, the efficiency of its operations and the efficient utilization of its resources;
- enable the Group to assess all of its material operational, financial and legal risks appropriately.

In general, the risk management process has been designed to encourage informed, shared risk-taking in accordance with the Group's values of responsibility, integrity and ethical behavior.

Scope of the internal control process

The Group ensures that the internal control process is implemented in every unit:

- The system thereby covers substantially all of the Group's operations, including all Regions and business units (manufacturing, sales and dealership networks). Following each acquisition, an internal control process aligned with the company's business and risks is deployed.
- The process extends beyond accounting and financial controls to cover all material risks. The areas covered include product quality, procurement, IS/IT, health and safety and communications.

A detailed description of the internal control process covering the preparation of accounting and financial information is provided in section 2.3.

2.2.3 CRISIS MANAGEMENT PROCESSES

Another cross-functional process concerns crisis management. Given its size, the nature of its manufacturing and commercial activities and its environmental and social responsibility, Michelin is exposed in the course of its operations to a risk of crises that could affect its business and, potentially, its reputation. To foresee, plan for and effectively respond to any such events, a crisis management system is in place and led by the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

The system's underlying processes are regularly updated to ensure maximum effectiveness and responsiveness. It is deployed among the various management teams through large-scale simulation exercises and appropriate training seminars. In 2019, a worldwide cyber-attack affecting various Regions and operating companies was simulated. In 2020, over ten large-scale simulation exercises are planned based on various crisis scenarios.

2.2.4 INSURANCE COVERAGE

Some risks can be transferred to insurance companies in line with the Group's insurance strategy, with different solutions used depending on the frequency of the risks concerned.

To cover high-frequency risks, integrated global insurance programs have been arranged, to the extent possible, in the insurance and reinsurance markets. These mainly concern property & casualty/business interruption, liability, accidental pollution and cyber risk insurance:

- the property & casualty/business interruption insurance program provides combined total coverage of €1.5 billion, except for natural disasters, for which the coverage limit may be lower depending on the country;
- the liability insurance program comprises three key coverage areas:
  - product liability for the manufacturing companies,
  - service liability for the marketing and services companies,
  - general business liability, offering direct coverage in European Union countries and countries where the Group operates manufacturing facilities, and umbrella coverage in excess of local cover in all other countries;
- a "pollution" program provides environmental liability coverage;
- a "cyber risk" insurance program covers damages (including additional operating costs) as well as damages to third parties, with a combined limit of €200 million per year.

These programs cover all Group subsidiaries. The 50/50 joint ventures are covered by separate insurance programs that are independent from those of the two shareholders. For companies in which the Group has a non-controlling interest, the majority shareholder is responsible for purchasing appropriate insurance cover. For joint ventures and non-controlling interests, the safeguard clauses included in the Group's insurance programs protect its interests up to the amount of its investment.

To reduce costs by pooling medium-frequency risks, the Group has set up a captive insurance and reinsurance company to provide coverage in the following areas,with limits commensurate with its resources:

- property & casualty risks, with a €50 million limit per claim and per year;
- product liability in the United States and Canada, with limits of USD20 million per claim and USD40 million per year;
- product recall expenses, with limits of USD25 million per claim and USD50 million per year;
- cyber security risks, with a €5 million limit per claim and per year.

Total premiums paid to external insurance companies in 2019 amounted to €24.1 million, up €5 million from 2018. The additional cost was mainly due to changes in the scope of consolidation (the newly-acquired businesses were unable to benefit immediately from the rates negotiated by the Group) and to increases in insured values under certain policies.

2.3 INTERNAL CONTROL PROCESS RELATING TO THE PREPARATION OF ACCOUNTING AND FINANCIAL INFORMATION

Among the various objectives of the risk management and internal control system, this section focuses on the control activities related to the process of preparing accounting and financial information.

/ Preparation and processing of accounting and financial information

The Managing Partners are responsible for disclosing reliable financial and accounting information. The Accounting, Consolidation, Management Control and Financial Communication Departments all contribute to the process of producing this information.

Within the organization, accounting teams generally report to the heads of the Regions, while budget controllers report to the heads of the Business Lines.

Consolidated financial statements are prepared monthly according to the same overall process as for the annual financial statements. The internal control procedures required to produce reliable accounting information are defined at Group level and implemented locally. These include a physical inventory of both fixed assets and inventories, segregation of tasks and reconciliation with independent sources of information.

A dedicated team is in charge of aligning accounting policies throughout the Group, monitoring changes in applicable financial reporting standards, updating accounting manuals for all the subsidiaries and dealing with any issues they may raise.

Statutory and management accounting data are reported simultaneously by the subsidiaries, and programmed controls verify that the main indicators – such as revenue and operating income – are consistent between the two sets of data. Statutory accounting data received from the subsidiaries are checked for consistency and then consolidated to produce the Group's financial statements.

Monthly changes in consolidated data are systematically analyzed. Differences between forecast and actual management accounting data are reviewed in detail every month by the Group Executive Committee and the Business Lines.

At every interim and annual closing, the Regional Directors certify in writing that, to the best of their knowledge, the separate accounts submitted by the companies within their Region provide a true and fair view of the results of their operations. This statement specifically covers a number of issues that could significantly affect the financial statements in the event of non-compliance (*e.g.*, applicable laws and regulations and contractual provisions) or occurrence (*e.g.*, disputes or fraud).

The Investor Relations Department, which forms an integral part of the Corporate Finance Department, is responsible for preparing and disclosing all of the Group's financial information to the investing community. Financial information is disclosed in three main forms:

- the Universal Registration Document;
- financial press releases;
- presentations to analysts and investors.

The design and preparation of the Universal Registration Document are coordinated by the Investor Relations Department and approved by the Managing Partners, with significant input from the Group Legal Affairs Department and the Sustainable Development and Mobility teams. The document contains extensive, high-quality information drawn from contributions by a range of specialists in the Group's main fields of operations.

Financial press releases are written by the Chief Investor Relations Officer; those that announce earnings are also reviewed by the Supervisory Board.

Presentations to analysts and investors are prepared by the Investor Relations Department under the supervision of the Corporate Finance Department.

/ Management of accounting and finance internal control

Group managers can detect any weaknesses in their internal control processes through the systems used to manage their operations. In addition, internal reviews are performed in the units by their specialized experts. Information generated by the management systems is analyzed by the budget control teams and reported to the managers concerned for inclusion in the scorecards used to manage their operations. A management scorecard is also prepared for the Group Executive Committee, enabling it to track the Group's business month by month. On a quarterly basis, similar reports are presented in an appropriate format to the Supervisory Board. The Corporate Finance Department is responsible for ensuring the relevance and consistency of this management data.

The Corporate IT Department is in charge of overseeing IT policies and the corresponding resources. The internal control procedures contained in the Group's Quality System include rules relating to data access and protection, the development of applications, and structuring and segregating development, process engineering and production tasks.

/ Recurring assessments of the accounting and financial information preparation process

Self-assessments

To ensure that the work carried out to comply with France's Financial Security Act delivers lasting improvements, the Accounting and Financial Internal Control Department reports to the Corporate Finance Department. It is responsible for managing internal control processes and for overseeing work on financial internal control, with a view to providing reasonable assurance that the Group's financial information is reliable and that its assets are safeguarded.

It defines internal control standards, coordinates and sets up internal control information systems and day-to-day management procedures in coordination with the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

It also assists the network of internal controllers in the Regions and main areas of operation in implementing these systems and procedures.

Its role includes:

- standardizing internal control best practices and training regional correspondents in their use;
- regularly updating key risks by process;
- defining major control issues in conjunction with the owners of the processes concerned;
- drafting control guidelines and manuals and preparing internal control tests;
- mapping the issues for which controls are applied in the different Group organizations;

- overseeing the regional managers and managers of operational areas concerned;
- structuring the internal control network;
- interfacing with the other stakeholders in the relevant processes, such as process owners, risk managers and internal and external auditors;
- advising on the implementation of transformation projects and programs.

In 2017, the worldwide application for monitoring the entire financial internal control process in place since 2009 was upgraded based on a standard commercial software solution. The new application continues to leverage the guidelines and principles defined in previous phases undertaken since 2004. The model will continue to be extended to cover additional processes and legal entities.

Post-acquisition audits are performed for newly acquired companies and sub-groups that are fully consolidated and an internal control process deployment plan is prepared based on their respective characteristics (manufacturing, sales or financial services business, information system, geographic location, organization and governance, materiality in Michelin's consolidated financial statements, control environment and culture).

An initial internal control self-assessment exercise is carried out with the new teams, in order to meet their needs and help them understand what the Group expects from their internal control process. Action plans are drawn up with the teams concerned in order to help them take ownership of the approach and related tools.

The self-assessment system potentially encompasses the following 17 processes:

- purchasing, from ordering to supplier payment;
- sales, from customer order to payment;
- credit management;
- management of inventories (raw materials, semi-finished and finished products, and spare parts);
- inventory valuations;
- financing and financial risk management;
- management of intra-Group transactions (transfer pricing and elimination of intra-Group balances);
- identification of on and off-balance sheet commitments;
- information systems management and administration (general IT testing);
- accounts closing;
- project and fixed asset management;
- taxes;
- human resources management (compensation, benefits and travel expenses);
- consolidation;
- investor relations;
- mergers/acquisitions/divestments;
- management of customs affairs, including the Group's customs management processes, import/export management, supervising freight forwarders, organizing delegations of authority, customs documentation, etc.

At every company covered by the system, the key internal control activities for each process are self-assessed and improved by the line personnel concerned every year.

Internal Controller reviews

The key controls for every process are tested on every site at least once every four years and more often where necessary. The results of tests conducted by internal controllers are shared with the external auditors of the Group's companies, so that they can capitalize on the findings and strengthen their own external audit procedures.

Action plans

In each company, action plans are prepared to address the identified areas for improvement and are implemented by line personnel. More generally, this approach is integrated into the continuous improvement process, which is also supported by the findings of the external and internal auditors. In addition, this self-assessment and testing system is applied to the five core components of the internal control process, as defined by the Committee of Sponsoring Organization of the Treadway Commission: control environment, risks assessment, control activity, information and communication, and internal control management.

Action plans are generally scheduled for completion within two years for 80% of compliance shortfalls, excluding information system issues, which take longer to resolve and require more resources.

Findings of the Financial Internal Control assessment

The Regional Directors and the Process Owners are responsible for their internal control compliance, with accountability supported by annual objectives. The findings of the Financial Internal Control assessment and the implementation of the action plans are tracked by the line management concerned and consolidated at Group level.

They are periodically presented to the Corporate Finance Department's Finance Committee, to the managers in charge of the relevant processes and areas of operation, and to the Regions concerned.

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

03. CORPORATE GOVERNANCE REPORT

This report has been prepared in application of Article L. 226-10-1 of the French Commercial Code *(Code de commerce)*. It was approved by the Supervisory Board on February 7, 2020.

3.1 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Tire manufacturing is a capital-intensive industry in which the pace of technological innovation is relatively slow. It is therefore essential to be able to devise long-term plans and follow them through.

Throughout its history, Compagnie Générale des Établissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (S.C.A.).

This partnership model offers three main advantages:

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

There are two partner categories.

The limited partners or shareholders, who provide capital, elect the members of the Supervisory Board and the Managers and approve the financial statements presented by Management. Their liability is limited to the amount of their investment. All Michelin shares are registered, which enables the Group to better understand the expectations of its shareholders, who receive a return on their investment in the form of a dividend.

The General Partners, who have unlimited personal liability for the Company's debts. They can be relieved of this liability only by decision of the shareholders in an Extraordinary Meeting. The General Partners may be shareholders, but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors. The General Partners receive a share of the Company's profits in accordance with its Bylaws, subject to shareholder approval at the Annual Shareholders Meeting.

Since May 17, 2019, Michelin has two General Partners: Florent Menegaux, Managing Chairman and Managing General Partner, and Société Auxiliaire de Gestion (SAGES), Non-Managing General Partner.

3.1.1 AN EXPERIENCED, STABLE AND RESPONSIBLE MANAGEMENT TEAM

3.1.1 a) Members

Michelin is led by two Managers: [(1)]

- Florent Menegaux, Managing General Partner elected May 18, 2018 and Managing Chairman since May 17, 2019[(2)]
- Yves Chapot, General Manager elected May 18, 2018.

Each manager is elected for a first term of 4 years by the Annual Shareholders Meeting after advice of the Supervisory Board of CGEM, this four-year term would be renewable at the initiative of the Non-Managing General Partner (SAGES[(3)]), with the agreement of the Supervisory Board of CGEM.

3.1.1 b) Role and responsibilities

The Managers, under the authority of the Managing Chairman, are responsible for administering and managing the Company.

Their core responsibilities are to:

- define and implement the Group's strategy;
- lead the Group's business;
- establish internal control and risk management procedures and oversee their implementation;
- approve the financial statements of the Company and the Group;
- define financial information policies;
- prepare the various reports to shareholders.

The Group's operations are organized into three operating segments (Automotive, Road Transportation and Specialties) dedicated to serving their global markets with products and services offered through 19 Business Lines.

Based on the needs identified by the Regions, the Business Lines define their strategy for designing market-leading products and services aligned with their competitive environment.

The 10 Regions are the direct points of contact with customers. Leveraging their close proximity to local markets and consumers, they identify key needs and market the products and services developed by the Business Lines. They represent the Group in the region and are responsible for customers' satisfaction.

Operational support is provided by 6 Operating Departments, which oversee the cost-effective design, manufacturing and organization of product and service flows to meet our customers' expectations:

- Research & Development Department;
- Manufacturing Department;
- Supply Chain Department;
- Customer Experience;
- Purchasing Department;
- Corporate Business Services (CBS) Department.
- Support functions, broken down into:
- local services integrated into the organization of the Regions;
- globalized platforms providing the best service to business and operating units in terms of cost, quality and lead times.

A Corporate group: responsible for spearheading design and overall strategy as well as regulating interactions between the various entities and ensuring local initiatives are in line with the Group's project, the Corporate Group focuses on the areas of Strategy, Innovation and Partnerships, Digital, Communication & Brands, Sustainable Development, Quality, Risk Management, Audit, Legal, Human Resources, Finance and IT.

(1) For biographical details, please refer to section 3.2.1.

(2) See the press release published on May 17, 2019.

(3) For details about SAGES, please refer to section 3.1.3.

The Managing Chairman is assisted by the Group Executive Committee presented on page 28/29 Chapter 1.

Un Comité de Direction Groupe s'assure que les décisions prises par le Comité Exécutif du Groupe trouvent un large ancrage dans l'Entreprise (cf. Chapter 1 page 31).

3.1.1 c) Liability

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

Consistent with this long-term commitment, the Managing General Partners may not relinquish their status as General Partners without the prior approval of shareholders given at an Extraordinary Meeting. They are therefore bound to assume the long-term consequences of the Group's management decisions.

3.1.2 STRICT SEPARATION BETWEEN MANAGEMENT AND THE SUPERVISORY BOARD, AUDIT COMMITTEE AND COMPENSATION AND APPOINTMENTS COMMITTEE

The membership, structure, responsibilities and committees of the Supervisory Board and the description of its activities are included in section 3.2.2 of this Universal Registration Document.

3.1.3 SAGES, A NON-MANAGING GENERAL PARTNER, GUARANTEEING THE COMPANY'S LONG-TERM VIABILITY

In application of CGEM's Bylaws, Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and consequently has unlimited liability for the Company's debts. General Partners can be relieved of this liability only by decision of the shareholders in Extraordinary Meeting. The General Partners may be shareholders but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors.

As SAGES is not a Manager, it is not authorized to play any part in the Company's management. However, if the position of CGEM's Manager were to fall vacant, SAGES would take on the Manager's role for an interim period and would be responsible for calling an Extraordinary Shareholders Meeting to elect a new Manager.

As well as assuming liability for CGEM's debts, in its capacity as General Partner, SAGES is responsible for recommending candidates for election as Manager at the Shareholders Meetings, the re-election of Managers or their removal from office, after obtaining the agreement of the Supervisory Board.

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

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

To enable SAGES to assume its liability as Non-Managing General Partner of CGEM, at least 30% of its distributable earnings (derived mainly from the share of profits paid by CGEM in accordance with CGEM's Bylaws) is allocated to a contingency reserve fund set up purely for the purpose of covering any losses that may result from its liability as CGEM's General Partner or, on an exceptional, interim basis, as Manager. At least 50% of the reserve is invested in CGEM shares.

The Chairman of SAGES, Jacques d'Armand de Chateauvieux, is its only Executive Director.

JACQUES D'ARMAND DE CHATEAUVIEUX

Chairman of SAGES since 2011
Non-Managing General Partner

Nationality: french

Born in 1951

Business address:

BOURBON
148, rue Sainte
13007 Marseille
France

Number of shares held at December 31, 2019:

No shares owned directly

348,300 shares owned by SAGES

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jacques d'Armand de Chateauvieux is a graduate of Institut supérieur de gestion de Paris and holds an MBA from Columbia University, New York. As Chairman of Bourbon since 1979, he was instrumental in converting the company from a diversified conglomerate into an international group specialized in offshore oil and gas marine services.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Chairman and Managing Chairman of BOURBON Corporation S.A.* (France)
- Chairman of Jaccar Holdings SAS (France)
- Statutory Manager of CT CORP Sarlf (France)
- Chairman of Sapmer SA (Listed on Euronext Paris)
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015

- Chairman of Bourbon (France)
- Chairman of Cana Tera S.C.A. (Luxembourg)
- Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg)
- Chairman of Sapmer Holding Pte. Ltd (Singapore)
- Chairman of Sapmer S.A.
- Chairman and a Director of Greenship Holdings (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

2016

- Chairman of Bourbon (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg)
- Chairman of Sapmer S.A. (Listed on Euronext Paris)
- Chairman of Sapmer Holding (Singapore)
- Chairman and a Director of Greenship Holdings (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

2017

- Chairman and Managing Chairman of BOURBON Corporation S.A.* (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman of Jaccar Holdings SAS (France)
- Chairman of Sapmer S.A. (Listed on Euronext Paris)
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

2018

- Chairman and Managing Chairman of BOURBON Corporation S.A.* (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman of Jaccar Holdings SAS (France)
- Chairman of Sapmer S.A. (Listed on Alternext Paris)
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

2019

- Statutory Manager of CT Lux Sarl (Luxembourg)

** Listed company*

3.2 DIRECTORSHIPS AND OTHER POSITIONS HELD BY THE CORPORATE OFFICERS AT DECEMBER 31, 2019

3.2.1 MANAGERS

Michelin is led by Florent Menegaux, Managing Chairman and General Partner, and Yves Chapot, General Manager, assisted by the Group Executive Committee[(1)].

The Managing Chairman's role is described in section 3.1 of this 2019 Universal Registration Document.

Information about the Executive Committee's members is presented in the Chapter 1 page 28/29 of this 2019 Universal Registration Document.

FLORENT MENEGAUX

Managing General Partner

Nationality: French

Born in 1962

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

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2019: 38,628[(2)]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Menegaux joined Price Waterhouse in 1986 as a consultant. He was soon appointed manager, specializing in interest rate risk control and management for banks.

In 1991, Exel Logistics France, a logistics and transport company, offered him the position of Finance Director. Six months later, he was promoted to Chief Executive Officer. From 1995 to 1996, Florent Menegaux was Chief Executive Officer of the General Cargo Transport division for the Norbert Dentressangle group.

In 1997, Florent Menegaux joined Michelin as Commercial Director for Truck tires in the United Kingdom and the Republic of Ireland.

In 2000, Michelin appointed him Sales Director for Truck tires Original Equipment and Replacement markets for North America. In 2003, he became head of Truck tires for South America.

In 2005, he was appointed head of the Africa – Middle East region.

In January 2006, Mr. Menegaux became responsible for the Group's Passenger car and Light truck tire Replacement Business Unit for Europe, before being appointed to the Group Executive Committee as Executive Vice President, Passenger car and Light truck Product Line in 2008. He also oversees Michelin's Motorsports activities and Materials business.

In December 2014, he was appointed Chief Operating Officer and then Senior Executive Vice President of the Michelin Group in 2017.

Since January 2018, he has also overseen the Group's Business Departments, and the Manufacturing, Supply Chain and Customer Experience Operational Departments.

Florent Menegaux was appointed Managing General Partner on May 18, 2018; he became Managing Chairman of Compagnie Générale des Établissements Michelin on May 17, 2019.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Managing Chairman of Compagnie Générale des Établissements Michelin
- Manager of Manufacture Française des Pneumatiques Michelin
- Manager of Compagnie Financière Michelin SCmA (since May 18, 2019)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015-2017

None

2018

- Manager of Manufacture Française des Pneumatiques Michelin
- Managing Partner of Compagnie Générale des Établissements Michelin

2019

- Managing Chairman of Compagnie Générale des Établissements Michelin
- Manager of Manufacture Française des Pneumatiques Michelin
- Manager of Compagnie Financière Michelin SCmA (since May 18, 2019)

(1) Jean-Dominique Senard was General Partner and Managing Chairman until May 17, 2019.
(2) The Company's Bylaws stipulate that the Managing General Partner must hold at least 5,000 shares.

YVES CHAPOT

General Manager

Nationality: French

Born in 1962

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

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2019: 7,312

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Yves Chapot holds a degree as a certified public accountant.

After an initial work experience at the Arthur Andersen consulting and audit firm, Yves Chapot joined the Michelin Group in 1992, assuming various management responsibilities within the internal audit team.

In 1997, he was appointed Chief Executive Officer for Taurus in Hungary. In 1999, he became Chief Financial Officer for Europe.

From 2005 to 2012, he was responsible for Michelin China. From 2007 to 2009, he was also in charge of the Passenger car and Light truck tire business for Asia.

In 2012, he was named head of Euromaster, before being appointed to the Group Executive Committee as Executive Vice President, Distribution in December 2014.

In March 2017, he was appointed Executive Vice President for the Passenger car and Light truck Product Line.

In January 2018, Mr. Chapot became Executive Vice President, Automotive Business Lines. He oversees the Automotive B2C Global Brands, Automotive B2C Regional Brands, Automotive Original Equipment Business Lines, and the following three regions: Africa, India & Middle East, East Asia & Australia, and China.

Mr. Chapot was appointed General Manager of Compagnie Générale des Établissements Michelin on May 18, 2018.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- General Manager of Compagnie Générale des Établissements Michelin
- Director of Compagnie Financière Michelin Suisse SA/AG/Ltd (since January 30, 2019)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015-2017

None

2018

- General Manager of Compagnie Générale des Établissements Michelin

2019

- General Manager of Compagnie Générale des Établissements Michelin
- Director of Compagnie Financière Michelin Suisse SA/AG/Ltd (since January 30, 2019)

3.2.2 SUPERVISORY BOARD

3.2.2 a) Members

SUPERVISORY BOARD

9 members of which 1 senior independent member

78% independent members

45% women

22% of members nationality other than French

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

General Partners may not take part in the vote. Supervisory Board members may be re-elected. No more than one-third of Supervisory Board members may be aged over 75.

As of December 31, 2019, the Supervisory Board had nine members, seven of whom were qualified as independent. The Board's membership complies with Article L. 226-4-1 of the French Commercial Code introduced by French Act No. 2011-103 of January 27, 2011 concerning the balanced representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace.

The Supervisory Board's internal rules stipulate that each member must hold at least 400 shares or 600 shares in the case of the Chairman.

The Supervisory Board is currently comprised of nine members.

The following additional information about Supervisory Board members is provided in the sections indicated:

- information about the Supervisory Board diversity policy is provided in section 3.2.2 c) of this report;
- details of their compensation are provided in sections 3.4.3, 3.5.1 and 3.6.1 of this report;
- the list of directorships and other positions held, together with the dates on which they were first elected and their current term expires are provided below.

(1) *Five years for members elected prior to 2009. Certain members may be elected for a two- or three-year period in order to effectively stagger the terms of office of Supervisory Board members.*

/ Information about Supervisory Board members

Detailed information about each of the Supervisory Board members is presented below.

MICHEL ROLLIER

Non-independent (non-executive) member
Chairman of the Supervisory Board
Member of the Compensation and Appointments Committee

Nationality: French

Born in 1944

Business address:
Michelin
27, cours de l'Île-Seguin
92100 Boulogne-Billancourt
France

First elected: May 17, 2013

Current term expires: 2021 (Annual Shareholders Meeting called to approve 2020 financial statements)

Number of shares held at December 31, 2019: 24,392

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Michel Rollier is Chairman of the Supervisory Board of Somfy SA*.

He began his career at Aussedat-Rey (part of the International Paper group) in 1971, initially occupying the post of Financial Controller before going on to head up a business unit. He then held the position of Chief Financial Officer between 1987 and 1994 and subsequently Deputy Managing Chairman from 1994 to 1996.

He joined Michelin in 1996 as Vice President, Financial & Legal Affairs and then served as Chief Financial Officer and a member of the Executive Council from 1999 to 2005.

He was elected Managing General Partner by Michelin's shareholders on May 20, 2005, serving alongside Édouard Michelin until Mr. Michelin's tragic death in 2006. Mr. Rollier stepped down as Managing General Partner in May 2012.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Chairman of the Supervisory Board of Somfy SA*
- Chairman of the Remunerations Committee of Somfy SA*
- Chairman of the Board of Directors of Siparex Associés
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015

- Chairman of the Board of Directors of Siparex Associés
- Chairman of the Supervisory Board of Somfy
- Director of Lafarge
- Member of the AFEP/MEDEF High Committee on Corporate Governance
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)

2016

- Chairman of the Board of Directors of Siparex Associés
- Chairman of the Supervisory Board of Somfy
- Chairman of the Remunerations Committee of Somfy SA
- Director of Lafarge
- Member of the AFEP/MEDEF High Committee on Corporate Governance
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)
- Chairman of *Plateforme de la Filière Automobile* (PFA)

2017

- Chairman of the Board of Directors of Siparex Associés
- Chairman of the Supervisory Board of Somfy
- Chairman of the Remunerations Committee of Somfy SA
- Chairman of the AFEP/MEDEF High Committee on Corporate Governance
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)
- Chairman of *Plateforme de la Filière Automobile* (PFA)

2018

- Chairman of the Supervisory Board of Somfy SA*
- Chairman of the Remunerations Committee of Somfy SA*
- Chairman of the Board of Directors of Siparex Associés
- Chairman of the AFEP/MEDEF High Committee on Corporate Governance (until October 31, 2018)
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)

2019

- Chairman of the Supervisory Board of Somfy SA*
- Chairman of the Remunerations Committee of Somfy SA*
- Chairman of the Board of Directors of Siparex Associés
- Chairman of *Association Nationale des Sociétés par Actions* (ANSA)

* *Listed company.*

OLIVIER BAZIL

Independent member
Chairman of the Audit Committee

Nationality: French

Born in 1946

Business address:
Legrand
128, avenue de Lattre de Tassigny
87000 Limoges
France

First elected: May 17, 2013

Current term expires: 2021 (Annual Shareholders Meeting called to approve 2020 financial statements)

Number of shares held at December 31, 2019: 1,010

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Olivier Bazil is a Director of Legrand* and a member of the Board's Strategy Committee and Nominating and Compensation Committee. In 2017, he was also a Director of Vallourec*, Chairman of Vallourec's Audit Committee and a member of its Strategy Committee.

He has spent his entire career with Legrand*, which he joined in 1973 as Deputy Company Secretary before becoming Chief Financial Officer (1979), a Director (1989), Deputy Chief Executive Officer and a Member of the Executive Committee (1994), and then Vice Chairman of the Board of Directors and Chief Operating Officer.

Mr. Bazil is a graduate of HEC and holds an MBA from Harvard Business School.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Director of Legrand* and member of the Board's Strategy Committee and Nominating Committee.
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015-2016

- Director of Legrand and member of the Board's Strategy Committee and Nominating Committee
- Director of Firmenich International S.A. and Chairman of its Audit Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.
- Director of Vallourec, Chairman of its Audit Committee and member of its Strategy Committee

2017

- Director of Legrand and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.
- Director of Vallourec, Chairman of its Audit Committee and member of its Strategy Committee (until May 2017)

2018

- Director of Legrand* and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.

2019

- Director of Legrand* and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.

* *Listed company.*

BARBARA DALIBARD

Independent member
Senior Independent Member of the Supervisory Board
Chair of the Compensation and Appointments Committee

Nationality: French

Born in 1958

Business address:
SITA
26, chemin de Joinville
PO Box 31
1216 Cointrin
Geneva
Switzerland

First elected: May 16, 2008

Current term expires: 2023 (Annual Shareholders Meeting called to approve 2022 financial statements)

Number of shares held at December 31, 2019: 485

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Barbara Dalibard is currently Chief Executive Officer of SITA.

Her previous positions included Chief Executive Officer of SNCF Voyageurs, member of the France Telecom group Management Committee in charge of enterprise communication solutions, and various management positions within France Telecom and Alcatel.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Chief Executive Officer of SITA

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015

- Chief Executive Officer of SNCF Voyageurs
- Chair of the Board of Directors of VSC Group
- Director of Nuovo Trasporto Viaggiatori S.p.A. (NTV)
- Member of the Supervisory Board of Wolters Kluwer
- Director of Eurostar International Limited
- Member of the Board of Directors of Société Générale

2016

- Chief Executive Officer of SNCF Voyageurs, then Chief Executive Officer of SITA
- Chair of the Board of Directors of VSC Group
- Director of Eurostar International Limited
- Member of the Board of Directors of Société Générale
- Chief Executive Officer of SITA

2017-2019

- Chief Executive Officer of SITA

JEAN-PIERRE DUPRIEU

Independent member
Member of the Audit Committee

Nationality: French

Born in 1952

Business address:
Michelin
27, cours de l'Île-Seguin
92100 Boulogne-Billancourt
France

First elected: May 17, 2013

Current term expires: 2020 (Annual Shareholders Meeting called to approve 2019 financial statements)

Number of shares held at December 31, 2019: 510

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jean-Pierre Duprieu was Executive Vice President of the Air Liquide group*.

Between 2010 and 2016, he was a member of Air Liquide's Executive Management team, in charge of supervising the group's European and Healthcare activities as well as corporate functions, including information systems and Efficiency/Purchasing programs.

He is an independent Director of Korian*, Chairman of the Compensation and Appointments Committee and member of the Audit Committee.

He is also a Director of Groupe SEB.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Independent Director of Korian*, Chairman of the Compensation and Appointments Committee and member of the Audit Committee
- Independent Director of Groupe SEB*

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015

- Executive Vice President of the Air Liquide group
- Director of Air Liquide Santé International
- Chairman of the Board of Directors of Air Liquide Eastern Europe
- Director of Air Liquide Welding

2016

- Executive Vice President of the Air Liquide group
- Director of Air Liquide Santé International
- Chairman of the Board of Directors of Air Liquide Eastern Europe
- Director of Air Liquide Welding
- Independent Director of Korian and member of the Audit Committee

2017

- Director of Air Liquide Welding (since June 2017)
- Independent Director of Korian, Chairman of the Compensation and Appointments Committee and member of the Audit Committee

2018

- Independent Director of Korian*, Chairman of the Compensation and Appointments Committee and member of the Audit Committee

2019

- Independent Director of Korian*, Chairman of the Compensation and Appointments Committee and member of the Audit Committee
- Independent Director of Groupe SEB*

* *Listed company.*

ARUNA JAYANTHI

Independent member
Member of the Compensation and Appointments Committee

Nationality: Indian

Born in 1962

Business address:
Capgemini IndiaPvt. Ltd
Godrej & Boyce Compound
LBS Road, Vikhroli (West)
Mumbai 400079 (India)

First elected: May 22, 2015

Current term expires: 2023 (Annual Shareholders Meeting called to approve 2022 financial statements)

Number of shares held at December 31, 2019: 400

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

From 2011 until the end of 2015, Aruna Jayanthi was Chief Executive Officer of Capgemini India, responsible for overseeing all of the Capgemini group's operations in India, covering Consulting, Technology and Outsourcing Services provided by some 50,000 employees.

In 2016, she became head of a new global Business Services Unit comprising ITOPS and BPO (Capgemini and IGATE). In 2018, she was appointed to lead the Group's operations in the Asia-Pacific and Latin America regions, before becoming Managing Director of these Business Units.

She is a member of the Group Executive Committee.

After obtaining a Master's degree in finance management from the Narsee Monjee Institute of Management Studies in Mumbai, Aruna Jayanthi held various IT services positions between 1984 and 2000 (including at clients' offices in Europe and the United States), with Tata Consulting Services, Aptech and other companies.

She joined the Capgemini group in 2000.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Director of Equation Capital Partners LLP
- Director of Capgemini Saudi Limited
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A. (since August 12, 2019)
- Director of Capgemini Business Services (China) Limited
- Director of Capgemini Australia Pty Limited (since April 30, 2019)
- Director of Capgemini Hong Kong Ltd (since October 15, 2019)
- Director of Capgemini Asia Pacific Pte Limited (since October 15, 2019)
- Director of Capgemini Mexico, S. DE R.L DE C.V (since November 11, 2019)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015-2016

- Director of Capgemini Norge AS
- Director of Capgemini Technology Services Maroc S.A.
- Chair of the Board of Directors of Capgemini India Private Limited
- Director of Capgemini Business Services India Private Limited (formerly Capgemini Business Services India Limited)
- Director of Pune Software Park Private Limited
- Chair of the Board of Directors of Capgemini Sverige AB

2017

- Director of Capgemini Norge AS
- Chair of the Board of Directors of Capgemini Sverige AB
- Director of Espire AS
- Chair of the Supervisory Board of Capgemini Polska Sp. Z.o.o.
- Director of Capgemini Technology Services India Limited

2018

- Director of Capgemini Norge AS
- Chair of the Board of Directors of Capgemini Sverige AB
- Director of Espire AS
- Chair of the Supervisory Board of Capgemini Polska Sp. Z.o.o.
- Director of Capgemini Technology Services India Limited
- Director of SBI Capital Markets Limited
- Director of Equation Capital Partners LLP
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A.
- Director of Capgemini Business Services (China) Limited

2019

- Director of Equation Capital Partners LLP
- Director of Capgemini Saudi Limited
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A. (since August 12, 2019)
- Director of Capgemini Business Services (China) Limited
- Director of Capgemini Australia Pty Limited (since April 30, 2019)
- Director of Capgemini Hong Kong Ltd (since October 15, 2019)
- Director of Capgemini Asia Pacific Pte Limited (since October 15, 2019)
- Director of Capgemini Mexico, S. DE R.L DE C.V (since November 11, 2019)
- Director of Capgemini Sverige AB (until June 30, 2019)
- Director of Capgemini Polska Sp.z o.o. (until August 28, 2019)
- Director of Capgemini Norge AS (until May 28, 2019)

ANNE-SOPHIE DE LA BIGNE

Independent member
Audit Committee member (until end-July 2019)
Member of the Compensation and Appointments Committee

Nationality: French
Born in 1960

Business address:
Airbus Group
12, rue Pasteur – BP 76
92152 Suresnes Cedex
France

First elected: May 17, 2013
Current term expires: 2020 (Annual Shareholders Meeting called to approve 2019 financial statements)
Number of shares held at December 31, 2019: 903

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Since 2008, Anne-Sophie de La Bigne has been Vice President in charge of civil affairs in the Public Affairs Division, France, at Airbus Group*.

She began her career in 1983 as a financial controller with the Matra group before joining the Strategy & Business Development Department of the Lagardère group, where she worked from 1985 to 1999.

She subsequently became Head of the Strategic Analysis Department at Aerospatiale Matra/EADS, a position she held until 2001.

Between 2001 and 2006, she served as Vice President, Strategy and European Affairs, at Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS)

and, from 2006 to 2007, she was responsible for international corporate relations in the EADS' Public Affairs Division.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Member of the Board of Directors of SIAE SA

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2014-2017

No other directorships

2018-2019

- Member of the Board of Directors of SIAE SA

* *Listed company.*

THIERRY LE HÉNAFF

Independent member
Member of the Audit Committee

Nationality: French

Born in 1963

Business address:
Arkema
420, rue d'Estienne-d'Orves
92700 Colombes

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2019: 400

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Thierry Le Hénaff is currently Chairman and Chief Executive Officer of Arkema*.

After starting his career with Peat Marwick Consultants, in 1992 he joined Bostik, Total's Adhesives division, where he held a number of operational positions in France and worldwide. In July 2001, he was appointed Chairman and Chief Executive Officer of Bostik Findley, the new entity resulting from the merger of Total's and Elf Atochem's Adhesives divisions. On January 1, 2003, he joined Atofina's Executive Committee, with responsibility for three divisions (Agrochemicals, Fertilizers and Thiochemicals) as well as three corporate departments. Then, in 2004, he joined the Total Group's Executive Committee. He was named Chairman and Chief Executive Officer of Arkema on March 6, 2006. He has sat on the Board of Directors of the *École Polytechnique* Foundation since 2016.

Thierry Le Hénaff holds engineering degrees from *École Polytechnique* and *École Nationale des Ponts et Chaussées,* and a Master's degree in Industrial Management from Stanford University in the United States. He holds the titles of *Chevalier de l'Ordre national du mérite* and *Chevalier dans l'Ordre national de la Légion d'honneur.*

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Chairman and Chief Executive Officer of Arkema
- Chairman of the Board of Directors of Arkema France

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015-2016

- Chairman and Chief Executive Officer of Arkema
- Chairman of the Board of Directors of Arkema France
- Director of Eramet*

2017-2019

- Chairman and Chief Executive Officer of Arkema
- Chairman of the Board of Directors of Arkema France

** Listed company*

MONIQUE LEROUX

Independent member
Member of the Audit Committee

Nationality: Canadian

Born in 1954

Business address:
Fiera Capital
1981 McGill College
Montréal (Québec)
H3A 0H5
Canada

First elected: October 1, 2015

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2019: 1,000

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Companion of the Canadian Business Hall of Fame and Investment Industry Hall of Fame, Monique Leroux is a company director. She is Strategic advisor and member of the Strategic development committee of Fiera Capital and Vice-Chair of Gestion Fiera Inc. and a member of the Boards of Directors of Michelin (ML-France), Bell (BCE), S&P Global (SPGI), Couche-Tard (ATD) and Lallemand Inc. (a privately owned company). She contributes to these Boards her wide-ranging experience, acquired for example as a partner of EY (Canada) and as Chair of the Board and Chief Executive Officer of Mouvement Desjardins from 2008 to 2016. From 2016 to 2020, Monique Leroux served as Chair of the Board of Directors of Investissement Québec. She is also Vice-Chair of the Board of the Montreal Symphony Orchestra.

Ms. Leroux is a member of the Order of Canada, an Officer of the *Ordre national du Québec,* a *Chevalier de la Légion d'honneur* (France) and a recipient of a Woodrow Wilson Award (United States). She has been inducted as a Fellow of the Canadian Order of Certified Public Accountants and Fellow of the Canadian Institute of Corporate Directors, and has been awarded honorary doctorates from eight Canadian universities in recognition of her contribution to the business sector and also to the community.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

- Chair of the Board of Directors of Investissement Québec (Until January 2020)
- Member of the Board of Directors of Alimentation Couche-Tard*
- Member of the Board of Directors of Bell/BCE*
- Member of the Board of Directors of S&P Global*
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor and member of the Strategic development committee of Fiera Capital*
- Vice-Chair of the Management Board of Fiera Inc. (privately owned company)
- Member of the Board of Directors of the Rideau Hall Foundation (non-profit organization)
- Member of the Board of Directors of the Montreal Symphony Orchestra (non-profit organization)

** Listed company*

MONIQUE LEROUX (continuation)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2015

- Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins
- Chief Executive Officer of Desjardins Sécurité Financière
- Chief Executive Officer of Desjardins Groupe d'AssurancesGénérales
- Chair of the Board of Directors of Fédération des Caisses Desjardins du Québec/Mouvement des Caisses Desjardins
- Vice-Chair of the Executive Committee and Director of the International Confederation of Popular Banks (CIBP)
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of Crédit Industriel et Commercial (CIC)
- Member of the Board of Directors of the Rideau Hall Foundation
- President of the International Cooperative Alliance (ICA)
- Member of the Board of Directors of the University of Montreal
- Member of the Board of Directors of Alimentation Couche-Tard

2016

- Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins
- Chief Executive Officer of Desjardins Sécurité Financière
- Chief Executive Officer of Desjardins Groupe d'AssurancesGénérales
- Chair of the Board of Directors of Investissement Québec
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of Crédit Industriel et Commercial (CIC)
- Member of the Board of Directors of the Rideau Hall Foundation
- President of the International Cooperative Alliance (ICA)
- Member of the Board of Directors of Alimentation Couche-Tard
- Member of the Board of Directors of Bell/BCE (since April 2016)
- Member of the Board of Directors of S&P Global (since October 2016)

2017

- Chair of the Board of Directors of Investissement Québec
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of Crédit Industriel et Commercial (CIC) (until May 2017)
- Member of the Board of Directors of the Rideau Hall Foundation
- President of the International Cooperative Alliance (ICA) (until November 2017)
- Member of the Board of Directors of Alimentation Couche-Tard
- Member of the Board of Directors of Bell/BCE
- Member of the Board of Directors of S&P Global
- Member of the Board of Lallemand (privately owned company) (since June 2017)
- Strategic Advisor, Fiera Capital (since June 2017)

2018

- Chair of the Board of Directors of Investissement Québec
- Member of the Board of Directors of Alimentation Couche-Tard
- Member of the Board of Directors of Bell/BCE
- Member of the Board of Directors of S&P Global
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor, Fiera Capital
- Vice-Chair of the Fiera Inc. Management Board
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of the Rideau Hall Foundation

2019

- Chair of the Board of Directors of Investissement Québec
- Member of the Board of Directors of Alimentation Couche-Tard
- Member of the Board of Directors of Bell/BCE
- Member of the Board of Directors of S&P Global
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor, Fiera Capital
- Vice-Chair of the Management Board of Fiera Inc. (privately owned company)
- Member of the Board of Directors of the Rideau Hall Foundation (non-profit organization)
- Member of the Board of Directors of the Montreal Symphony Orchestra (non-profit organization)

CYRILLE POUGHON

Non-independent (non-executive) member
Member of the Audit Committee

Nationality: French

Born in 1975

Business address:
Compagnie Générale des Établissements Michelin
23, place des Carmes-Déchaux
63000 Clermont-Ferrand
France

First elected: May 16, 2014

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2019: 420

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Cyrille Poughon is currently France-Benelux Retail Market sales office manager, after previously serving as the Group's Quality of Worklife Manager and later Safety Program Leader at corporate headquarters.

He began his career with the Michelin Group in 1996 and has held a variety of positions in sales and logistics. He served as Secretary of Michelin's European Works Council until 2014.

In 2015, he followed the "Certified Corporate Director" training program organized by *Sciences-Po* and *Institut Français des Administrateurs.*

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2019

None

MANDATS ET FONCTIONS EXERCÉS AU COURS DES CINQ DERNIÈRES ANNÉES

2015-2018

None

3.2.2 b) Overview of the Supervisory Board (as of December 31, 2019)

	Independent member[1]	Committees of the Board	First elected	Re-elected[2]	Current term ends (AGM) [3]	Years on the Board	Number of shares held*	Nationality	Age	Gender
MICHEL ROLLIER CHAIRMAN	–	Nomination and Compensation	2013	2017	2021	6	24,392	french	75	M
OLIVIER BAZIL	✓	Audit C	2013	2017	2021	6	1,010	french	73	M
BARBARA DALIBARD	✓	Nomination and Compensation C S	2008	2013[2] 2015[3] 2019	2023	11	485	french	61	F
ANNE-SOPHIE DE LA BIGNE	✓	Audit[5], Nomination and Compensation	2013	2016	2020	6	903	french	59	F
JEAN-PIERRE DUPRIEU	✓	Audit	2013	2016	2020	6	510	french	67	M
ARUNA JAYANTHI	✓	Nomination and Compensation	2015	2019	2023	4	400	indian	57	F
THIERRY LE HÉNAFF	✓	Audit	2018	-	2022	1	400	french	56	M
MONIQUE LEROUX	✓	Audit	2015	2018[4]	2022	4	1,000	canadian	65	F
CYRILLE POUGHON	–	Audit	2014	2018	2022	5	420	french	44	M

C Chairman S Senior independent member

* *As of December 31, 2019.*
(1) *Based on the criteria set in the Supervisory Board's internal rules which correspond to those recommended in the AFEP/MEDEF Corporate Governance Code for listed companies.*
(2) *At the Annual Meeting of May 15, 2009, shareholders voted to reduce the term of Supervisory Board members from five years to four.*
(3) *At the Annual Meeting of May 17, 2013, shareholders voted to elect Supervisory Board members for terms of two, three or four years, so that their terms do not all expire at the same time.*
(4) *Monique Leroux was appointed as a member of the Supervisory Board on October 1, 2015 to replace Laurence Parisot, who had resigned, for the remainder of Ms. Parisot's term of office.*
(5) *Until the end of July 2019.*

3.2.2 c) Diverse profiles and experiences represented on the Board – gender balance on management bodies

/ Diverse profiles and experiences represented on the Board

In line with the Group's values, the Board consistently endeavors to propose candidates from diverse backgrounds and cultures and with diverse experiences, so that its membership is balanced and aligned with its role and responsibilities.

The main terms of the diversity policy are proposed by the Compensation and Appointments Committee. The policy is applied by the Committee and the Board when preparing Supervisory Board succession plans and assessing the Board's practices. They can be assisted by recognized outside consultants.

The Supervisory Board's diversity in terms of experience and backgrounds can be summed up by the fact that, in 2019:

- 45% of the Board members were women;
- 78% of the Board members were independent;
- 22% of the Board members were foreign nationals.

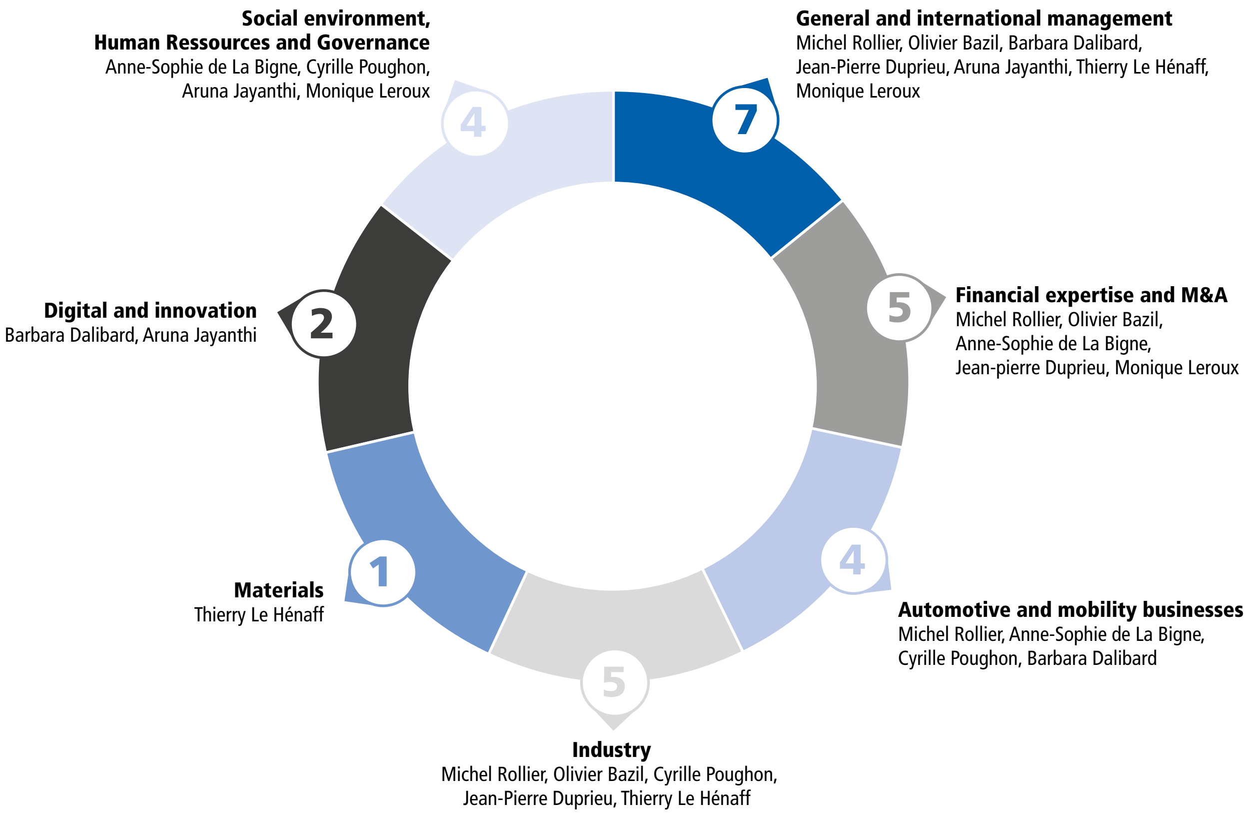
The Supervisory Board diversity policy is described below, as required by Article L. 225-37-4 of the French Commercial Code[(1)].

Criteria	Objectives confirmed in 2019	Implementation method	2019 results
Age limit	No more than one-third of Supervisory Board members to be aged 75 or over	No candidates aged 75 or over should be proposed for election or re-election at the Shareholders Meeting if their election or re-election would result in the one-third limit being exceeded	The candidates elected or re-elected at the Shareholders Meeting did not result in over one-third of Board members being aged 75 or over.
Supervisory Board gender equality	At least 40% of Board members should be women, as required by Article L. 226-4-1 of the French Commercial Code	Board to recommend to the Shareholders Meeting to re-elect incumbent women members and elect women candidates to replace women who are stepping down	Barbara Dalibard and Aruna Jayanthi were re-elected on the Board's recommendation, maintaining the proportion of women members at 45%
Availability/ attendance	Members should demonstrate, through their availability and attendance rate at meetings of the Board and Board Committees, that they devote the necessary time and attention to their duties (going beyond the statutory requirements and the requirements of the AFEP/ MEDEF Code concerning multiple directorships)	Over half of each member's compensation is tied to his or her attendance rate at meetings of the Board and its Committees Incumbent Board members will not be proposed for re-election if their average attendance rate at scheduled meetings was less than 85% over the last three years of their term of office	The average attendance rate over the three years 2016/2017/2018 of Barbara Dalibard and Aruna Jayanthi, who were re-elected on the Board's recommendation, was 100% and 92% respectively The Board members' overall attendance rate in 2019 was 97.5%
Qualifications/ professional experience/ international outlook/ adherence to the Group's values	Board members should offer an appropriate overall combination of academic qualifications, professional experience in the areas of manufacturing, finance, internal control, digital technology and leadership of major French listed groups with a global reach, and adherence to the Group's values A specific objective for the period to 2023 is to consolidate/strengthen the expertise in sustainability and digital technologies represented on the Board	Decisions concerning candidates to be proposed for re-election or election to the Board by the Shareholders Meeting focus on maintaining the overall qualitative combination of qualifications and experience in the areas of executive management and new technologies The Chair and the majority of members of the Audit Committee are selected for their academic qualifications and international experience in finance and internal control	Barbara Dalibard and Aruna Jayanthi, who were were re-elected on the Board's recommendation (see section 3.1.2 d) below for more information), have recognized expertise in new technologies, especially digital, and cybersecurity issues. 22% of Board members are foreign nationals in 2019
Size of the Board	Number of Board members should not exceed the ten-member cap specified in the Bylaws (not including members representing employees elected in accordance with the law), to guarantee Board efficiency by fostering effective interactions between members and between the Board and the Managers	No additional members to be proposed for election at the Shareholders Meeting, except to comply with legal requirements	No additional members were proposed for election (apart from the new objective concerning employee representation); the number of Board members was unchanged at nine

(1) The Company does not have any employees and the disclosures required by Article L. 225-37-4-6 of the French Commercial Code are therefore not applicable.

Criteria	Objectives confirmed in 2019	Implementation method	2019 results
Independence	At least 50% of Supervisory Board members should be independent, based on the definition in the AFEP/MEDEF Code	Incumbent independent members to be proposed for election for as long as they fulfill the independence criteria (in particular, not to have served on the Board for more than 12 years) or new independent members to be proposed for election to replace members who no longer fulfill the independence criteria	Barbara Dalibard, who was re-elected on the Board's recommendation, will qualify as independent until May 2020 when she will have served on the Board for 12 years; Aruna Jayanthi, re-elected on the Board's recommendation, is an independent member; 78% of Board members were independent in 2019
Employee representation on the Supervisory Board	A new objective set in 2019: to improve application of the new rules resulting from the PACTE Act (Act No. 2019-486), designation of two members representing the employees of the French subsidiaries for eight members elected by the shareholders	Resolution to be presented at the 2020 Annual Shareholders Meeting to include the necessary clause in the Company's Bylaws for the designation of two Supervisory Board members representing the employees of the French subsidiaries	Since 2014, one member representing employees (voluntary resolution presented and adopted at the Shareholders Meeting)

The experience and expertise contributed by each member of the Supervisory Board as of the date of this Universal Registration Document may be summarized as follows:



/ Gender balance on management bodies

Michelin has launched a certain number of initiatives to make all positions accessible to women and ensure gender wage parity. A specific action plan has been launched in each of the Group's host regions to increase the number of women in management positions, with an objective of raising the proportion of women managers to 30% by 2020. This plan is detailed in section 4.1.2.2 c) of this 2019 Universal Registration Document.

3.2.2 d) Changes in the membership of the Supervisory Board in 2019

The Supervisory Board pays close attention to the situation of members whose term is due to expire at the next Annual Shareholders Meeting.

The terms of office of Barbara Dalibard and Aruna Jayanthi expired at the close of the Annual Shareholders Meeting held on May 17, 2019.

Barbara Dalibard and Aruna Jayanthi informed the other Supervisory Board members that they wished to stand for re-election.

In reviewing their proposed re-election, the Compensation and Appointments Committee took into account the main candidate assessment criteria, covering their skills, experience, independence and availability (i.e., that they do not hold too many other directorships), as well as the Board's commitment to promoting Board diversity in terms of both culture and background.

When examining the individual situations of Barbara Dalibard and Aruna Jayanthi, the Board notably considered:

- the pros and cons of re-electing them;
- the skills and experience they bring to the Board;
- their availability and involvement in the work of the Board and its Committees;
- their independence and the absence of any conflicts of interest;
- their contribution to the complementary nature of the Board's membership.

Following this review, on the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided (without Barbara Dalibard and Aruna Jayanthi taking part in the decision) to recommend to the Annual Shareholders Meeting of May 17, 2019:

- to re-elect Barbara Dalibard for a four-year term (resolution adopted by a majority of 94.32% of the votes cast);
- to re-elect Aruna Jayanthi for a four-year term (resolution adopted by a majority of 97.66% of the votes cast).

3.2.3 STATEMENTS

The Managers and the members of the Supervisory Board do not have any close family ties.

To the best of the Company's knowledge, neither Michelin's Managers nor any Supervisory Board member has, in the past five years, been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

No Supervisory Board member and neither of Michelin's Managers has a service contract with the Company or any of its subsidiaries.

There are no:

- arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which they were selected as a Manager or as a member of the Supervisory Board;
- conflicts of interest between the duties to the Company of the Managers and the Supervisory Board members and their private interests and/or other duties;
- restrictions accepted by these persons on the disposal of their Michelin shares within a certain period of time, except for those resulting from market abuse regulations and the specific rules applicable to the Managers.

3.3 SUPERVISORY BOARD PRACTICES

3.3.1 ROLE OF THE SUPERVISORY BOARD

The Company applies the recommendations set out in the Corporate Governance Code for Listed Companies ("AFEP/MEDEF Code", revised version dated June 2018). In accordance with the introduction to the Code, these recommendations are adapted as necessary to reflect the Company's organization as a partnership limited by shares ("SCA").

The Supervisory Board exercises permanent oversight of the Company's management and assesses its quality on behalf of the shareholders, presenting a report thereon at each Annual Shareholders Meeting.

The recommendation provided under Article 1.9 of the AFEP/MEDEF Code, according to which material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors, has to be adapted because of the Company's legal form as a partnership limited by shares [(1)]. With this type of partnership, the Managing General Partners have unlimited personal liability and their powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no authority to become involved in managing the Company.

However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its Bylaws[(1)], as well as the Supervisory Board's internal rules.

Pursuant to the internal rules, the Managers must submit to the Supervisory Board details of any projects that are material for the Group, such as any business acquisitions, asset disposals, off-balance sheet commitments and capital projects (other than business acquisitions) in excess of €100 million, before any final decision is made.

This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate.

In application of the Company's Bylaws, the Supervisory Board's internal rules and the internal rules of the Compensation and Appointments Committee, the Supervisory Board must be consulted or express an opinion (depending on the case) on all decisions concerning the Managers (election, re-election and removal from office) and the determination of the Managers' compensation.

In accordance with its internal rules, the Supervisory Board appoints one of its members to serve as Senior Independent Member and may ask its Chairman or the Senior Independent Member to participate in the dialog with the Company's main shareholders concerning the matters addressed by the Board.

To enable the Supervisory Board to effectively fulfill its oversight role, its members receive quarterly reports presenting key performance indicators, as well as regular information such as copies of the Group's main press releases, research reports published by analysts who follow Michelin, and updates on the Group's markets.

Supervisory Board meetings may be held by videoconference on the basis stipulated in the Board's internal rules.

The Supervisory Board is assisted in its oversight role by two committees, the Audit Committee and the Compensation and Appointments Committee.

3.3.2 THE SUPERVISORY BOARD'S ACTIVITIES DURING 2019

3.3.2 a) General activities

At its meetings on February 8 and July 25 respectively, the Board reviewed (i) the statutory and consolidated financial statements for the year ended December 31, 2018 and (ii) the interim financial statements for the six months ended June 30, 2019. It also examined and expressed its opinion on the financial information communicated to the markets.

The issues examined by the Supervisory Board – based on presentations made by the Managers or by members of business line management – were as follows:

- quarterly financial information and interim and annual results – based in part on a review of scorecards – and the corresponding press releases;
- the Audit Committee's report;
- internal control and risk management;
- the challenges facing the Group's brands;
- a report on the integration of businesses acquired in recent years and their financial and technological synergies;
- the industrial transformation;
- the Research & Development teams' strategic vision;
- an assessment of the Group's employment model and leadership model;
- strategic business reviews (several meetings);
- proposed acquisitions (several meetings);
- the Compensation and Appointments Committee's report;
- preparation of recommendations on the re-election of existing Supervisory Board members or the election of new members;
- changes in the membership of the Supervisory Board and its Committees;
- employee representation on the Supervisory Board;
- the situation of the former Managing Chairman following his appointment as Chairman of the Board of Directors of the parent company of an automotive group;
- the results of the performance criteria used to determine the Managers' variable compensation for 2018;

(1) This adaptation to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 3.2.2 h) prepared in accordance with the "comply or explain" rule.

- the performance criteria to be used to determine their variable compensation for 2019;
- annual assessment of Supervisory Board members' independence;
- annual self-assessment of the Board's work;
- compensation policies;
- preparation of the Corporate Governance Report and the Annual Shareholders Meeting.

Part of each Supervisory Board meeting takes place behind closed doors, without the Managing Chairman or any representatives of executive management being present.

In addition, the independent members of the Board held two executive sessions.

The Supervisory Board continued the process initiated in 2015 to enable the member representing employees to act as a neutral observer of the Group's social dialog processes in order to make an informed contribution to the Board's discussions.

In 2019, Cyrille Poughon, the member representing employees, presented to the Board the insights obtained during his observation visits to the new plants in León (Mexico) and Pune (India), and to various plants in Spain and the United States.

The Board pursued its consideration of planned changes to comply with proposed new rules – which subsequently became law in the PACTE Act (Act No. 2019-486) – concerning the representation of employees of French subsidiaries on the Board of Directors or Supervisory Board of a listed holding company.

3.3.2 b) Supervisory Board members' attendance rates

The Supervisory Board met seven times in 2019 – on January 14, January 19, February 8, April 26, July 25, October 7 and December 10 – with an average attendance rate (excluding unscheduled Board meetings and including meetings of Board Committees) of 97.5%.

The attendance rates of the individual Board members are presented in the table below:

	Participation at meetings held in 2019(1)		
Supervisory Board members	**Supervisory Board(1) (5 meetings)**	**Audit Committee (4 meetings)**	**Compensation and Appointments Committee (3 meetings)**
Olivier Bazil	5/5	4/4	N/A
Barbara Dalibard	5/5	N/A	3/3
Anne-Sophie de La Bigne(2)	5/5	3/3	3/3
Jean-Pierre Duprieu	5/5	4/4	N/A
Aruna Jayanthi	5/5	N/A	3/3
Thierry Le Hénaff	5/5	3/4	N/A
Monique Leroux	5/5	3/4	N/A
Cyrille Poughon	5/5	4/4	N/A
Michel Rollier(3)	4/5	N/A	3/3

(1) Excluding unscheduled meetings.
(2) Anne-Sophie de La Bigne ceased to be a member of the Audit Committee in July 2019. She attended all meetings of the Committee up to that date.
(3) Michel Rollier was exceptionally prevented from attending the meeting on October 7, after he was the victim of a minor accident that left him temporarily house-bound.

3.3.2 c) Training for Supervisory Board members

As part of its training policy for Supervisory Board members, during the year the Company once again organized a special training program on the Group's operations. The program gave all of the Supervisory Board members an opportunity to acquire or refresh their hands-on insight into how Michelin's various businesses are run.

The Supervisory Board held one of its meetings in 2019 at a major plant in Spain. The trip included a site visit and a presentation about the plant's operations and outlook and its production activities (tires and semi-finished tires).

The Board members also visited a research center in Spain which is one of the Group's main testing facilities for mining tires. They held in-depth discussions with Michelin's teams at this center and also attended a presentation by the Group's Executive Vice President, Research and Development, on the tires' main features. The visit gave them the opportunity to appreciate the teams' active involvement in the life of the local community, thanks in no small measure to the presence of a representative of the center on the Board of the local nature reserve, part of which is located in the center's grounds.

These topic-specific presentations, along with those made during the year at Supervisory Board meetings by members of executive management and their teams, are welcomed by Supervisory Board members as a means of enhancing their understanding of all the challenges facing the Michelin Group.

3.3.2 d) Preparing recommendations for re-electing Supervisory Board members and other resolutions to be presented at the 2020 Annual Shareholders Meeting

The Supervisory Board asked the Compensation and Appointments Committee to review the situation of members whose term was due to expire at the 2020 Annual Shareholders Meeting.

The Committee's procedures and recommendations are presented in the Supervisory Board's report on the resolutions to be submitted to the 2020 Annual Shareholders Meeting (see section 7.2 of this 2019 Universal Registration Document).

3.3.2 e) Activities of the Senior Independent Supervisory Board Member

Although, in a partnership limited by shares *(société en commandite par actions),* none of the Managers (who are equivalent to executive officers in a joint stock corporation) may also serve as Chairman of the Supervisory Board, the Board nevertheless decided in 2017 to appoint a Senior Independent Member.

This role, given to an independent Board member, mainly covers the following responsibilities specified in the Board's internal rules:

- lead the group of independent Board members;
- organize and chair meetings of independent members (executive sessions);
- receive information about self-assessments of the Board's work;
- meet with the Chairman of the Board to inform him or her of all or some of the views or wishes expressed by the independent members during executive sessions;
- report on his or her activities to the Board.

Barbara Dalibard, Chair of the Compensation and Appointments Committee and independent Supervisory Board member, has served as Senior Independent Supervisory Board Member since 2017.

In 2019, she organized and chaired two executive sessions, held without any Managers (equivalent to executive officers) being present. The main issues discussed during this session were as follows:

- membership of the Supervisory Board and its Committees in relation to the PACTE Act;
- members' assessment of the presentations made by the Managers in 2019;
- suggested topics to be discussed at upcoming meetings of the Board;
- allocation of the total compensation awarded to the Supervisory Board.

In accordance with the Board's internal rules, at the meeting on February 7, 2020, Barbara Dalibard reported to the Supervisory Board on her activities during 2019. All the Board members expressed satisfaction with the way she had fulfilled her duties.

As in 2018, she was kept informed about the detailed aspects of the process for assessing the work of the Board and its Committees (see report on the results of this self-assessment in section 3.2.2 g) of this report).

As the Chairman of the Supervisory Board was exceptionally unable to attend the October 7 meeting, this meeting was chaired by Barbara Dalibard in accordance with the Board's internal rules.

3.3.2 f) Review of Supervisory Board members' independence and any conflicts of interest

The Supervisory Board has chosen to refer to all the criteria listed in the AFEP/MEDEF Code to assess its members' independence and obtain assurance that a majority of the members are independent and without any vested interests (i.e., with no relationship of any kind whatsoever with the Company or its management which might risk coloring the member's judgment[(1)]).

The Supervisory Board's internal rules also explicitly stipulate that its members are required to inform the Supervisory Board of any potential or existing conflict of interest and are banned from taking part in the discussion and vote on the matters concerned.

In the first phase, the Compensation and Appointments Committee ensures that each Supervisory Board member has formally declared, in relation to the provisions and abstention obligations of the Board's internal rules, that:

- they have no close family ties with their fellow Supervisory Board members;
- they have not, in the past five years, been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer;
- they do not have a service contract with the Company or any of its subsidiaries;
- they have not been selected to serve as a Supervisory Board member pursuant to any arrangement or agreement with a principal shareholder, customer, supplier or other stakeholder;
- to the best of their knowledge, there are no restrictions on the disposal within a certain period of time of their Michelin shares, except for those resulting from insider dealing rules;
- to the best of their knowledge, there are no conflicts of interest between their obligations towards the Company in their capacity as Supervisory Board member and their personal interests and/or other obligations.

Where applicable, the Committee also checks any notifications given to the Board by its members.

In the second phase, to complete the earlier statements and observations, the Committee:

- checks that none of the Board members had been an auditor of the Company during the past five years;
- reviews the period served on the Supervisory Board by members since they were first elected, in particular for members who have served on the Board for 12 or more years;
- checks that no Board member has received any variable compensation in cash or shares or any other performance-based compensation from the Company or the Group.

(1) When the Compensation and Appointments Committee assesses the independence of one of its members, that member does not take part in the Committee's discussion and analysis of his or her situation nor in the Supervisory Board's decision regarding his or her independence.

In addition, the Committee examines whether any Board member:

- is or has been in the past five years an employee or executive officer of the Company, or an employee or executive officer of its parent or a company that the latter consolidates;
- is an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office for less than five years) is a director;
- is a customer, supplier, investment banker or commercial banker:
  - that is material to the Company or the Group, or
  - that depends on the Company or the Group for a significant part of its business.

In the third phase, the Committee reviews the situation of Supervisory Board members who may personally conduct significant amounts of business with the Company or be involved with undertakings that may maintain significant business relations with the Company.

In each case, the Committee starts by examining the nature of the Supervisory Board member's duties in the undertaking concerned, particularly whether they hold a non-executive position such as member of the Board of Directors or Supervisory Board, whether they are qualified as independent by that undertaking and whether they share any cross-directorships with an executive officer of the Company.

Where a Board member holds an executive or management position, the Committee examines the nature and scope of the member's duties and, if the undertaking is a material competitor, customer or supplier of the Company, assesses whether the position may give rise to a conflict of interest between that undertaking and the Company.

When considered necessary, the Committee then analyzes individual situations based on (i) the type of relationship that exists between the Company and the undertaking concerned and (ii) the amounts represented by financial transactions between the Company and the undertaking, applying different materiality thresholds depending on the type of relationship (revenues in relation to consolidated revenues, purchase volumes, etc.).

The Compensation and Appointments Committee conducted an independence review in early 2020. Its conclusions were presented to the Supervisory Board, which discussed and then adopted them. The review process can be summarized as follows:

The Committee examined the situation of **Anne-Sophie de La Bigne** in light of her position with Airbus as Vice President in charge of Civil Affairs in the Public Affairs Division France. The Committee noted that (i) Ms. de La Bigne does not hold an executive position at Airbus with responsibility for purchasing or selling products or services and (ii) her area of responsibility is limited to France.

The Committee nevertheless decided to examine the volume of business conducted between Michelin and Airbus, as some of the latter's subsidiaries purchase products and/or services from Michelin.

Due to the structure of the aerospace markets served by Michelin and the companies operating in these markets, the Committee examined the revenues earned by Michelin in 2019 from the sale of products and services not only to Airbus companies but also to these companies' customers that own or lease aircraft. The sales figure was then compared to Michelin's consolidated sales for 2019.

The comparison showed that the sales in question represented a very limited part of the Group's consolidated sales for the year.

Consequently, the Committee proposed considering that Anne-Sophie de La Bigne's indirect business relationship with Michelin by virtue of her position with the Airbus was not material.

The Committee also examined the business relationship between Michelin and the Capgemini group, whose Asia-Pacific and Latin America regions have been headed by **Aruna Jayanthi** since 2018.

Transactions between the Capgemini group and Michelin represent only a very small proportion of Michelin's purchases, and their contribution to Capgemini's revenue is not material.

Consequently, the Committee proposed considering that Aruna Jayanthi's indirect business relationship with Michelin by virtue of her position with the Capgemini group was not material.

In addition, the Committee examined the business relationship between Michelin and Arkema, whose Chairman and Chief Executive Officer is **Thierry Le Hénaff.**

Transactions between Arkema and Michelin represent only a very small proportion of Michelin's purchases and their contribution to Arkema's revenue is not material.

Consequently, the Committee proposed considering that Thierry Le Hénaff's indirect business relationship with Michelin by virtue of his position with Arkema was not material.

Cyrille Poughon, is an employee of Manufacture Française des Pneumatiques Michelin, one of the Group's largest operating companies and its largest French subsidiary. Despite his independent mindset and conspicuous participation in Supervisory Board meetings, the Supervisory Board considered that Mr. Poughon could not be qualified as independent because of the implicit requirement for him, as a Michelin employee, to demonstrate loyalty to the Group.

The Compensation and Appointments Committee decided that, to avoid any ambiguity and in the Company's interests, the Chairman of the Supervisory Board, **Michel Rollier,** who is also Chairman of the Supervisory Board of Somfy SA, should continue to be qualified as a non-independent member of the Supervisory Board at December 31, 2019, despite the fact that (i) he stepped down from his executive position at Michelin more than five years ago (at the Shareholders Meeting of May 11, 2012) and (ii) the serving Managers as of December 31, 2019 were not members of senior management when he stepped down from his executive position in 2012. Michel Rollier, who is a member of the Committee, did not take part in the discussion of his situation and was not involved in determining the Committee's conclusions.

Having reviewed the Compensation and Appointments Committee's analyses, the Supervisory Board decided that all of its members, with the exception of Cyrille Poughon and Michel Rollier, are independent based on the criteria in the AFEP/MEDEF Code. These independent members represent just under 78% of total Supervisory Board members, a significantly higher proportion than that recommended in the AFEP/MEDEF Code, which states that half of the Board members of widely-held corporations without controlling shareholders should be independent.

3.3.2 g) Assessment of the Supervisory Board's practices

During 2019, two self-assessments were carried out:

- one by a firm of consultants, covering each member's personal contribution;
- the other by the Chairman of the Supervisory Board, covering the Board's practices.

The self-assessment by the Supervisory Board's Chairman was conducted in the first quarter of 2019. The self-assessment consisted in interviewing each Board member based on a questionnaire that they had received beforehand.

The following matters were covered:

- the Supervisory Board's role and organization;
- the choice of topics addressed and the time allocated to them;
- governance;
- the Supervisory Board's overall qualifications;
- the quality and quantity of information received;
- performance management;
- the practices of the Committees of the Supervisory Board.

Subsequently, each Board member's personal contribution was assessed by a firm of consultants, based on individual interviews conducted during the first half of 2019. An executive summary of the consultants' conclusions was presented to the Chairman of the Supervisory Board and the Chair of the Compensation and Appointments Committee.

Lastly, the consultants used the results of the above self-assessment and their own assessment of the members' individual contributions to update the findings of their previous external assessment of the Supervisory Board's overall performance.

These updated findings, which were communicated to the Supervisory Board members, were consistent with the results of the internal self-assessment performed by the Chairman of the Supervisory Board.

As is the case every year, an exchange of views and a discussion of Supervisory Board practices among its members was included on the agenda of the February 8, 2019 Supervisory Board meeting.

The self-assessment confirmed that the Supervisory Board's practices are constantly improving, as evidenced by the following observations:

- the Company's management succession plan was implemented very efficiently, taking into account the specific situation of a partnership limited by shares;
- high quality relations have been established with the new Managers;
- the two Committees of the Board are efficient and effective;
- executive sessions led by the Senior Independent Member are organized.

Going forward, the Supervisory Board members consider it important to continue efficiently preparing succession plans for the Managers and the holders of the main functions, and recommend paying even closer attention to certain key issues such as CSR programs and talent management.

The Supervisory Board has asked the same firm of consultants to perform a similar external assessment of its practices as the one conducted in 2016.

This external assessment will be carried out during the second half of 2020 using a tried and tested method, based on one-on-one interviews with Supervisory Board members, the Supervisory Board Secretary and the Managers, supported by reviews of all relevant documents.

3.3.2 h) Implementation of the "comply or explain" rule

In accordance with Article L. 225-68 of the French Commercial Code and paragraph 27.1 of the AFEP/MEDEF Code and the corresponding implementation guidance, the Supervisory Board considers that it complies with the recommendations of the AFEP/MEDEF Code, as adapted to the Company's structure as a French partnership limited by shares (S.C.A.), which was adopted at the time of its formation in 1863, except as explained below:

AFEP/MEDEF Code recommendation	Explanation
Material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors (Recommendation 1.9, first bullet point)	This recommendation in Article 1.9 of the AFEP/MEDEF Code (first bullet point) is not directly applicable because of the Company's legal form as a partnership limited by shares. With this type of partnership, the Managing General Partners have unlimited personal liability and their powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no legal authority to become involved in managing the Company. However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its Bylaws[(1)], as well as the Supervisory Board's internal rules. Pursuant to the internal rules, the Managers must submit to the Supervisory Board details of any planned business acquisitions, asset disposals or off-balance sheet commitments that are material for the Group and any capital projects (other than business acquisitions) in excess of €100 million, before any final decision is made. This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate. This approach complies with the spirit and aims of the recommendation.
Appointment to the Compensation Committee of a Director representing employees (Recommendation 18.1)	The Company chose to recommend that employees should be represented on the Supervisory Board and an employee of a Group company – Cyrille Poughon – was elected to the Supervisory Board at the 2014 Annual Shareholders Meeting, then re-elected at the 2018 Annual Shareholders Meeting by a majority of 99.45% of the votes cast. However, the Compensation and Appointments Committee, which determines executive compensation, does not include any member representing employees. The Company is a holding company and does not have any employees. The Supervisory Board therefore decided to postpone its review of the basis for (i) appointing an employee to sit on the Compensation and Appointments Committee and (ii) appointing additional Group employees to the Board until the revised PACTE Act (Act No. 2019-486) was adopted. Following the Company's decision to propose a resolution at the 2020 Annual General Meeting amending the Bylaws to provide for employees of Group companies to be represented on the Supervisory Board in accordance with the revised provisions of the Act, the Board's members will decide on the future membership of the Committees of the Supervisory Board once the employee representatives appointed pursuant to the Bylaws take up their seats on the Supervisory Board.
Termination of employment contract in the event of becoming a corporate officer (Recommendation 22)	Due to their status and specific responsibilities, under the long-standing compensation policy applied to Managing General Partners, these partners cease to be covered by any employment contract that may have existed between them and a Group company prior to becoming Managing General Partner. This rule applies even if they have acquired considerable seniority with the Group. In addition, Yves Chapot's mandate as General Manager justifies suspending his pre-existing employment contract with a Michelin Group company: ▶ Yves Chapot is not the most senior executive officer (Manager); he reports to the Managing Chairman who, according to the Company's Bylaws, defines the Managers' areas of responsibility and any restrictions on their powers, as well as setting their annual objectives; ▶ the position of General Manager is therefore similar to that of a Chief Operating Officer or a member of the Management Board of a joint stock corporation, who are not concerned by the AFEP/MEDEF Code's recommendation; ▶ Yves Chapot has acquired considerable seniority, having worked for the Michelin Group without interruption for over 27 years (since 1992); ▶ if Yves Chapot were to cease to be a Manager, any compensation for loss of office or non-compete benefit due to him would be reduced or cancelled if necessary so that the total amount payable – including the termination benefit in respect of his suspended employment contract – would not exceed his final two years' total compensation.

(1) Article 17 of the Bylaws states that "(...) The Supervisory Board is jointly and regularly informed about the Company's situation and the key issues listed in the Supervisory Board's internal rules. The Supervisory Board reports to the Shareholders Meeting on the fulfillment of its duties (...)".

3.3.2 i) Audit Committee

95.6%	5*	83%	4
Attendance rate	Members	Independence	Meetings

* At December 31, 2019

/ Members(1)

The Audit Committee has at least three members appointed for their full term as Supervisory Board members. At least two-thirds of the members must be independent. Since January 2019, the Audit Committee has comprised the following members:

- Olivier Bazil, independent member and Committee Chairman;
- Jean-Pierre Duprieu, independent member and Chairman of the Committee;
- Anne-Sophie de La Bigne, independent member(2);
- Thierry Le Hénaff, independent member;
- Monique Leroux, independent member;
- Cyrille Poughon, non-independent (non-executive) member.

All of the Audit Committee's members have financial or accounting skills and, due to the extensive experience acquired during their careers, notably as part of the executive management and strategic advisory teams of large corporations, Anne-Sophie de La Bigne, Monique Leroux, Olivier Bazil, Jean-Pierre Duprieu and Thierry Le Hénaff have a deep understanding of financial and accounting matters.

/ Role and responsibilities

The main provisions of the Audit Committee's internal rules are outlined below.

The Audit Committee assists the Supervisory Board in fulfilling its oversight role. It operates as a specialized committee tasked with addressing issues related to the preparation and control of accounting and financial information in accordance with Articles L. 823-19 and L. 823-20-4 of the French Commercial Code.

The Audit Committee's role includes:

- reviewing the annual and interim financial statements, as approved by the Managing Chairman and audited by the Statutory Auditors, as well as the quarterly financial information;
- obtaining assurance that the Group's accounting methods and policies are appropriate and are applied consistently, and overseeing the quality of information given to the shareholders;
- reviewing off-balance sheet commitments;
- assessing the effectiveness of internal control and risk management systems;
- reviewing all of the Group's risks, assessing the effectiveness of measures taken to control these risks and examining their accounting treatment and the related disclosures in the Group's communications;
- reviewing the Statutory Auditors' annual audit programs;
- reviewing the Quality, Audit and Risk Management Department's internal audit programs and recommending internal audits of specific financial risks;
- verifying the Statutory Auditor' independence and objectivity and expressing an opinion about their appointment or re-appointment.

/ Committee practices

The Committee's work program and meeting schedule are decided by the Supervisory Board, in agreement with management.

In view of the distance they may have to travel to attend meetings and the other business commitments not only of the Supervisory Board and Audit Committee members but also of the members of Executive Management, the Audit Committee conducts its formal review of the financial statements half a day before they are examined by the Supervisory Board.

However, to enable the Committee to perform its work as efficiently as possible:

- the documents concerning the financial statements are made available to the Committee members several days in advance;
- the Chairman of the Audit Committee meets with the Group's Chief Financial Officer in advance to review the financial statements and prepare the Committee's meeting.

This process ensures that the discussion of the financial statements by the Committee and the Supervisory Board is both efficient and of a high quality, in accordance with the recommendations in the AFEP/MEDEF Code on the organization of the Audit Committees' work.

The Committee may also call on the services of independent experts. In addition, the Committee meets with the Statutory Auditors once a year without any members of management being present.

The Committee chooses the location of its meetings and may decide to conduct meetings by videoconference.

The Committee's Chairman reports on the Committee's work to the Supervisory Board several times a year.

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

The Committee met four times in 2019 – on February 7, April 24, July 24 and December 9 – with a 95.6% attendance rate.

/ Activities

During its meetings, the Audit Committee made inquiries of:

- the General Manager and Chief Financial Officer;
- the Senior Vice President, Supply Chain;
- the Senior Vice President, Corporate Finance;
- the Deputy Chief Financial Officer;
- the Executive Vice President, Manufacturing;
- the Senior Vice President, Accounting;
- the director responsible for the Fenner integration process;
- the Head of Internal Control;
- the Senior Vice President, Audit, Quality, Internal Control and Risk Management;
- the Senior Vice President, Tax and Customs Affairs;
- the Senior Vice President, Customs Affairs and Foreign Trade Control;
- the Executive Vice President, Research and Development;
- the OPE program Director;
- the Statutory Auditors.

(1) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.2.2 of this 2019 Universal Registration Document.
(2) Audit Committee member until the end of July 2019.

The main purpose of the meetings held in 2019 was to review:

- the audited parent company and consolidated financial statements for the year ended December 31, 2018, and the parent company projections prepared in accordance with French law. The Committee focused on reviewing the treatment of recently acquired businesses in the consolidated financial statements, key figures and non-recurring events in 2018. It noted that the audit of the accounts had gone smoothly. The Statutory Auditors reported to the Committee on their audit, noting that they would be issuing an unqualified opinion, without any emphasis of matter, on both the separate and consolidated financial statements. They also submitted their written report to the Audit Committee;
- the interim consolidated financial statements for the six months ended June 30, 2019 and the information on the parent company projections prepared in accordance with French law. The Committee performed a detailed review of the Group's results for the first half of 2019 and discussed with the Statutory Auditors the nature and conclusions of their work. The Statutory Auditors reported to the Committee on their limited review of the interim financial statements for the six months ended June 30, 2019. Their limited review report did not contain any qualifications or emphasis of matter;
- the integration of the recently acquired Fenner and Camso groups. The Senior Vice President, Tax and Customs Affairs, and his successor, and the director responsible for the Fenner integration process reviewed in turn the two groups' tax positions and Fenner's expected performance and synergies;
- the situation regarding employee benefit obligations. The Senior Vice President, Corporate Finance presented the key factors in managing the risk exposures of employee benefit plan assets;
- Michelin Luxembourg's financial statements. The Deputy Chief Financial Officer presented the financial statements of this subsidiary which has issued debt securities that are listed on the stock exchange and that shares the same Audit Committee as the Company;
- off-balance sheet commitments. The Deputy Chief Financial Officer provided an update on the situation regarding off-balance sheet commitments;
- product risk management. The Executive Vice President, Research and Development (his predecessor, by delegation) represented the system for managing the main product risks;
- export controls. The Senior Vice President, Tax and Customs Affairs and the Senior Vice President, Customs Affairs and Foreign Trade Control presented the system for managing export-related risks;
- health and safety and environmental risks associated with industrial operations. The Executive Vice President, Manufacturing presented the goals and challenges facing the Group's industrial operations in relation to these risks;
- Supply Chain productivity plan. The Senior Vice President, Supply Chain presented this activity's global productivity plan;
- cost efficiency plan. The Deputy Chief Financial Officer presented the cost efficiency plan targeting SG&A costs;
- the M&A process. The General Manager and Chief Financial Officer presented the Group's upgraded M&A processes and practices;
- risk management processes and the internal audit program. The Senior Vice President, Audit, Quality, Internal Control, Risk Management and Operational Research and Development Management presented the overall internal control process, the control self-assessments and audits carried out since the last presentation and the progress made in implementing related action plans;
- execution of the OPE business process management system program. The program director outlined the various phases of the program, its deployment status and the related budget;
- the proposed organization of the subsidiaries' control structures. The Deputy Chief Financial Officer presented a status report on this project.

The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 8, April 26, July 25, and December 10, 2019.

3.3.2 j) Compensation and Appointments Committee

100%	4	75 %	3
Attendance rate	Members	Independence	Meetings

/ Members[1]

The Compensation and Appointments Committee must comprise at least three members (including the Chair of the Committee) who fulfill the criteria for classification as independent throughout their term as members of the Supervisory Board.

The current members of the Compensation and Appointments Committee are:

- Barbara Dalibard, independent member and Chairman of the Committee;
- Aruna Jayanthi, independent member;
- Anne-Sophie de La Bigne, independent member;
- Michel Rollier, non-independent (non-executive) member.

The Company chose to recommend that employees should be represented on the Supervisory Board and an employee of a Group company – Cyrille Poughon – was elected to the Supervisory Board at the 2014 Annual Shareholders Meeting, then re-elected at the 2018 Annual Shareholders Meeting by a majority of 99.45% of the votes cast.

The Company is a holding company and does not have any employees. The Supervisory Board therefore decided to postpone its review of the basis for (i) appointing an employee to sit on the Compensation and Appointments Committee and (ii) appointing additional Group employees to the Board until the revised PACTE Act (Act No. 2019-486) was adopted. Following the Company's decision to propose a resolution at the 2020 Annual Shareholders Meeting amending the Bylaws to provide for employees of Group companies to be represented on the Supervisory Board in accordance with the revised provisions of the Act, the Supervisory Board's members

(1) *Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.2.2 of this 2019 Universal Registration Document.*

will decide on the future membership of the Committees of the Supervisory Board once the employee representatives appointed pursuant to the Bylaws take up their seats on the Board[(1)].

The main provisions of the Compensation and Appointments Committee's internal rules are outlined below.

/ Role and responsibilities

The Committee's role encompasses:

- senior management compensation policy, including the criteria used to determine:
  - fixed and variable compensation paid to members of the Executive Committee,
  - variable compensation paid to other senior executives;
- employee performance share plan policies;
- senior management appointments policy; senior management career and succession plans;
- the policy concerning the appointment of Managers, including career and succession plans, developed jointly with the Non-Managing General Partner (SAGES) in line with the Company's Bylaws.

Concerning the compensation awarded to the Managers and the Chairman of the Supervisory Board, in light of the specific rules applicable to partnerships limited by shares and the provisions of the Bylaws, the Committee makes recommendations to the Supervisory Board concerning the parameters for the components of their compensation.

The Committee's proposals help the Supervisory Board to formulate recommendations to the Non-Managing General Partner about the criteria to be applied to the Managers variable compensation.

The Committee also reviews all amounts and benefits due, awarded or to be awarded to the Managers for the previous year by Group companies.

As part of the review, the Committee particularly verifies that the amounts paid or awarded to the Managers are proportionate and consistent in terms of (i) the Company's performance and (ii) industry and market practice.

The Committee also ensures that the components of the Managers' compensation are balanced, by (i) assessing the components of their variable compensation calculated over one year and several years, and (ii) ensuring that their variable compensation never exceeds a reasonable percentage of their fixed compensation.

In assessing the level of the Managers' variable compensation, the Committee considers (i) the inherent variability of the Company's profits, (ii) projected future profits and (iii) in the case of the Managing Chairman and General Partner, the fact that he is in an unusual situation to the extent that he has unlimited joint and personal liability for the Company's debts.

In addition to performing this review and formulating the corresponding recommendation to the Supervisory Board, the Committee prepares and submits to the Supervisory Board and the General Partners, in accordance with the law and the Company's Bylaws, the information needed to prepare the compensation policy and the components of the compensation awarded or paid to the Managers during or in respect of the reporting period, to be submitted to shareholders for approval at the Annual Meeting.

The Committee also examines issues concerning the need for the Group's management bodies to feature a diverse range of talents and a greater proportion of women.

/ Committee practices

The Committee chooses the location of its meetings and may decide to conduct meetings by videoconference.

The Committee's Chairman reports on the Committee's work to the Supervisory Board several times a year.

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

Meetings of the Committee are attended by the Managers, except when their compensation or succession plans, or the succession plans of the Supervisory Board members, are being discussed, in accordance with AFEP/MEDEF Code recommendation 18.1[(2)].

The Chair of the Committee reported to the Supervisory Board on the Committee's work on February 8, April 26 and December 10, 2019.

The Compensation and Appointments Committee met three times in 2019 – on January 28, April 25 and November 29 – with a 100% attendance rate.

/ Activities

The Committee's work mainly consisted in reviewing the following issues:

Review of the corporate officers' compensation

In early 2019, the Committee analyzed and submitted to the Supervisory Board its conclusions about the achievement rates for the performance criteria used to determine the variable compensation due or awarded by the Company to the Managers and the Chairman of the Supervisory Board for 2018, so that the Board could submit its own conclusions to the General Partners (SAGES, Non-Managing General Partner, and Florent Menegaux, General Partner and Managing Chairman) for approval.

These compensation components were put to the vote at the Annual Shareholders Meeting of May 17, 2019 in the 6th to 9th resolutions, which were each adopted by a majority of over 96% of the votes cast.

The Compensation and Appointments Committee also proposed the components of the Managers' 2019 variable compensation for approval by the General Partners.

Based on the Committee's recommendation, the Supervisory Board examined the compensation awarded to its Chairman and prepared and recommended the components of his compensation to be put to the vote at the Annual Shareholders Meeting of May 17, 2019. The corresponding resolution (9th resolution) was approved by a majority of 99.71% of the votes cast.

In early 2020, the Committee analyzed the various components of the Managers' compensation and noted the achievement rates for the applicable performance criteria.

Review of Supervisory Board members' independence and any conflicts of interest

The Committee performed its annual review of the Supervisory Board members' independence, by examining in particular whether there were any business relationships between the members and Michelin that could be qualified as material[(3)].

(1) This exception to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 3.2.2 h) prepared in accordance with the "comply or explain" rule.

(2) This rule also results from the legal ban on a General Partner becoming involved in appointing the members of the Supervisory Board of a partnership limited by shares (see Article L. 226-4, paragraph 3 of the French Commercial Code, the Company's bylaws and the Supervisory Board's internal rules, as well as the detailed explanations provided in section 10.2 of the 2016 Registration Document concerning the resolutions presented at the Annual Shareholders Meeting of May 19, 2017).

(3) See the detailed description in section 3.2.2 f) of this report.

Executive management succession plan

The Compensation and Appointments Committee of the Supervisory Board periodically reviews the succession plans and career plans of the Group's executive management team, Managers and current or potential future members of the Executive Committee, in order to ensure a smooth succession to these positions when the time comes or to deal with any crisis situation. The review is also designed to enable the Committee to express an opinion on proposed candidates to succeed Managers to be submitted for approval at the Annual Shareholders Meeting.

To the above ends, for several years now the Compensation and Appointments Committee, led by its Chair who is also the Senior Independent Supervisory Board Member, has analyzed the performance appraisals of key executives prepared by management with the assistance of an independent firm of consultants. The Committee has held very instructive discussions with these consultants that have enabled it to appreciate the quality of their work.

In 2019, the Compensation and Appointments Committee continued to examine the membership of the Group's new internal management structures set up in 2018. It also reviewed the succession plans drawn up for these structures' members, and worked on adapting the new structures based on the plans submitted to the Committee by the Managing Chairman and by the two new Managers.

Recommendations concerning the re-election of Supervisory Board members at the Annual Shareholders Meetings of May 17, 2019 and June 23, 2020

At the Supervisory Board's request, the Committee reviewed the proposed re-election of Supervisory Board members.

The Committee's work and its recommendations to the Supervisory Board are described in detail in section 10.2.1 of the 2018 Registration Document for the re-elections/elections proposed at the Annual Shareholders Meeting of May 17, 2019 and in the Supervisory Board's report on the proposed resolutions (see section 7.2.1 of this Universal Registration Document) for the re-elections to be proposed at the Annual Shareholders Meeting of June 23, 2020.

Variable compensation policy

As in prior years, the Committee reviewed the Company's variable compensation and performance share policies, as well as changes to these policies.

3.4 MANAGEMENT AND SUPERVISORY BOARD COMPENSATION POLICIES FOR 2020

3.4.1 GENERAL PRINCIPLES

Since 2014, the compensation awarded to the Managers and the Chairman of the Supervisory Board has been submitted to the shareholders at the Annual Meeting.

In application of Directive (EU) No. 2017/828 dated May 17, 2017 (the "Directive"), French Act No. 2019-486 dated May 22, 2019 (the "PACTE Act"), Government Order 2019-1234 dated November 27, 2019 for the application of the Directive and the PACTE Act, and Decree No. 2019-1235 dated November 27, 2019 transposing the Directive into French law, at the Annual Shareholders Meeting of June 23, 2020, the General Partners and, on the recommendation of its Compensation and Appointments Committee, the Supervisory Board will ask shareholders to approve the 2020 Compensation Policy applicable to (i) the Managers and (ii) the Supervisory Board.

The Compensation Policy applicable to the Managers and the Supervisory Board is prepared and revised in accordance with the relevant laws and regulations.

Article L. 226-8-1 of the French Commercial Code stipulates that the Compensation Policy applicable to the Managers and the Supervisory Board must be compatible with the Company's corporate interests. It must contribute to its marketing strategy as well as the long-term sustainability of the business.

This Compensation Policy establishes a competitive framework aligned with the Group's strategy and business environment. The policy is designed to increase medium and long-term performance and competitiveness and is therefore in the Group's best corporate interests, in accordance with the AFEP/MEDEF Code.

The policy contributes to the Company's marketing strategy by requiring the Group's performance to be factored into the calculation of variable compensation, in particular:

- the Managers' variable compensation (annual, long-term) represents the predominant part of their total compensation; and
- the amount they receive in variable compensation depends on the achievement of objectives related to the Group's main performance indicators, which also apply to the employees of Group companies.

The policy contributes to the Company's sustainability by requiring the Group's performance to be factored into the calculation of variable compensation, in particular:

- for each Manager:
  - the performance indicators applicable to their variable compensation (annual and long-term) focus on sustained performance in line with the Group's strategy,
  - as from 2020, part of their variable compensation consists of performance shares that are subject to vesting conditions linked to the achievement of performance objectives over several years,
  - the performance shares received when the vesting conditions have been met may not be sold for as long as they serve as a Manager;
- for the Managing Chairman:
  - the Compensation Policy takes into account his position as General Partner with unlimited joint and personal liability for the Company's debts by deducting his annual variable compensation from the amounts due to the General Partners out of the Company's profits (if any);

- for the members of the Supervisory Board, most of their compensation as Supervisory Board member and, if applicable, member of a Committee of the Board, is based on their attendance rate at Board and Committee meetings.

In the decision-making process for the determination and revision of the Compensation Policy, as the Company does not have any employees, it has chosen to take into account the compensation and employment conditions of employees of its main French subsidiary, Manufacture Française des Pneumatiques Michelin (the "Scope").

The Managers' decision to extend the variable compensation criteria to Scope employees and subsequently, according to a gradual process, to the employees of Group companies in other countries, led to the following adjustment of the 2020 performance indicators:

- concerning annual variable compensation, bonuses based on the achievement of one or several indicators, that are the same as those applicable to the variable compensation of the Managers, will be awarded to Scope employees as from 2020 and more widely to other Group employees thereafter;
- concerning their deferred variable compensation, the Managers will be awarded performance shares subject to more demanding conditions and criteria than those applicable to the Group's performance share plans for Scope employees.

Conflicts of interest are avoided in the drafting, revision and implementation of the Compensation Policy due to the involvement of the Supervisory Board and the Compensation and Appointments Committee, the majority of whose members are independent. The procedures for managing conflicts of interest within the Supervisory Board are described in section 3.3.2 f).

In accordance with the second paragraph of Article L. 226-8-1, section III of the French Commercial Code, the General Partners, where the Managers are concerned, or the Supervisory Board, where the Supervisory Board members are concerned, may depart from this Compensation Policy provided that the following conditions are met:

- any departure from the Policy must be only temporary, consistent with the corporate interest and necessary to ensure the Company's long-term sustainability and viability; in addition, it may only concern the following compensation components: annual and deferred variable compensation, exceptional compensation;
- the Policy may be departed from only in exceptional circumstances, such as - for example - the currently unforeseeable effects of the Covid-19 health and systemic crisis or, a significant change in the Group's scope. It being specified that any change in an aspect of the Compensation Policy must be made public and justified, in particular as regards the Group's best corporate interests over the long-term;
- in the case of exceptional compensation, with payment subject to the approval of the Annual Shareholders Meeting, in accordance with the law.

The 2020 Compensation Policy is the subject of two proposed resolutions to be presented at the Annual Shareholders Meeting to be called to approve the 2019 financial statements:

- the 6th resolution concerning the policy applicable to the Managers, presented in section 3.4.2 below;
- the 7th resolution concerning the policy applicable to the members of the Supervisory Board, presented in section 3.4.3 below.

3.4.2 COMPENSATION POLICY: THE MANAGERS

This section describes the components of the Compensation Policy for the Managers. These components are presented in a proposed ordinary resolution approved by the General Partners that will be submitted for shareholder approval at the Annual Meeting to be called to approve the 2019 financial statements (6th resolution).

3.4.2.1 Principles inherent in the position of General Partner

In his capacity as a General Partner of CGEM, the Managing Chairman has unlimited joint and personal liability for the Company's debts. As consideration for this liability, the General Partners[(1)] receive a portion of the Company's profits (the "Profit Shares") as provided for in the Bylaws. This means that their interests are fully aligned with those of the shareholders, as they are paid Profit Shares only if the Company makes a profit. In addition, the amount is capped at 0.6% of consolidated net income for the year.

The Bylaws state that the allocation of Profit Shares between the General Partners is realized by agreement between them after consulting the Supervisory Board.

This agreement:

- sets the annual cap on the Profit Shares, as a percentage of profits, that can be allocated to the Managing General Partner;
- describes the Profit Share allocation terms and conditions, performance criteria and the related objectives to be met by the Managing General Partner.

The Managing General Partner presents these objectives to the Compensation and Appointments Committee, which discusses their merits before submitting them to the Supervisory Board for approval.

In assessing the level of the Profit Shares, the Committee considers (i) the inherent variability of the Company's profits, (ii) projected future profits and (iii) the General Partner's unusual situation.

This ensures that the agreement reflects the variable components of the Managing General Partner's compensation described below.

At each fiscal year-end, the Compensation and Appointments Committee assesses the Managing General Partner's results in relation to the applicable objectives.

After making its recommendation to the Supervisory Board, the Compensation and Appointments Committee informs the Non-Managing General Partner (SAGES) of the proposed amount to be deducted from the General Partners' Profit Shares in respect of the Managing Chairman's variable compensation. The amount available after this deduction is then allocated to the Non-Managing General Partner, which decides to allocate most of this amount to the contingency reserve fund set up in accordance with its Bylaws[(2)].

The compensation of the General Manager, who does not have unlimited personal liability for the Company's debts, also includes a performance-based variable component.

(1) At December 31, 2019, the Company had two General Partners: Florent Menegaux, Managing Chairman, and SAGES, Non-Managing General Partner (see presentation in sections 3.1.3).

(2) See explanation in section 3.1.3.

3.4.2.2 Principles for determining compensation

The compensation of the Managing Chairman and General Partner is decided by the General Partners and is subject of a deliberation by the Supervisory Board. Then:

- the annual variable compensation is deducted from the General Partners' Profit Shares, as explained in section 3.4.2.1 above;
- the long-term variable compensation is awarded in the form of performance shares;
- the fixed compensation is paid by a subsidiary of the Company in exchange for his services as Manager of that company.

The compensation of the General Manager is decided by the General Partners and is subject of a deliberation by the Supervisory Board.

The Committee also reviews all amounts and benefits due, awarded or to be awarded to the Managers for the previous year by Group companies. As part of the review, the Committee particularly verifies that the amounts paid or awarded to the Managers are proportionate and consistent in terms of (i) the Group's performance and (ii) industry and market practice.

3.4.2.3 Fixed compensation

Considering the efforts that the Michelin Group's employees and other stakeholders have been called upon to make in order to deal with the consequences of the Covid-19 health crisis, the Managing Chairman, the General Manager and the Non-Managing General Partner have decided, with the unanimous backing of the Supervisory Board, to:

- maintain the Managers' fixed compensation at the amounts decided at the time of their appointment, i.e. €900,000 for Florent Menegaux and €600,000 for Yves Chapot; and
- to reduce this fixed compensation by 25% for the period during which employees are furloughed.

3.4.2.4 Annual and long-term variable compensation

/ Shared principles

To engage Managers more deeply in the Company's performance and encourage them to act with its long-term interests in mind, their variable compensation includes an annual portion and a long-term portion, both of which are subject to performance conditions.

This structure means that the Managers' variable compensation fluctuates partly in line with net income for the year and partly on the basis of several additional performance conditions related to factors that are essential for the deployment of Michelin's strategy to deliver sustainable growth.

The General Partners and the Supervisory Board take into consideration and apply the principles of compensation determination defined by the AFEP/MEDEF Code recommendations.

The level and terms of the Managers' compensation take into account the positions of Managing Chairman and Managing General Partner, as well as the difference in status between a Managing General Partner and a General Manager.

The Managing General Partner's annual variable compensation is deducted from the Profit Shares described in the sections above entitled "General principles" and "Principles inherent in the position of General Partner".

/ 3.4.2.4.1 Annual variable compensation

Florent Menegaux, Managing Chairman and General Partner

In line with the simplified approach applied since 2019, this component would be calculated as a direct percentage of the General Partners' Profit Shares.

The performance criteria determined by the Supervisory Board include:

- a quantitative criterion based on net income for the year, for 4% of the Group Profit Shares;
- a quantitative criterion based on growth in Segment Operating Income (SOI), which is also used to determine the variable compensation of the General Manager and all employees of Group companies in France from 2020 and worldwide thereafter, for up to 8% of the Profit Shares;
- a quantitative criterion based on growth in structural free cash flow, which is also used to determine the variable compensation of the General Manager and all employees of the French subsidiaries from 2020 and worldwide thereafter, for up to 8% of the Group Profit Shares;
- quantifiable qualitative criteria aligned with the objectives set for 2019 and based on the Group's strategic ambitions and managerial expectations, for up to 4% of the Profit Shares. These criteria concern three areas in particular: deployment of the Group's strategy, employee safety and implementation of the synergies arising from recent acquisitions.

The maximum amount receivable in respect of this annual variable compensation would:

- correspond to the amount payable if all the objectives for the selected criteria were met; and
- be capped at 16% of the Profit Shares for the quantitative criteria (including the criterion based on net income) and 4% of the Profit Shares for the qualitative objectives. For example, assuming that the Profit Shares were equivalent to the amount proposed on the basis of 2019 income, the maximum amount would be €2,076,000.

The following will be applied to each criterion except for the one concerning net income:

- a trigger point below which no compensation will be due;
- an intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective;
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable.

For reasons of confidentiality and business secrecy, and in particular to avoid disclosing information about the Company's strategy that could be used by business competitors for their advantage, the Supervisory Board has elected not to disclose details of the performance targets set for these quantitative and quantifiable criteria.

Yves Chapot, General Manager

Yves Chapot's annual variable compensation would be calculated on a base equal to one and a half times his 2019 fixed compensation with:

- the same quantitative performance criteria as those used to determine the variable compensation of the Managing Chairman and employees, as presented in the above section concerning Florent Menegaux, for up to 80% of the base;
- the same quantifiable qualitative criteria as those used to determine the Managing Chairman's compensation, for up to 20% of the base.

The maximum amount receivable in respect of this annual variable compensation would:

- correspond to the amount payable if all the objectives for the selected criteria were met; and
- be capped at 150% of Yves Chapot's fixed compensation for 2019, representing a maximum amount of €1,050,000.

The following will be applied to each criterion (including the one concerning net income):

- a trigger point below which no compensation will be due;
- an intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective;
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable.

For reasons of confidentiality and business secrecy, and in particular to avoid disclosing information about the Company's strategy that could be used by business competitors for their advantage, the Supervisory Board has elected not to disclose details of the performance targets set for these quantitative and quantifiable criteria.

/ 3.4.2.4.2 Long-term variable compensation: performance share rights

As from 2016, in response to shareholder expectations and the changing market environments in which the Group's businesses operate, the Managers' cash-settled long-term incentive bonuses were subject to the same performance criteria as those applicable to the employee performance share plans (that were not open to the Managers), which concerned implementation of the Group's long-term strategy as expressed in the Ambitions for 2020 (see section 1 of this 2019 Universal Registration Document).

The 2020 Compensation Policy provides for the use of a simpler mechanism that is even more closely aligned with the components of the long-term compensation paid to Michelin employees. Under the revised policy:

- the Managers are no longer entitled to a cash-settled long-term incentive bonus;
- instead, they participate in the annual performance share plans set up for employees, on the same terms and based on the same criteria, except for certain terms that are necessary by virtue as their position as Managers and corporate officers; and
- new performance criteria have been added for all plan participants (employees and Managers) to take into account the changing market environment in which the Group's businesses operate and the Group's strategy.

The performance share plans' terms, conditions and criteria are presented in support of the 25th extraordinary resolution to be presented at the Annual Shareholders Meeting of June 23, 2020 (see section 7.1.1 of this 2019 Universal Registration Document).

The main specific characteristics of the performance share rights that may be awarded to the Managers are as follows:

- the awards are decided annually by the Managing Chairman on the recommendation of the General Partners, after the performance conditions and criteria have been determined by the Supervisory Board;
- the total performance share rights awarded to the Managers during the period of validity of the above resolution will be capped at 0.05% of the Company's share capital on the date of the Shareholders Meeting at which the resolution is adopted.
- in addition, the value of each annual award will be capped at a percentage of the Manager's fixed annual compensation for the award year, set at 100% for the Managing Chairman and 100% for the General Manager;
- the Managers will be required to hold 40% of the vested shares for as long as they remain in office;
- concerning the Managing Chairman and General Partner:
  - the vested performance shares would be delivered to him only if Profit Shares were distributed in respect of the year preceding the one in which the shares are issued;
  - by proposing to replace the cash-settled long-term incentive bonus with an allocation of performance shares to the General Partner, when the time comes, the cost to the Company of this allocation will be taken into account in determining the Profit Shares returning to the General Partners, under the control by the Supervisory Board;
- if a Manager ceases to hold this position:
  - following his resignation or removal from office due to mismanagement, all the performance share rights will be forfeited,
  - for any other reason, such as the expiration of his term or due to disability or death, before the end of the reference period for determining the achievement rate for the performance criteria, he will retain a number of performance share rights initially awarded to him prorated to the time served in office during the plan period (or the total number in the case of disability or death), and the reference three-year period will continue to run, during and beyond the end of his term.

3.4.2.5 Fringe benefits and directors' compensation

Each Manager has a fringe benefit in the form of a Company car.

They do not receive any compensation (previously referred to as attendance fees) for serving on the Board of the Company or any Group subsidiaries.

As executive officers of the Company or MFPM, the Managers are covered by health and death/disability insurance plans in the same way as the employees of the Company or MFPM.

3.4.2.6 Stock options

No stock options are granted to the Managers by the Company or any Group subsidiaries.

3.4.2.7 Pension benefits[1]

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

Florent Menegaux, in his capacity as General Manager of MFPM, and Yves Chapot, in his capacity as General Manager of CGEM, participate in the supplementary pension plans described in sections 3.4.3.5 and 3.4.4.5 of this 2019 Universal Registration Document.

In accordance with Government Order No. 2019-697 dated July 3, 2019, the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan) has been closed to new members since July 4, 2019 and the vesting period was frozen at December 31, 2019. The terms on which the vesting period was frozen were the same as those applied to the supplementary pension plan for MFPM employees.

Any loss of retirement income arising from the vesting freeze will be offset for all affected employees and senior executives by benefits payable under a new system that is currently under consideration.

Under the rules of the Michelin Executive Supplementary Pension Plan, the vested rights of the current two Managers entitle them to the maximum pension benefits, capped at 15% since December 31, 2018. Consequently, the freeze on the vesting period will have no impact on the pension benefits payable to them when they retire. At this stage, therefore, there are no plans to compensate them for any loss of pension rights.

If a Manager was no longer able to participate in the Michelin Executive Supplementary Pension Plan, he could be given the opportunity to either (i) participate in a new defined contribution plan, or (ii) build up a pension fund by receiving an initial seed capital award, in cash or shares, and annual payments.

3.4.2.8 Compensation for loss of office

In accordance with Article 13-2 of the Bylaws, as approved by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if a Manager were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner, SAGES, subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of the Manager's total compensation for the two years preceding the year of his removal from office.

By decision of the Supervisory Board, it would be based on the performance criteria used to determine his annual variable compensation and would be calculated using the following formula:

[Total compensation paid over the two years preceding the loss of office] x [the average (in %) of the achievement rates for the annual variable compensation for the three years preceding the loss of office].

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

3.4.2.9 Non-compete clause

In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, each Manager is subject to a non-compete clause.

If the Company decided to apply this non-compete clause for a period of up to two years, in line with the conditions described in section 3.7.1.13 of this 2019 Universal Registration Document:

- Florent Menegaux, Managing General Partner and Managing Chairman, would be entitled to a non-compete benefit of up to 24 months' compensation based on his most recent annual fixed compensation as Manager;
- Yves Chapot, General Manager, would be entitled to a non-compete benefit of up to 24 months' compensation based on the compensation defined in his suspended contract of employment for the position held immediately before his election as Manager. The terms of the commitment would be amended in 2020 so that the above baseline would be indexed to the average growth in compensation of Michelin Executive Committee members since his employment contract was suspended.

In accordance with paragraph III of Article R. 226-1-1 of the French Commercial Code, introduced by decree 2019-1235, the above compensation would not be payable if Florent Menegaux or Yves Chapot retired on leaving the Group.

In accordance with the AFEP/MEDEF Code:

- the Company may waive application of this clause;
- if compensation for loss of office were to be awarded as provided for above (see "Compensation for loss of office"), the non-compete indemnity would be reduced or withheld entirely, if necessary, so that the Manager's aggregate severance package, including the non-compete indemnity referred to above, would not exceed the equivalent of the aggregate of his last two years' compensation.

3.4.2.10 Exceptional compensation

There are no plans to award any exceptional compensation to either of the Managers, except as a departure from the current Compensation Policy subject to the conditions set out in section 3.4.1 above.

3.4.2.11 Employment contract

Due to his status and specific responsibilities, under the applicable Compensation Policy the Managing General Partner ceases to be covered by any employment contract that may have existed between him and a Group company. This rule applies even if he has acquired considerable seniority with the Group.

Consequently, Florent Menegaux no longer has an employment contract with the Company or any of its subsidiaries since he became Managing General Partner of the Company[2].

(1) The disclosures in this section and in sections 3.5.3.5, 3.5.4.5 and 3.5.5.5 of this 2019 Universal Registration Document comply with the provisions of the PACTE Act, as set out in Article D. 225-29-3 of the French Commercial Code.

(2) This adaptation to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 3.2.2 h) prepared in accordance with the "comply or explain" rule.

In addition, Yves Chapot's mandate as General Manager justify suspending his pre-existing employment contract with a Michelin Group company:

- Yves Chapot is not the most senior executive officer (Manager); he reports to the Managing Chairman who, according to the Company's Bylaws, defines the Managers' areas of responsibility and any restrictions on their powers, as well as setting their annual objectives;
- the position of General Manager is therefore similar to that of a Chief Operating Officer or a member of the Management Board of a joint stock corporation. The AFEP/MEDEF Code does not recommend terminating these executives' employment contracts;
- Yves Chapot has acquired considerable seniority, having worked for the Michelin Group without interruption for over 27 years (since 1992);
- if Yves Chapot were to cease to be a Manager, any compensation for loss of office or non-compete benefit due to him would be reduced or cancelled if necessary so that the total amount payable – including the termination benefit in respect of his suspended employment contract – would not exceed his final two years' total compensation.

3.4.2.12 Proposed resolution on the Compensation Policy for Managers

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following resolution:

6th resolution
Approval of the Compensation Policy applicable to the Managers

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-1-II of the French Commercial Code, approves the Compensation Policy applicable to the Managers drawn up by the General Partners, as presented in the Corporate Governance Report set out in sections 3.4.1 and.3.4.2 of the Company's 2019 Universal Registration Document.

3.4.3 COMPENSATION POLICY: MEMBERS OF THE SUPERVISORY BOARD

This section describes the components of the Compensation Policy applicable to the members of the Supervisory Board. These components are presented in a proposed resolution approved by the General Partners that will be submitted for shareholder approval at the Annual Meeting of June 23, 2020 (7th resolution).

Concerning the members of the Supervisory Board, the Bylaws state that the Ordinary Shareholders Meeting may award a fixed annual amount to the Supervisory Board, to be allocated by the Board among its members in accordance with the Compensation Policy that it has drawn up.

The compensation components were determined by the Supervisory Board on the recommendation of its Compensation and Appointments Committee.

3.4.3.1 Compensation for serving on the Supervisory Board (previously referred to as "attendance fees")

At the Annual Shareholders Meeting of May 17, 2019, the total compensation payable to Supervisory Board members was set at €770,000 for 2019 and subsequent years (12th resolution, adopted by a majority of 99.15% of the votes cast).

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to allocate this annual amount as follows:

- allocation of a basic amount to each member;
- allocation of additional amount 1 to each member who sits on a Committee of the Supervisory Board and participates in its work;
- allocation of additional amount 2 to each member who serves as Chair of a Committee of the Supervisory Board and participates in its work (recipients of this additional amount 2 are not entitled to additional amount 1);
- allocation of additional amount 3 to the Senior Independent Member of the Supervisory Board;
- allocation of additional amount 4 to the Chairman of the Supervisory Board (who is not entitled to additional amounts 1, 2 or 3);
- allocation of additional amount 5 to Supervisory Board members who live outside Europe on a permanent basis;

Payment of 60% of the total amount receivable (basic amount and any of the additional amounts defined above) will depend on the member's attendance rate at meetings of the Supervisory Board and of any Committees of which he or she is a member.

The attendance rate and the corresponding allocation of annual compensation for a given year will be prepared by the Compensation and Appointments Committee then approved by the Supervisory Board during the first quarter of the following year.

The compensation will be paid (including to the Chairman of the Supervisory Board) during the first half of the year following the one to which it relates, provided that the resolution on the disclosures required by Article L. 225-37-3 of the French Commercial Code has been approved by the Annual Shareholders Meeting called to approve the financial statements for the year preceding the one to which the compensation relates.

3.4.3.2 Other compensation

As the Supervisory Board members do not hold any other positions within the Company or the Michelin Group, they do not receive any other compensation from the Company or its subsidiaries.

3.4.3.3 Proposed resolution on the Compensation Policy for members of the Supervisory Board

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following resolution:

7th resolution
Approval of the Compensation Policy applicable to members of the Supervisory Board

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-1-II of the French Commercial Code, approves the Compensation Policy applicable to the members of the Supervisory Board, as presented in the Corporate Governance Report set out in sections 3.4.1 and 3.4.3 of the Company's 2019 Universal Registration Document.

3.5 INFORMATION ABOUT THE COMPONENTS OF COMPENSATION PAID OR AWARDED TO THE CORPORATE OFFICERS

3.5.1 COMPENSATION PAID OR AWARDED TO THE MEMBERS OF THE SUPERVISORY BOARD

The following table provides details of the amounts paid in 2019 or awarded in respect of that year to the members of the Supervisory Board.

No variable compensation was paid to them in 2019 or awarded to them in respect of that year. The Chairman and independent members of the Supervisory Board are joining the Managers by deciding to donate 25% of their 2019 compensation received in 2020 to foundations in their respective countries, which are part of the fight against Covid-19.

Information about (i) Supervisory Board members' attendance rates at meetings of the Supervisory Board and its Committees and (ii) the Supervisory Board's activities in 2019 is provided in section 3.3.2 of this 2019 Universal Registration Document.

Supervisory Board members	Compensation components put to the vote	Amounts paid in 2019 in respect of 2018 *(in €)*	Amounts awarded in respect of 2019 *(in €)*
Olivier Bazil	Compensation as Supervisory Board member	63,278	80,000
	Other compensation	N/A	N/A
Pat Cox[(1)]	Compensation as Supervisory Board member	24,338	N/A
	Other compensation	N/A	N/A
Barbara Dalibard	Compensation as Supervisory Board member	63,278	90,000
	Other compensation	N/A	N/A
Jean-Pierre Duprieu	Compensation as Supervisory Board member	53,543	60,000
	Other compensation	N/A	N/A
Aruna Jayanthi	Compensation as Supervisory Board member	63,278	70,000
	Other compensation	N/A	N/A
Anne-Sophie de La Bigne	Compensation as Supervisory Board member	63,278	71,250
	Other compensation	N/A	N/A
Thierry Le Hénaff[(2)]	Compensation as Supervisory Board member	22,488	56,727
	Other compensation	N/A	N/A
Monique Leroux	Compensation as Supervisory Board member	60,357	70,000
	Other compensation	N/A	N/A
Cyrille Poughon	Compensation as Supervisory Board member	53,543	60,000
	Other compensation	N/A	N/A
Michel Rollier	Compensation as Supervisory Board member	87,615	112,800
	Other compensation	N/A	N/A
TOTAL		**554,992[(3)]**	**660,777[(4)]**

(1) Supervisory Board member until May 2018.
(2) Supervisory Board member since May 2018.
(3) The amounts paid in 2019 were awarded in respect of 2018 out of the total annual compensation of €555,000 decided by the Annual Shareholders Meeting of May 13, 2016 (10th resolution adopted by a majority of 99.54% of the votes cast).
(4) The amounts awarded in respect of 2019 have been determined in accordance with the principles and practices approved by the Supervisory Board in 2019, based on the total annual compensation of €770,000 decided by the Annual Shareholders Meeting of May 17, 2019 (12th resolution approved by a majority of 99.15% of the votes cast).

3.5.2 COMPENSATION PACKAGE OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid or awarded to Michel Rollier, Chairman of the Supervisory Board and sole non-executive officer pursuant to the 2019 Compensation Policy.

3.5.2.1 Compensation for serving on the Supervisory Board (previously referred to as "attendance fees")

In 2019, Michel Rollier received a total of €87,615 in respect of 2018.

Under the 2019 Compensation Policy decided by the Supervisory Board, Michel Rollier is in line to receive €112,800 in 2020 in respect of 2019. Michel Rollier is joining the Managers by deciding to donate 25% of his 2019 compensation received in 2020 to a foundation which is part of the fight against Covid-19.

No variable compensation was paid or awarded to Michel Rollier during or in respect of 2019.

Information about (i) Michel Rollier's attendance rate at meetings of the Supervisory Board and its Committees and (ii) the Supervisory Board's activities in 2019 is provided in section 3.3.2 of this 2019 Universal Registration Document.

3.5.2.2 Other compensation

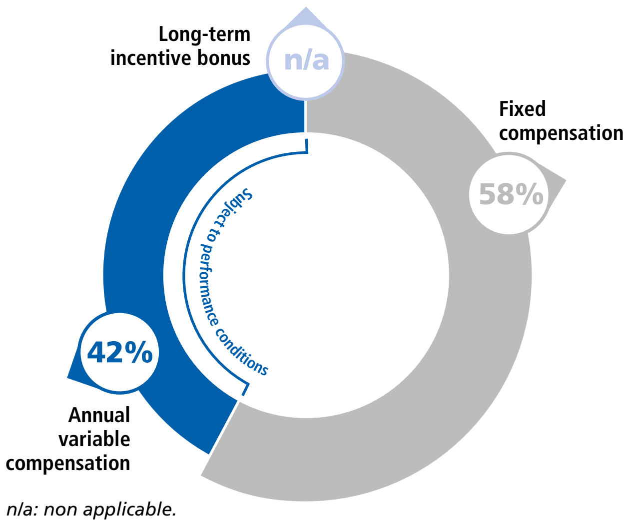
No other compensation was paid or awarded to Michel Rollier during or in respect of 2019.

3.5.3 COMPENSATION PACKAGE OF FLORENT MENEGAUX, MANAGING CHAIRMAN AND MANAGING GENERAL PARTNER

In his capacity as General Partner of CGEM[(1)], Florent Menegaux has unlimited joint and personal liability for CGEM's debts. As consideration for this liability, the General Partners each receive a portion of the Company's profits as provided for in the Bylaws[(2)]. This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit.

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid to Florent Menegaux in 2019 or awarded to him in respect of 2019 in his capacity as Managing Chairman as from May 18, 2018, pursuant to the 2019 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2018 Registration Document[(3)] and was presented to the Annual Shareholders Meeting of May 17, 2019 by the Chair of the Compensation and Appointments Committee (the "2019 Compensation Policy")[(4)].

COMPENSATION PAID TO MR FLORENT MENEGAUX DURING FISCAL YEAR 2019



n/a: non applicable.

3.5.3.1 Fixed compensation

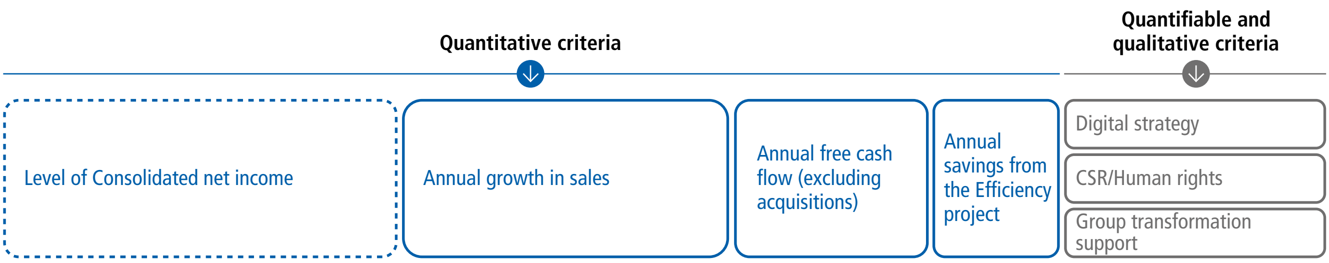
In application of the 2019 Compensation Policy, Florent Menegaux's fixed compensation has been kept, without any increase, at the level determined when he was appointed by the Annual Shareholders Meeting of May 18, 2018. The fixed compensation received by Florent Menegaux therefore amounted to €900,000[(5)].

3.5.3.2 Annual variable compensation

This annual variable compensation has been determined in application of the 2019 Compensation Policy and is deducted in full from the Profit Shares due to the General Partners. The 2019 Profit Shares, in the amount of €10,380,285.65[(6)], constitutes the Calculation Base for annual and deferred variable compensation[(7)].

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria (excluding consolidated net income) corresponds to the maximum achievement of all the objectives and not to the 2019 results.



(1) At December 31, 2019, the Company had two General Partners: Florent Menegaux, Managing Chairman, and SAGES, Non-Managing General Partner (see sections 3.1) of this 2019 Universal Registration Document)

(2) See Article 30 of the Bylaws, reproduced in section 3.11.5 below.

(3) See section 4.4.1 a) of the 2018 Registration Document.

(4) See the information/presentations on the May 17, 2019 Annual Shareholders Meeting on the Company's website www.michelin.com.

(5) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM) in consideration of his role as General Manager of the Company.

(6) See the 2nd resolution presented to the Annual Shareholders Meeting of June 23, 2020.

(7) The Profit Shares are fixed in the Company's Bylaws at 12% of the Company's net income for the year, with a cap of 0.6% of consolidated net income (see section 3.11.5 of this 2019 Universal Registration Document).

The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	**Annual growth in sales** *(perimeter as of january 1st, 2019, including Fenner and Camso)*	**Annual savings from the Efficiency project** *(project to reduce overheads costs)*	**Annual free cash flow** *(excluding acquisitions)*	**Level of Consolidated net income**
Indicator	Variation	Appropriate SG&A/ gross margin ratio	Amount	Amount
Target[(1)]	Proportionate to observed increase	Achieved in stages from a minimum ratio	Achieved in stages from a minimum amount	Fonction of the level achieved
Indicator: 2019 Actual	-1.5%	53%	€1,606 million	€1,730 million
Maximum value *(% of the Profit Shares)*	5%	2%	3%	6%
Achievement rate	0%	0%	3%	6%

(1) For reasons of confidentiality and business secrecy, and more particularly to avoid disclosing information about the Company's strategy that could be used by competitors for their advantage, the Supervisory Board has elected not to disclose details of these performance targets to these quantitative and quantifiable criteria.

Quantifiable qualitative criteria	**Digital strategy**	**CSR/Human rights**	**Group transformation support**
Maximum value *(% of the Profit Shares)*	1.33%	1.33%	1.33%
Achievement rate	1.31%	1.33%	1.31%

Overall achievement rate	**12.95%/20%[(1)]**
Amount awarded *(in €)*	1,344,345.91
As a % of fixed compensation	149.37%

(1) Florent Menegaux would be awarded the maximum 20% of the Consolidated Calculation Base for this component only if all the objectives were achieved in full.

The Compensation and Appointments Committee carefully reviewed achievement rates for each of the quantitative and qualitative criteria.

Concerning the quantifiable qualitative criteria, the Committee's conclusions were as follows:

- for the "Digital strategy" criterion, corresponding to continued active deployment of the Group's digital strategy, the Committee noted that all of the objectives based on quantifiable indicators had been met, with:
  - concerning Digital Manufacturing:
    - the deployment of several Digital Leader Plants (DLP), including implementation and certification of the necessary skills; datalake implementation where necessary, deployment of digital applications and derivative applications identified during the previous demonstrator phase,
    - assisted by the DLPs, deployment of datalakes and hiring in of the necessary skills at several dozen manufacturing facilities,
  - concerning the Group's digital transformation:
    - action to strengthen the skills base at the Pune technology and innovation center in India, through the hiring of a Chief Data Officer and the necessary dedicated skillsets (several dozen people),
    - the creation of a Data/Analytics/Artificial Intelligence competence center, with the aim of transforming Michelin into a data driven company and innovating in a responsible manner (particularly with new process, governance, training and certification components);
- for the CSR/Human rights criterion, the Committee noted that the objective to improve the safety of Group employees had been met, in the shape of a Total Case Incident Rate (TCIR) of 1.4;
- for the Group transformation support criterion, the Committee noted that the objectives set in terms of quantifiable indicators had been met, as follows:
  - concerning the implementation of the new governance structure designed to complete the Group's new organization: the membership and practices of the Group's Executive Committee have been revised and a Group Management Committee has been created and deployed,
- concerning the implementation of synergies created by the integration of the recently acquired Fenner and Camso businesses: 93% of the projected synergistic benefits for 2019 in the business plan were delivered.

In conclusion of its analysis, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantifiable qualitative criteria should be rated as 12.95% vs. a maximum of 20%. Given the Calculation Base of €10,380,258.65, Florent Menegaux's annual variable compensation for 2019 amounts to €1,344,345.91.

After discussing the matter during its meeting on February 7, 2020, the Supervisory Board approved the Compensation and Appointments Committee's recommendations, which were then also approved by the General Partners.

Subsequent to this, considering the efforts that the Michelin Group's employees and other stakeholders have been called upon to make in order to deal with the consequences of the Covid-19 health crisis, the Managing Chairman announced his intention to waive 25% of his annual variable compensation for 2019 resulting from application of the above criteria. Consequently, if the Annual Shareholders Meeting approves the components of the compensation paid or awarded to the Managing Chairman for 2019, the amount corresponding to the waived compensation will be not be paid to him.

In addition, CGEM will pay the sum corresponding to this waived compensation to national Covid-19 related charities.

3.5.3.3 Cash-settled deferred variable compensation awarded in 2019 (long-term incentive bonus)

LONG-TERM INCENTIVE BONUS

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2019 results.

Quantifiable criteria

Growth in the Michelin share price compared with that of the CAC 40 index	Growth in Segment Operating Income (SOI)	Michelin site Environmental Footprint ("MEF")	Change in the Employee Engagement Rate

The 2019 Compensation Policy provides for a long-term incentive bonus to be awarded to the Managing Chairman.

In response to shareholder expectations and the changing tire market environment, the policy applied consistently since 2016 for the Managing Chairman has consisted of aligning these criteria with those for employee performance share plans, which concern implementation of the Group's long-term strategy as expressed in the Ambitions for 2020 (see section 1 of this 2019 Universal Registration Document).

In application of this policy, as taken up in the 2019 Compensation Policy, this long-term incentive bonus will be equal to up to 30% of the Profit Shares for the third year of the period (2019, 2020 and 2021) covered by the three performance criteria set by the Supervisory Board in agreement with the General Partners, which will be weighted as follows:

- growth in the Michelin share price, for up to 11% of the Profit Shares;
- corporate social responsibility performance (two indicators), for up to 8% of the Profit Shares;
- growth in the Business Units' operating income, for up to 11% of the Profit Shares.

The following will be applied to each criterion:

- a trigger point below which no compensation will be due;
- one or several intermediate tranches between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective;
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable.

The long-term incentive bonus receivable at the end of the performance measurement period is capped at two-and-a-half (2.5) times the annual fixed compensation for 2019, i.e., a maximum of €2,250,000.

Detailed information and the other components used to calculate the criteria are included in the presentation of the 13th resolution of the 2019 Annual Shareholders Meeting (see pages 417 to 419 of the 2018 Registration Document), which was adopted by a 98.70% majority of the votes cast.

The final amount receivable under the long-term incentive plan will be:

- deducted from the Profit Shares due for 2021 (i.e., the last year of the criteria calculation period) and payable in 2022:
  - subject to approval of the corresponding resolutions by the Annual Shareholders Meeting called to approve the 2021 financial statements and the compensation concerned,
  - subject to the availability of Profit Shares payable out of net income for that year, and
  - up to the amount of said available Profit Shares after deducting the annual variable compensation due for that year.

If the Managing Chairman were to cease to be a General Partner (for reasons other than death or disability) before his term expires and before the end of the performance assessment period, notably due to his resignation or removal from office, he would forfeit his rights to the long-term incentive bonus.

The Supervisory Board noted that, as this is a long-term incentive bonus, no amount was due in respect of 2019.

No provision has been recorded in CGEM's financial statements for the long-term incentive plan as it does not correspond to a commitment given by CGEM or any other Group company.

Mr. Menegaux will be required to invest 20% of the actual amounts received at the end of the three-year period in Michelin shares for the 2019 incentive bonus and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.

The following table includes a summary of the long-term incentive plan, performance to date in relation to the criteria and an estimate of the corresponding bonus:

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2019-2021 period**	**Michelin site Environmental Footprint** *(as measured by the "MEF" indicator)*[(1)]	**Change in the Employee Engagement Rate** *(as measured by the annual "Moving Forward Together" survey)*	**Growth in Segment Operating Income (SOI), in € millions** *(based on current business scope and comparable accounting methods, excluding changes in exchange rates)*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting *(as a % of the Profit Shares)*	11%	4%	4%	11%
Calculation method	Average of the share prices for the second half of 2018 compared to the average of the share prices for the second half of 2021 (closing prices quoted on Euronext Paris)	Average decrease in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 11% of the maximum potential bonus will be received.	If the change in average MEF over three years is less than -1.5pt, the achievement rate will be 100% and the maximum 4% of the maximum potential bonus will be received	If the improvement in the average engagement rate exceeds 1.5pt, the achievement rate will be 100% and the maximum 4% of the maximum potential bonus will be received	If average annual growth in Segment Operating Income exceeds €200 million, the achievement rate will be 100% and the maximum 11% of the performance shares for this objective will vest.
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (11%/15)	▶ If the change in average MEF over three years is between -1.1pt and -1.5pt, the target will be partly achieved and 3% of the maximum potential bonus will be received ▶ If the change in average MEF over three years is between -0.5pt and -1.1pt, the target will be partly achieved and 1.5% of the maximum potential bonus will be received	If the improvement in the average engagement rate is between 0.1pt and 1.5pt, the target will be partly achieved and the bonus will be determined on a straight line basis	If the average growth in Segment Operating Income is between €100 million and €200 million, the target will be partly achieved and the bonus will be determined on a proportionate basis
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate would be 0%.	If the change in average MEF over three years exceeds -0.5pt, the target will not be met	If the improvement in the average engagement rate is less than 0.1pt, the target will not be met	If average annual growth in Segment Operating Income is less than €100 million, the target will not be met.
Intermediate assessment	Growth in the Michelin share price[(2)] = +6.40% Growth in the CAC 40[(2)] = +8.80%	2019 = -0.5pt	2019 = +1.0pt	2019 = +€163 million
Simulated result	€1,136,336.11[(3)]			
Base amount	Profit Shares payable out of distributable income for 2021			
Cap and eligibility conditions	▶ capped at 2.5x annual fixed compensation, i.e., €2,250,000 (indicative amount) ▶ Subject to the availability and amount of Profit Shares for distribution in 2022 out of 2021 profit, after deducting annual variable compensation due for 2021			
Payment year	2022			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Menegaux remains in office, after which the shares may be sold on a phased basis over four years			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2018 compared to the average share price for the second half of 2019.
(3) Simulation prepared for information purposes only (no provision has been recorded in the accounts), using the following assumptions:
– amount of Profit Shares due in respect of 2021 income (Calculation Base) identical to the amount of Profit Shares due for 2019;
– results of the four performance indicators over the three-year calculation period equal to the change in these indicators in the first year of this period (2019).

3.5.3.4 Fringe benefits, stock options, performance shares, directors' or Supervisory Board members' compensation

In line with the 2019 Compensation Policy, in 2019 Florent Menegaux did not receive (i) any compensation in his capacity as a member of the Board of Directors or Supervisory Board of the Company or any controlled entities, (ii) any benefits other than those listed above, or (iii) any stock options or performance shares of the Company or any controlled entities.

Mr. Menegaux has a fringe benefit in the form of a Company car (see the table in section 3.6.2).

3.5.3.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

In his capacity as General Manager of the subsidiary MFPM, Mr. Menegaux participates in the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan).

As required by Article D. 225-29-3 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code, is described below:

- as of their retirement date, participants must have served for at least five years as a senior executive to be eligible for benefits;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). In accordance with the Government Order dated July 3, 2019, no rights have vested since December 31, 2019;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%;
- an evaluation is carried out in accordance with Group accounting policies;
- benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Mr. Menegaux's reference compensation for 2019 was made up solely of the annual fixed compensation paid by MFPM.

Based on the assumptions in Article D. 225-29-3 of the French Commercial Code introduced by Decree No. 2019-1235, the estimated gross annual pension payable to Mr. Menegaux under this plan amounts to €135,000.

As allowed by the government order dated July 3, 2019, the Company has changed its tax strategy and opted to pay tax on the premiums paid to the insurance company that manages the plan assets. The applicable tax rate is 24%.

The actual gross replacement rate represented by pension benefits paid under the plan will be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

3.5.3.6 Compensation for loss of office

No compensation for loss of office was paid to Mr. Menegaux in 2019[1].

3.5.3.7 Non-compete clause

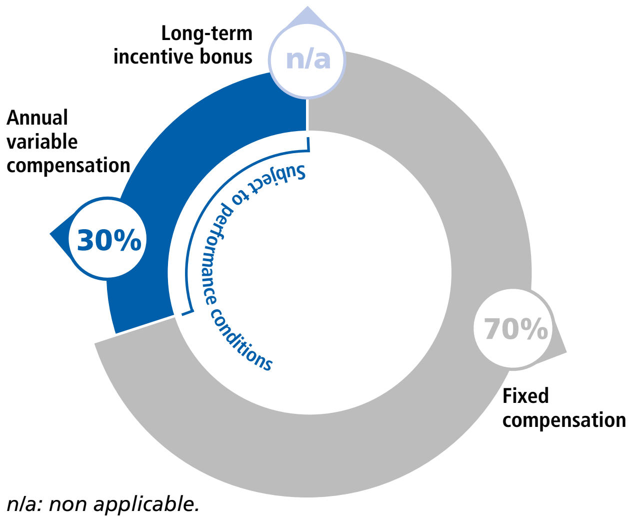
No non-compete indemnity was paid to Mr. Menegaux in 2019[1].

(1) *See detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.*

3.5.4 COMPENSATION PACKAGE OF YVES CHAPOT, GENERAL MANAGER

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid to Yves Chapot in 2019 or awarded to him in respect of 2019 in his capacity as General Manager, pursuant to the 2019 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2018 Registration Document[(1)] and was presented to the Annual Shareholders Meeting of May 17, 2019 by the Chair of the Compensation and Appointments Committee (the "2019 Compensation Policy")[(2)].

COMPENSATION PAID TO MR YVES CHAPOT DURING FISCAL YEAR 2019



n/a: non applicable.

3.5.4.1 Fixed compensation

In application of the 2019 Compensation Policy, Yves Chapot's fixed compensation has been kept, without any increase, at the level determined when he was appointed by the Annual Shareholders Meeting of May 18, 2018. The fixed compensation received by Yves Chapot therefore amounted to €600,000.

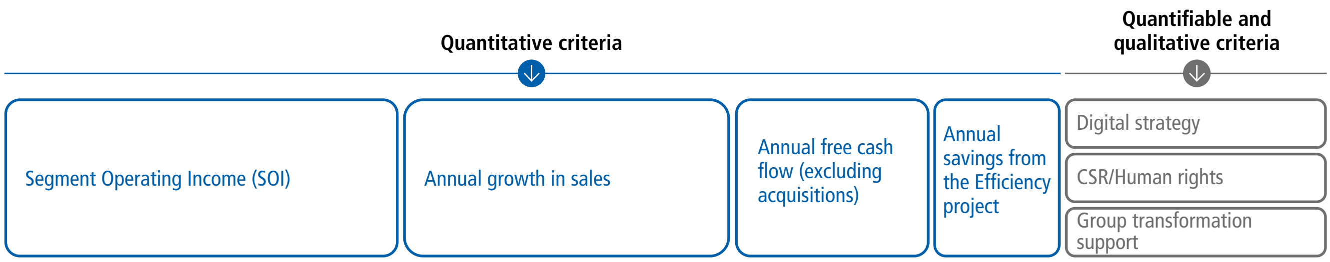
3.5.4.2 Annual variable compensation

In application of the 2019 Compensation Policy and as recommended by the Supervisory Board, the General Partners have set Yves Chapot's annual variable compensation based on 150% of his fixed compensation for 2019 as General Manager and seven performance criteria. Four of these are quantitative criteria accounting for 80/100 and three are quantifiable qualitative criteria accounting for 20/100ths.

Mr. Chapot will be awarded the maximum amount if the cumulative achievement rate for the seven criteria is 100 out of 100.

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2019 results.



(1) See section 4.4.1 a) of the 2018 Registration Document.
(2) See the information/presentations on the May 17, 2019 Annual Shareholders Meeting on the Company's website www.michelin.com.

The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	**Growth in Segment Operating Income** *(SOI, based on comparable accounting methods, excluding changes in exchange rates)*	**Annual growth in sales** *(perimeter as of january 1st, 2019, including Fenner and Camso)*	**Annual savings from the Efficiency project** *(project to reduce overheads costs)*	**Annual free cash flow** *(excluding acquisitions)*
Indicator	Variation	Variation	Appropriate SG&A/ gross margin ratio	Amount
Target[1]	Achieved in stages from a minimum amount, limited by a cap	Proportionate to observed increase	Achieved in stages from a minimum ratio	Achieved in stages from a minimum amount
Indicator: 2019 Actual	+€163 million	-1.5%	53%	€1,606 million
Maximum value (out of 80)	30	25	10	15
Achievement rate	16.88	0	0	15

(1) For reasons of confidentiality and business secrecy, and more particularly to avoid disclosing information about the Company's strategy that could be used by competitors for their advantage, the Supervisory Board has elected not to disclose details of these performance targets to these quantitative and quantifiable criteria.

Quantifiable qualitative criteria	**Digital strategy**	**CSR/Human rights**	**Group transformation support**
Maximum value (out of 20)	6.66	6.66	6.66
Achievement rate	6.55	6.66	6.57

Overall achievement rate	**51.67/100[1]**
Amount awarded based on quantifiable qualitative criteria *(in €)*	465,034.86
As a % of fixed compensation	77.50%

(1) Mr. Chapot will be awarded the maximum amount if the cumulative achievement rate for the seven criteria is 100/100

The Compensation and Appointments Committee carefully reviewed achievement rates for each of the quantitative and qualitative criteria.

Concerning the quantifiable qualitative criteria, the Committee's conclusions were as follows:

- for the "Digital strategy" criterion, corresponding to continued active deployment of the Group's digital strategy, the Committee noted that all of the objectives based on quantifiable indicators had been met, with:
  - concerning Digital Manufacturing:
    - the deployment of several Digital Leader Plants (DLP), including implementation and certification of the necessary skills; datalake implementation where necessary, deployment of digital applications and derivative applications identified during the previous demonstrator phase,
    - assisted by the DLPs, deployment of datalakes and hiring in of the necessary skills at several dozen manufacturing facilities,
  - concerning the Group's digital transformation:
    - action to strengthen the skills base at the Pune technology and innovation center in India, through the hiring of a Chief Data Officer and the necessary dedicated skillsets (several dozen people),
    - the creation of a Data/Analytics/Artificial Intelligence competence center, with the aim of transforming Michelin into a data driven company and innovating in a responsible manner (particularly with new process, governance, training and certification components);
- for the CSR/Human rights criterion, the Committee noted that the objective to improve the safety of Group employees had been met, in the shape of a Total Case Incident Rate (TCIR) of 1.4;
- for the Group transformation support criterion, the Committee noted that the objectives set in terms of quantifiable indicators had been met, as follows:
  - concerning the implementation of the new governance structure designed to complete the Group's new organization: the membership and practices of the Group's Executive Committee have been revised and a Group Management Committee has been created and deployed,
  - concerning the implementation of synergies created by the integration of the recently acquired Fenner and Camso businesses: 93% of the projected synergistic benefits for 2019 in the business plan were delivered.

In conclusion of its analysis, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantifiable qualitative criteria should be rated as 51.67/100. Given the Calculation Base, Yves Chapot's annual variable compensation for 2019 amounts to €465,034.86.

After discussing the matter during its meeting on February 7, 2020, the Supervisory Board approved the Compensation and Appointments Committee's recommendation, which were then also approved by the General Partners.

Subsequent to this, considering the efforts that the Michelin Group's employees and other stakeholders have been called upon to make in order to deal with the consequences of the Covid-19 health crisis, the General manager announced his intention to waive 25% of his annual variable compensation for 2019 resulting from application of the above criteria. Consequently, if the Annual Shareholders Meeting approves the components of the compensation paid or awarded to the General manager for 2019, the amount corresponding to the waived compensation will be not be paid to him.

In addition, CGEM will pay the sum corresponding to this waived compensation to national Covid-19 related charities.

3.5.4.3 Cash-settled deferred variable compensation awarded in 2019 (long-term incentive bonus)

LONG-TERM INCENTIVE BONUS

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2019 results.

Quantifiable criteria

Growth in the Michelin share price compared with that of the CAC 40 index	Segment Operating Income (SOI)	Michelin site Environmental Footprint ("MEF")	Change in the Employee Engagement Rate

In response to shareholder expectations and the changing tire market environment, the 2019 Compensation Policy applicable to the General Manager provides for the payment of a long-term incentive bonus based on performance criteria aligned with the vesting criteria for employee performance share plans, which concern implementation of the Group's long-term strategy as expressed in the Ambitions for 2020 (see section 1 of this 2019 Universal Registration Document).

In application of this policy, as taken up in the 2019 Compensation Policy, this long-term incentive bonus will be calculated on a base equal to 100% of Mr. Chapot's fixed compensation for 2019. It will be subject to the results of three performance criteria covering the years 2019, 2020 and 2021 that have been set by the Supervisory Board in agreement with the General Partners and are weighted as follows:

- growth in the Michelin share price, for up to 35% of the bonus;
- corporate social responsibility performance (two indicators), for up to 30% of the bonus;
- growth in segment operating income, for up to 35% of the bonus.

The following will be applied to each criterion:

- a trigger point below which no compensation will be due;
- one or several intermediate tranches between the trigger point and 100% of the objective, with the compensation to the achievement rate for the objective;
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable.

Detailed information and the other components used to calculate the criteria are included in the presentation of the 13th resolution of the 2019 Annual Shareholders Meeting (see pages 417 to 419 of the 2018 Registration Document), which was adopted by a 98.70% majority of the votes cast.

The amount obtained after applying the performance criteria will be:

- capped at 120% of the annual average of the annual variable compensation paid to Mr. Chapot for 2019, 2020 and 2021.

The Supervisory Board noted that, as this is a long-term incentive bonus, no amount was due in respect of 2019.

The bonus will be paid at the end of the three-year period (2022).

The following table includes a summary of the long-term incentive plan, performance to date in relation to the criteria and the bonus estimate used to determine the related provision:

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2019-2021 period**	**Michelin site Environmental Footprint** *(as measured by the "MEF" indicator)*[(1)]	**Change in the Employee Engagement Rate** *(as measured by the annual "Moving Forward Together" survey)*	**Growth in Segment Operating Income (SOI), in € millions** *(based on current business scope and comparable accounting methods, excluding changes in exchange rates).*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Calculation method	Average of the share prices for the second half of 2018 compared to the average of the share prices for the second half of 2021 (closing prices quoted on Euronext Paris)	Average decrease in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the target will be met in full.	If the change in average MEF over three years is less than -1.5pt, the target will be met in full.	If the improvement in the average engagement rate exceeds 1.5pt, the target will be met in full.	If average annual growth in Segment Operating Income exceeds €200 million, the target will be met in full.
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (11%/15)	If the change in average MEF over three years is between -1.1pt and -1.5pt, the target will be partly achieved and 3% of the maximum potential bonus will be received If the change in average MEF over three years is between -0.5pt and -1.1pt, the target will be partly achieved and 1.5% of the maximum potential bonus will be received	If the improvement in the average engagement rate is between 0.1pt and 1.5pt, the target will be partly achieved and the bonus will be determined on a straight line basis	If the average growth in Segment Operating Income is between €100 million and €200 million, the target will be partly achieved and the bonus will be determined on a proportionate basis
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate would be 0%.	If the change in average MEF over three years exceeds -0.5pt, the target will not be met	If the improvement in the average engagement rate is less than 0.1pt, the target will not be met	If average annual growth in Segment Operating Income is less than €100 million, the target will not be met.
intermediate assessment	Growth in the Michelin share price[(2)] = +6.40% Growth in the CAC 40[(2)] = +8.80%	2019 = -0.5pt	2019 = +1.0pt	2019 = + €163 million
Provision[(3)]	Provision set aside of €93,000 at December 31, 2019: ▶ €73,000 (theoretical net bonus) ▶ €20,000 (payroll taxes)			
Base amount	€600,000 (2019 fixed compensation)			
Ceiling	120% of the annual average of the annual variable compensation paid to Mr. Chapot for 2019, 2020 and 2021			
Payment year	2022			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2018 compared to the average share price for the second half of 2019.
(3) Provision estimated based on the assumption that the results of the four performance indicators over the three-year calculation period is equal to the change in these indicators in the first year of this period (2019).

3.5.4.4 Fringe benefits, stock options, performance shares, and directors' or Supervisory Board members' compensation

In line with the 2019 Compensation Policy, in 2019 Yves Chapot did not receive (i) any compensation in his capacity as a member of the Supervisory Board of the Company or any controlled entities, (ii) any benefits other than those listed above, or (iii) any stock options or performance shares of the Company or any controlled entities.

Mr. Chapot has a fringe benefit in the form of a Company car (see the table in section 3.5.3).

3.5.4.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

In his capacity as General Manager of CGEM, Yves Chapot participates in the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan).

As required by Article D. 225-29-3 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code, is described below:

- as of their retirement date, participants must have served for at least five years as a senior executive to be eligible for benefits;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). In accordance with the Government Order dated July 3, 2019, no rights have vested since December 31, 2019;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%;
- an evaluation is carried out in accordance with Group accounting policies;
- benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Mr. Chapot's reference compensation for 2019 in his capacity as executive officer was made up of his annual fixed compensation and his annual variable compensation.

Based on the assumptions in Article D. 225-29-3 of the French Commercial Code introduced by Decree No. 2019-1235, the estimated gross annual pension payable to Mr. Chapot under this plan amounts to €125,435.

As allowed by the government order dated July 3, 2019, the Company has changed its tax strategy and opted to pay tax on the premiums paid to the insurance company that manages the plan assets. The applicable tax rate is 24%.

The actual gross replacement rate represented by pension benefits paid under the plan will be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

3.5.4.6 Compensation for loss of office

No compensation for loss of office was paid to Mr. Chapot in 2019[1].

3.5.4.7 Non-compete clause

No non-compete indemnity was paid to Mr. Chapot in 2019[1].

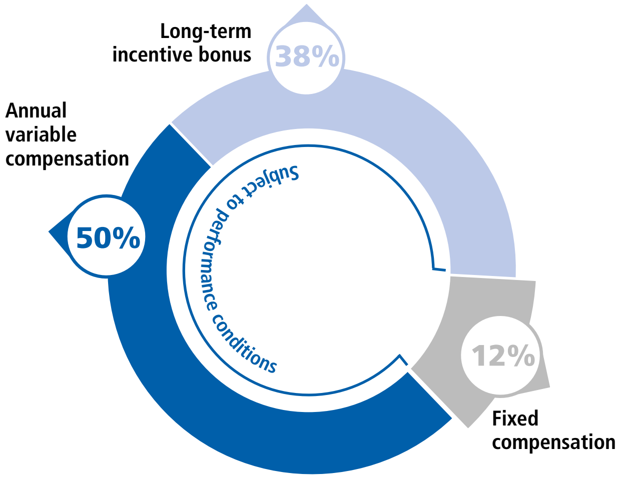
(1) See detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.

3.5.5 COMPENSATION PACKAGE OF JEAN-DOMINIQUE SENARD, MANAGING GENERAL PARTNER AND MANAGING CHAIRMAN UNTIL MAY 17, 2019

In his capacity as a General Partner of CGEM until May 17, 2019, Jean-Dominique Senard had unlimited joint and personal liability for the Company's debts. As consideration for this liability, the General Partners each receive a portion of the Company's profits as provided for in the Bylaws(1). This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit.

The Compensation and Appointments Committee of the Supervisory Board reviewed all the components of the compensation paid to Jean-Dominique Senard in 2019 or awarded to him in respect of 2019, pursuant to the 2019 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2018 Registration Document(2) and was presented to the Annual Shareholders Meeting of May 17, 2019 by the Chair of the Compensation and Appointments Committee (the "2019 Compensation Policy")(3).

COMPENSATION PAID TO MR JEAN-DOMINIQUE SENARD DURING FISCAL YEAR 2019



3.5.5.1 Fixed compensation

In application of the 2019 Compensation Policy, Jean-Dominique Senard's fixed compensation was kept, without any increase, at the level determined in 2014 and was prorated to the period served in 2019. The fixed compensation received by Mr. Senard in 2019 amounted to €411,021.52(4).

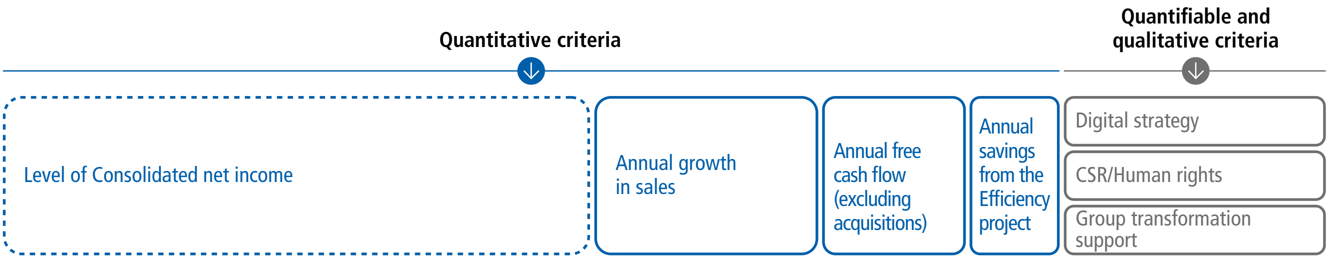
3.5.5.2 Annual variable compensation

Jean-Dominique Senard's annual variable compensation was determined in application of the 2019 Compensation Policy and will be deducted in full from the Profit Shares due to the General Partners. The 2019 Profit Shares, in the amount of €10,380,258.65(5), constitutes the Calculation Base for annual and deferred variable compensation(6).

(1) See Article 30 of the Bylaws, reproduced in section 3.11.5
(2) See section 4.4.1 a) of the 2018 Registration Document.
(3) See the information/presentations on the May 17, 2019 Annual Shareholders Meeting on the Company's website www.michelin.com.
(4) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM) in consideration of his role as General Manager of the Company.
(5) See the 2nd resolution presented to the Annual Shareholders Meeting of June 23, 2020.
(6) The Profit Shares are fixed in the Company's Bylaws at 12% of the Company's net income for the year, with a cap of 0.6% of consolidated net income (see section 3.11.5 of this 2019 Universal Registration Document).

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria (excluding consolidated net income) corresponds to the maximum achievement of all the objectives and not to the 2019 results.



The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	Annual growth in sales *(perimeter as of january 1st, 2019, including Fenner and Camso)*	Annual savings from the Efficiency project *(project to reduce overheads costs)*	Annual free cash flow *(excluding acquisitions)*	Level of Consolidated net income
Indicator	Variation	Appropriate SG&A/ gross margin ratio	Amount	Amount
Target(1)	Proportionate to observed increase	Achieved in stages from a minimum ratio	Achieved in stages from a minimum amount	Fonction of the level achieved
Indicator: 2019 actual	-1.5%	53%	€1,606 million	€1,730 million
Maximum value *(% of the Profit Shares)*	3%	1%	2%	8%
Achievement rate	0%	0%	2%	8%

(1) For reasons of confidentiality and business secrecy, and more particularly to avoid disclosing information about the Company's strategy that could be used by competitors for their advantage, the Supervisory Board has elected not to disclose details of these performance targets to these quantitative and quantifiable criteria.

Quantifiable qualitative criteria	Digital strategy	CSR/Human rights	Group transformation support
Maximum value *(% of the Profit Shares)*	1.33%	1.33%	1.33%
Achievement rate	1.31%	1.33%	1.31%

Overall achievement rate	**13.95%/18%(1)**
Amount awarded *(in €)*	603,395.21
As a % of fixed compensation	146.80%

(1) Jean-Dominique Senard would be awarded the maximum 18% of the Consolidated Calculation Base for this component only if all the objectives were achieved in full.

The Compensation and Appointments Committee carefully reviewed achievement rates for each of the quantitative and qualitative criteria.

Concerning the quantifiable qualitative criteria, the Committee's conclusions were as follows:

- for the "Digital strategy" criterion, corresponding to continued active deployment of the Group's digital strategy, the Committee noted that all of the objectives based on quantifiable indicators had been met, with:
  - concerning Digital Manufacturing:
    - the deployment of several Digital Leader Plants (DLP), including implementation and certification of the necessary skills; datalake implementation where necessary, deployment of digital applications and derivative applications identified during the previous demonstrator phase,
    - assisted by the DLPs, deployment of datalakes and hiring in of the necessary skills at several dozen manufacturing facilities,
  - concerning the Group's digital transformation:
    - action to strengthen the skills base at the Pune technology and innovation center in India, through the hiring of a Chief Data Officer and the necessary dedicated skillsets (several dozen people),
    - the creation of a Data/Analytics/Artificial Intelligence competence center, with the aim of transforming Michelin into a data driven company and innovating in a responsible manner (particularly with new process, governance, training and certification components);
- for the CSR/Human rights criterion, the Committee noted that the objective to improve the safety of Group employees had been met, in the shape of a Total Case Incident Rate (TCIR) of 1.4;
- for the Group transformation support criterion, the Committee noted that the objectives set in terms of quantifiable indicators had been met, as follows:
  - concerning the implementation of the new governance structure designed to complete the Group's new organization: the membership and practices of the Group's Executive Committee have been revised and a Group Management Committee has been created and deployed,
  - concerning the implementation of synergies created by the integration of the recently acquired Fenner and Camso businesses: 93% of the projected synergistic benefits for 2019 in the business plan were delivered.

In conclusion of its analysis, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantifiable qualitative criteria should be rated as 13.95% vs. a maximum of 18%. Given the Calculation Base of €10,380,258.65, this results in an amount of €1,448,045.08.

In accordance with the 2019 Compensation Policy, this amount has been prorated over the period served by Jean-Dominique Senard in 2019, corresponding to 5/12. This results in an amount of €603,395.21 which, together with the €50,000 paid for Compagnie Financière Michelin SCmA (CFM) in respect of his position as General Partner of that company, gives a total of €653,391.5 payable in respect of 2019.

After discussing the matter during its meeting on February 7, 2020, the Supervisory Board approved the Compensation and Appointments Committee's recommendations.

The Chair of the Compensation and Appointments Committee then submitted its recommendations to the General Partners, who approved them.

3.5.5.3 Deferred variable compensation (long-term incentive bonus) awarded in respect of 2019

Jean-Dominique Senard stepped down from his position during the year to take up the position of Chairman of the Board of Directors of Renault. Under these circumstances, no long-term incentive bonus has been awarded to him under the 2019 Compensation Policy for his service during 2019.

3.5.5.4 Fringe benefits, stock options, performance shares, and directors' or Supervisory Board members' compensation

In line with the 2019 Compensation Policy, in 2019 Jean-Dominique Senard did not receive (i) any compensation in his capacity as a member of the Board of Directors or Supervisory Board of the Company or any controlled entities, (ii) any benefits other than those listed above, or (iii) any stock options or performance shares of the Company or any controlled entities.

Mr. Senard had a fringe benefit in the form of a Company car until the end of his term (see table in section 3.5.4).

3.5.5.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

In his capacity as General Manager of the subsidiary MFPM, Mr. Senard participated in the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan).

As required by Article D. 225-29-3 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code, is described below:

- as of their retirement date, participants must have served for at least five years as a senior executive to be eligible for benefits;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). In accordance with the Government Order dated July 3, 2019, no rights have vested since December 31, 2019;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%;
- an evaluation is carried out in accordance with Group accounting policies;
- benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Since June 1, 2019, Mr. Senard has received an annual pension of €165,226 under the Michelin Executive Supplementary Pension Plan.

As allowed by the government order dated July 3, 2019, the Company has changed its tax strategy and opted to pay tax on the premiums paid to the insurance company that manages the plan assets. The applicable tax rate is 24%.

As the reference compensation represented less than half of the aggregate amount received by Mr. Senard for 2019 (fixed compensation and variable Profit Shares), the actual gross replacement rate represented by pension benefits paid under the plan will be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

3.5.5.6 Compensation for loss of office

No compensation for loss of office was paid to Jean-Dominique Senard in 2019[1].

3.5.5.7 Non-compete clause

No non-compete indemnity was paid to Jean-Dominique Senard in 2019[1].

When Mr. Senard stepped down from his position, the Supervisory Board decided to waive application of the non-compete clause and no indemnity was paid.

(1) See detailed disclosures in section 3.7.1.13 of this Universal Registration Document.

3.5.6 COMPENSATION RATIOS OF THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

Background

The changes in management structure described below have affected the calculation of management compensation ratios:

- Jean-Dominique Senard was Managing Chairman and General Partner during the reporting period, until May 2019;
- Florent Menegaux has been Managing General Partner since May 2018, then Managing Chairman since May 2019;
- Yves Chapot has been General Manager since May 2018;

Michel Rollier has been Chairman of the Supervisory Board throughout the reporting period.

Unlike the corporate officers of joint stock corporations, a Managing General Partner of the Company (which is organized as a partnership limited by shares), who may also be the Managing Chairman, has unlimited personal liability for the Company's debts in the event that the Company is unable to honor its commitments, and he can only be relieved of this liability by decision of the Extraordinary Shareholders Meeting. This exceptional liability justifies the payment of additional compensation.

As the Company is a holding company without any employees, the disclosures required by Article L. 225-37-3-I-6 and 7 of the French Commercial Code referring to Article L. 226-8-2-1 of the Code, concerning the corporate officer-to-worker compensation ratio is not applicable.

The Company has nonetheless chosen to disclose these ratios, based on available historical data, for its main French subsidiary, Manufacture Française des Pneumatiques Michelin, which employed over 81% of the Michelin Group's total workforce in France at December 31, 2019.

This subsidiary is engaged in manufacturing, sales, and research and development activities and also hosts the Michelin Group's corporate departments.

The performance indicators selected at the level of the Michelin Group are the Total Sales and the Segment Operating Income ("SOI") excluding changes in exchange rates, which measures the performance of the Group's operating segments.

The ratios presented below have been calculated in such a way as to disclose information related to the function, in order to guarantee, as far as possible, the relevance and consistency of comparative information across the entire reporting period. They are based on the fixed and variable compensation paid during the years indicated to employees who were present throughout the year, as well as on the performance shares awarded in those years, measured at fair value.

	2019	% change vs. 2018	2018	% change vs. 2017	2017	% change vs. 2016	2016
Chairman of the Supervisory Board							
Changes in compensation		**-2.7%**		0.0%		32.4%	
Average Chairman of the Supervisory Board-to-worker compensation ratio	**1.7**		1.7		1.8		1.4
Median Chairman of the Supervisory Board-to-worker compensation ratio	**2.1**		2.2		2.3		1.8
Managing Chairman [(1)]							
Changes in compensation		**8.1%**		15.0%		38.5%	
Average Managing Chairman to-worker compensation ratio	**77.6**		73.8		65.2		49.3
Median Managing Chairman to-worker compensation ratio	**99.8**		94.8		84.7		63.4
General Manager [(2)(3)(4)]							
Changes in compensation		**69.6%**		-		-	
Average General Manager-to-worker compensation ratio	**19.5**		11.8				
Median General Manager-to-worker compensation ratio	**25.0**		15.1				
Growth in segment operating income (SOI) (excluding currency effect)[(5)]		**12.1%**		**6.1%**			**11.1%**
Growth in sales (excluding currency effect)[(5)]		**4.1%**		**6.2%**			**0.4%**

(1) Only information relating to the position of Managing Chairman and General Partner is presented given that the specific role of Managing General Partner was exercised over a limited period.

(2)The compensation paid to Managers for functions held during only part of the year (new Manager or Manager who was not replaced) has been annualized.

(3) For the General Manager, who took up his position in 2018, the reported changes between 2018 and 2019 is purely theoretical and is not relevant. This is because his reported 2018 compensation only includes his fixed compensation and not his variable compensation. The only variable compensation received in 2018, which is not included in the calculation, corresponded to the amount due in respect of his previous function held in 2017 as employee of a Group company and member of the Executive Committee, before his appointment to his current position.

(4) Deferred long-term compensation paid to Managers who no longer held the positions concerned during the reporting period has not been taken into account.

(5) To permit meaningful comparisons with the compensation paid in a given year, which depends to a significant extent on the prior year's results, the values taken into police.

3.5.7 PROPOSED RESOLUTION ON THE DISCLOSURES MENTIONED IN ARTICLE L. 225-37-3-I OF THE FRENCH COMMERCIAL CODE

Since 2014, the General Partners and the Supervisory Board have submitted to the Annual Shareholders Meeting several proposed ordinary resolutions concerning the compensation paid or awarded to the Managers and the Chairman of the Supervisory Board.

In addition, since 2018, the Supervisory Board prepares each year, with the General Partners for the part concerning the Managers, the Compensation Policy applicable to the Managers and the Chairman of the Supervisory Board. This policy is included in the Supervisory Board's report on corporate governance.

The policy and the components of the compensation packages for 2019 will be presented to the upcoming Annual Shareholders Meeting by the Chair of the Compensation and Appointments Committee.

In application of Directive (EU) No. 2017/828 dated May 17, 2017 (the "Directive"), French Act No. 2019-486 dated May 22, 2019 (the "PACTE Act"), Government Order No. 2019-1234 dated November 27, 2019 for the application of the Directive and the PACTE Act, and Decree No. 2019-1235 dated November 27, 2019 transposing the Directive into French law, at the Annual Shareholders Meeting of June 23, 2020, the General Partners and the Supervisory Board will ask shareholders to vote on the required disclosures concerning the compensation paid or awarded to the corporate officers in 2019.

The resolution to be presented to the Annual Shareholders Meeting of June 23, 2020 concerning all the disclosures contained in sections 3.5.1 to 3.5.6, is set out below.

8th resolution
Approval of the disclosures concerning the corporate officers' compensation packages

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-I of the French Commercial Code, approves the disclosures mentioned in Article L. 225-37-3 of the Code, as presented in the Corporate Governance Report set out in sections 3.5.1 to 3.5.6 of the Company's 2019 Universal Registration Document.

3.6 INDIVIDUAL COMPENSATION PAID OR AWARDED TO MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD FOR 2019

In addition to the resolution presented in section 3.5.7 above, the Annual Shareholders Meeting will be asked to adopt the following individual resolutions concerning the Chairman of the Supervisory Board and each of the Managers.

3.6.1 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF JUNE 23, 2020 ON THE COMPENSATION PACKAGE OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD

This section presents the components of the compensation paid or awarded to Michel Rollier for 2019 in his capacity as Chairman of the Supervisory Board during the year. Michel Rollier is joining the Managers by deciding to donate 25% of his 2019 compensation received in 2020 to a foundation which is part of the fight against Covid-19.

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2019 for that year in the Corporate Governance Report, set out in section 4.4.1 of the 2018 Registration Document.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019	Presentation
Compensation as Supervisory Board member	€87,615.00	€112,800.00	The amount paid in 2019: ▶ was awarded in respect of 2018 out of the total annual compensation allocated to the Supervisory Board by the Annual Shareholders Meeting of May 13, 2016 (10th resolution adopted by a majority of 99.54% of the votes cast); ▶ was approved by the Annual Shareholders Meeting of May 17, 2019 (9th resolution adopted by a majority of 99.71% of the votes cast). The amount awarded in respect of 2019 has been determined in accordance with the principles and practices approved by the Supervisory Board in 2019, based on the total annual compensation allocated to the Supervisory Board by the Annual Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast).
Annual variable compensation	N/A	N/A	N/A
Deferred variable compensation	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	N/A	N/A
Fringe benefits	N/A	N/A	N/A
Compensation for loss of office	N/A	N/A	N/A
Non-compete indemnity	N/A	N/A	N/A
Supplementary pension benefits	N/A	N/A	N/A

N/A: Not applicable.

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following ordinary resolution:

12th resolution
Approval of the components of the compensation paid or awarded to Michel Rollier for the year ended December 31, 2019

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board, as presented in the Corporate Governance Report set out in section 3.6.1 of the Company's 2019 Universal Registration Document.

3.6.2 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF JUNE 23, 2020 ON THE COMPENSATION PACKAGE OF FLORENT MENEGAUX, MANAGING CHAIRMAN AND GENERAL PARTNER

This section presents the components of the compensation paid or awarded to Florent Menegaux for 2019 in his capacity as Managing Chairman.

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2019 for that year in the Corporate Governance Report, set out in section 4.4.1 of the 2018 Registration Document.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019 OR Provision set aside in 2019 OR Simulation	Presentation
Fixed compensation	€900,000.00	€900,000.00	The annual base is unchanged compared with 2018 (gross amount before tax)
Annual variable compensation	€668,479.00 (Amount awarded in respect of **2018** in application of the 2018 Compensation Policy, paid in 2019 pursuant to the 7th resolution of the Annual Shareholders Meeting of May 17, 2019 adopted by a 98.29% majority of the votes cast)	€1,344,345.91 (Amount that may be awarded in respect of **2019** in application of the 2019 Compensation Policy, payable in 2020)	The amount due in respect of 2019: ▶ has been determined in accordance with the principles and mechanisms set out in the 2019 Compensation Policy (see the 2018 Registration Document, pages 134 to 139); ▶ is the subject of detailed disclosures in section 3.5.3.2 of this 2019 Universal Registration Document. ▶ will be reduced by 25% following Florent Menegaux's decision to waive part of his variable compensation for 2019 as a gesture of solidarity with the Michelin Group's employees and other stakeholders affected by the consequences of the Covid-19 health crisis.
Deferred variable compensation	No compensation paid	€1,136,336.11 (Simulation at December 31, 2019 of the deferred variable compensation awarded in respect of **2019**)	The deferred variable compensation awarded in respect of 2019: ▶ has been determined in accordance with the principles and mechanisms set out in the 2019 Compensation Policy (see the 2018 Registration Document, pages 134 to 139); ▶ is the subject of detailed disclosures in section 3.5.3.3 of this 2019 Universal Registration Document, including the simulation assumptions at December 31, 2019.
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	N/A	N/A
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€8,627.00	€8,627.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019 OR Provision set aside in 2019 OR Simulation	Presentation
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.
Supplementary pension benefits	No benefits paid	No benefits awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 137); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.

N/A: Not applicable.

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following ordinary resolution:

9th resolution
Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2019

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Florent Menegaux, Managing General Partner and, since May 17, 2019, Managing Chairman, as presented in the Corporate Governance Report set out in section 3.6.2 of the Company's 2019 Universal Registration Document.

3.6.3 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF JUNE 23, 2020 ON THE COMPENSATION PACKAGE OF YVES CHAPOT, GENERAL MANAGER

This section presents the components of the compensation paid or awarded to Yves Chapot for 2019 in his capacity as General Manager.

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2019 for that year in the Corporate Governance Report, set out in section 4.4.1 of the 2018 Registration Document.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019 OR Provision set aside in 2019 OR Simulation	Presentation
Fixed compensation	€600,000.00	€600,000.00	The annual base is unchanged compared with 2018 (gross amount before tax)
Annual variable compensation	€263,763.00 (Amount awarded in respect of **2018** in application of the 2018 Compensation Policy, paid in 2019 pursuant to the 8th resolution of the Annual Shareholders Meeting of May 17, 2019 adopted by a 98.30% majority of the votes cast)	€465,034.86 (Amount that may be awarded in respect of **2019** in application of the 2019 Compensation Policy, payable in 2020)	The amount due in respect of 2019: ▶ has been determined in accordance with the principles and mechanisms set out in the 2019 Compensation Policy (see the 2018 Registration Document, pages 134 to 139); ▶ is the subject of detailed disclosures in section 3.5.4.2 of this 2019 Universal Registration Document. ▶ will be reduced by 25% following Yves Chapot's decision to waive part of his variable compensation for 2019 as a gesture of solidarity with the Michelin Group's employees and other stakeholders affected by the consequences of the Covid-19 health crisis.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019 OR Provision set aside in 2019 OR Simulation	Presentation
Deferred variable compensation	No compensation paid	€93,000.00 (provision set aside at December 31, 2019 for the deferred variable compensation awarded in respect of **2019**)	The deferred variable compensation awarded in respect of 2019: ▶ has been determined in accordance with the principles and mechanisms set out in the 2019 Compensation Policy (see the 2018 Registration Document, pages 134 to 139); ▶ is the subject of detailed disclosures in section 3.5.4.3 of this 2019 Universal Registration Document, including the simulation assumptions used at December 31, 2019 to determine the amount of the provision.
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	N/A	N/A
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€9,253.00	€9,253.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.
Supplementary pension benefits	No benefits paid	No benefits awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 137); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.

N/A: Not applicable.

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following resolution:

10th resolution
Approval of the components of the compensation paid or awarded to Yves Chapot for the year ended December 31, 2019

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Yves Chapot, General Manager, as presented in the Corporate Governance Report set out in section 3.6.3 of the Company's 2019 Universal Registration Document.

3.6.4 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF JUNE 23, 2020 ON THE COMPENSATION PACKAGE OF JEAN-DOMINIQUE SENARD, MANAGING CHAIRMAN AND GENERAL PARTNER UNTIL MAY 17, 2019

This section presents the components of the compensation paid or awarded to Jean-Dominique Senard for 2019 in his capacity as Managing Chairman.

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2019 for that year in the Corporate Governance Report, set out in section 4.4.1 of the 2018 Registration Document.

Compensation components put to the vote	Amounts paid in 2019	Amounts awarded in respect of 2019 OR Provision set aside in 2019 OR Simulation	Presentation
Fixed compensation (2019)	€411,022.00	€411,022.00	The annual base, which had remained unchanged since 2014, was prorated over the period served during the year (gross amount before tax).
Annual variable compensation	€1,762,524.00 (Amount awarded in respect of **2018** in application of the 2018 Compensation Policy, paid in 2019 pursuant to the 6th resolution of the Annual Shareholders Meeting of May 17, 2019 adopted by a 96.75% majority of the votes cast)	€653,395.21 (Amount awarded in respect of **2019** in application of the 2019 Compensation Policy, payable in 2020)	The amount due in respect of 2019: ▶ was prorated based on the period served, by taking 5/12 of the annual amount; ▶ has been determined in accordance with the principles and mechanisms set out in the 2019 Compensation Policy (see the 2018 Registration Document, pages 134 to 139); ▶ is the subject of detailed disclosures in section 3.5.5.2 of this 2019 Universal Registration Document.
Deferred variable compensation	€1,362,465.00 (Long-term incentive bonus awarded in respect of **2016** (6th resolution of the Annual Shareholders Meeting of May 19, 2017 approved by a majority of 96.32% of the votes cast, paid in 2019 in application of the 6th resolution of the Annual Shareholders Meeting of May 17, 2019 adopted by a 96.75% majority of the votes cast)	No long-term incentive bonus awarded	In application of the 2019 Compensation Policy, no deferred variable compensation was awarded for this year.
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	N/A	N/A
Compensation as a Director/ Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€3,529.00	€3,529.00	Company car made available for the period served (accounting value)

Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 138); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document. When Mr. Senard stepped down from his position, the Supervisory Board decided to waive application of the non-compete clause and no indemnity was paid.
Supplementary pension benefits	Benefits paid under the supplementary pension plan (post-retirement): €96,381.90.	No benefits awarded	This component: ▶ is an integral part of the 2019 Compensation Policy (see the 2018 Registration Document, page 137); ▶ is the subject of detailed disclosures in section 3.7.1.13 of this 2019 Universal Registration Document.

N/A: Not applicable.

At the Annual Meeting of June 23, 2020, shareholders will be asked to approve the following resolution:

11th resolution
Approval of the components of the compensation paid or awarded to Jean-Dominique Senard for the year ended December 31, 2019

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Jean-Dominique Senard, Managing Chairman and General Partner until May 17, 2019, as presented in the Corporate Governance Report set out in section 3.6.4 of the Company's 2019 Universal Registration Document.

3.7 OTHER INFORMATION ABOUT COMPENSATION OF THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

3.7.1 SUMMARY INFORMATION CONCERNING THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

The data and tables in this section:

- present the compensation of the Managers and the Chairman of the Supervisory Board;
- have been prepared in accordance with the AFEP/MEDEF Code (January 2020);
- comply with AMF recommendation No. 2012-02 (revised) on "corporate governance and executive compensation in companies that refer to the AFEP/MEDEF Code – Consolidated presentation of the recommendations contained in the AMF's annual reports".

3.7.1.1 Compensation, stock options and performance shares awarded to executive officers *(in €)* (based on Table 1 in the AFEP/MEDEF Code)

Florent Menegaux, Managing General Partner, Managing Chairman since May 17, 2019 with unlimited personal liability for the Company's debts	2019	2018
Compensation awarded for the year	2,252,972.91	1,228,544.00
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
Value of other long-term compensation plans	1,136,336.11[(1)]	390,000.00[(2)]
TOTAL	**3,389,309.02**	**1,618,544.00[(3)]**
Reference CGEM consolidated net income	1,730,043,108.00	1,659,627,524.00

(1) Simulation at December 31, 2019 of the long-term incentive bonus not covered by a provision in the Company's accounts and described in section 3.4.3.3 of this 2019 Universal Registration Document.
(2) Simulation at December 31, 2019 of the long-term incentive bonus not covered by a provision in the Company's accounts and described in section 3.6.2.1 of this 2019 Universal Registration Document.
(3) For the period served, i.e. from May 18 to December 31, 2018.

Yves Chapot, General Manager	2019	2018
Compensation awarded for the year	1,074,287.86	640,923.00
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
Value of other long-term compensation plans	93,000.00[(1)]	300,000.00[(2)]
TOTAL	**1,167,287.86**	**940,923.00[(3)]**

(1) Simulation at December 31, 2019 of the long-term incentive bonus described in section 3.4.4.3 of this 2019 Universal Registration Document.
(2) Simulation at December 31, 2019 of the long-term incentive bonus described in section 3.6.2.2 of this 2019 Universal Registration Document.
(3) For the period served, i.e. from May 18 to December 31, 2018.

Jean-Dominique Senard, Managing Chairman and Managing General Partner until May 17, 2019 with unlimited personal liability for the Company's debts up until that date	2019	2018
Compensation awarded for the year	1,067,946.21	4,233,459.00
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	0	0
Value of other long-term compensation plans	0	351,000.00[(2)]
TOTAL	**1,067,946.21[(1)]**	**4,584,459.00**
Reference CGEM consolidated net income	*1,730,043,108.00*	*1,659,627,524.00*

(1) Jean-Dominique Senard's terms and functions having expired at the close of the Annual General Meeting of May 17, 2019, the amounts indicated take into account the period served during the year, from January 1 to May 17, 2019.
(2) Simulation at December 31, 2019 of the long-term incentive bonus not covered by a provision in the Company's accounts and described in section 3.7.2.3 of this 2019 Universal Registration Document.

3.7.1.2 Compensation paid and awarded to Florent Menegaux *(in €)* (based on Table 2 in the AFEP/MEDEF Code)

Florent Menegaux, Managing General Partner, Managing Chairman since May 17, 2019 with unlimited personal liability for the Company's debts	2019		2018	
	Awarded	**Paid**	Awarded	Paid
Fixed compensation[1]	900,000.00	900,000.00	554,672.00	554,672.00
Annual variable compensation	1,344,345.91[3]	668,479.00[2]	668,479.00[2]	0
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	8,627.00	8,627.00	5,392.00	5,392.00
TOTAL	**2,252,972.91**	**1,577,106.00**	**1,228,543.00**	**560,064.00**
Reference CGEM consolidated net income	*1,730,043,108.00*	*1,659,627,524.00*	*1,659,627,524.00*	*1,692,941,994.00*

(1) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, in consideration of his role as General Manager of the Company.
(2) Amount before withholding tax, calculated based on the achievement rate for the applicable performance criteria and approved by CGEM shareholders at the Annual Meeting of May 17, 2019.
(3) Amount before withholding tax, calculated based on the achievement rate for the applicable performance criteria and before the 25% Covid-19 related reduction, subject to approval of the corresponding resolutions by CGEM shareholders at the Annual Meeting of June 23, 2020 (see section 3.6.2).

3.7.1.3 Compensation paid and awarded to Yves Chapot *(in €)* (based on Table 2 in the AFEP/MEDEF Code)

	2019		2018	
Yves Chapot, General Manager	**Awarded**	**Paid**	Awarded	Paid
Fixed compensation	600,000.00	600,000.00	372,808.00	372,808.00
Annual variable compensation	465,034.86[2]	263,763.00[1]	263,763.00[1]	0
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	9,253.00	9,253.00	4,352.00	4,352.00
TOTAL	**1,074,287.86**	**873,016.00**	**640,923.00**	**377,160.00**

(1) Amount calculated based on the achievement rate for the applicable performance criteria and approved by CGEM shareholders at the Annual Meeting of May 17, 2019.
(2) Amount calculated based on the achievement rate for the applicable performance criteria and before the 25% Covid-19 related reduction, subject to approval of the corresponding resolutions by CGEM shareholders at the next Annual Meeting of June 23, 2020 (see section 3.6.3 of this 2019 Universal Registration Document).

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

	2019		2018	
Jean-Dominique Senard, Managing Chairman and Managing General Partner until May 17, 2019 with unlimited personal liability for the Company's debts up until that date	**Awarded**	**Paid[1]**	**Awarded**	**Paid**
Fixed compensation[1]	411,022.00	411,022.00	1,100,000.00	1,100,000.00
Annual variable compensation	653,395.21[2]	1,762,524.00[3]	1,762,524.00[3]	1,696,328.00
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	3,529.00	3,529.00	8,470.00	8,470.00
TOTAL	**1,067,946.21**	**2,177,075.00**	**2,870,994.00**	**2,804,798.00**
Reference CGEM consolidated net income	*1,730,043,108.00*	*1,659,627,524.00*	*1,659,627,524.00*	*1,692,941,994.00*

(1) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, in consideration of his role as General Manager of the Company between January 1 and May 17, 2019.
(2) Amount before withholding tax, calculated based on the achievement rate for the applicable performance criteria, subject to approval of the corresponding resolutions by CGEM shareholders at the Annual Meeting of June 23, 2020 (see section 3.6.4 of this 2019 Universal Registration Document). It includes the estimated €50,000 statutory share of the 2019 profit of Compagnie Financière Michelin SCmA (CFM) (Profit Shares) that is payable by that company subject to approval by its shareholders at the 2020 Annual Meeting. These Profit Shares are entirely variable to the extent that they depend on CFM's profit for the year.
(3) Including €50,000 received from CFM, a controlled entity. These Profit Shares are entirely variable as they are contingent on the profit generated by each of the two companies (CFM and CGEM) in 2017.

3.7.1.5 Compensation received by the members of the Supervisory Board in 2019 (based on Table 3 in the AFEP/MEDEF Code)

Supervisory Board members	2019[6] Amount awarded (in €)	2019[6] Amount paid (in €)	2018[6] Amount awarded (in €)	2018[6] Amount paid (in €)
Olivier Bazil	80,000	63,278	63,278	65,000
Pat Cox[1]	N/A	24,338	24,338	56,400
Barbara Dalibard	90,000	63,278	63,278	65,000
Jean-Pierre Duprieu	60,000	53,543	53,543	52,000
Aruna Jayanthi	70,000	63,278	63,278	44,143
Anne-Sophie de La Bigne	71,250	63,278	63,278	58,333
Thierry Le Hénaff[2]	56,727	22,488	22,488	N/A
Monique Leroux	70,000	60,357	60,357	60,000
Cyrille Poughon	60,000	53,543	53,543	45,000
Michel Rollier	112,800	87,615	87,615	90,000
TOTAL	**670,777[5]**	**554,992[3]**	**554,992[3]**	**535,876[4]**

(1) Supervisory Board member until May 2018.
(2) Supervisory Board member since May 2018.
(3) The amounts paid in 2019 were awarded in respect of 2018 out of the total annual compensation of €555,000 allocated to the Supervisory Board by the Annual Shareholders Meeting of May 13, 2016 (10th resolution adopted by a majority of 99.54% of the votes cast).
(4) The amounts paid in 2018 were awarded in respect of 2017 out of the total annual compensation of €555,000 allocated to the Supervisory Board by the Annual Shareholders Meeting of May 13, 2016 (10th resolution adopted by a majority of 99.54% of the votes cast).
(5) The amounts awarded in respect of 2019 have been determined in accordance with the principles and practices approved by the Supervisory Board in 2019, based on the total annual compensation of €770,000 allocated to the Supervisory Board by the Annual Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast). The Chairman and independent members of the Supervisory Board are joining the Managers by deciding to donate 25% of their compensation to foundations in their respective countries, which are part of the fight against Covid-19.
(6) The compensation indicated consists solely of fixed compensation for services as Supervisory Board member. No variable compensation was paid for these services and no other compensation was awarded or paid.

3.7.1.6 Stock options granted during the year to executive officers by the issuer and any other Group company (based on Table 4 in the AFEP/MEDEF Code)[1]

(1) Refer also to the Managers' Special Report and to the details of current plans, as presented in the table in section 6.5.3 concerning stock options.

No stock options were granted by the Company to the executive officers during the year.

No stock options have been granted to the Managers since 2012.

	Plan no. and date	Type of options (purchase or subscription)	Value of the options calculated by the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Florent Menegaux	-	-	0	0	-	-
Yves Chapot	-	-	0	0	-	-
Jean-Dominique Senard	-	-	0	0	-	-

3.7.1.7 Stock options exercised during the year by executive officers (based on Table 5 in the AFEP/MEDEF Code)[1]

(1) Refer also to the Managers' Special Report and to the details of current plans in section 6.5.3 concerning stock options.

	Plan no. and date	Number of options exercised during the year	Exercise price
Florent Menegaux	Plan 12 dated May 12, 2010 (stock options granted in his capacity as an employee of a Group company)	2,250	€52.13
	Plan 13 dated May 19, 2011 (stock options granted in his capacity as an employee of a Group company)	7,187	€66.00
Yves Chapot	-	0	-
Jean-Dominique Senard	-	0	-

3.7.1.8 Performance shares granted during the year to the executive officers by the issuer and any other Group company (based on Table 6 in the AFEP/MEDEF Code)(1)

None of the 129,270 performance share rights granted on November 15, 2019 pursuant to the authorization given at the May 17, 2019 Annual Shareholders Meeting were granted to the Managers.

	Plan no. and date	Number of performance share rights granted during the year	Value of the performance shares calculated by the method used for the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Florent Menegaux	-	0	0	-	-	-
Yves Chapot	-	0	0	-	-	-
Jean-Dominique Senard	-	0	0	-	-	-

3.7.1.9 Performance shares granted to executive officers for which the lock-up period ended during the year (based on Table 7 in the AFEP/MEDEF Code)(1)

	Plan no. and date	Number of performance shares for which the lock-up period ended during the year	Vesting conditions
Florent Menegaux	Plan 6 (Excellence Management) dated November 25, 2015 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	4,140	The performance condition achievement rates are disclosed in section 5.5.4 c) of the 2018 Registration Document.
Yves Chapot	Plan 6 (Excellence Management) dated November 25, 2015 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	2,301	The performance condition achievement rates are disclosed in section 5.5.4 c) of the 2018 Registration Document.
Jean-Dominique Senard	-	0	-

3.7.1.10 Past awards of stock options – Information about stock options (based on Table 8 in the AFEP/MEDEF Code)

See the table in section 6.5.3 a).

3.7.1.11 Past awards of performance shares – Information about performance shares (based on Table 9 in the AFEP/MEDEF Code)

See the table in section 6.5.4 a).

3.7.1.12 Deferred variable compensation awarded to executive officers (based on Table 10 in the AFEP/MEDEF Code)

See the tables in sections 3.5.3.3, 3.5.4.3, 3.5.5.3 and 3.7.2 below.

(1) Refer also to the Managers' Special Report and to the details of current plans in section 6.5.4 concerning performance shares.

3.7.1.13 Employment contracts, supplementary pension benefits and other benefits of executive officers (based on Table 11 in the AFEP/MEDEF Code)

	Employment contract		Supplementary pension benefits		Benefits or advantages due or likely to be due as a result of terminations or changes of office		Non-compete indemnity	
Executive officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Florent Menegaux								
Position: Managing Chairman and Managing General Partner								
Start date of term of office: 2018								
Expiration of term of office: 2022		X[1]	X[2]		X[3]		X[5]	
Yves Chapot								
Position: General Manager								
Start date of term of office: 2018								
Expiration of term of office: 2022	X[6]		X[2]		X[3]		X[7]	
Jean-Dominique Senard								
Position: Managing Chairman and Managing General Partner								
Start date of term of office: 2011								
Expiration of term of office: 2019		X	X[2]		X[8]		X[4]	

(1) Florent Menegaux has resigned from the position that was the subject of his pre-existing employment contract.

(2) Defined benefit pension plan set up for senior executives of MFPM and CGEM. For detailed explanations, see sections 3.5.3.5, 3.5.4.5 and 3.5.5.5. In accordance with Government Order No. 2019-697 dated July 3, 2019, the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan) has been closed to new members since July 4, 2019 and the vesting period was frozen at December 31, 2019. The terms on which the vesting period was frozen were the same as those applied to the supplementary pension plans for MFPM employees.

(3) Benefit defined in the CGEM Bylaws:
– set by the non-Managing General Partner with the endorsement of the Supervisory Board;
– only payable in the event of forced departure due to a change of strategy or of control;
– capped at two years' fixed and variable compensation (this cap includes any other benefits payable on termination of office such as a non-compete indemnity);
– subject to performance conditions (see section 3.4.2.8).

(4) Indemnity payable in his capacity as an executive officer of MFPM:
– with the possibility for the Supervisory Board to waive implementation of the non-compete clause;
– capped at 16 months' worth of the most recent fixed compensation paid to him by MFPM;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation, applicable to all benefits payable on termination of office, including the compensation for loss of office payable in the event of a forced departure due to a change in the Company's strategy or control (for detailed explanations, see section 4.4.1 a) 7) of the 2018 Registration Document.
When Jean-Dominique Senard stepped down from his position in May 2019, the Supervisory Board decided to waive application of the non-compete clause and no indemnity was paid.

(5) Indemnity payable in his capacity as an executive officer of MFPM:
– with the possibility for the Supervisory Board to waive implementation of the non-compete clause;
– capped at 24 months' worth of the most recent fixed compensation paid to him by MFPM;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation, applicable to all benefits payable on termination of office, including the compensation for loss of office payable in the event of a forced departure due to a change in the Company's strategy or control (for detailed explanations, see section 3.4.2.9.

(6) Suspended employment contract with MFPM.

(7) Indemnity payable under his suspended employment contract with MFPM:
– with the possibility for the Supervisory Board to waive implementation of the non-compete clause;
– capped at 24 months' worth of the most recent aggregate compensation paid to him by MFPM;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation, applicable to all benefits payable on termination of office, including the compensation for loss of office payable in the event of a forced departure due to a change in the Company's strategy or control (for detailed explanations, see section 3.4.2.9.

(8) Benefit defined in the CGEM Bylaws:
– set by the Non-Managing General Partner with the endorsement of the Supervisory Board;
– only payable in the event of forced departure due to a change of strategy or of control;
– capped at two years' fixed and variable compensation (this cap includes any other benefits payable on termination of office such as a non-compete indemnity);
– subject to performance conditions (see section 4.4.1 a) of the 2018 Registration Document for details).
When Jean-Dominique Senard stepped down from his position in May 2019, no compensation for loss of office or other benefit was awarded to him.

3.7.2 LONG-TERM INCENTIVE BONUSES AWARDED TO THE MANAGERS IN RESPECT OF PERIODS PRIOR TO 2019

3.7.2.1 Long-term incentive bonus awarded to Florent Menegaux in respect of periods prior to 2019

/ Cash-settled long-term incentive bonus awarded in 2018

This compensation awarded for 2018 was presented at the Annual Shareholders Meeting of May 17, 2019 and was approved by a majority of 98.29% of the votes cast (7th resolution).

Criteria	Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020(2) period	Michelin site Environmental Footprint (as measured by the "MEF" indicator)(1)	Employee engagement rate (as measured by the annual "Moving Forward Together" survey)	Growth in consolidated operating income *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received.	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%.
intermediate assessment	Growth in the Michelin share price(3) = -12.80% Growth in the CAC 40(3) = +7.30%	2018 = 49.3 2019 = 48.8	2018 = 80% 2019 = 81%	2018 = +€289 million 2019 = +€43 million
Simulated result	€390,000(4)			
Base amount	€720,000: the amount obtained after applying the performance criteria to the base will be prorated to take account of the time served during the period 2018/2019/2020 (by half-year periods), by taking 5/6 of the said amount.			
Cap and eligibility conditions	▶ 150% of the annual average of the annual variable compensation paid to Mr. Menegaux for 2018, 2019 and 2020 ▶ Subject to the availability and amount of Profit Shares for distribution in 2021 out of 2020 profit, after deducting annual variable compensation due for 2020			
Payment year	2021			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Menegaux remains in office, after which the shares may be sold on a phased basis over four years			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.
(3) Average share price for the second half of 2019 compared to the average share price for the second half of 2017.
(4) Simulation prepared for information purposes only (no provision has been recorded in the accounts), using the following assumptions:
– amount of Profit Shares due in respect of 2020 income (Calculation Base) identical to the amount of Profit Shares due for 2019;
– results of the performance indicators over the three-year calculation period equal to the change in these indicators in the first two years of this period (2018 and 2019).

3.7.2.2 Long-term incentive bonuses awarded to Yves Chapot in respect of periods prior to 2019

/ Cash-settled long-term incentive bonus awarded in 2018

This compensation awarded for 2018 was presented at the Annual Shareholders Meeting of May 17, 2019 and was approved by a majority of 98.30% of the votes cast (8th resolution).

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020[(2)] period**	**Michelin site Environmental Footprint** *(as measured by the "MEF" indicator)*[(1)]	**Employee engagement rate** *(as measured by the annual "Moving Forward Together" survey)*	**Growth in consolidated operating income** *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received.	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40[(1)], the achievement rate will be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%.
Intermediate assessment	Growth in the Michelin share price[(3)] = -12.80% Growth in the CAC 40[(3)] = +7.30%	2018 = 49.3 2019 = 48.8	2018 = 80% 2019 = 81%	2018 = +€289 million 2019 = +€43 million
Provision	Provision of €300,000 set aside at December 31, 2019[(4)]: ▶ €234,000 (theoretical net bonus) ▶ €66,000 (payroll taxes)			
Base amount	€600,000: the amount obtained after applying the performance criteria to the base will be prorated to take account of the time served during the period 2018/2019/2020 (by half-year periods), by taking 5/6 of the said amount.			
Ceiling	120% of the annual average of the annual variable compensation paid to Mr. Chapot for 2018, 2019 and 2020			
Payment year	2022			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.
(3) Average share price for the second half of 2019 compared to the average share price for the second half of 2017.
(4) Provision estimated based on the assumption that the results of the performance indicators over the three-year calculation period is equal to the change in these indicators in the first two years of this period (2018 and 2019).

3.7.2.3 Long-term incentive bonuses awarded to Jean-Dominique Senard in respect of periods prior to 2019

/ Cash-settled long-term incentive bonus awarded in 2017

This long-term incentive bonus awarded in respect of Mr. Senard's 2017 compensation was submitted to the Annual Shareholders Meeting of May 18, 2018 in the 6th resolution which was adopted by a majority of 92.76% of the votes cast.

Criteria	Growth in the Michelin share price compared with that of the CAC 40 index over the 2017-2019(2) period	Michelin site Environmental Footprint *(as measured by the "MEF" indicator)*(1)	Employee Engagement Rate *(as measured by the annual "Moving Forward Together" survey)*	Growth in consolidated operating income *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received.	If the average MEF over three years is less than 60, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 60 and 63, the result will be: (63 - average MEF)/(63 - 60)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the average MEF over three years is more than 63, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%.
Indicator Actual	Growth in the Michelin share price = +8.40% Growth in the CAC 40 = +25.90% The growth differential is -17.5 points, giving an achievement rate of 0% out of 35% for this criterion	2017 = 52.7 2018 = 49.3 2019 = 48.8 The average MEF is 50.3 giving an achievement rate of 15% out of 15% for this criterion	2017 = 80% 2018 = 80% 2019 = 81% The average engagement rate is 80.30%, giving an achievement rate of 15% out of 15% for this criterion	2017 = +€138 million 2018 = +€289 million 2019 = +€43 million Segment Operating Income grew by an average of €157 million, giving an achievement rate of 35% out of 35% for this criterion
Base amount	Base of €1,800,000, as increased or reduced by the % change in the Michelin share price over the 2017-2019 period			
Ceiling	▶ 150% of the annual average of the annual variable and multi-criteria variable compensation paid to Mr. Senard for 2017, 2018 and 2019 ▶ Subject to the availability and amount of Profit Shares for distribution in 2020 out of 2019 profit, after deducting annual variable compensation due for 2019			
Amount due	€1,056,900.00: after prorating the amount obtained after applying the performance criteria to the Base to take account of the time served during the period 2017/2018/2019 (by half-year periods), by taking 5/6 of the said amount.			
Payment year	2020			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Senard remains in office, after which the shares may be sold on a phased basis over three years			

(1) Michelin site Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2019 compared to the average share price for the second half of 2016.

Based on the characteristics of this long-term incentive bonus and the achievement rates for the bonus criteria observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the prorated gross long-term incentive bonus amounted to €1,056,900.00 (before withholding tax). This bonus will be payable in 2020 after the 2019 financial statements have been approved by the Annual Shareholders Meeting of June 23, 2020.

Mr. Senard is committed to investing 20% of the prorated incentive bonus in Michelin shares, which he will continue to hold for as long as he remains in office, with any subsequent sales to be carried out on a phased basis over three years.

/ Cash-settled long-term incentive bonus awarded in 2018

This long-term incentive bonus awarded in respect of Mr. Senard's 2018 compensation was submitted to the Annual Shareholders Meeting of May 17, 2019 in the 6th resolution which was adopted by a majority of 96.75% of the votes cast.

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020(2) period**	**Michelin site Environmental Footprint** *(as measured by the "MEF" indicator)***(1)**	**Employee Engagement Rate** *(as measured by the annual "Moving Forward Together" survey)*	**Growth in consolidated operating income** *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type of criterion	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received.	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%.
Intermediate assessment	Growth in the Michelin share price(3) = -12.80% Growth in the CAC 40(3) = +7.30%	2018 = 49.3 2019 = 48.8	2018 = 80% 2019 = 81%	2018 = +€289 million 2019 = +€43 million
Simulated result	€351,000(4)			
Base amount	€1,080,000: the amount obtained after applying the performance criteria to the base will be prorated to take account of the time served during the period 2018/2019/2020 (by half-year periods), by taking 3/6 of the said amount.			
Cap and eligibility conditions	▶ Capped at 150% of the annual average of the annual variable and multi-criteria variable compensation paid to Mr. Senard for 2018, 2019 and 2020 ▶ Amount of Profit Shares available for distribution in 2021 out of 2020 profit, after deducting annual variable compensation due for 2020			
Payment year	2021			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Senard remained in office, after which the shares could be sold on a phased basis over three years			

(1) Michelin site Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled; for 2018, the trigger point and maximum objective for this criterion were made considerably tougher.
(2) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.
(3) Average share price for the second half of 2019 compared to the average share price for the second half of 2017.
(4) Simulation prepared for information purposes only (no provision has been recorded in the accounts), using the following assumptions:
– amount of Profit Shares due in respect of 2020 income (Calculation Base) identical to the amount of Profit Shares due for 2019;
– results of the four performance indicators over the three-year calculation period equal to the change in these indicators in the first two years of this period (2018 and 2019).

/ Cash-settled long-term incentive bonus awarded in 2016 and paid in 2019

The long-term incentive bonus was presented at the Annual Shareholders Meeting of May 19, 2017 and was approved by a majority of 96.32% of the votes cast (6th resolution).

Payment of the bonus was approved at the Annual Shareholders Meeting of May 17, 2019 by a majority of 96.75% of the votes cast (6th resolution) (details of this long-term incentive bonus are provided in Table 1.1 of section 4.4.3 c) of the 2018 Registration Document, page 149).

In accordance with the terms of the bonus award, Mr. Senard acquired 2,659 Michelin shares, corresponding to approximately 20% of the bonus amount.

3.8 TOTAL COMPENSATION AWARDED TO THE GROUP EXECUTIVE COMMITTEE

In 2019, the members of the Group Executive Committee (excluding the Managers) received aggregate gross compensation of €5,337,500 (including €1,784,968 corresponding to the variable component for 2018 paid during the first half of 2019). In 2018, the gross aggregate compensation received by Group Executive Committee members totaled €10,953,109 (including €3,921,828 corresponding to the variable component for 2017 paid during the first half of 2018). The membership of the Group Executive Committee changed significantly during the year. The Group Executive Committee members do not receive any compensation as members of the Boards of any Group companies.

3.9 TRADING IN MICHELIN SHARES BY THE CORPORATE OFFICERS, THE GENERAL PARTNERS AND THEIR CLOSE RELATIVES IN 2019

/ Managers

Florent Menegaux

4,140 shares acquired on November 25, 2019 without consideration under the performance share plan.

2,250 shares acquired on March 20, 2019 at a unit price of €52.13 a share upon exercise of stock options.

6,818 shares acquired on August 5, 2019 at a unit price of €66.00 a share upon exercise of stock options.

369 shares acquired on September 16, 2019 at a unit price of €66.00 a share upon exercise of stock options.

Yves Chapot

2,301 shares acquired on November 25, 2019 without consideration under the performance share plan.

/ SAGES (Non-Managing General Partner)

20,994 shares purchased on November 26, 2019 at a unit price of €111.75 a share.

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out by the Managing Chairman, the Managers, SAGES, Supervisory Board members or their close relatives during the year.

3.10 PROCEDURE FOR ASSESSING AGREEMENTS ENTERED INTO IN THE NORMAL COURSE OF BUSINESS

In accordance with Article L. 225-39 of the French Commercial Code, referring to Article L. 226-10-1 of said Code, the Supervisory Board has established a procedure for the regular review of agreements entered into in the normal course of business, in order to obtain assurance that they are on arm's length terms. The persons directly or indirectly concerned by any of these agreements do not participate in the review. The procedure is performed by members of the Legal Department who refer to the regulatory framework governing these types of agreement.

3.11 ARTICLES OF INCORPORATION, BYLAWS AND SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

The Bylaws, in French and English, can be downloaded from the Company's website (www.michelin.com).

3.11.1 GENERAL PARTNERS (ARTICLE 1 OF THE BYLAWS)

- Florent Menegaux, Managing Chairman;
- Société Auxiliaire de Gestion – SAGES (registered in the Clermont-Ferrand Trade and Companies Register under number 870 200 466), a simplified joint stock company chaired by Jacques de Chateauvieux (please refer to the presentation and role of this company, sections 3.1.3).

3.11.2 CORPORATE PURPOSE (ARTICLE 2 OF THE BYLAWS)

All operations and activities directly or indirectly linked to the production, manufacture and sale of rubber, at all stages of manufacture, in all forms and for all uses.

All industrial, commercial and financial operations, related in particular to:

- tires, tire components, tire accessories and manufactured rubber in general;
- mechanical engineering in all its applications, and in particular motor vehicles and industrial vehicles, components, spare parts and accessories;
- the production, sale and use of natural or synthetic chemicals and their derivatives, in particular the various sorts of elastomers, plastics, fibers and resins, and generally all activities and products of the chemicals industry, especially as related to the products and operations described above;
- the filing, acquisition, use, transfer or sale of any intangible property rights, and in particular patents and related rights, trademarks and manufacturing processes relating to the corporate purpose.

To be carried out directly, as well as through equity interests, the creation of new companies, joint ventures *(sociétés en participation)* and economic interest groups *(groupements d'intérêt économique),* contributions, partnerships *(commandites),* the subscription, purchase or exchange of securities, or interests, in all businesses whose activities relate to the aforementioned purposes, or by way of merger or otherwise.

And generally, all commercial, industrial, real estate, securities and financial transactions related directly or indirectly in whole or in part to any of the purposes specified above or to any similar or related purposes.

3.11.3 MANAGERS (ARTICLE 10 OF THE BYLAWS)

The Company is led by a Managing Chairman and managed by one or more Managers, who are individuals and who may or may not be General Partners.

3.11.4 FINANCIAL YEAR (ARTICLE 29 OF THE BYLAWS)

The Company's fiscal year begins on January 1 and ends on December 31.

3.11.5 STATUTORY ALLOCATION OF PROFITS (ARTICLE 30 OF THE BYLAWS)

An amount equivalent to 12% of net profit for the year is allocated to the General Partners, from which are deducted the dividends and reserves distributed by the subsidiaries Manufacture Française des Pneumatiques Michelin (MFPM) and Compagnie Financière Michelin SCmA (CFM). The allocated amount is capped at 0.6% of consolidated net income for the year, with any excess being allocated to profit available for appropriation. Net profit comprises net revenue for the year less general and administrative costs and all other expenses of the Company, including any depreciation, amortization and provisions deemed necessary. Net profit remaining after the 12% allocation to the General Partners, plus any retained earnings brought forward from the prior year, is attributable to shareholders.

The shareholders may decide to make deductions from this attributable net profit to be used, as recommended by the Managing Chairman, to create or increase one or more reserve or contingency funds, over which the General Partners shall not have any rights.

Any attributable net profit remaining after the above deduction shall be distributed to shareholders.

3.11.6 SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

/ Notices of Meeting (Article 21 of the Bylaws)

Notices of Meeting are issued in such form and with such advance notice as is prescribed by law.

/ Conditions of attendance (Articles 22 and 24 of the Bylaws)

Shareholders may attend General Meetings regardless of how many shares they own, provided such shares are fully paid up and are registered in the Company's share register at least three days before the date of the Meeting.

/ Exercising voting rights – attribution of double voting rights (Article 22 of the Bylaws)

Owners or proxies of owners of fully paid-up shares registered in the name of the same holder for at least four years shall have two votes per share, without limitation.

In the event of a capital increase paid up by capitalizing reserves, income or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights shall similarly carry double voting rights.

Transfer through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line shall not result in the loss of double voting rights or a break in the qualifying period described above.

Shares transferred for any other reason shall lose their double voting rights ipso jure.

/ Statutory disclosure thresholds

The Bylaws do not provide for any disclosure to the Company when certain shareholding thresholds are exceeded.

Further information is provided on the Company's website www.michelin.com.

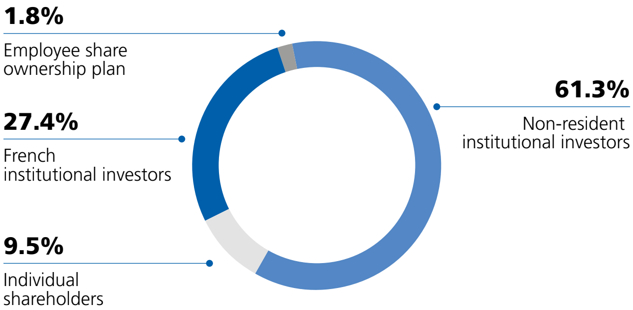
3.12 OWNERSHIP STRUCTURE AND VOTING RIGHTS

At December 31, 2019:

- share capital: 357,255,110
- shares outstanding: 178,627,555 all fully paid up;
- voting rights outstanding: 240 861 826.

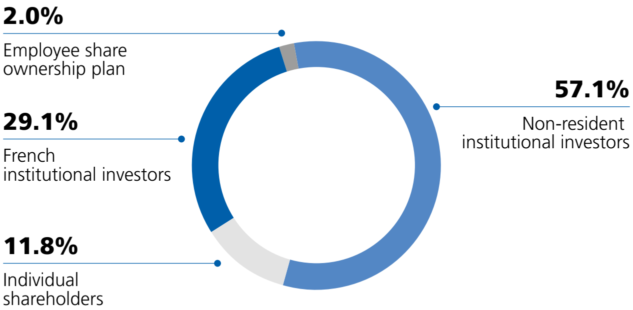
SHARE OWNERSHIP

(at December 31, 2019)



VOTING RIGHTS

(at December 31, 2019)



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

At December 31, 2019, 178,627,555 shares were held by the public, corresponding to 100% of the voting rights.

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

- as of May 15, 2019, BlackRock Inc. held 4.8% of the capital and 3.5% of the voting rights;
- as of April 4, 2016, Mage Invest held 3.8% of the capital and 5.1% of the voting rights;
- no other shareholder directly or indirectly holds more than 5% of the capital and voting rights;
- there are no shareholders' agreements or pacts.

There has been no material change in the Company's ownership structure over the last three years.

3.13 FINANCIAL AUTHORIZATIONS

3.13.1 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2016

/ Employee share issues

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Performance share grants	25th	38 months (July 2019)	▶ Not open to the Managers or the Chairman of the Supervisory Board ▶ Performance conditions over three years ▶ Capped at 0.5% of issued capital	None

3.13.2 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 18, 2018

/ Issuance of shares and share equivalents with pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €109[(1)] *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	14th	26 months (July 2020)	▶ €6.93 billion (shares) ▶ €2.50 billion[(4)] (securities carrying rights to shares)	€126 million[(2)(3)] (less than 35% of issued capital)	None
Issuance of new shares by capitalizing reserves	20th	26 months (July 2020)	€3.48 billion	€80 million	None

(1) CGEM share price at December 31, 2019, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 18th and 20th resolutions (21st resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 14th, 15th and 16th resolutions (17th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 14th, 15th, 16th, 17th, 19th and 20th resolutions not to exceed €2.5 billion (21st resolution).

/ Issuance of shares and share equivalents without pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €109(1) *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	15th	26 months (July 2020)	▶ €1.98 billion (shares) ▶ €2.50 billion(4) (securities carrying rights to shares)	€36 million(2)(3) (less than 10% of issued capital)	None
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)*	16th	26 months (July 2020)	▶ €1.98 billion (shares) ▶ €2.50 billion(4) (securities carrying rights to shares)	€36 million(2)(3)(5) (less than 10% of issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	19th	26 months (July 2020)	€1.98 billion	€36 million(5)	None

(1) CGEM share price at December 31, 2019, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 18th and 20th resolutions (21st resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 14th, 15th and 16th resolutions (17th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 14th, 15th, 16th, 17th, 19th and 20th resolutions not to exceed €2.5 billion (21st resolution).
(5) Amount to be included in the maximum total capital increase authorized under the 21st resolution.

/ Debt securities without rights to shares/other debt securities

Corporate action	Resolution	Duration (expiration date)	Maximum nominal amount authorized *(in €)*	Utilization during the year
Issuance of bonds	8th	26 months (July 2020)	€5 billion	€2.5 billion(1)

(1) Please refer to section 7.

/ Employee share issues

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Issuance of new ordinary shares	20th	26 months (July 2020)	Less than 2% of issued capital	None

/ Share buyback program

Corporate action	Resolution	Duration (expiration date)	Limitations	Utilization during the year
Share buyback program	5th	18 months (November 2019)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €180	Buyback of 12,833 shares(1)
Share cancellations	22nd	18 months (November 2019)	10% of issued capital	None(1)

(1) Please refer to sections 6.5.1 and 6.5.6.

3.13.3 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 17, 2019

/ Share buyback program

Corporate action	Resolution	Duration (expiration date)	Limitations	Utilization during the year
Share buyback program	5th	18 months (November 2020)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €180	Buyback of 1,332,988 shares(1)
Share cancellations	14th	18 months (November 2020)	10% of issued capital	Cancellation of 1,345,821 shares(1)

(1) Please refer to section 6.5.6.

/ Employee share issues

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Performance share grants	13th	38 months (July 2022)	▶ Not open to the Managers or the Chairman of the Supervisory Board ▶ Performance conditions over three years ▶ Capped at 0.7% of issued capital	Issuance of 377,292 rights(1)

(1) Please refer to section 6.5.4 c).

3.14 CHANGE OF CONTROL

Because the Company is organized as a *société en commandite par actions* (partnership limited by shares), any shareholder gaining control of the capital and corresponding voting rights could not exercise control over the Company without the approval, in accordance with the Bylaws, of the Non-Managing General Partner and/or, as the case may be, all of the General Partners and/or the Supervisory Board, which would be required to make the following decisions:

- election of new Managers;
- amendment of the Bylaws;
- election of new General Partners.

3.15 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE ON THE CORPORATE GOVERNANCE REPORT

In accordance with French professional auditing standard NEP 9510[1], the Statutory Auditors' review of the Supervisory Board's corporate governance report, pursuant to Article L. 225-235 of the French Commercial Code, is described in the Statutory Auditors' report on the annual financial statements presented in section 5.3.3 herein.

(1) Norme d'exercice professionnel 9510 (approved by the government order of October 1, 2018 published in France's Journal Officiel, edition no. 0232, on October 7, 2018) on the subject of the Statutory Auditor's procedures relating to the management report, other documents on the audited entity's financial position and financial statements and information included in the corporate governance report, as communicated to the members of the governance body called on to approve the financial statements.

04. NON-FINANCIAL PERFORMANCE STATEMENT

2019 EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION

METHODOLOGY

DEFINITION OF CONTENT AND SCOPE OF REPORTING

Michelin is a French *société en commandite par actions* (partnership limited by shares) listed on the Euronext Paris stock exchange. As such, in every host country around the world, it applies the corporate social responsibility (CSR) reporting standards defined by French legislation.

This report primarily complies with Article L. 225-102-1 of the French Commercial Code *(Code de commerce),* which was created by Article 116 of the NRE Act and successively amended by Article 225 of the Grenelle II Act of July 2010, the Warsmann IV Act of March 2012, Article 173 of the Energy Transition Act of August 2015 and Government Order No. 2017-1180 dated July 19, 2017. This article requires every listed company in France with (i) more than an average of 500 employees under permanent work contracts, and (ii) more than €20 million in total assets or (iii) more than €40 million in annual net revenue to include in its management report a non-financial performance statement, disclosing how the Company manages the social and environmental impact of its business operations, as well as the impact of these operations with regard to upholding human rights and preventing corruption and tax evasion.

To strike the right balance between regulatory compliance, meeting stakeholder expectations (as increasingly expressed in emerging international reporting standards) and maintaining readability, the report is organized into two sections. The first, the Sustainable Development and Mobility Report, offers a common core of content addressing the shared expectations of all our stakeholders. This is followed by the Non-Financial Performance Statement (4.2) and the Duty of Care Plan (4.3), which are presented in the form of concordance tables, whose disclosure categories specifically refer to the related paragraphs in section 1 above and the Sustainable Development and Mobility Report below. In particular, this report has been prepared in accordance with the Core Option for GRI compliance reporting *(see the concordance tables on page 411 below).*

REPORTING CYCLE AND PERIOD

The reporting cycle is annual, with this year's reported data covering the 12 months from January 1 to December 31, 2019. This complies with the requirements of the non-financial performance statement legislation.

INDICATORS

To ensure comparability of data, the indicators used in this Universal Registration Document have not been materially changed from the prior year's Registration Document. For the same reason, performance data in the key indicators have been reported over five years.

Employee relations indicators

Michelin has redefined its employee information reporting process in compliance with Articles L. 225-102-1 and R. 225-105 of the French Commercial Code.

/ Data collection applications and scope of reporting

Applications

Workday personnel management software has been used to manage employee data in the main consolidated companies since 2019.

Scope of reporting

Workforce numbers are consolidated at Group level. Over the past two years, the Michelin Group has made significant acquisitions, whose employee data are now being seamlessly integrated into the Group's Personnel Department information systems. Most of the employee information analyzed in compliance with Article R. 225-105 of the Commercial Code – workforce numbers, working hours, health & safety data, labor relations, training, equal opportunity – concerns all of the Group's consolidated units except for the dealership networks and recently acquired companies, *i.e.,* **73.2% of all employees on payroll.** To ensure year-to-year comparability in tracking progress towards meeting the Group's Ambitions 2020 objectives, **this scope of reporting is referred to as "Ambitions 2020" or "constant scope of reporting".** Unless otherwise specified, these data cover employees under all types of work contracts, except interns, apprentices and work-study trainees. To offer extend the consolidated coverage of reported employee data, Euromaster human resources information has been added to the above scope of reporting. Known as **"Group Personnel",** this combined Euromaster and "Ambitions 2020" scope covers **80.4% of all employees on payroll.**

Each table specifies the scope of reporting for the data concerned. A summary table of 2019 employee data is presented in section 4.1.5.

/ Indicator consolidation method

Data were reported by the country organizations and companies in accordance with corporate guidelines. These guidelines describe, for every Michelin host country and member company, the process for compiling the information required by Article R. 225-105 of the French Commercial Code. They also specify the implementation and outside audit procedures that ensure that the process is managed efficiently and consistently across the organization. Lastly, they define the indicators or cite the references in which they are defined. Each country organization is responsible for the fairness and accuracy of the reported data. As part of a continuous improvement process, the Corporate Personnel Department audits the data on a monthly basis to ensure their accuracy and consistency.

Societal indicators

The Group's engagement with local communities, through its employees and its Foundation, is designed to meet three objectives: development of the local economy, the personal growth of people in the community and road safety. The resources allocated by the Group to community outreach programs and their real-world impact are reflected in the monetary value of the financial assistance provided, the time devoted by employees, the number of people benefiting from the programs, and the number of jobs created with Michelin's support.

Compliance with values such as human rights and the effective application of responsible procurement practices are assessed by independent organizations specialized in risk analysis (Verisk Maplecroft) and CSR ratings (EcoVadis).

Environmental indicators

/ The environmental impact of Michelin facilities:

Components and weighting of the **Michelin Environmental Footprint** (MEF) indicator

Component		Weighting
Resource consumption	Energy	15
	Water	15
Air emissions	VOCs*	25
	CO_2	15
Waste	Total weight generated	15
	Total weight landfilled	15

** VOC: Volatile Organic Compounds.*

Each of the six basic components is expressed in units per tonne of finished product.

Methodological note

The formula for calculating the MEF is as follows. By definition, the Group MEF was base 100 in 2005.

$$\mathrm{MEF} = \frac{\text{Reporting year energy use (GJ/t)} \times 15}{\text{Group energy use 2005 (GJ/t)}} + \frac{\text{Reporting year water withdrawals (m}^3\text{/t)} \times 15}{\text{Group water withdrawals 2005 (m}^3\text{/t)}} + \frac{\text{Reporting year VOC emissions (kg/t)} \times 25}{\text{Group VOC emissions 2005 (kg/t)}} + \frac{\text{Reporting year CO}_2\text{ emissions (t/t)} \times 15}{\text{Group CO}_2\text{ emissions 2005 (t/t)}} + \frac{\text{Reporting year waste generated (kg/t)} \times 15}{\text{Group waste generated 2005 (kg/t)}} + \frac{\text{Reporting year waste landfilled (kg/t)} \times 15}{\text{Group waste landfilled 2005 (kg/t)}}$$

Data are reported in the same format by every site around the world *via* a networked application. The reported indicators are defined and standardized in a reference guide that is used during internal audits and independent reviews.

In 2019, the scope of MEF reporting covered 78 production plants, natural rubber processing facilities and Technology Centers having a material impact on the environment. Data are collected for the 12 months from January 1 to December 31 of each year.

If a new facility is opened, it tracks MEF data from the first month of reported production. In the case of closure, the facility is removed from the MEF at the end of the calendar year in which it closed. The environmental data for these facilities are included in the MEF until the last month of reported production.

The plants in Manaus and Sao Paulo, Brazil, were acquired in 2016. There were not included in the 2017 and 2018 scope of reporting, but have now been incorporated since January 2019. The new earthmover tire plant in South Carolina has also been included.

/ The carbon footprint of products and services

Since 2014, Michelin has used the CDP Climate Change questionnaire to disclose its annual Scope 3[1] indirect GHG emissions from activities in both the upstream and downstream value chain. As in the case of Scope 1 and 2[1], emissions, they are measured using the guidance published in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (World Business Council for Sustainable Development and World Resources Institute, revised edition) and its supplement, Corporate Value Chain (Scope 3) Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, September 2011). Scope 3 calculations enable the Group to lead action plans with suppliers to reduce CO_2 emissions and meet the expectations of external stakeholders, such as CDP's institutional investor members and certain Michelin customers who request carbon footprint data.

All of the figures disclosed in this report are estimates, reflecting the 10-30% margin of uncertainty inherent in calculating the various types of Scope 3 emissions. Calculation assumptions, source data and emission factors are reviewed and revised at least every three years to attenuate uncertainty and make the calculation methods for the different value chain activities more robust. All of the 2016 Scope 3 calculations were audited in accordance with ISAE 3000 by an independent third party, which expressed moderate assurance that the calculations were made in compliance with the protocols mentioned above.

FAIR, VERIFIABLE DATA

For the thirteenth consecutive year, Michelin's CSR data were reviewed by PricewaterhouseCoopers, the Statutory Auditors designated as an independent third party. In 2019, for the second time, their review was conducted in accordance with the enabling decree of August 9, 2017, which defines guidelines for independent third parties in performing their review of the Non-Financial Performance Statement. Following the review, PricewaterhouseCoopers issued a report attesting to the presence and fairness of the required information.

(1) **Scope 1:** *direct greenhouse gas (GHG) emissions occur from sources that are owned or controlled by the Company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment.*

Scope 2: *accounts for GHG emissions from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the Company. Scope 2 emissions physically occur at the facility where electricity is generated.*

Scope 3: *all other indirect emissions. Scope 3 emissions are a consequence of the activities of the Company, but occur from sources not owned or controlled by the Company. Some examples of Scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.*

Source: "The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard, revised edition", World Business Council for Sustainable Development and World Resources Institute.

4.1 SUSTAINABLE DEVELOPMENT AND MOBILITY REPORT

INTRODUCTION– MICHELIN SUSTAINABLE DEVELOPMENT AND MOBILITY

Approach

Michelin's social responsibility approach, formerly called Michelin Performance and Responsibility and now known as Sustainable Development and Mobility (SDM), informs everything the Group does to fulfill its corporate mission of offering everyone a better way forward. The SDM approach ensures that all of the improvement objectives are addressed at every stage in the definition and deployment of the Group's strategy.

SDM is directly managed by the Corporate Engagement and Brands Department, attesting to Michelin's commitment to actively engaging both in public debate and in the concerted actions being taken by stakeholders to foster mobility that is safer, more efficient and more environmentally sensitive.

Governance

The Group's CSR governance system is based on the guidelines in the ISO 26000 (Social Responsibility), ISO 14001 (Environmental Management) and ISO 20400 (Sustainable Procurement) standards.

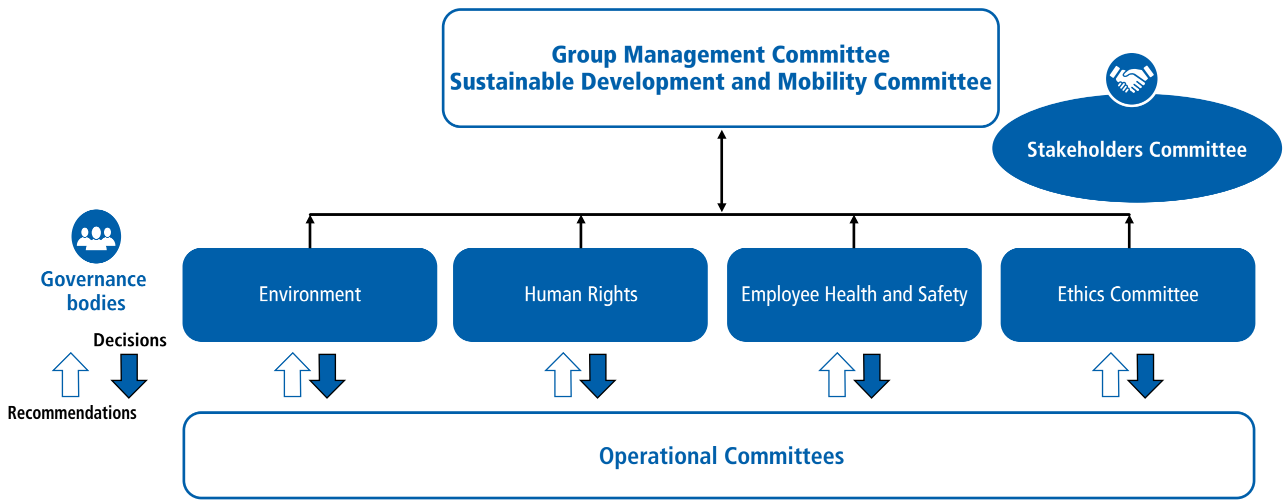
/ Oversight by the Group Management Committee

The Group Management Committee tracks progress on sustainable development and mobility at dedicated meetings held twice a year.

The Committee includes the all members of the Executive Committee as well as the heads of the following functions: Legal Affairs, Purchasing, Finance, Information Systems, Internal Control, Audit and Quality, Strategy, Supply Chain, Corporate and Business Services, China Region and North America Region.

Led by the Executive Vice President, Sustainable Development, these sessions verify that steady progress is being made towards the Ambitions 2020 targets and validate the strategic objectives of the Ethics Committee and the Environment, Human Rights and Employees Health &Safety Governance bodies, including the management of the Group's non-financial risks and their internal control.

/ Coordinated management of the Sustainable Development and Mobility approach



Challenges and Performance

In line with the latest guidance issued by the European Securities Markets Authority (ESMA) on the risk factors to be discussed pursuant to the revised European prospectus directive, the main CSR risk factors identified by the Group have not been reviewed this year in the "Risk Management" section *(see section 2.1 Risk factors specific to Michelin, description and related management systems).*

This is because these risks, which have long been addressed by Michelin, have been effectively attenuated by the prevention systems in place across the Group. Moreover, while most of the issues raised by these risks are already considered to be among the Group priorities in its materiality matrix, they do not seem to be necessarily specific to Michelin, within the meaning of Regulation (EU) 2017/1129 of the European Parliament.

/ The Materiality Matrix

To define and manage its main social responsibility issues, the Group has prepared a materiality matrix, guided by the belief that these issues represent not only potential risks, but also opportunities for growth and business development.

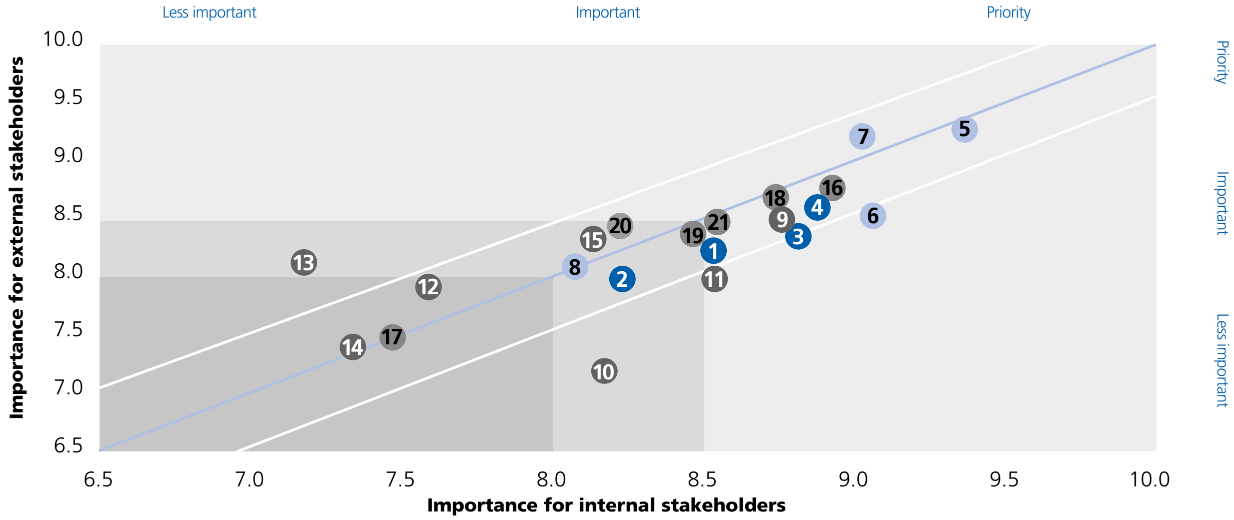
First developed in 2018, the materiality matrix is based on the findings of surveys of external stakeholders and Michelin employees in seven countries (Brazil, Canada, China, the United States, France, India and Poland) that are representative of the Group's business base.

The matrix has revealed:

a general convergence among external stakeholders and Michelin employees concerning the relative importance of the various issues;

- the importance, for a company like Michelin, of getting involved in every aspect of sustainable development, including the environment, human rights, relations with local host communities and governance;
- the role that Michelin is expected to play in building and promoting sustainable mobility;
- the Group's responsibility in its operations and in the growth and development of its employees.

To align its presentation with this year's report, the following materiality matrix does not address issues in the "Explore new innovative, value-creating markets" category, because the related information, covered in the 2018 Registration Document's matrix, is considered to be forward-looking. While retaining the same names and scores, challenges are now organized according to the four Sustainable Development and Mobility Governance bodies and the outline of the Non-Financial Performance Statement presented below in this 2019 Universal Registration Document.



Our Commitments to Sustainable Development and Mobility

1	Transparency	3	Commitment to accessible, clean, sustainable and responsible mobility
2	Staff commitment to Sustainable Development	4	Sustainable, responsible governance

Ethics and compliance

5	The safety of users of Michelin products and services	7	Business ethics
6	High-performance, competitive, responsible products and services	8	Responsible purchasing

Human rights

9	Respecting human rights and duty of care	13	Impact on local communities
10	Diversity of teams	14	Reasoned/balanced development in emerging countries
11	Staff development	15	Dialogue with stakeholders
12	Contribution to the development of local communities		

Employee health and safety

16	Health and well-being of staff	17	Impact of digital technologies on our working methods

Environment and climate change

18	Environment (as a Group performance indicator)	20	Eco-design of our products and services
19	Energy transition and carbon reduction	21	Sustainable, responsible operations

/ Indicators

In 2013, six ambitious objectives were set for 2020, with targets and performance indicators defined for each *(see section 1, Progress on Our Ambitions 2020, p. 36 and 37)*. Managed on an annual basis, these objectives are driving the continuous improvements that will make Michelin the world leader in sustainable mobility, as measured not only by its financial and business performance, but also by its environmental stewardship and social responsibility.

In addition to these Ambitions, Michelin has long deployed clearly defined processes and meaningful indicators capable of tracking and improving its corporate social responsibility performance. The outcomes of the most important of these processes and indicators are presented in this report.

/ Non-financial performance: Michelin, a recognized leader in sustainable mobility

There are a wide variety of indices, labels and ratings available to analyze a company's non-financial performance. To assess its own performance as objectively as possible, the Michelin Group tracks the ratings and scores assigned to it by the leading internationally recognized rating agencies.

CDP *2019*	ECOVADIS *2019*	ISS-OEKOM *2019*	MSCI *2019*	VIGEO EIRIS* *2018*
LEADERSHIP	Gold	Prime	AA	A1+
A-	78/100	B-	7.4/10	68/10

* *Due to the date of publication, the Group's performance could not be compared against the industry's in 2019.*

Michelin has maintained its presence in the **Ethibel** index (Excellence Europe and Excellence Global), the **Euronext VigeoEiris** index (France 20, Europe 120, Eurozone 120, World 120) and the **FTSE4Good** index.

In 2019, Michelin also ranked eighth out of the **world's top ten most reputable companies for social responsibility, according to a survey conducted by the Reputation Institute.**

Helping to meet the United Nations Sustainable Development Goals

By measuring its actions against the United Nations Sustainable Development Goals (SDGs), Michelin hopes to respond more effectively to rising stakeholder expectations for better CSR communication, and to gain greater insight into its future challenges.

This approach is presented in more detail on the Group's corporate website: https://www.michelin.com/en/sustainable-development-mobility/performance-transparency/un-sustainable-development-goals/.

Sustainable Development Goals

	Clients	Well being and development of people	Financial results	Performance of our products	Responsible industry	Local communities
1 NO POVERTY						Low
2 ZERO HUNGER				Moderate	Low	
3 GOOD HEALTH AND WELL-BEING	High	High		Moderate	Moderate	Moderate
4 QUALITY EDUCATION						Low
5 GENDER EQUALITY		High				Low
6 CLEAN WATER AND SANITATION					Low	
7 AFFORDABLE AND CLEAN ENERGY					Moderate	
8 DECENT WORK AND ECONOMIC GROWTH		High	High	High		Low
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE				High	High	
10 REDUCED INEQUALITIES		High				Low
11 SUSTAINABLE CITIES AND COMMUNITIES				High		Moderate
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	High			High	High	
13 CLIMATE ACTION				High	Moderate	
14 LIFE BELOW WATER					Low	
15 LIFE ON LAND				Moderate		Moderate
16 PEACE, JUSTICE AND STRONG INSTITUTIONS					Moderate	
17 PARTNERSHIPS FOR THE GOALS		Moderate				High

Contribution to the objective: Low Moderate High

4.1.1 ETHICS AND COMPLIANCE

Michelin is formally committed to respecting ethical standards and fighting corruption.

THE ETHICS COMMITTEE

The Ethics Committee is chaired by the General Manager, who also represents the Corporate Finance Department. Led by the Vice President, Ethics and coordinated by the Executive Vice President, Sustainable Development, the Committee also includes seven other standing members representing the Corporate Customer Experience Department, the Sustainable Development and Mobility Department, the Corporate Internal Control Audit and Quality Department, the Purchasing Business Unit, the Corporate Legal Affairs Department, the Corporate Information Systems Security, Safety & Security and Environment Department, and the Corporate Personnel Department.

The Committee, which meets four times a year, promotes the Group's ethical culture, underpins the Group's commitment to ethical business practices, defines the Group's business ethics strategy, ensures that regional initiatives are consistent with Group guidelines (*via* the regional ethics committees) and validates the Group's ethics program, the related policies and the actions required to drive continuous improvement.

4.1.1.1 Guaranteeing the quality of our products and services

Risks related to the safety and performance of products and services (inherent risk)

Michelin's core business is the manufacture of tires, which are a factor in vehicle safety

Risk factors

The tire is an important vehicle safety component. Michelin's brand image is inextricably linked to the innovative features, quality, reliability and safety of its products, which are also an important factor in vehicle safety. With nearly 200 million tires manufactured by Michelin worldwide, the Group equips everything on wheels, including cars, trucks, buses, aircraft, scooters, motorcycles, earthmovers, farm tractors and subway trains.

The regulatory environments in our operating markets vary widely and our tires are used in a broad range of conditions. Michelin's exposure to product risk can arise from weather conditions (temperature and humidity), from the quality and type of pavement (motorways, highways and runways) or from the unusually extreme use of our tires in some Regions (in terms of load or speed).

/ The Michelin Quality Approach

Since its founding, Michelin has always nurtured a powerful culture of responsibility for the safety of its customers and users. Enhancing the mobility of people and goods requires an uncompromising attitude towards the safety and quality of every product and service.

Every manager is expected to demonstrate this commitment in his or her area of responsibility, to ensure that products and services are safe, aligned with customer expectations, suitable for the intended use and compliant with applicable regulations. Michelin systematically assesses the health and safety impact of every product or service it brings to market.

A Michelin Quality Approach is defined and instilled into every aspect of the business through a customer-centric organization and a quality management system designed to manage and improve the way the Group does things, guarantee the quality of its products and services and, more generally, fulfill its customer promises. This process defines the practices that play a fundamental role in satisfying Michelin's customers, nurturing their trust and addressing their issues, while driving the Group's performance, reputation and progress. These practices are integrated into employee training so that they are understood and applied by everyone in their respective area of responsibility.

Products and services are described in specifications that cover customer requirements and expressed needs, the potential risks arising from the particular conditions of use in a given region and all of the applicable standards and regulations.

To effectively anticipate and manage potential risks related to the use of Group products, their in-use performance is constantly monitored to detect even the slightest hint of malfunction and to swiftly implement the requisite corrective measures.

The Quality Approach has been enhanced by the Customer Promise Guarantee, which aims to deliver delivering total customer satisfaction. "The Customer Promise Guarantee concerns all of our businesses and ensures that:

- we know our customers and our markets;
- we develop products and solutions aligned with their needs;
- we fulfill our commitments in implementing our solutions;
- we clearly express our promises to our customers;
- we detect shortfalls and respond quickly;
- we measure customer satisfaction, in particular through the Net Promoter Score (NPS®), which enables us to identify sources of customer dissatisfaction and take remedial action."

These six steps could not be implemented without the foundation underpinning the Customer Promise Guarantee: management's unflagging commitment, a symmetry of care, employee capabilities, demanding standards, reliable data and trustworthy indicators.

The NPS® is calculated based on how customers answer a key question – **"How likely is it that you would recommend our brand to a friend?"** – using a scale of 0 to 10, with 10 being the most likely. Customers who answer 9 or 10 are considered as "Promoters", 7 or 8 as "Passives" and 6 or less as "Detractors." Subtracting the percentage of Detractors from the percentage of Promoters yields the NPS®.

Michelin serves a very diverse array of customers, including consumers, businesses, truck fleets, vehicle rental companies, mining companies, airlines, carmakers, tire dealers, auto accessory dealers and wholesalers. Measuring a consolidated NPS® spanning all of these customer types would not be very meaningful. Instead, the NPS® is calculated for approximately 70 "clusters," representing significant markets, such as dealers in France or fleets in Germany, and accounting for 90% of our sales. An annual NPS® target is assigned to each of these clusters.

The Group's goal is to have 100% of the clusters meet the target each year. This objective reflects the "improving the satisfaction of our customers" Ambition for 2020. In 2019, 67.4% of the clusters delivered an NPS® in line with the target for the year(1).

/ An active role in safeguarding consumers and the environment

Tire and road wear particles

Factoring in the environmental impact of its business activities runs in Michelin's DNA. That's why it engages proactively with the industry in analyzing the potential impacts from tire and road wear particles (TRWP), the mixture of tire tread, brake particles and road surface debris generated by the friction between tires and the road.

Since 2006, Michelin has been working to deepen our knowledge of these particles, in particular as part of the research being led by the Tire Industry Project(2) (TIP) to collect, characterize and understand both their composition and flow, as well as their potential impact on the environment and human health.

These studies directly conducted by the tire industry on the environmental and human health impacts of TRWP have not demonstrated any specific risks:

- TRWP make up only a very small percentage of all airborne particulate matter, accounting for at most 2% of PM2.5 and PM10 particulates. In addition, toxicology tests have not revealed any specific risks to human health;
- studies of aquatic flora and fauna have also failed to demonstrate any toxicity.

Once released into the environment, only an average 2 to 5% of TRWP reach estuaries and potentially the marine environment(3).

In November 2019, the CEOs of the TIP member companies decided to add to existing knowledge by launching a new cycle of TRWP research projects for the 2019-2021 period, addressing areas such as:

- extended sampling of TRWP presence in different environmental compartments (air, rivers, soil, estuaries) and modeling TRWP fate in the environment.
- analyzing the degradation of TRWP.
- investigating the potential health impacts from long-term exposure to TRWP.

While scientific studies have not revealed any specific risk to date, Michelin is prepared to work with authorities, in close cooperation with the entire industry, to further deepen our understanding and abate TRWP emissions by developing maximum limits based on a standardized abrasion method. The Group is already pursuing these goals at the European level.

Minimum performance standards

European legislators have introduced minimum tire-performance standards, as specified in Regulation (EC) No. 661/2009 and United Nations' ECE Regulation 117. Michelin supported the drafting and introduction of this type of regulation, offering data and other input to help define the minimum performance levels. These standards cover:

- rolling resistance;
- noise;
- wet grip.

They are designed to limit a tire's environmental impact and improve road safety. Introduced in 2012 for all new products, the legislation has been gradually extended, in precisely defined phases, to products already on the market. Compliance of new Passenger car/Light truck and Truck tires is verified by government technical services when the product is certified. Stricter rolling resistance thresholds derived from Regulation No. 117 have been applied in the European Union since November 2016. Standards setting an even higher level of performance in each of the three factors have been proposed for the EU and are under study for application in 2020-2024.

The setting of regulated performance levels, which was originally a European initiative, is now being extended *via* UNECE Regulation No. 117, in legislation passed by countries that signed the UN's 1958 agreement concerning uniform technical prescriptions for wheeled vehicles. Examples include Turkey in 2012, Norway and South Korea in 2013 and Israel in 2014. Brazil introduced similar legislation in 2015 and Japan is planning to do the same between 2018 and 2024. The UN regulation came into effect in Russia in 2017.

The United States and India have decided to introduce at some future date the same type of standards to protect the environment and improve consumer safety. Other countries, like China and South Africa, are also discussing such measures. In each of these countries, Michelin has been favorable to the application of these standards and when requested, is helping to define the minimum requirements.

(1) Prior-year results in 2018: 67.7% and 2017: 72%.

(2) Tire Industry Project: Launched in 2005, the Tire Industry Project is a voluntary initiative dedicated to addressing the tire industry's sustainability challenges and issues. It currently comprises 11 of the world's leading tiremakers: Bridgestone Corporation, Continental AG, Cooper Tire & Rubber Company, The Goodyear Tire & Rubber Company, Hankook Tire Company, Kumho Tire Company, Inc., Groupe Michelin, Pirelli Tyre SpA., Sumitomo Rubber Industries, Ltd., Toyo Tire & Rubber Company Ltd., and Yokohama Rubber Co., Ltd. The TIP operates under the auspices of World Business Council for Sustainable Development (WBCSD).

(3) Characterizing export of land-based microplastics to the estuary – Part I: Application of integrated geospatial microplastic transport models to assess tire and road wear particles in the Seine watershed https://www.sciencedirect.com/science/article/pii/S0048969718328638 – Part II: Sensitivity analysis of an integrated geospatial microplastic transport modeling assessment of tire and road wear particles https://www.sciencedirect.com/science/article/pii/S0048969718332728.

Tire labeling

In its Communication of October 19, 2006 entitled "Action Plan for Energy Efficiency: Realising the Potential", the European Commission demonstrated the possibility of a 20% reduction in the EU's total energy consumption between now and 2020 by presenting a list of targeted actions, including an energy performance labeling system for tires. Introduced by Regulation (EC) No. 1222/2009, such a system became mandatory in 2012 for passenger car and van tires.

Michelin supported and helped to shape the regulation, which also sets standards for tire rolling resistance, noise and wet grip.

It is designed to give tire users, fleet managers and trucking companies more information about fuel efficiency and other tire parameters, so that they can easily compare different makes of tires based on a harmonized labeling and testing system.

Moreover, the regulation provides for compliance testing of its performance standards, in order to sustain the system's reliability and credibility. Other countries have passed similar legislation for certain tire categories, including Turkey in 2012, Norway and Israel in 2013, Saudi Arabia in 2015, South Korea in 2012 and 2014, and Brazil in 2015 and 2016. Japan introduced a voluntary system in 2010. In late 2007, the United States and India decided to implement a labeling system in the future. Other countries, such as China, are also examining the possibility. In each one, Michelin, when requested, is helping to define the regulation.

Following a review procedure that began in 2016, a new version of the regulation was proposed by the European Commission in May 2018 and approved in 2019. Among other upgrades, it would improve consumer awareness by having the "3PMSF snow" and "ice" icons displayed on the label and technical information registered on a publicly accessible database. Label information will be extended in the future to other performance parameters, such as the rolling resistance of retreaded tires or tire abrasion, as soon as suitable testing methods are available. The proposed regulation will be issued in first-quarter 2020.

In 2019, the Group did not incur any fines or penalties for non-compliance with regulations and/or voluntary codes concerning product and service information and labeling.

The impact of tires on vehicular CO_2 emissions

The rolling resistance of Passenger car/Light truck or Truck tires accounts for 15% to 30% of a vehicle's fuel consumption and CO_2 emissions, depending on its size, use and how it is driven. This is why Michelin is encouraging the use of vehicular CO_2 emission assessment methods that are precise enough to accurately ascertain the contribution of the various non-powertrain factors, including tire rolling resistance *(see section 4.1.4.2 a The Michelin 4R strategy for a circular economy/Eco-design).* This approach would encourage greater transparency by suppliers and more competition on technical issues.

Passenger and freight vehicles

In the United States, the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) have issued Phase 2 of their greenhouse gas emissions and fuel efficiency standards for medium and heavy-duty engines, scheduled to come into effect in 2021. Even stricter standards are being planned for 2024 and 2027. These standards stipulate that, before certification, a new vehicle must be tested for compliance using the Greenhouse Gas Emissions Model (GEM) simulation tool, one of whose variables is the tires' rolling resistance.

In Europe, the Vehicle Energy Consumption Calculation Tool (VECTO) developed for the European Commission serves as the basis for Regulation (EU) No. 2017/2400 on the determination of CO_2 emissions and fuel consumption of heavy-duty vehicles. The regulation, which will be gradually applied to heavy trucks manufactured from January 1, 2019, takes into account the energy performance of a vehicle's different components, including tire rolling resistance. The latter is certified by approval authorities and regularly measured during the production conformity testing process.

A proposal to extend the regulation and the VECTO simulation tool to buses, coaches and heavy vans has been in discussion since late 2018.

European authorities have defined maximum CO_2 emissions levels, measured based on the initial standards.

By participating in a technical capacity in the different working groups, Michelin is facilitating the introduction of calculation models and procedures that accurately reflect vehicle fuel efficiency in actual use by taking into account the impact of tires and a range of other variables.

Passenger car tires

The level of CO_2 and harmful emissions from light vehicles can also be measured by the new Worldwide harmonized Light vehicles Test Procedures (WLTP), defined by the United Nations with input from India, Japan, Russia, the European Union and many other countries. Michelin encouraged the working group to factor in the influence of tire rolling resistance in ways as close as possible to actual driving conditions. The new procedures, whose phase-in across the EU began in September 2017, will provide a more accurate measurement of CO_2 emissions from vehicles in actual use.

Winter tires

Many countries, particularly in Europe, now require drivers to fit winter tires on their vehicles, either for a given period or when demanded by weather conditions, or else in particular regions or at particular times. However, while these rules generally stipulate that only manufacturer-marked Mud and Snow (M+S, M.S. or M&S) tires may be mounted, such markings do not correspond to the tire's demonstrated performance in snowy conditions. Michelin is urging that national highway codes be amended with an obligation to fit only winter tires marked with the Three-Peak Mountain Snow Flake (3PMSF) symbol, which means that they have demonstrated minimum required snow grip. Germany introduced this rule in March 2017 and Sweden in 2019.

Worn tire performance

The existing minimum standards for rolling resistance, noise and wet grip concern the measured performance of new tires. However, newness is fleeting and a tire's performance evolves as it wears. In the case of rolling resistance and noise, for example, performance actually improves with wear, so it makes sense to define their minimum standards on the basis of a new tire, as is currently the case. On the other hand, a tire's wet grip declines as it wears. In 2019, the EU approved the introduction of a regulation governing the wet-grip performance of worn tires. Michelin is participating in the United Nations working group that is developing the regulatory method for introducing a minimum wet grip performance standard on worn tires still within the legal wear limit, so as to ensure that tires deliver at least minimum acceptable performance throughout their useful lives.

Compliance with materials standards

A multidisciplinary team of experts continuously tracks changes in regulations governing chemicals, the environment and health, enabling the Group to factor them into its strategic planning and product design processes.

/ Michelin supports the standardized use of radio-frequency identification (RFID) chips to track tires

Embedding a unique RFID tag into every tire will ultimately enable the entire industry to track its products across their life cycles, from manufacture to recycling, thereby improving the management of their environmental impact and the safety risks due to manufacturing defects. Moreover, RFID chips can transmit a variety of tire data that could play a critical role in developing new sustainable mobility solutions based on connected tires. For all these reasons, Michelin is actively encouraging the ISO standardization of RFID-based tire identification systems, by sharing its expertise in this area with other tiremakers. It is also supporting the introduction of standardized access to digital tire data, in order to promote the development of new services that will help to make mobility more sustainable.

/ An active private-sector stakeholder in road safety partnerships

With the number of worldwide traffic fatalities remaining at an unacceptable 1.35 million people a year (according to the World Health Organization's Global Status Report on Road Safety), the ambitious goal of halving the number of global deaths and injuries from road traffic collisions by 2020 has been included in the UN Sustainable Development Goals (SDG 3.6).

Capitalizing on the partnerships it has forged with both public and private stakeholders and consolidated over the years, Michelin is now leading the public sector forward on the path to safe mobility. One of the key shifts in addressing the issue of road safety has been to rename it "safe mobility," positioning it as one of the four pillars of sustainable mobility. In this way, its impact has been broadened to a wider audience and tied to several other sustainability-related issues, such as equality, public health, urban development and climate change.

In line with its tradition of forming close partnerships, Michelin has pursued its global commitments with organizations as diverse as the United Nations Road Safety Collaboration (UNRSC), the Global Road Safety Partnership (GRSP), the FIA High Level Panel for Road Safety and Youth for Road Safety (YOURS).

In this way, Michelin successfully deployed a number of programs around the world in 2019, with the support of the FIA and its local automobile clubs. In Argentina, a social media campaign was deployed to encourage the use of seat belts, promoting them as a major safety device capable of reducing the number of serious crashes and deaths by 45%. At the same time, a "Fashion Belt" design competition was organized to spur engagement and raise employee awareness. Michelin employees and the FIA have also taken to the streets in Thailand to get people to wear helmets, handing out more than 2,000 to both adults and young children in the hope of reducing the number of fatalities in a country where road accidents are the deadliest in the world.

The United Nations Road Safety Trust Fund (UNRSTF), whose long-term mission is supported by both member States and private stakeholders, has elected Michelin to its Steering Committee as a representative of the private sector. A $1 million donation from the Michelin Foundation helped to fund five pilot projects to address key components of national safety systems in eight countries. These projects are now well under way, and are already delivering positive outcomes.

VIA, the independent road safety education program developed by the Total Foundation and the Michelin Corporate Foundation, has been deployed in more than 50 schools in Cameroon, France, India and Romania. Designed by road safety and education experts, VIA takes an innovative instructional approach focused on life-affirming messages and the acquisition of safe ways to behave in traffic. It is based on active, emotional and creative teaching methods that have proven more effective in instilling best practices than conventional methods. In 2019, the program also received support from new partners, such as the Botnar Foundation, attesting to its importance and value to other stakeholders willing to invest in safe mobility.

4.1.1.2 Ensuring ethical business practices

Risk of ethics violations (inherent risk)

Risk factors

Michelin pays particular attention to the risk of ethics violations and expects every employee to consistently act with integrity and respect the internal and external standards that have underpinned its corporate culture for over a century. Any conduct that runs counter to these values could constitute an ethics violation.

The Ethics risk family includes in particular a risk factor specifically addressing the social responsibility of our suppliers *(see section 4.1.1.3).*

/ 4.1.1.2 a) Establishing a global ethical framework

Code of Ethics

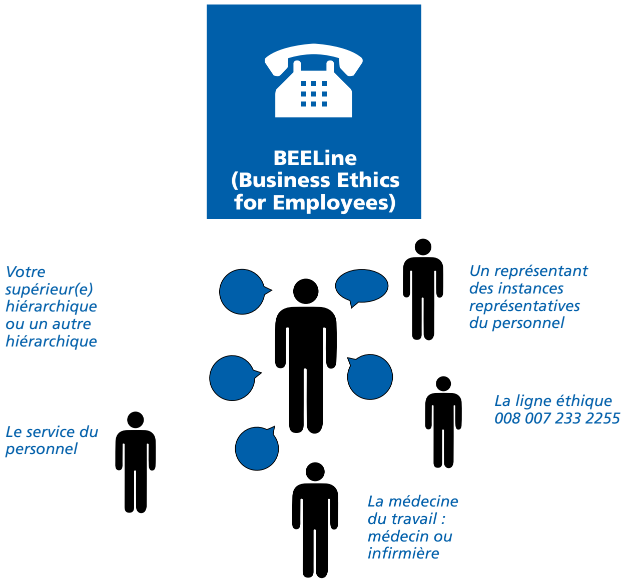
Michelin's business practices are governed by a Code of Ethics, applicable across the entire Group, although certain member companies, like Euromaster, have their own Codes. Practical guidelines, in particular as concerns aspects of corruption and purchasing, have also been issued. Published in 2010 and updated in 2014, the Code builds upon the Performance and Responsibility Charter and the Group's compliance guidelines and policies.

The Code is organized around 17 issues, most of which are covered by a document specifying in detail their guiding principles and the recommended employee behavior. Privacy issues, for example, are addressed in more detail in the Global Personal Data Protection Policy and its supporting documents.

The Code of Ethics was deployed first by region, then by country and lastly by facility, with managers involved at every level. Information and training sessions are regularly conducted on-site and/or online, depending on local needs, so that every employee is capable of understanding and complying with the Code and its guidelines. Translated into 14 languages, the Code is readily available to employees, who can download it from the intranet. Team managers have also received a print copy.

Whistleblowing controls and procedures

Compliance with the Code of Ethics is ensured through a system of **regular controls,** based on an ethical risk map, integrated reporting systems, an internal control manual and internal audits.



Examples of universal symbols used on intranet platforms for internal communication in different countries (United States of America and France respectively).

Anonymous, protected **whistleblowing procedures** enable employees to report possible incidents of non-compliance as well as suspected failures to apply the Michelin Performance and Responsibility Charter. In every Region, possible ethics violations may be reported *via* an ethics hotline, a dedicated webpage, local legal affairs teams, local development partners, line managers or, in some cases, occupational physicians or employee representatives.

In 2019, a total of 1,037 incidents of alleged non-compliance [(1)] were reported across the Group, a 7% increase from the 965 allegations recorded in 2018. All of these reports were investigated in line with the prescribed procedure. At the end of this process, 27% were unfounded, 63% were substantiated and 10% did not contain sufficient information to justify engaging in an investigation.

When **ethics violations** are observed, they are analyzed according to a Group-wide process defined by the Corporate Information Systems Security, Safety & Security and Environment Department. The findings may then give rise to action plans, corrective measures and/or disciplinary sanctions depending on the circumstances and the seriousness of the violation.

Following these investigations, disciplinary measures (warnings, unpaid leave and dismissals) were applied and legal action was taken to bring charges for fraud and, in certain cases, initiate civil proceedings to recover corporate assets.

(1) Scope « Group Personnel ». Among the reported incidents, those that occured at the very end of the year are all registered, but some might still be under investigation process or pending their processing.

/ 4.1.1.2 b) Taking a firm stand against corruption

The process for combating corruption is based on prevention programs, training, internal control and disciplinary measures.

In 2010, the Michelin Code of Ethics specified the fundamental rules and guidelines that must govern every employee's decisions with regard to preventing corruption.

To strengthen this system, an easy-to-understand, **practical Anti-Corruption Code of Practice was published in 2015** for all employees, demonstrating the Group's commitment to building its sustained growth on fair and ethical business practices.

The new Code is designed to raise manager and employee awareness of the actions that may indicate an attempt at corruption, by providing examples and offering advice on how to counter such attempts. More specifically, it deals with typical cases such as bribes, kickbacks and payoffs, the use of agents and intermediaries, payments for favors or other inducements, charitable or political contributions, gifts and invitations.

In 2018, Michelin formally introduced **an Anti-Corruption Compliance Program (ACCP),** structured around existing procedures. In compliance with France's Sapin II Act, the program **describes corruption and bribery-related risks and the procedures for managing them, then defines the measures to be put in place to ensure compliance with the Group's policy of zero tolerance for corruption. It applies to the entire Group and has been deployed in every Region.** In particular, it specifies policies and expected practices in such areas as corruption risk assessment, gifts & invitations, assessment of intermediaries, communication and training, accounting control, internal whistleblowing, investigations, internal control and audits, the management of mergers and acquisitions, and the related reporting processes. It notes that corruption risks are managed in each of the operating Regions under the responsibility of the Regional Presidents.

Each local team manages its employee awareness-building and training programs, based on the corruption risk analysis performed in the Region with the support of the local legal affairs department. In addition, members of the Group Executive Committee participated in training in these issues in 2018.

/ 4.1.1.2 c) Responsible tax management

Michelin's tax policies are defined and implemented in line with its operating objectives, with the goal of supporting the Group's responsible and sustainable business development. In this regard, the Group's primary responsibility is to ensure that it fulfills all of its international, regional and local tax obligations, in both the spirit and the letter of the law. Moreover, Michelin has defined its own fundamental guidelines, in a commitment to securing its positions and ensuring that the Group fairly pays all of the taxes due in its host communities.

This is why Michelin systematically interprets tax legislation in compliance with both the law and the legislator's intent, without taking advantage of any eventual loopholes.

The Group also recognizes the need and the value of nurturing trustworthy relationships with tax authorities. As a result, the Group Vice President of Tax Affairs and members of his network foster, nurture and maintain ongoing, transparent relationships with tax authorities at every level, to ensure that all of the disclosures required by law are easily accessible and shared on a timely basis.

In 2019, for example, the Group signed a partnership agreement with the French tax authorities, under the "relationship of trust" framework set up by the Budget Ministry, whereby we will transparently share any major events likely to have a tax impact.

Naturally, the Group's tax policies strongly condemn all forms of tax evasion and expressly forbid management from taking advantage of tax regimes deemed to be prejudicial or non-transparent. Similarly, Michelin does not engage in any transaction, financial or otherwise, that would have the effect of evading taxes or of optimizing its corporate tax liability without generating any other operational or economic benefit.

Tax risk management policies are based on:

- a transfer pricing policy deployed in accordance with the latest OECD guidelines, with remuneration of Group units determined on an arm's length basis;
- application of the transfer pricing policy across the entire Group, with understandable, transparent information systematically provided as requested by the local tax authorities;
- protection of shareholder value by implementing a full range of procedures to mitigate the risk of double taxation of profits, involving the use of all forms of recourse, as necessary, including internal recourse, governing authorities and arbitration;
- the assurance that all of the open tax positions are consistent with the Group's core values, including respect for facts, the environment and people;
- a preference for solutions that avoid unnecessarily complex tax analyses, to reduce the risk of divergent interpretations that may lead to tax disputes, while improving transparency.

All tax risks are tracked specifically by the Tax Affairs Department, under the supervision of the Corporate Finance Department. The system for managing these risks is also governed by the Group's tax policies.

/ 4.1.1.2 d) Protecting employee privacy and personal data

Michelin pays special attention to protecting the right to privacy and the personal data of its employees. The Group is in compliance with the European Union's General Data Protection Regulation (EU) 2016/679. In addition, it has issued guidelines that apply these European standards to the transfer of employees' personal data across the global organization. The protection of employee personal data and privacy is audited by an internal control process.

4.1.1.3 Demonstrating our social commitments through responsible procurement

The primary conduit for expressing Michelin's social responsibility commitments to suppliers is the Purchasing Department. Its mission is to guarantee the availability of products and services the Group needs by selecting suppliers that meet our technical and cost requirements, as well as our expectations concerning environmental and social issues. The Department helps to improve the competitiveness of the operating units, while embodying the core values presented in the Michelin Performance and Responsibility Charter and the Group's Code of Ethics. Today, these aspects are closely associated with the concept of duty of care.

The Purchasing Department is structured around four procurement categories: raw materials, natural rubber, industrial inputs and services. At more than €14 billion in 2019, purchases represented close to 60% of consolidated sales for the year.

Following its CSR audit by EcoVadis, in December 2019, Michelin was awarded an overall score of 78/100 and 80/100 in Responsible Purchasing, ranking the Group among the top 1% of suppliers rated in the "Manufacture of Rubber Products" category.

All this means that Michelin is also demonstrating its social and environmental responsibility through its supplier relationships. In recent years, the Group has assertively pursued a responsible purchasing commitment with suppliers, who not only meet its quality, cost, deadline and reliability standards but also pledge to continuously improve their human rights and environmental performance.

Now that the objective for the number of suppliers assessed and confirmed as compliant with Michelin standards by 2020 has been amply exceeded, new annual targets are set every year to increase both the number of suppliers submitting desktop reviews and the percentage meeting the expected level of compliance *(see 4.1.1.3 b Risk identification and levers for action/2019 results).*

/ 4.1.1.3 a) Governance and organization

Clearly defined policies

First published in 2012 and further updated in 2017, **the Michelin Purchasing Principles** serve as the reference document for the Michelin Purchasing Department. They are grounded in Michelin's values and international commitments through the fundamental conventions of the International Labour Organization, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. They provide a foundation for the relationships of trust that must exist between Michelin, its purchasing teams and its suppliers around the world.

As such, they describe the fundamental principles governing the Group's supplier relationships. The document stipulates the rules of professional conduct for the Group's purchasing teams and describes the supplier approval process, the Group's quality standards and the environmental, social and ethical performance expected of Group suppliers.

It may be downloaded in any one of 14 languages from https://purchasing.michelin.com/Espace-documents.

A global organization

Michelin has around 50,000 suppliers located on every continent around the world, while the Purchasing Department has some 700 employees based across the Group's different geographies. The responsible purchasing process is coordinated at the corporate level and managed in each purchasing category and each Region, with the support of a global network.

In addition, the Purchasing Department is seamlessly integrated into the Group's CSR Governance mechanisms. The Chief Procurement Officer is a member of the Environment and the Human Rights Governance bodies and the Ethics Committee. Reporting directly to this position is a Sustainable Development Manager, who participates in the operational committees dealing with the circular economy, greenhouse gas emissions, biodiversity, human rights and ethics.

A continuous, award-winning process

The Group's assertive commitment to sustainable procurement is reflected in the performance improvement initiatives led year after year and the continuous training buyers receive in CSR issues.

In addition, Michelin encourages emulation among suppliers, by honoring some of them with **Michelin Supplier Awards** based on CSR performance and three other criteria. Five suppliers received Awards at the ceremony held in 2019.

After pledging to uphold France's **"Responsible Supplier Relationships"** Charter in October 2012, Michelin earned the French government's label of the same name in June 2014. On June 25, 2019, Michelin was awarded the **Responsible Supplier Relations and Procurement Label** at a ceremony at the French Ministry for the Economy and Finance in Paris. The label recognizes French companies that have demonstrated the ability to foster balanced, sustainable relations with their suppliers

At the same time, in April 2019, Michelin received **certification that its purchasing practices were mature** with regard to the new **international ISO 20400 Sustainable Procurement standard.** Issued by an approved outside organization, the certificate attests to the compelling effectiveness of the Group's responsible procurement practices, which in turn reflect the dedicated commitment of all our purchasing teams and their internal partners.

/ 4.1.1.3 b) Risk identification and levers for action

Identified risks

To supplement the Group's risk map, the Purchasing Department has mapped its risks in the area of corporate social responsibility.

Raw materials and natural rubber

Of all the Group's raw materials, the one that warrants the most attention to its environmental and social impact is natural rubber, which is 90% sourced from Asia and 85% from smallholders. In addition, its supply chain is complex and fragmented. As a result, **a dedicated approach has been devised for natural rubber,** explained at the end of this section.

For the other raw materials, such as synthetic rubber and monomers, carbon black, silica and other reinforcing fillers, metal and textile reinforcements and chemical additives, a comprehensive risk mapping application has been developed to map a wide range of risks, including those related to CSR issues.

Purchases of production inputs and services

CSR risks arising from the procurement of production inputs and services have also been mapped, with the categories ranked according to their risks in five areas: the Environment, Human Rights, Business Ethics, Health & Safety and Supply Chain Management. This exercise also identified the sourcing countries with high environmental and human rights risks, based on the Verisk Maplecroft database.

The resulting risk map, which is regularly updated, is helping to prioritize the scheduling of CSR performance reviews for suppliers of manufacturing inputs and services, as well as to deploy preventive measures aligned with each purchasing category's characteristics and environment.

Supplier assessments

Since 2012, Michelin has assessed its key suppliers' CSR performance in a variety of ways, depending on the issues involved.

Desktop reviews

As part of the Michelin Sustainable Development and Mobility Ambitions for 2020, the Purchasing Department is committed to assessing the CSR performance of the Group's 400 leading suppliers and enabling 70% of them to be confirmed as compliant with Group CSR standards.

This performance is assessed through desktop reviews conducted by the EcoVadis rating agency, which measure how each supplier stands in 21 CSR indicators covering the environment, labor relations & human rights, business ethics and responsible procurement.

Analysis by country of origin

Although 90% of its raw materials spend is covered by desktop CSR reviews, Michelin has verified that these reviews were actually performed for suppliers operating in countries at risk. Using Verisk Maplecroft data ranking countries based on their risks, the verification exercise demonstrated that the desktop reviews of raw materials suppliers cover:

- 94% of Michelin's spending in countries that pose a medium risk with regards to environmental protection. Michelin does not have any suppliers based in countries that pose a high risk with regards to environmental protection;
- 93% of Michelin's spending in countries that pose a high or medium risk with regards to human rights abuses;
- 93% of Michelin's spending in countries that pose a high or medium risk with regards to child labor.

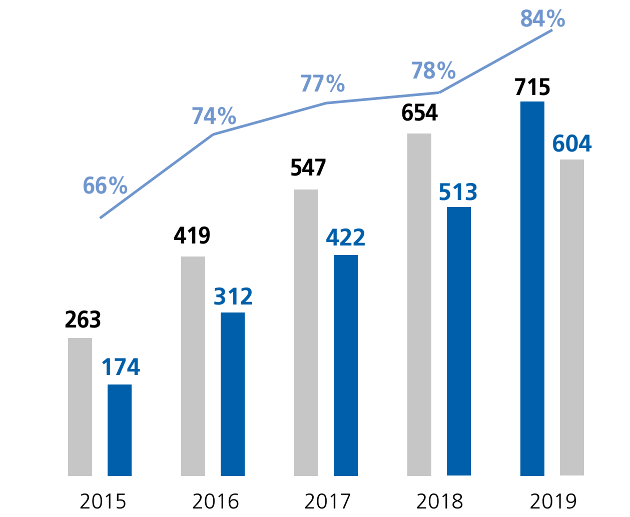
Performed in 2017/2018, the exercise also identified ten new suppliers who were then asked to submit desktop CSR reviews.

2019 Results

In 2019, of the 812 targeted suppliers, **715 successfully submitted a review.** This corresponded to an 88% response rate, with the suppliers representing around 60%[(1)] of consolidated purchase spend. CSR desktop reviews cover 84% of Michelin's spending on natural rubber inputs and around 90%[(1)] of its spending for other raw materials.

Based on their overall score, **84% of respondents, or 604 suppliers, were confirmed as compliant with Group standards.**

By issue, the percentage of suppliers deemed compliant stood at 84% for environmental issues, 82% for fair working conditions, 67% for business ethics and 47% for the supply chain.



Tracking and follow-up

Suppliers who fall short of confirmed compliance must implement a CSR performance improvement plan, whose progress is tracked by the purchasing teams. To manage the deployment of these remedial action plans more effectively, an indicator was introduced in 2019 to determine the percentage of suppliers who were requested to implement a plan and who actually created such a plan or implemented remedial actions.

Successful deployment is systematically confirmed by a follow-up review. Consistently very poor results or failure to meet a commitment with regard to sustainable development issues may lead the Purchasing Department to revise or terminate its contractual relationship with the supplier. Such a decision is always made by consensus, after discussing all of the potential consequences.

Self-assessment questionnaires

In 2018, a CSR self-assessment questionnaire was prepared and issued to front-line Purchasing Department teams, who may ask suppliers to complete it whenever they deem it necessary, either during the tender phase or while the contract is in effect. The questions measure the maturity of a supplier's CSR practices, which can be used as a selection criterion if warranted. The questionnaire is used only for suppliers whose CSR performance is not assessed by desktop reviews.

On-site audits

To support supplier compliance with Michelin's Quality standards and Purchasing Principles, a supplier quality system audit procedure known as ESQF has been introduced. It is particularly focused on assessing the application of the health, safety, environmental and human rights standards stipulated in or derived from the Michelin Purchasing Principles.

In performing an ESQF, Michelin auditors go on-site to assess the following aspects:

a. General compliance;

b. compliance with environmental standards;

c. respect for human rights and compliance with health & safety standards;

d. the supply chain.

(1) Excluding newly acquired companies.

Several questions on the ESQF evaluation form have been changed to yield a fuller picture of the supplier's environmental and employee relations performance.

Following an ESQF, Michelin auditors assign the audited supplier a score. If it is less than 80%, the supplier is deemed to have failed the audit and is required take the identified corrective measures and improve overall performance with a continuous improvement process. The initial score will later be reassessed in light of the actions implemented by the supplier. Depending on the audit findings, Michelin may terminate the supplier's contract. In addition to ensuring compliance with Michelin Quality standards and Purchasing Principles, the audit is intended to help suppliers to drive sustainable improvement over time.

Note: A dedicated CSR assessment and risk mapping exercise has been deployed for natural rubber suppliers *(see section 4.1.1.3 a)*.

Effective levers for action

Cross-functional levers

Enhancing the professionalism of employees and stakeholders

Considerable resources have been deployed to enhance the professionalism of the procurement teams and to make purchasing processes more efficient. In particular, the training program for purchasing teams comprises a dedicated Sustainable Procurement module that is mandatory for buyers and encouraged for technical specifiers and key internal partners. Around 85% of currently employed buyers have been trained. In all, the training module has been completed by 637 people worldwide since 2011.

To ensure compliance with the ethical guidelines specified in the Code of Ethics and the Anti-Corruption Code of Practice, the Group's reference documents, an online training module developed in 2017 has been rolled out across the Purchasing organization and among internal partners in contact with Group suppliers. It reviews current legislation and expected behavior, in line with the Michelin Purchasing Principles, and offers certain recommendations. Since late 2017, the module has been completed by more than 4,100 people.

Additional training programs have also been offered in the operating Regions, along the lines of the procurement ethics modules specific to North America, which were completed by 76 people (and all of the buyers) in the Purchasing Department in 2019.

Addressing CSR issues in appropriate purchasing processes

CSR issues are fully integrated into the Group's procurement strategy, in particular in the case of certain high-risk categories. This can result in purchases being sourced from a limited number of specifically approved suppliers.

Buyers are increasingly encouraged to factor CSR criteria into their tender specifications, based on a list of such criteria prepared for this purpose. These criteria may concern the CSR performance of both the potential vendor and its products, services or solutions.

In addition to the general conditions of purchase, every contract includes the Michelin Purchasing Principles. In the case of natural rubber purchases, the contract also includes the Responsible Natural Rubber Procurement Policy. Moreover, standard purchasing contracts include a specific clause prohibiting child labor and forced labor.

Supplier transparency concerning CSR issues and their CSR performance is also addressed in the Supplier Relationship Management (SRM) process, in particular when suppliers are segmented and during the regular meetings that drive the process forward.

Diversifying the supplier base

Michelin operates globally, but it consistently strives to source locally, as well as from sheltered work centers and social enterprises, in addition to the major international suppliers who meet its exacting requirements and embrace the principles of sustainable development.

Mediation with suppliers

Since 2012, suppliers can use the Purchasing Department website to contact the customer-supplier relations mediator in regards to any alleged or observed violation of the Michelin Purchasing Principles. The mediator intervenes only when suppliers have failed to resolve the issue with their usual contacts in the Group. Over the 2017-2019 period, suppliers have requested mediation at most twice a year. These cases generally concerned invoice payment problems, which were quickly resolved by the mediator.

Dedicated levers for action in certain purchasing categories

Greenhouse gas emissions

Raw materials: the CDP initiative

The CDP provides a comprehensive system for measuring and disclosing environmental information, in order to assess the strategies in place to abate climate change. In 2018, Michelin joined the CDP's Supply Chain Program and engaged its leading raw materials suppliers to participate in it, encouraging them to embrace the process by measuring their greenhouse gas emissions and developing strategies to abate them. Their submitted data are enabling the Group to calculate emissions across its supply chain more accurately and to identify opportunities for reduction. This process is playing a critical role in driving effective action across the production chain, while encouraging the deployment of best practices to reduce greenhouse gas emissions.

Results of the 2018 campaign were analyzed in 2019, with a new exercise planned for 2020. A total of 67 suppliers submitted data in 2018, corresponding to an 85% response rate.

Logistics

Significant progress has been made in addressing CSR issues in logistics purchases, with, for example, the requirement that tender bids include green alternatives, the introduction of an application that more accurately measures the greenhouse gas impact of our transportation purchases, and the organization of a shipping supplier convention *(see section 4.1.4.3 i Sustainable logistics operations)*.

Energy

Purchases of electricity from renewable sources have increased in recent years and bids on power supply tenders must now include renewable energy alternatives *(see 4.1.4.3 c Reducing energy use and greenhouse gas emissions/Purchasing electricity guaranteed from renewable sources)*.

Conflict minerals

Michelin diligently tracks the origin of certain minerals used in its products, even though the quantities are very small. Gold, tin, tantalum and tungsten are commonly referred to as "conflict minerals", given their role in some African guerrilla wars, particularly in the Democratic Republic of Congo. Michelin has also treated cobalt as a conflict mineral since 2019.

To ensure that its minerals are sourced from supply chains that meet its standards and do not finance any hostilities, Michelin requires suppliers exposed to this risk to fill out the Conflict Minerals/Cobalt Reporting Template developed by the Responsible Minerals Initiative (RMI), a business platform that promotes the sustainable sourcing of gold, tin, tantalum, tungsten and cobalt.

For all of these minerals, the submitted templates attest that the reporting supplier works with RMI-approved smelters.

Chemicals

The Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation, which the European Union introduced to attenuate the adverse impact of chemical substances on human health and the environment, stipulates that manufacturers and importers of more than one tonne of a given chemical per year must register the substance with the European Chemicals Agency (ECHA). Producers must identify and manage the risks associated with the chemicals they make and market in the EU, demonstrating to the ECHA how the substance can be safely used and informing users of the proper risk management procedures.

Michelin fulfills this registration requirement as a chemical manufacturer or importer and verifies that the chemicals it uses have been registered by the suppliers, thereby ensuring that it is in compliance with REACH.

/ 4.1.1.3 c) A dedicated approach for natural rubber

Paying special attention to natural rubber suppliers

As one of the world's leading purchasers of natural rubber, a critical raw material in tire manufacturing, Michelin is especially attentive to its rubber-tree farming upstream, and is committed to responsible, sustainable management of natural rubber production.

30 million people depend on rubber-tree farming for a living worldwide. Smallholders produce 85% of the world's output on small farms generally covering less than four hectares.

Partnering with the WWF and nurturing dialogue with civil society

To preserve rubber and manage its impacts, the World Wildlife Fund (WWF) and Michelin have been working together since 2015 to transform the natural rubber market by instilling more sustainable practices across the entire value chain.

Building on the progress made during the first phase of their collaboration, WWF France and the Michelin Group renewed their partnership in 2019 for another four years, in a joint commitment to pursuing initiatives to support a sustainable natural rubber market. They also extended their collaborative efforts to sustainable mobility and the protection of biodiversity.

At the same time, Michelin is continuing to consult regularly with both stakeholders and the leading civil society organizations involved in these issues. Every two years, for example, the Group brings together civil society organizations to report on the progress made across the natural rubber value chain and to discuss possible pathways to further improvement. The next information and consultation meeting was held in Paris in February 2020.

In addition, the Group is involved in several think tanks exploring ways to prevent imported deforestation. In France, it is actively engaged in the talks being led by the French Ministry for the Ecological and Inclusive Transition to define a strategy to counter imported deforestation *(see also section 4.1.2.5 a).*

Policies

Michelin was the first tire manufacturer to publish its commitment to sustainable natural rubber production. In addition to its **Natural Rubber Procurement Policy** published in 2015, the Group has formalized its public commitments in the **Sustainable Natural Rubber Policy** issued in 2016.

Drafted with input from environmental and human rights NGOs and other stakeholders, the Sustainable Natural Rubber Policy is now a contractual reference document for Group suppliers.

Downloadable from the Michelin purchasing website (https://purchasing.michelin.com/Espace-documents), the Policy precisely defines the conditions for farming natural rubber, both in terms of the environment (zero deforestation, protection and preservation of peat lands, High Conservation Value areas and High Carbon Stock areas), and in terms of social responsibility and human rights (working conditions, free, prior and informed consent of the local communities, etc.). Michelin encourages every stakeholder across the supply chain to embrace responsible social, environmental and governance practices, so as to maintain rubber tree farming in a virtuous cycle of progress.

The Policy explains in detail the five core commitments that Michelin intends to fulfill and promote:

- **respect all stakeholders in the natural rubber production chain,** by promoting conflict resolution related to land ownership and improving working conditions and living environments;
- **make rubber tree farming environmentally friendly,** by combating deforestation and controlling the potential impact of rubber cultivation on fauna and flora;
- **take action to improve farming practices,** by helping to instill more efficient practices across the natural rubber production chain, in a commitment to increasing agricultural yields;
- **encourage the careful use of natural resources** by increasing the material efficiency of natural rubber used in tires. Michelin is constantly developing new technical processes that optimize the use of rubber in its products;
- **make rubber tree farming a source of better governance practices.** Michelin is an engaged stakeholder in the rubber tree farming industry, communicating transparently, refusing all forms of corruption and interacting with local stakeholders.

Assessing stakeholders across the supply chain

CSR practices in the Group's natural rubber supply chain are assessed differently depending on the stakeholder:

- for our direct suppliers, desktop reviews are submitted to EcoVadis and on-site audits are performed;
- for our direct suppliers' production facilities and upstream supply chain, risks are mapped using the Rubberway® application.

EcoVadis desktop reviews

The Group's natural rubber suppliers have been participating in EcoVadis reviews of their social responsibility and environmental performance since 2013. If their results fall short of compliance, remedial action plans are deployed. In 2019, the vast majority of our natural rubber suppliers, accounting for 84% of our sourced natural rubber volumes, were assessed by desktop reviews *(see section 4.1.1.3 b)*.

On-site audits

A dedicated team performs on-site audits of every facility supplying natural rubber to the Group. These audits primarily focus on quality performance, but also cover CSR issues, such as the environment (water treatment, etc.) and employee health and safety. Every facility is audited every year or every other year, for a total of 140 per year. Follow-up audits are systematically conducted, with remedial action plans mandated in the event of shortcomings.

The Rubberway® application

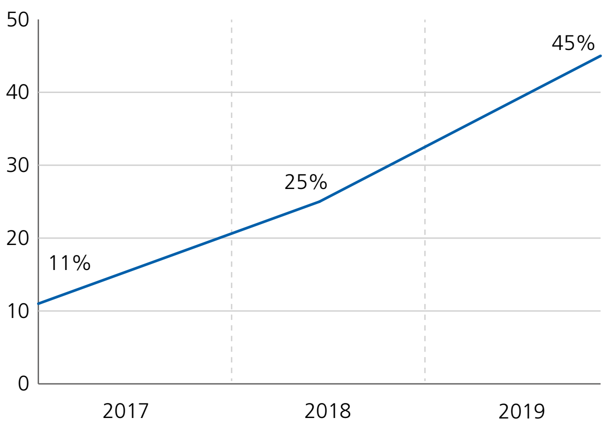
In a commitment to driving continuous improvement in its CSR performance, Michelin is increasingly investing in digital technology to develop innovative new applications to support its sustainable development and social responsibility vision.

In 2017, this commitment led to the deployment of the **Rubberway® mobile application** to map, in collaboration with suppliers, the CSR practices of the various stakeholders in our natural rubber supply chain (raw rubber processing plants, brokers, large plantations and smallholders). They can use the app to input their employee relations and environmental data,

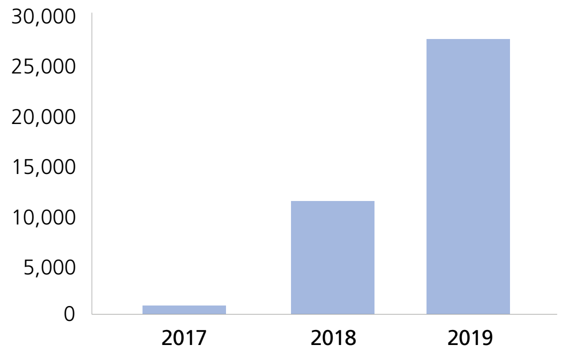
which are then analyzed on an online platform to create a map highlighting the areas of potential social and environmental risk. The results are shared with suppliers and can be used to prepare improvement plans.

The Group expects to **map 80% of its sourced natural rubber volumes by 2021.**

SOURCED RUBBER VOLUMES COVERED BY THE RUBBERWAY® APPLICATION



TOTAL NUMBER OF COMPLETED RUBBERWAY QUESTIONNAIRES (CUMULATIVE)



The app is currently available in Indonesia, Thailand, Côte d'Ivoire, Ghana, Nigeria and Brazil.

The gains are transparently reported on the Michelin Purchasing website (https://purchasing.michelin.com/en/responsible-managment-natural-rubber-supply-chain/).

In 2019, a joint venture was formed with Continental AG and software publisher SMAG to make Rubberway® a stand-alone solution, accessible by every natural rubber stakeholder. This opens the way to its broader use by other tiremakers and OEMs, thereby driving faster take-up of sustainable practices across the natural rubber industry.

Frontline initiatives

Michelin owns processing facilities and plantations in Brazil, Africa and Asia, either directly or through joint ventures. This hands-on experience has given it unrivaled expertise that is being leveraged to deploy projects and initiatives in support of responsible natural rubber farming.

Led by the Group or its joint ventures, these initiatives address a broad range of sustainable natural rubber production issues. Examples include the program to grow selected high-yield rubber tree seedlings for sale to farmers, the training of around 100,000 farmers a year to transfer skills in best farming practices, and the campaign to promote good environmental practices. Programs have also been deployed to prevent malaria, AIDS and other diseases and to provide wider access to medical care, education and housing. The SIPH joint venture located in West Africa has set up programs of the kind described above, on both the environmental and human fronts.

In 2003, the Group implemented a program in Salvador de Bahia, Brazil. Since then, the teams of agronomists at our experimental research farm have made significant contributions to the spread of best farming practices and the development of new rubber tree species resistant to a disease endemic to South America that is having a severe impact on rubber-tree farming across the region. The nearby Michelin Ecological Reserve (REM) has become one of the best-protected areas of the Atlantic Forest and a haven for biodiversity *(see section 4.1.4.4 Supporting biodiversity).*

In 2015, Michelin and its Indonesian partner Barito Pacific set up the RLU joint venture to develop new rubber plantations, protect primary forests and restore ecosystems on Sumatra (66,000 hectares) and in East Kalimantan on the island of Borneo (22,000 hectares). Undertaken in partnership with the WWF, this project had led to the creation of some 4,500 jobs by end-2019 and protected thousands of hectares of high environmental value tropical forest and local wildlife, such as Sumatran elephants and tigers and the Bornean orangutan.

In addition, the Michelin Foundation funds health-related scientific research projects, such as the one that *Institut Pasteur* is leading in Laos and Côte d'Ivoire on mosquitoes and the diseases they carry. It hopes to recommend practices to limit the spread of these illnesses among rubber plantation workers and their families.

The Global Platform for Sustainable Natural Rubber (GPSNR)

Michelin and its partner WWF are working together to encourage key rubber-tree farming stakeholders to take action to make responsible natural rubber production the norm. This commitment played a key role in setting up the multi-stakeholder **Global Platform for Sustainable Natural Rubber** (GPSNR).

This independent platform is designed to lead improvements in the socio-economic and environmental performance of the entire natural rubber industry. It was impelled by the Tire Industry Project (TIP), which brings together Michelin and ten other tire manufacturers under the auspices of the World Business Council for Sustainable Development (WBCSD).GPSNR brings together stakeholders from across the natural rubber value chain, including farmers, processors and brokers, tiremakers and other users, automakers and civil society, with the participation of a large number of NGOs.

The GPSNR is primarily tasked with harmonizing standards and supporting local initiatives to improve respect for human rights, preventing land grabbing, protecting biodiversity and water resources, improving agricultural yields and increasing the transparency and traceability of the supply chain.

The platform was launched in Singapore on October 25, 2018 and held its first General Assembly in Singapore in March 2019. Michelin is one of three tire industry representatives and serves as Chairman of the Executive Committee. Several working groups comprising all of the stakeholders are exploring pathways to progress in fulfilling the platform's mandate. In 2019, Michelin was one of the most active companies on the platform, assertively participating in four of the five working groups meeting during the year (Strategy & Objectives, Smallholder Representation, Capacity Building and Traceability & Transparency). For more information, please visit www.gpsnr.org.

4.1.2 HUMAN RIGHTS

HUMAN RIGHTS GOVERNANCE

Since 2015, human rights issues have been addressed by a multidisciplinary operational committee that meets eight to ten times a year. Its members include representatives from the Sustainable Development and Mobility, Purchasing, Internal Control Audit & Quality, Employee Relations, Public Affairs, Legal Affairs and Diversity & Inclusion Departments. It prepares an annual action plan engaging Michelin in a continuous improvement process.

Since 2018, proposals have been approved twice a year by a governance body chaired by the Executive Vice President & Chief Personnel Officer and including the Executive Vice President, Manufacturing, both of whom are members of the Executive Committee. It oversees the improvement action plan and the following indicators:

		2016	2017	2018	2019	2020 Objective
Health and safety	Total Case Incident Rate (TCIR)	2.5	2.1	1.9	1.4	<2
Discrimination	% of women in management positions	24.6%	25.6%	26.8%	27.4%	30%
Workplace sentiment	Employee engagement rate	80%	80%	80%	81%	85%
Suppliers	% of suppliers found to be in compliance with Group standards for fair working conditions during desktop reviews of their CSR performance	74% (of the 419 suppliers assessed)	78% (of the 547 suppliers assessed)	80% (of the 654 suppliers assessed)	82% (of the 715 suppliers assessed)	70% (of the 400 suppliers assessed)

4.1.2.1 Ensuring respect for human rights

/ 4.1.2.1 a) Employee relations standards and responsibilities

Michelin is committed to upholding human rights in all its businesses and in every host community. Its employee relations are governed by the highest standards in accordance with the universal principles of human rights and international labor conventions.

Michelin is a signatory to the United Nations Global Compact and is committed to upholding its ten principles. It also complies with the OECD Guidelines for Multinational Enterprises. Michelin recognizes the Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO), particularly in relation to freedom of association and protection of the right to organize *(see section 4.1.2.3 Promoting responsible social dialogue)*, the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor *(see section 4.1.2.1 b Risks and prevention measures/Decent work-related risks now being assessed in the sub-contracting chain)*.

These principles and guidelines have inspired a number of internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Code of Ethics, the Anti-Corruption Code of Conduct, the "Moving Forward Together: the Trademark of Mutual Commitment" document, the Manager's Guide and the Michelin Purchasing Principles. Widely distributed among employees worldwide, all these documents have been translated into the Group's main working languages and are available for consultation at any time on each country organization's intranet site.

To further enhance its expertise and capitalize on best practices, in 2017, Michelin also joined the Businesses for Human Rights (EDH) association, which comprises 17 French companies involved in these issues. In addition, the Group is a member of the Global Deal initiative, which promotes social dialogue and decent work around the world.

/ 4.1.2.1 b) Risks and prevention measures

The Group's identified human rights risks concern:

- Employee health and safety *(see section 4.1.3 Employee health and safety)*;
- Harassment and discrimination *(see section 4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination)*;
- Freedom of association *(see section 4.1.2.3 Promoting responsible social dialogue)*;
- Product safety *(see section 4.1.1.1 Guaranteeing the quality of our products and services)*;
- Protecting employee privacy and personal data *(see section 4.1.1.2 Ensuring ethical business practices)*;
- Child labor *(see below, Decent work-related risks now being assessed)*;
- Forced labor *(see below, Decent work-related risks now being assessed)*;
- Potentially negative impacts on local communities *(see section 4.1.2.5 f Addressing the risk of potentially negative impacts of our business on local communities)*;
- Corruption *(see the Ethics section and 4.1.1.2 b Taking a firm stand against corruption)*;
- A decent wage *(see section 4.1.2.3 b Offering fair compensation and benefits)*.

In-country human rights impact studies conducted between 2013 and 2017 in India, Indonesia, Mexico, Thailand, Brazil and Romania led to a very large number of mitigation initiatives and results of the related action plans were reviewed in 2018. They were followed in 2019 by the deployment of a new approach designed to embed recommended human rights practices more sustainably in the Group's business processes. This project is being rolled out in several phases:

- gaining greater insight into the various aspects of each human rights risk;
- drafting action principles and the guidelines that the Group wants employees to embrace throughout its activities;
- integrating the guidelines into the Group's audit and internal control processes.

In 2019, texts were prepared to raise awareness of the action principles addressing two risks: child labor and working hours. These documents specify the principles adopted by the Group, in line with the ILO Conventions and other human rights-related texts, and their guidelines for implementation, in particular by Personnel managers, buyers and line managers.

Decent work-related risks now being assessed in the contracting chain

Aware that human rights risks may also arise in its supply chain, Michelin decided in 2019 to exercise its duty of care and integrate supplier CSR risks into its Group risk map. In addition, the Purchasing Department further extended the deployment of its own duty of care process *(see 4.1.1.3 b Risk identification and levers for action)*. In March 2019, Michelin's 2018 duty of care plan was sent to the 12 members of the Corporate Stakeholder Committee, where it was discussed it in detail.

Also during the year, the Purchasing and Sustainable Development Departments jointly participated in discussion groups exploring the notion of decent work in the supply chain. Michelin has joined the Global Compact Action Platform on Decent Work. In 2018, Michelin provided funding to the Human Resources Without Borders (RHSF) association, which helps companies to promote decent work in their supply chains. Participation in these events and groups has deepened our understanding and improved our practices in many areas, including forced labor, child labor and complaint mechanisms.

The risk of child labor in the natural rubber supply chain is being addressed through the Rubberway® mobile application *(see section 4.1.1.3 c A dedicated approach for natural rubber/The Rubberway® application)*. **Deployed by the Group in six countries since 2017, it has collected data from 26,800 rubber-tree farmers concerning their possible use of child labor** and the circumstances in which it may occur (occasional help, after school, full time, etc.). **An even closer analysis was performed, district by district, to detect a possible local occurrence that might require remedial measures.**

4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination

Michelin sees diversity not just as an obligation but also as a driver of greater performance. In a business environment and markets that are becoming more complex by the day, a diversity of personalities enables Michelin to respond faster and more effectively to change. It also helps to accelerate innovation in every aspect of the business, from products and services to management, employee relations and organization.

There are many types of diversity. For example, the Diversity & Inclusion process, as expressed in the Diversity Policy, is structured around four priority diversities – gender, nationalities and cultures, age and disabilities – while remaining attentive to emerging expectations with regard to issues such as religion in the workplace or gender identity and sexual orientation.

The Group therefore assertively reaffirms the principles of equal opportunity and equal treatment of all employees, without any distinction whatsoever. It enjoins everyone, regardless of position, business, country or region, to move diversity forward and embrace it as an advantage.

This is why the corollary of diversity – combating discriminatory practices – is a priority for the Group. Based on the risk map, the Duty of Care Plan also addresses harassment as part of the fight against discrimination.

/ 4.1.2.2 a) Managing diversity seamlessly around the world

In 2018, **the Group's Diversity Policy** was prepared and widely distributed in every operating Region. It reaffirms a number of fundamental principles and defines appropriate indicators and **guidelines, particularly in the area of non-discrimination.**

Diversity is managed by a global, multi-level organization led by the Corporate Vice President, Sustainable Development and Mobility. Its remit and objectives are approved by the Human Rights Governance body. At the corporate level, it is supported by a five-member Steering Committee with representatives from the Public Affairs, Sustainable Development and Mobility, Training and Hiring Departments and from the Employee Relations office of the Corporate Personnel Department.

Based on the Steering Committee's guidance, three Executive Committee members in charge of Marketing & Sales, Research & Development and Manufacturing each manage performance in their respective areas of responsibility.

An international Diversity & Inclusion network, led by the Corporate Vice President of Sustainable Development and Mobility, brings together 20 Diversity Managers from each of the Group's host countries and/or regions. They support managers and Personnel Department employees, especially development partners and recruiters, one of whose objectives is to promote diversity. Since 2018, an in-house social media network has linked the Diversity Managers to the Corporate process leaders, enabling everyone to immediately share the latest news from the country organizations and to discuss policies and best practices in real time. In 2019, an intranet platform was set up to enable Diversity Managers to track their indicators in real time.

Lastly, throughout the year, employees around the world are encouraged to submit progress ideas capable of improving diversity and inclusion.

/ 4.1.2.2 b) Programs and tools to attenuate the risk of discrimination

Risk of discrimination

At Michelin, discrimination is defined as treating people differently based on a criterion prohibited by law. This unequal treatment may be found in a variety of areas, such as hiring, compensation, access to training and career opportunities (retraining, postings, performance reviews, job titles, promotions, etc.). Criteria and expectations for people must always be expressed in terms of their professional capabilities and only such data may be collected that pertain strictly to the objectives at hand, no more and no less.

Systematic awareness raising for managers

Michelin is highly attentive to any attempt to harass or discriminate against its employees in the workplace.

To reduce the risk of discrimination, training courses have been developed to raise manager awareness. Corrective measures are taken whenever indicated by the results of internal audits. Awareness campaigns and special training programs are used to instill an **effective culture of diversity** throughout the organization and at every level of management. Country organizations are also encouraged to develop their own local initiatives for managers and employees. In Europe, in recent years, programs have focused on gender stereotypes, sexual orientation, sexism and religion in the workplace.

Before taking up their position, all line managers and development partners participate in a training program concerning discriminatory behavior and diversity issues, which helps them to avoid stereotyping, understand diversity legislation and anticipate high-risk situations. After partnering with the University of Auvergne in 2016 to develop an on-line questionnaire to help employees understand their own gender bias, in 2017, Michelin designed a stereotype diagnostic application for the Personnel Department in Europe. Based on a pilot stereotype and sexism awareness tool, each country organization can prepare its own sensitivity modules or kits, communication campaigns and other applications aligned with the local culture.

Annual internal audits of gender pay gaps and the wording of recruitment and hiring documents

Audits are also regularly performed to ensure that human resources processes are non-discriminatory and that action plans have been effectively implemented to address the risks identified. Audited risks include discriminatory wording in individual recruitment files (job offers, applicant interview reports, etc.) and pay gaps based on identified discriminatory criteria. Action plans are prepared and implemented to remedy any violations of Group policy. In addition, internal audits act as a continuous diagnostic system, backed by mandatory action plans.

Religion in the workplace

In 2017, particular attention was paid to religious issues in the workplace, an area where many production plant employees have requested information and guidance. To provide managers with appropriate responses and minimize the risk of discrimination, a guide to religion in the workplace was designed in France, with the support of a specialized French law firm. Available on request at the French plants since 2018, the guide was updated in 2019 with an online multiple-choice questionnaire. In addition, all of the personnel managers in the French plants were given sensitivity training in religious issues. The guide has also been adapted for use in Germany, in accordance with national law and the specific concerns of German employees. It will be deployed in 2020.

Employee engagement

Michelin urges its country organizations in the European Union to sign their country's Diversity Charter, as Poland and Hungary did in 2016 and Romania in 2018, when France and Spain also reaffirmed their support. However, what is basically being encouraged is the real-world engagement of Personnel Departments and employees, for example, in signing gender diversity and disability agreements (France) or organizing "creative event" employee workshops to help find ways of increasing diversity in hiring (France and the United States).

The challenge is also to foster the emergence of networks and to support them, as is the case in the United States, which has eight community-based business resource groups, as well as the Women's Network. Created three years ago in Europe and supported by the Managers, the Women Forward network offers training, coaching, mentoring and co-development opportunities. It has also been tasked with conducting a study of the feminization of the workforce, particularly in sales and production. In Poland, for example, the Michelin network led a two-year series of workshops for 180 women, focused on helping them to improve their self-confidence, self-presentation skills and stress management techniques, while offering a forum for sharing inspiring on-the-job success stories.

In 2019, as part of seventh annual worldwide "Moving Forward Together: Your Voice for Action" survey, employees were able to express their opinions about two diversity issues. The first, concerning Michelin's ability to create "an environment where people with diverse backgrounds can succeed," further increased its favorable score by two points to 82%, while the second, concerning the feeling that "people are treated with respect, regardless of who they are or their position," also improved, with 83% of respondents agreeing.

/ 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity

At constant scope of reporting, the percentage of women employees rose to 18.6% Group-wide, but stood at a significantly lower 13.5% at Euromaster. Mirroring the automotive industry as a whole, Michelin has always had few women among its production employees, although the proportion rose to 12.4% in 2019 excluding the dealership networks. Group-wide, however, the percentage of women employees has been steadily rising year after year, led by hiring programs and constantly upgraded workstation ergonomics. The ratio is more balanced among technical staff (despite a decline to 32.2% from 33.9% in 2018) and, to a lesser extent, among managers and supervisors (27.4%, up steadily every year from 22.5% in 2013).

Women account for two of the ten members of the Group Executive Committee and five of the twenty members of the Group Management Committee. In addition, four of the nine members of the Supervisory Board and three of the four members of its Compensation Committee, including its Chairperson, are women.

Supported by the related Group Development Partners, three Executive Committee members in charge of Marketing & Sales, Research & Development and Manufacturing are deploying action plans to impel the "Women in Sales," "Women in R&D" and "Women in Industry" programs, whose progress is tracked twice a year by the Executive Committee sponsors. Every year, the Regional Presidents set annual objectives, backed by action plans and indicators that are continuously tracked with the support of management.

Women as a percentage of employees at December 31, 2019

(Scope: Ambitions 2020; employees on payroll, under any form of work contract, excluding temp agency workers)

Percentage of women by employee category and region	Production operators	Administrative employees and technicians	Managers and supervisors[(1)]	Total	GRI Indicators
Europe	12.5%	30.0%	28.1%	19.1%	
North America	14.5%	41.8%	25.5%	18.6%	
South America	7.2%	22.0%	28.3%	13.6%	GRI 102-08
Asia, excluding India	11.2%	43.2%	29.8%	18.7%	
Africa/India/Middle East	9.1%	36.6%	19.6%	16.9%	
GROUP TOTAL	**12.4%**	**32.2%**	**27.4%**	**18.6%**	**GRI 102-08**

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

Enhancing manufacturing's appeal to women

To **increase manufacturing's appeal to women,** Michelin is also working with schools to develop programs that will ultimately help to improve gender balance in production jobs. One example is the plant visits organized for high school teachers and their students.

The production plants are encouraged to increase the percentage of women hires at all levels, starting with operator positions. This often involves adjusting workstation ergonomics.

Increasing the percentage of women in management

To fulfill Michelin's commitment to hiring and promoting more women managers, a dedicated action plan has been deployed in every Region. In the Group's proprietary **method for detecting high-potentials,** particular attention is being paid to the defining criteria.

Michelin is committed to **having women account for 30% of all managers by 2020.** The percentage of women managers and supervisors (level of individual responsibility of A to N, according to the Hay method used by the Group) has risen steadily over the years. **In 2019, it stood at 27.4%,** up from 26.8% in 2018 excluding the dealership networks and recently acquired companies *(see section 4.1.5 Summary Table of 2019 Employee Data).*

Worldwide, for the ninth year in a row, women accounted for **more than one-third (36.8%) of all administrative employees, technicians, supervisors and managers hired during the year.**

In Europe, several women were supported by a dedicated program comprising six months of coaching, both individually and as a group, followed by a year of mentoring. Since 2010, the program has helped women to move more quickly and easily into higher level positions. It was introduced in China in 2013 and has been deployed through an inter-company project in the United States since 2014. By the end of 2019, more than 70 women in Europe had participated in the program, **which the Group is now planning to deploy in a large number of Regions.**

Around the world, Michelin is committed to facilitating **work/life balance** with a variety of supportive benefits, including flextime arrangements, telecommuting *(see section 4.1.3.3 a),* daycare facilities and nursing rooms, financial aid for childcare, service centers and "Family Day" events.

Ensuring wage equality worldwide

Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. The same audited method for calculating wage data has been used worldwide since 2012, enabling comparisons between the pay levels of men and women in positions of equivalent responsibility. In 2018, the exercise covered a third of total employees (excluding the dealership networks and recently acquired companies). The job categories analyzed were managers, administrative employees, technicians and supervisors, for which a sufficient volume of data was available. The exercise is designed to identify the reasons behind any pay gaps among people with equivalent responsibilities, and then to close them with individual adjustments to compensation.

Closing these gender pay gaps is one of the objectives assigned every year to the Personnel Department managers in the countries concerned. **In 2019, the gender wage gap** stood at -2.67% (versus -2.58% in 2018 and -2.8% in 2017), based on a sample of 33,196 people with the same level of responsibility[(1)].

As part of the gender diversity agreement negotiated in France by the unions and MFPM, the gender wage gap in the Company was assessed by independent researchers at the National Institute of Demographic Research (NIDR). The study reviewed comprehensive compensation data for all MFPM employees, looking at both base salary and base salary plus additional compensation for each year since 2013. After factoring out such variables as age, seniority, job position and level of responsibility, the study showed that the residual value of difference in compensation between women and men is less than 1% in every employee category. It also showed that promotion rates are the same or slightly more favorable for women, regardless of employee category.

/ 4.1.2.2 d) Promoting employment for people with disabilities and retaining employees who become disabled

Defined in 2006, policies governing the employment of disabled people are designed to offer jobs to the disabled or to retain employees who become disabled at some point in their career. In addition, Michelin systematically strives to meet or exceed legally mandated quotas wherever they exist.

(1) Employees in categories 1 to 4, accounting for 33% of total employees on payroll Group-wide. The sample did not include production operators.

The Personnel community regularly meets with national stakeholders working on disability issues to improve its understanding of the different forms of disability, particularly of a psychological nature.

This commitment was taken to the next level in 2015 with the signing of the International Labour Organization's new Global Business and Disability Network Charter. In 2019, the Group signed an international partnership agreement with Handicap International (Humanity & Inclusion) deigned to develop worldwide expertise in the hiring and retaining of people with disabilities. A pilot site is being deployed in Chennai, India.

In addition to combating discrimination, Personnel Department teams are made aware of the need to support the disabled in keeping their jobs.

Hiring the disabled is governed by legal standards that vary widely by country. Some, like Canada, Russia, Serbia, the United Kingdom and the United States (where it is against the law to disclose information about a disability), do not require companies to hire a certain percentage of disabled people, while others, such as the Netherlands, have only incentive-based policies, and still others have imposed quotas.

These wide legal disparities, which reflect deep-rooted cultural differences, mean that almost every situation is unique, making it difficult to consolidate Group-wide data on disabled employment.

In 2017, Michelin France supported its policies to hire and retain people with disabilities by (i) setting up the Handicap France taskforce, currently staffed with 23 disability employment officers, and (ii) deploying a results-oriented action plan focused on six core issues: hiring and onboarding, retention, training, sensitivity, communication and securing procurement from sheltered work centers and social enterprises. During the same year, a nationwide, three-year agreement was signed with AGEFIPH to sustainably underpin these policies and provide financial support, with a grant of €446,825 to a total budget of €1,671,350. At MFPM in France, disabled employees made up 7.2% of the workforce in 2018 and the legally mandated 6% quota will once again be amply exceeded in 2019.

In Germany, as part of the collective bargaining round, a plan to support and retain the disabled in shopfloor jobs offers plant employees the possibility of volunteering to reduce their workweek from 39 to 37.5 hours, with a margin of flexibility. The employee would receive the same salary and time-off would be adjusted.

/ 4.1.2.2 e) Focusing on local management sensitive to host community cultures

Michelin is committed to nurturing the emergence of a highly skilled global corps of local managers, while respecting local cultures. The guiding principle is to hire and employ people on the basis of their capabilities and potential, rather than to practice any form of discrimination.

As part of this process, since 2013 particular attention has been paid to fostering the emergence of local managers in the growth regions of South America, Southeast Asia, China, India, the Middle East and Russia, with the goal of having them account for 80% of in-country management[(1)]. **In 2019, the percentage was 75%, unchanged from the prior-year** *(see section 4.1.5 Summary Table of 2019 Employee Data).*

Diversity issues related to ethnic origins are amply addressed by programs underway in North America and in Europe, particularly as part of the hiring and induction process. In the United States, to ensure equal treatment, annual performance review results are reported for women, African Americans, Asian Americans and Latinos. Any wage or job differentials are systematically analyzed and appropriate corrective measures are taken when necessary.

4.1.2.3 Promoting Responsible Social Dialogue

Michelin's identity and philosophy have always impelled the Group to engage in an assertive social dialogue process, which it sees as a driver of sustainable performance. The Duty of Care Plan and the risk mapping exercise cover the quality of social dialogue as an issue, with the risks to the Group primarily concerning employer attractiveness, skills and employee engagement *(see section 4.1.2.4 Supporting employee growth and development).*

In 2015, Michelin issued its **Labor Relations Policy, which recognizes the positive contribution of freedom of association, collective bargaining and staff representation independent of management,** which are a source of proposals and ensures that employees' fundamental needs are taken into account in every host community. The policy has been explained in detail to the Group's 7,500 managers, from Executive Committee members to plant supervisors. Its application around the world is overseen by a Group Director of Employee Relations, who is also tasked with improving social dialogue where it falls short of Group standards. As a result of these efforts, significant improvements have been made in recent years in several host countries, particularly Thailand and Brazil. In addition, every manager receives training in the legal aspects of labor relations.

Compliance with the commitments in the Labor Relations Policy is also verified by an internal control process.

In a commitment to enhancing the effectiveness of the social dialogue process in all of its host communities, in line with their particular features and characteristics, Michelin has been a member of the Global Deal since 2017 and actively participates in its French platform set up by the Ministry of Labor. By bringing together a wide range of French multinationals, the platform offers many opportunities for members to share the best practices and approaches they have developed to encourage social dialogue. It also provided input during the Social G7 meeting held in Paris in 2019.

As announced in the 2018 report, it was in this same spirit that Michelin worked closely in 2019 with the IndustriALL Global Union to set up a Michelin Global Works Council. In so doing, the Group would like to attain a level of social dialogue commensurate with its image and capable of driving performance by means of an economic, social and environmental observatory: an innovative, interactive and inclusive body committed to seeking realistic solutions and which is open to the world and achieving a wider, fairer scope of employee representation in the various countries where Michelin operates.

(1) Calculated as follows: number of employees with a level of responsibility from A to I (top management) present in the region whose "home region" is a Growth Business Zone/ total number of employees with a level of responsibility from A to I present in the region.

/ 4.1.2.3 a) An assertive social dialogue process

Demonstrating the intentions of the new employee relations policy

The notion of social dialogue, which implies, in particular, sharing key issues more broadly and deeply so as to encourage the entire workforce to participate in defining strategy, is gradually informing all of the Group's management practices. The Group provides all the information stakeholders need to form an objective, reasoned opinion and express it with confidence as part of the social dialogue process. The structure and content of this information are negotiated with employee representatives and comply with legal obligations in each country.

Because Michelin believes that restructuring is an exceptional, yet in certain circumstances inevitable, decision that must be made to keep the organization competitive, Group policy specifies that should it be necessary, the project must be announced as soon as possible and carried out in accordance with the procedures negotiated with employee representatives.

In every country, meetings are periodically organized to share, in line with standard French practices, detailed financial and social information among local executives, line managers and employee representatives. Transparently explaining the issues so that they are understood by all parties creates conditions conducive to much more responsible dialogue during negotiations.

In this spirit, procedures for sharing in-depth diagnostics have been openly and transparently introduced with employee representatives in many countries.

In France, for example, at the country level, these wide-ranging discussions represented more than thirty hours of meetings with a Working Group comprising the participating representative unions and country organization executives. Held in a transparent, sincere, responsible atmosphere, the meetings enabled everyone to improve their shared perception of the real challenges facing the Group. The participating unions then requested that this information be cascaded down to every production plant, in alignment with each one's local issues, so that the employees could embrace their particular challenges and contribute more fully to defining effective pathways to progress for each unit. Local management teams proceeded to share the information with all the employees of the 15 Michelin production plants in France.

An increasingly mature social dialogue process and workplace environment in every Region

In Western Europe, conditions in the Passenger car and Truck tire markets have forced the Group to reconfigure its manufacturing footprint, in particular by terminating production operations at the plants in La Roche-sur-Yon in France and Bamberg in Germany. Nevertheless, responsible social dialogue has been constantly maintained with employee representatives, so that everyone can work together to jointly define the most effective procedures for implementing the restructuring process.

At the close of talks following the announced closure of the La Roche-sur-Yon plant, the unions wanted to submit the proposed agreement to employees for consultation prior to the official signing. A total of 92% of employees voted in favor of signing, attesting to the quality of the progress made together during the negotiations.

In addition, this same process also illustrates how local managers are deeply embedding the spirit of constructive social dialogue at all of the French production plants.

The quality of social dialogue was maintained in Brazil, which probably helped to drive the substantial 7-point increase in the engagement rate among local employees.

It further improved in Thailand, where the periodic negotiations were held mid-year at one of our facilities in Phra Pradaeng. The talks were remarkably mature, with a firm commitment by all participants to leading them constructively and arriving at an agreement. As an illustration, the prevailing atmosphere during the negotiations was deemed so constructive that after the agreement was signed, all of the stakeholders wanted to provide feedback together, so as to identify the key aspects that helped to instill the peaceful atmosphere. From these discussions, it emerged that the key success factors had been "trust, transparency and management involvement", which will now be nurtured ahead of the next negotiations.

In the United States, increasingly mature talks are being held at the Fort Wayne plant between management and the local and national representatives of the United Steel Workers (USW), with a clearly shared commitment to building greater trust by transparently sharing deeper information about the plant's challenges and how to address them together. In addition, a further agreement was ratified with the USW in August 2019, covering topics such as wage increases, health care coverage and retirement benefits. Signed in a calm, peaceful atmosphere, the agreement attests to the growing maturity of the relationship between Michelin and its unions.

Listening to employees via *the annual engagement survey*

Employee engagement is an important driver of operational excellence and the ability to meet the Group's performance objectives. Michelin has set the particularly ambitious objective of becoming a world-class leader in this area by reaching and maintaining an 85% employee engagement rate by 2020. The annual "Moving Forward Together: Your Voice for Action" survey measures the engagement rate and employee feelings about their work, in light of the seven aspects of the Group's employee value proposition. It was conducted across the Group for the seventh year in a row in 2019, with 81,227 submitted surveys from employees of the tire businesses (Ambitions 2020 scope of reporting and Oliver Retread). This represented an 87% response rate, underscoring employee confidence in the process and ensuring the credibility of the findings. However, it was slightly lower than in 2018 because the survey was emailed to the individual addresses assigned to every employee across the Group in late 2018, and some of the teams were not entirely familiar with the new online procedure.

In 2019, the overall employee engagement rate rose to 81% for the year, mainly due to the improvement in the engagement rate of production operators.

The survey is stimulating the exchange of views and ideas across the Group, with managers sharing the findings to initiate dialogue and teams working together to identify their priorities, determine the measures to be taken in the short term and recommend action plans for the longer term. In the same way, the findings are helping to shape the strategy and objectives of such Corporate Departments as Health, Safety and Quality of Worklife, Training and Diversity.

Encouraging employees to submit Progress Ideas

First introduced in 1927, Michelin's pioneering participatory innovation process, known as InnovaGo, offers every employee the opportunity, spontaneously and at any time, to help drive continuous improvement across the Group by suggesting a Progress Idea or an Innovation Idea.

A Progress Idea offers a solution to improve working methods or solve a problem; an Innovation Idea opens the path to a new service or product for customers or outside stakeholders. Managers are expected to encourage their team members to submit these ideas and make them a reality.

The results attest to the success of the Progress Idea system in the Group, with **more than 27,000 employees** submitting at least one idea in 2019, or 38% of the workforce that had access to the process.

Of the total **61,825 ideas** received in 2019, **more than 26,900 were implemented during the year,** delivering improvements in areas of special interest to the Group, such as safety, quality, working conditions, cost savings, diversity and the environment.

The ninth Progress Idea awards ceremony, held on May 23, 2019 in Clermont-Ferrand, France, was attended by 250 people, representing 44 Idea-submitting sites in 12 host countries. A total of 37 awards were presented, selected from among the 134 Ideas short-listed from the 45,000 implemented over the previous two years.

Providing ample opportunity for information, dialogue and engagement

Shifting to more compelling forms of communication

On March 28, 2019, the Group brought together several hundred people from around the world for the "Us Tomorrow" event, which kicked off the fast-track roll-out of Michelin's Strategic Model and Human and Social Model. During the event, every participant was able to familiarize themselves with the content and prepare, in their role as managers, to communicate the messages to each employee. In addition, the Managers regularly discuss the Strategic Model during on-site visits and answer employee questions during local meetings and get-togethers. To support the Human and Social Model, managers conducted introductory sessions on the Leadership Model and deployed it among their teams.

/ 4.1.2.3 b) Offering fair compensation and benefits

Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €6,365 million in 2019, of which €1,111 million in employer payroll taxes. "Taxes, provisions and advances" include taxes, provisions for pension obligations, variable compensation advances, stock-option advances and other long-term advances.

	Total employee benefits expense in 2019 *(in € millions)*	Production operators	Administrative employees and technicians	Management staff	Provisions and provision reversals for pension obligations	Taxes, provisions and advances
Group	**6,365**	2,461	2,445	1,129	17	313

The total may be analyzed as follows:

(in € millions)	
Wages and salaries – Group	5,150
Employer payroll taxes	1,111
Benefit contributions, pensions, severance and retraining costs	97
Share-based payments	7
TOTAL	**6,365**

Ensuring that compensation reflects each employee's performance and level of responsibility

Michelin is committed to offering every employee compensation that is personalized, fair and market-competitive, and that reflects his or her individual performance and level of responsibility. Compensation policies are implemented with a long-term view, taking into account each person's professional development, so as to enable people to advance according to their abilities and the needs of the Group. Compensation is also carefully aligned with evolving market conditions and local practices.

In every host country, compensation is competitively set and raised with a constant eye on achieving the right balance between employee satisfaction and financial performance.

In 2019, the Group decided to upgrade its variable compensation policies, in a commitment to:

- enhancing its ability to attract and retain talented employees in every host country;
- empowering and incentivizing everyone to meet our growth challenges;
- encouraging collaborative working methods;
- giving everyone a stake in the Group's earnings and sharing created value more equitably.

The new system will be founded on the following basic principles:

- a similar system for everyone, regardless of job position or business, level of responsibility or country;
- bonuses comprising the following components:
  - a Group Bonus for every employee, depending on how well the Group meets its objectives,
  - a Team Bonus, depending on how well shared objectives are met, thereby encouraging people to work more collaboratively;
- the bonuses will be indexed to consolidated earnings and if the objectives are exceeded, the outperformance will be rewarded;
- bonus amounts will be defined for each level of responsibility and aligned with job market practices in each country.

The new policy will be gradually rolled out to all Group employees over the next two years.

Employee benefit policies, concerning mainly post-retirement benefits, insurance and health care coverage, reflect Michelin's social responsibility commitment. National benefit systems are supplemented to ensure that employees enjoy competitive benefits in most host countries.

Benefit policies and plans are continually updated in response to changes in the economic and legal environment.

Protecting employees from the consequences of an accident or illness

Michelin has introduced systems to safeguard employees, as well as their spouses and children, against the potentially significant financial consequences of an illness or an accident. Health care plans cover medical expenses and insurance coverage guarantees an income in the case of short- or long-term disability or death.

A wide range of proactive workplace health and safety initiatives are being assertively deployed *(see section 4.1.3.1 a Systematically monitoring employee health, to prevent and manage occupational illnesses)* and public health campaigns on such topics as nutrition and vaccinations are regularly conducted on-site.

Supplementing national pension systems

With life expectancy on the rise, a growing number of countries have national pension systems that may not be sufficient to meet employees' expectations. In response, Michelin has implemented systems that provide employees with additional post-retirement income, in accordance with their length of service.

Depending on the country, these systems allow employees to contribute a percentage of their pay, in addition to the funds paid in by the employer. In certain countries, Michelin also recognizes provisions for post-retirement benefit obligations relating to previous pension plans. In all, these obligations amounted to €1,931 million at December 31, 2019.

During the year, total payments under defined benefit plans amounted to €226 million, of which €34 million in benefits paid directly to employees and €194 million in contributions to the funds.

When legislation allows, Michelin offers retirement savings plans with matching employer contributions. The invested funds are managed by a fund manager or insurance company that has been carefully selected for its solidity and performance.

In France, following the transposition into French law of the European Directive on the portability of mobile workers' pension rights, the two defined benefit plans were frozen as of January 1, 2020.

Offering a variety of supplementary compensation

In France, the 2017-2019 discretionary profit-sharing agreement renegotiated with the trade unions is comprised of three components. The first is a financial component based on the operating income before non-recurring items of the French companies. The second is a component defined company by company with criteria closely aligned with each one's business. In the case of Manufacture Française des Pneumatiques Michelin, for example, there are two criteria:

- one concerns Progress Ideas, with targets for the percentage of employees submitting ideas and the number of ideas successfully implemented;
- the other concerns the "on-time delivery" customer service indicator.

Third, there are local criteria defined by each plant, such as the achievement of production targets, the reduction in material waste, the digital certification rate, etc. This discretionary profit-share, which is paid in the first quarter of the following year, can amount to up to 10% of salary.

In France, the individual and/or group performance bonus program was extended to all production operators in late 2017, so that every employee is now eligible for these bonuses, in addition to the across-the-board discretionary profit-shares.

Moreover, all employees are offered opportunities to purchase shares of Michelin stock under preferential terms through recurring employee share ownership plans. Following completion of the six employee savings plans set up in 2002, 2003, 2008, 2013, 2016 and 2018, a total of 58,079 Group employees in almost 50 countries around the world are now shareholders. At December 31, 2019, they owned 1.8% of the Company's issued capital.

A decent wage

In 2019, the Human Rights Operational Committee initiated a process designed to verify that every Group employee receives sufficient compensation to meet the needs of themselves and their families. To define a gap analysis method applicable to the entire Group, a number of stakeholders, such as BSR, Fair Wage Initiative, Wage Indicator and Anker, were consulted during the year.

/ 4.1.2.3 c) Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year

In France, the restructuring programs announced in prior years were completed as planned. In addition, a Group-wide reorganization plan was unveiled in spring 2017 and a project to close the La-Roche-sur-Yon plant was announced in October 2019.

1. **The new Michelin Group organization, as announced in 2017**

   In France, the impact of the Group's reorganization project led to the announcement of 970 redundancies among administrative employees and managers, all at the Clermont-Ferrand facility.

   A voluntary separation plan was negotiated and an agreement was signed by a majority of employee representatives on December 4, 2017. The agreement's main measure concerned a voluntary early-retirement plan, which, depending on take-up, was to be followed by a program of voluntary transfer opportunities to other MFPM facilities or other Group companies in France.

   The period during which employees could initially volunteer for the early-retirement option ran from December 18, 2017 until March 31, 2018. In all, 970 people opted for early retirement.

   As of December 31, 2019, 638 employees had retired and 294 had been furloughed ahead of retirement.

2. **Plan to close the La Roche-sur-Yon plant**

   On October 10, 2019, MFPM announced its plan to close the La Roche-sur-Yon plant in France before the end of 2020, which will also have a direct impact on the semi-finished products workshop at the Cholet plant.

As of the date of the announcement, 619 jobs under permanent contracts would be eliminated at the La Roche-sur-Yon plant and 74 in the semi-finished products workshop at the Cholet plant, for a total of 693 redundancies.

The Group's priority is to support each of these employees, working closely with them to build their future career. That's why, in addition to offering early-retirement opportunities, Michelin has pledged that all of them, depending on their situation and plans, will be eligible for transfer or outplacement support so that they can pursue their career paths under the best possible conditions. The employee support measures have been negotiated with the unions.

Now under study in association with local businesses and electeds, a project to repurpose the site would extensively transform it into a multi-purpose manufacturing, research and training park, focused on a business segment chosen by local authorities. The project will be included in the site revitalization agreement to be signed with the French government.

In Italy, support measures for people concerned by the programs to restructure local manufacturing and logistical operations announced in November 2015 were almost entirely completed in 2018. To manage the impact of the Group's ongoing reorganization, collective early retirement agreements have been signed in the office facilities, which concerned 31 people in 2019.

1. Fossano plant

When the closure was announced in November 2015, the plant had 406 people on payroll. Production operations were finally terminated on May 19, 2017. As of year-end 2018, 406 solutions had been found.

As part of the "SAMI" in placement program, the project is also managing the redundancies of around 30 people at the Cuneo plant until the end of 2020. The downsizing measures are under way and the target will be met as planned.

2. Alessandria plant

The plan called for closure of the retreading facility, expansion of the new Truck tire production operations and the construction of additional plant warehouse space. These measures were completed on schedule and solutions have been found for all of the impacted employees.

3. Tribano warehouse

The TIB warehouse was officially closed on December 15, 2017. All of the 28 people concerned at the time of the announcement were offered a position at another logistics hub in Italy. Ten agreed to be transferred, while the 18 others signed separation agreements and accepted the support of an outplacement firm.

4. Turino Stura warehouse

Initiated in March 2017, the reorganization of the supply chain operations made 38 people redundant. As of December 31, all of them had been transferred to a new position with the Group or successfully outplaced.

In Germany:

1. Bamberg plant

The closure of the plant in Bamberg, Germany by early 2021 was announced on September 25, 2019. The plant, which had 858 people on payroll at that date, reduced its workforce by 62 people, including 40 Michelin full-time equivalent (FTE) employees, due to resignations following the announcement and through early separation contracts financed by the ACI German competitiveness agreement. In addition, 22 temp agency positions were eliminated.

2. Bad Kreuznach plant

The Bad Kreuznach plant reduced its staffing by 22 Michelin FTE employees through early separation contracts financed by the ACI German competitiveness agreement. In addition, 21 temp agency positions were eliminated.

3. Trier plant

The Trier plant reduced its workforce by one Michelin FTE employee in 2019.

4. Karlsruhe plant

In September, the Karlsruhe plant announced that reducing its Truck tire production line from four to three shifts would eliminate 72 jobs, of which 40 under early separation contracts financed by the ACI German competitiveness agreement. Following the separations in 2018, which concerned 12 Michelin FTE employees and 32 temp agency positions, another 28 Michelin FTE employees left in 2019 and the remaining redundant temp positions were eliminated.

5. Homburg plant

The Homburg plant held its workforce steady in 2019, hiring 26 Michelin FTE staff to replace the elimination of the same number of temp agency positions. The decline in new Truck tire and semi-finished product output was managed by reducing the number of hours worked and paid, from 39 to 37.5 hours a week.

6. German Head Office

Part of the head office staff who worked in Karlsruhe are now based in Frankfurt following the transfer of 220 jobs to the city. The reorganization of operations between the Karlsruhe and Frankfurt offices also resulted in 55 separations financed by a dedicated redundancy plan, of which 35 corresponded to jobs eliminated in 2019. A further nine jobs were eliminated due to productivity gains in Karlsruhe and in the supply chain operations (reflecting the non-replacement of people who retired or resigned).

In the United Kingdom, following the 2018 announcement that the Dundee plant would cease production in mid-2020, every effort was made to support the workforce and the local economy, in the city and surrounding area. Of the 850 employees on payroll when the closure was announced, half have already found new employment. A very broad range of initiatives were undertaken to help people find a new job and maintain their career path, including a large number of on-site visits by potential employers, job fairs and presentations by universities and other partners. To date, 509 people have signed up for training or re-skilling. To support the local economy, the Group has joined with the Scottish Enterprise development agency and the Dundee City Council to develop an innovative concept called Michelin Scotland Innovation Parc Ltd (MSIP). Once tire manufacturing operations are terminated in the summer of 2020, the site will be transferred to MSIP, which will provide facilities for partner companies in the low carbon energy and sustainable mobility industries. The innovative park will gradually create a significant number of new jobs in the region. In addition to MSIP, a Michelin Development office is scheduled to open in Dundee in February 2020 with the goal of creating 860 new jobs over the coming years.

4.1.2.4 Supporting employee growth and development

Risk factors

Michelin's strategy for the years ahead is built on four pillars: innovating with passion, growing to serve our customers, improving competitiveness across the board and moving forward together (with mutual commitments between the Company and its employees). With this in mind, we need to refresh and adapt our capabilities both to support our growth in emerging markets and to replace employees who are nearing retirement age, especially in the mature markets. This means upgrading current skills-sets, and incorporating new ones, transferring knowledge and expertise, and encouraging employee mobility, both geographically and across businesses. For these reasons, maintaining our appeal as an employer and enhancing our induction, training and skills development initiatives for new hires will act as key enablers over this period.

Moreover, in a fast-moving competitive environment, being unable to attract and retain talent worldwide or effectively transfer our culture and expertise represents a significant risk that could prevent us from meeting our objectives.

Redefined in 2016, the Personnel function is now tasked with fostering an environment conducive to:

- the development of marketable skills, employee fulfillment and employee engagement;
- the performance of empowered, capable teams, which in turn contributes to the performance of the entire Group;
- the fulfillment of Michelin's social responsibility vision.

In 2018, the entire employee and team management and development process was overhauled, based on a new skills management system that any employee can openly access, depending on his or her workstation and job. This new approach is having a major impact on the empowerment and engagement that employees and teams demonstrate as they drive the Group's performance, while also enhancing everyone's sense of fulfillment.

To support this transformation, in 2018 the Group distributed a set of six policies dedicated to the core Personnel Department processes of Hiring, Employee Development, Employee and Team Compensation, Diversity, Labor Relations, and Health, Safety and Quality of Worklife.

The primary strategic indicator used to measure the outcomes is the annual employee engagement rate, as determined by the findings of the "Moving Forward Together" survey. The rate has been managed in every Group unit since 2016, with the goal of reaching 85% in 2020. **It stood at 81% in 2019,** unchanged from 2018.

In parallel with the revamp in 2018 of the employee management system and the related migration to the new Workday HR information system, the new "Managing and Developing People and Skills" process was rolled out in every unit.

To support the Group's expansion, proactively manage its constantly evolving skills requirements and adjust to conditions in its local labor markets, the momentum generated by this new approach is being sustained by a strategic workforce planning process managed by the Regions under the supervision of the Corporate Executive Vice President, Personnel and the Corporate Executive Vice Presidents of the Business Lines.

Lastly, the Personnel Department's role is now focused on advising, supporting and ensuring the implementation of local enabling policies and procedures. Organizationally, this has led to the creation of two new positions, Development Partner and Skills Manager.

Workforce overview

The worldwide workforce rose in 2019, ending the year at an aggregate 127,187 employees[(1)], compared with 117,393 at December 31, 2018. Led by the acquisition of Camso and Multistrada, most of the increase came from the Africa/India/Middle East and East Asia & Australia Regions, as well as, to a lesser extent, the Central America and North America Regions.

As a result, the weighting of the respective Regions remained stable overall, with the exception of the sharp increase in the Africa/India/Middle East Region. France accounted for 17% of the workforce, with more than 20,585 full-time equivalent employees nationwide.

NUMBER OF EMPLOYEES AT DECEMBER 31, 2019

	Africa, India, Middle East	North America	South America	Asia (excluding India)	Europe	Group total
Employees on payroll, consolidated companies, under any form of work contract, excluding temp agency workers						
2019	7,309	23,062	8,110	18,853	69,853	127,187
2018	1,723	21,556	8,151	15,239	70,724	117,393
Full-time equivalent employees of consolidated companies, excluding interns, work-study trainees, apprentices and temp agency workers						
2019	7,304	22,276	7,514	18,808	65,436	121,339[(1)]
2018	1,722	20,762	7,524	15,211	65,898	111,117

(1) The sum of the figures rounded up or down to the nearest whole number generated a one-point difference.

(1) Including the dealership networks and recently acquired companies.

/ 4.1.2.4 a) Human Resources Planning and Development

For the new skills development process to work, units and employees have to be informed and advised about the talents and skills needed both immediately and over the next three to five years. This means being able to accurately foresee the emergence of new jobs and skills-sets, and how they will inevitably evolve in response to the ever-faster transformation of our ecosystem. The growing speed of these changes is having a major impact on operating conditions in our businesses, increasing the need to encourage a behavioral shift to greater agility, responsiveness and cooperation.

Aware of these challenges, in 2018, Michelin upgraded its strategic workforce planning (SWP) process, which consists of identifying the potential risks involving the Group's skills and workforce needs over the next five years and recommending solutions to address them. The planning process is managed by the Regions and covers the selected job families.

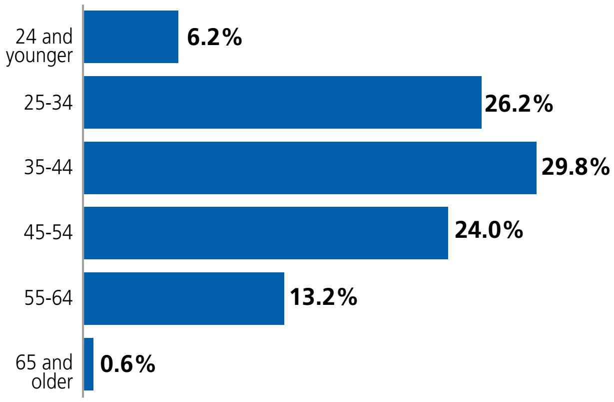
The audits performed in 2019 identified or confirmed the following challenges:

- ability to attract and retain talented people;
- the development of people and capabilities (particularly the idea of re-skilling);
- competitiveness (compensation and efficiency).

The ultimate goal of the SWP process is to have the right number of skills in the right place at the right time and the right cost, so that Michelin can realize its ambitions in current and future markets.

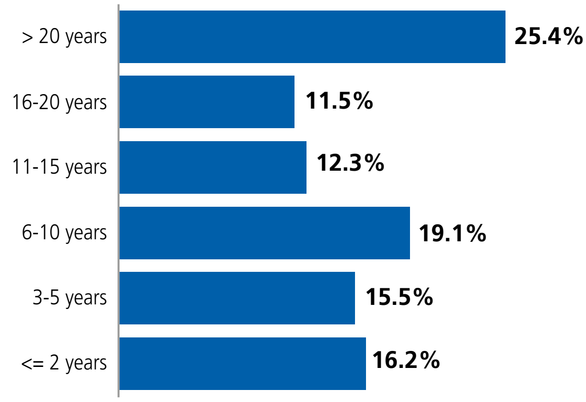
AGE PYRAMID

(Scope of reporting: Group Personnel Department; the data presented in section 4.1.5 correspond to the "Ambitions 2020" scope, which does not include distribution)



SENIORITY

(Scope of reporting: Group Personnel Department; the data presented in section 4.1.5 correspond to the "Ambitions 2020" scope, which does not include distribution)



Contract employees

In 2019, the percentage of **employees with temporary employment contracts** declined to its lowest level in the past five years, **representing just 4.6%** of full-time equivalent employees in the Group Personnel scope of reporting and 4.2% in the **Ambitions 2020** scope, which excludes the dealership networks and recently acquired companies.

/ 4.1.2.4 b) Employer attractiveness, promoting from within, team succession plans

The new hiring policy introduced in 2018 reaffirmed the following vision:

"The Michelin Employer Brand is a factor of differentiation in hiring the people the Group needs, in addition to promotions and transfers from within the organization".

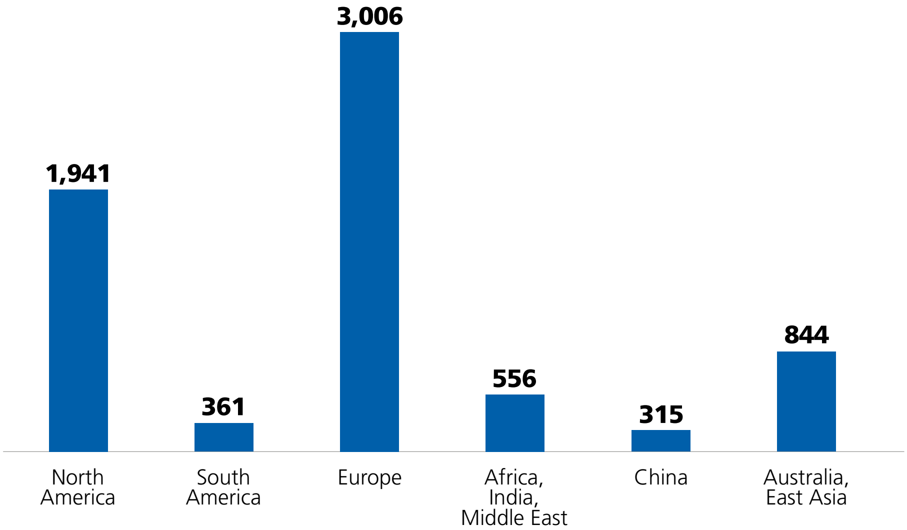
In 2019, each of the more than 7,000 people hired under permanent contracts during the year attended an induction program that guided them through their first days on the job and gave them first-hand insights into Michelin's culture and history. The program is also designed to deepen both their knowledge of the Group's history and values and their understanding of its strategy, organization and operating procedures. Experienced through seminars tailored to each employee category, the induction process encourages the development of communities and the ability to work collaboratively.

Michelin consistently prefers to promote from within. As of 2019, 74% of Group managers had come up through the ranks, versus 76% in 2018 *(see section 4.1.5 Summary Table of 2019 Employee Data)*, which means that they were promoted one or more times after their induction period. In addition, potential reviews serve as a basis for dynamically managing the people most likely to progress within the organization.

Employee movements as of December 31, 2019

New hires

New hires under permanent work contracts.
Scope: excluding the dealership networks and recently acquired companies.



A total of 7,023 people were hired in 2019, with **women accounting for 24% of the entrants.** After rising sharply overall in 2018, hirings saw a steeper decline in Southern Europe and China, while doubling in Central America and the Africa/India/Middle East Region.

Separations by reason

Separations in 2019	Resignation	Dismissal/ termination by mutual agreement	Retirement	Death	Total
Group	4,346	1,756	2,357	103	8,562

Scope: Employees under permanent work contracts, excluding the dealership networks and recently acquired companies.

Separations tend to occur for three main reasons: (i) retirement, which almost exclusively concerns the mature Regions (Europe and North America); (ii) resignations; and (iii) dismissals and terminations, which concerned fewer than 2% of employees.

In all, the Group's attrition rate stood at 6.9% for the year.

/ 4.1.2.4 c) Supporting employee growth and development

A core component of the employee development policy, job mobility is now seen as a "differentiating factor needed to fulfill the Group's strategic vision. It is an indispensable lever for developing people, enriching their experience and improving their ability to take on broader responsibilities, for their own benefit and for the benefit of the Group." Offers of job mobility are based on potential reviews that assess behavior, results and skills.

The system deployed in 2018 ensures that employees are fully and transparently informed of the performance standards, development aspects and mobility opportunities for a given posting or job, in alignment with the needs of the Group's organizations and business lines and their own personal aspirations.

Team succession plans are now being managed by the team leader, and "underwritten" by the Personnel Department in a support role. As a result, keeping everyone aware of job vacancies is the cornerstone of the Job Posting process, which is now being deployed across the Group as part of the Workday system.

In addition, a continuous individual skills development process has been introduced with three objectives:

- ensure that the person has the critical skills required for the job, thanks to certification by their manager;
- enable the person to improve their job performance, so as to increase their contribution to the performance of their team or unit;
- guide the person in their career development and offer them opportunities to move to a new posting, job or job family.

In practice, any manager or employee can use the new Workday information system to directly access the description of:

- one of the 591 active jobs, redefined by each business line owner based on its purpose, expected key outcomes and required skills;
- one of the 48 behavioral skills and 356 job skills, each with five levels of competency, graded on the actions observable while the job is being performed.

For this purpose, the Group has acquired a "skills dictionary" from Canadian company HRSG, recognized for its expertise in this area. In this way, each employee can self-assess his or her proficiency in skills that are no longer exclusively defined by the Group, which is one of the key vectors of employability.

/ 4.1.2.4 d) A new division of roles to support the process

Michelin is committed to enabling "every employee to take an active role in managing his or her career and professional development, with the support of line managers."

Each team has been assigned a Local Development Partner (PDP) and a network of Local Competency Managers (LCM), who all work together with team managers to cover the risk of a "skills gap":

- **the Development Partner,** each team's key contact person, whose primary mission is to support managers in leading the personal and professional development of their team members. In terms of risk management, he or she ensures that Group policies are effectively applied on-site, at the front line. Depending on the circumstances, he or she is qualified to examine any Personnel-related appeals or requests;
- **the Skills Manager,** who is an expert both in skills management and in his or her job family. He or she supports the development partners in ensuring that the new skills management system is being properly deployed and used by managers and employees.

At the Group level, the following organization is now in place:

- a pool of four Development Partners covering Research & Development, Manufacturing, Marketing & Sales and the Corporate Departments, who are in charge of managing the career development of high potentials or people in succession plans for critical or sensitive jobs;
- a community of 31 job Skills Managers, a position that combines the tasks previously performed by the skills development managers and job-specific training managers. Under the governance of the Corporate Personnel Department, they are responsible for anticipating and responding to changes in their job families and for upgrading and deploying the standards defined for jobs, skills and the related career development paths.

/ 4.1.2.4 e) Enhancing skills through training

In 2019, the investment in employee growth and development remained strong, at **4.6 million hours of training.** This is reflected in the percentage of training hours per total hours worked, which stood at **an estimated 2.9%** compared with 3.2% in 2018.

In the same way, to deliver this average investment of **49 hours of training per person** on payroll, the Learning & Development function comprises 990 full-time professionals, nearly half of whom are dedicated to training production operators.

The My Learning@Michelin learning management system lets employees directly access locally activated training courses *via* the connected Sub Learn System in their language of choice. Managers are automatically informed when one of their employees signs up for a course. Everyone is therefore free to choose the courses he or she needs, in compliance with local rules.

At the same time, the drive to digitize the training catalog continued apace in 2019. In fact, the 2020 goal of having 30% of the skills development resources available to employees in digital formats, such as e-learning, distance learning, COOC and virtual reality, was exceeded during the year, with 38.8% of content now accessible online. As a result, the number of hours of e-learning rose to 28.3% of the total in 2019.

4.1.2.5 Encouraging employee and corporate engagement in local communities

Michelin believes that its relationship with all its stakeholders, especially the communities near its facilities, is of paramount importance. As part of this holistic vision, the Group is getting all of its suppliers involved in the community engagement process, requiring them to meet its own high standards and supporting them through outreach.

The Group is also deeply involved in developing and promoting its host communities, by respecting and addressing their expectations and interests. This commitment is manifested in job creation initiatives, training programs, a significant proportion of local sourcing, the payment of local income and other taxes, support for the preservation of each community's natural and cultural heritage, and financial support for projects led by NGOs and associations.

These actions significantly enhance Michelin's impact in all its locations, thereby contributing to initiatives undertaken to prevent diminished attractiveness as an employer.

To coordinate these objectives more effectively, the Group has organized three major worldwide action programs: Local Community Engagement, Michelin Development and the Michelin Foundation.

In addition, the Group has been aiming for a target of 80% local management in the growth regions, in alignment with local cultures *(see section 4.1.2.2 e).*

/ 4.1.2.5 a) Stakeholder dialogue

By "stakeholders," Michelin means the people or groups of people who are impacted by its business or who may impact it in return, so that corporate strategy reflects their needs and expectations. Building trustworthy relationships with stakeholders is an opportunity for the Group to improve its ability to foresee and purposefully challenge its social responsibility commitments.

Michelin has long nurtured broad-based dialogue with all its stakeholders, with regular, formalized meetings organized every year by the appropriate Group departments and led by one or several engagement managers for each category, including customers, investors, employee representatives, suppliers, public authorities, local communities, international organizations and NGOs.

Within the Group, the Investor Relations, Purchasing, NGO Relations, Public Affairs, Employee Relations and Personnel Departments, as well as plant communication managers, are responsible for understanding and responding constructively to the expectations of their stakeholders. This means that every year, hundreds of meetings are held with these various stakeholders, at both the corporate and local levels.

A corporate committee

In 2019, for the fourth year in a row, the Corporate Stakeholder Committee once again challenged Michelin's sustainable development strategy. Of the 12 members appointed for initial three-year terms in 2016, six were re-appointed during the year, so that the Committee welcomed six new outside members, who, as always, were representative of the Group's key stakeholders. Members now include a supplier, two customers, a trade union, two NGOs (the WWF and the International Federation for Human Rights) an investor, the Global Compact, a philosopher, an academic, a startup manager and a Latin American transportation expert. In regional terms, they come from Europe, Asia, North America and Latin America.

In June 2019, an initial meeting was organized during a webinar on the Group's new approach to road safety. **Then, on October 11, 2019, the Committee held its annual meeting in Paris, which was attended by the twelve external stakeholders and almost the entire Executive Committee, including the Managing Chairman.** The all-day event offered an opportunity to review some of the recommendations issued in 2018, in such areas as measuring the environmental impact of the Group's digitalization or understanding how Michelin is encouraging newly acquired companies to embrace its sustainable development vision. Break-out workshops were also organized to discuss Michelin's employee support process during plant closures, the current state of knowledge on tire wear particles and the Group's CO_2 performance. A wide range of suggestions and recommendations emerged from the day's discussions, such as pledging to achieve carbon neutrality by 2050, exploring new growth avenues and heightening awareness of the tire wear particle studies. These suggestions were summarized in a report sent to the outside stakeholders and Michelin senior executives, and an agenda of issues was defined for 2020.

The day before the meeting, external Committee members also participated in a half-day session dedicated to the product-service economy, with presentations by representatives from the Michelin Services business, a customer and a dealer. They described the environmental and employee relations benefits of this approach, whereby Michelin retains ownership of the tires, but provides maintenance services to optimize their in-use performance.

Stakeholder meetings in several Regions

The stakeholder dialogue process was pursued in a number of countries in 2019. To set up stakeholder meetings, managers can follow the **stakeholder dialogue guidelines,** which present a method for identifying and classifying stakeholder categories, along with procedures for fostering dialogue with each one.

On October 11, 2019, for the third year in a row, Michelin UK organized a meeting in Stoke-on-Trent with country management and 11 local stakeholders, representing companies, associations, schools and the university, local authorities, the Chamber of Commerce and cultural institutions. This year, in particular, the stakeholders encouraged Michelin to leverage its outstanding reputation to improve the image of manufacturing and the region. Suggested initiatives included not only attracting other companies to the region, but also piquing young people's interest in manufacturing jobs and talking to them about climate issues, during plant visits, for example.

In November, operations in Mexico also held their first stakeholder meeting in León, which was attended by around 40 people, including local and regional management, representatives of the local host community, local businesses, local authorities, the Chamber of Commerce, Michelin employees and union representatives. The main issues discussed were safety, health, education, local infrastructure, public services and jobs. Following the meeting, an action plan was prepared, which included Michelin's pledge to help to organize a job fair where people could submit applications and discover the jobs available for women and people with disabilities.

Lastly, Michelin is the main co-organizer of the Movin'On global sustainable mobility summit, which in June 2019, for the third straight year, brought together 5,000 people in Montreal over three consecutive days to discuss the future of safe, efficient, clean and affordable mobility *(see section 4.1.4.2 b Actively improving energy performance in the transportation industry/Michelin, leading the way together in sustainable mobility worldwide)*.

/ 4.1.2.5 b) Creating local jobs and businesses with Michelin Development

Since 1990, more than 38,000 jobs have been created with the support of Michelin Development

of which 27,000 in France

Supporting local companies with expertise and funding

Michelin is actively involved in creating jobs through its Michelin Development subsidiary. The only organization of its kind, with a uniquely flexible approach, **Michelin Development** provides local companies with expertise and technical support in a wide variety of areas, including industrial organization, workplace safety, energy efficiency, quality management, sales and marketing, finance, hiring, international expansion, information technology, the supply chain and export sales.

This support can be backed by funding in the form of subsidies or five-year, low-interest, collateral-free loans, designed to create leverage with individual or institutional investors, thereby kick-starting a dynamic process of local job creation.

The start-ups supported in 2019 covered a very diverse array of businesses. Indeed, projects in any industry are eligible for support as long as they are sound and their champion is competent and motivated.

Over the past 29 years, Michelin Development has helped to create more than 38,000 jobs in France, Spain, Italy, the United Kingdom, Canada and the United States.

A sustained, active presence in local labor markets in France

Since it was formed in 1990, Michelin Development has helped to create around **27,000 jobs in France.** Formerly known as SIDE, it operated as a subsidiary before being merged into MFPM in 2015.

Most of **Michelin Development**'s activities **in France** involve spontaneous support for local jobs. In 2019, **Michelin Development France** signed 170 agreements that committed Michelin to supporting **1,346 jobs** in local companies, backed by around €4.2 million in loans and subsidies granted during the year.

In 2019, a little under half of its efforts were dedicated to production plants being reorganized and covered by a voluntary or mandated revitalization agreement. The Beauvais labor market, for example, is the subject of a revitalization agreement signed following the reorganization of supply chain operations in Europe, which is scheduled for completion in 2020. In Clermont-Ferrand, the elimination of 970 managerial and other jobs at the Group's headquarters in 2018 was covered by a revitalization agreement, which helped to support the creation of 306 jobs in 2019.

During the year, the supported SMEs and SOHOs created jobs in a very wide variety of sectors, including (i) in Auvergne, sustainable mobility component manufacturing and the rebuilding and upgrading of vintage hi-fi equipment; (ii) in Maine-et-Loire, a community garage selling refurbished cars at affordable prices; (iii) in Vendée, manufacturing survey drones or eco-friendly dishwashers and designing and producing spinnaker sails for cargo ships; and (iv) in Troyes, setting up a luxury leather goods company previously based in Hong Kong.

Applying a similar approach in many countries

Since 2002, similar business development organizations have been set up in other European countries, such as **Spain, the United Kingdom and Italy,** where Michelin Development helped to create a total of **321 jobs** in 2019.

Michelin Development's operations in Spain are managed by *Fundación Michelin España Portugal,* which supported the creation of 187 jobs in 36 companies in 2019. Since 2004, Michelin Development has committed more than €7 million locally, enabling the creation of more than 4,000 jobs in over 630 companies based in labor markets around the Group's four Spanish plants.

In Italy, by focusing its programs on innovative startups and SMEs, Michelin Development helped to create 81 jobs in 2019. This brings the total number of jobs created with the unit's support, in collaboration with universities, regional business associations and other local stakeholders, to more than 2,400 since 2005.

The uncertainty that Brexit is casting over the UK economy made 2019 an unsettling year for British small and medium-sized enterprises. As a result, job creation initiatives like Michelin Development are finding it difficult to find growing companies willing to invest in the future and offer employment opportunities. This explains why, despite all the efforts undertaken during the year, the unit was able to support the creation of only 24 new jobs in Stoke-on-Trent and 29 in Ballymena. The strategy is now being increasingly directed towards direct inward investment by foreign companies looking to set up local operations in Northern Ireland, particularly around Ballymena.

Since 2006, **Michelin Development North America** has invested more than $14.6 million in 209 small local businesses under four community engagement programs that have spurred the creation of nearly **2,020 jobs.**

/ 4.1.2.5 c) Participating harmoniously in local community life through our employees

30,000 work days a year dedicated to local community engagement activities by Michelin employees

Michelin has a long tradition of social engagement, with a wide range of philanthropic and community outreach initiatives conducted locally and regionally by the plants, the country organizations, the Regions and, since January 2014, the Michelin Foundation. Deployed since late 2013, the local community engagement program encourages employees to get involved in their communities. In 2019, its guidelines were applied by plants and offices at constant scope of reporting *(see the 2014 Registration Document).*

One of the Michelin Sustainable Development and Mobility Ambitions for 2020 is to increase to 30,000 the number of employee working days a year devoted to community engagement activities. **In 2019,** in the same scope of reporting, more than 33,000 days were dedicated to personal and company-sanctioned volunteer work.

Giving back to Michelin's host communities enhances the Group's appeal as an employer. In addition, volunteer work enables employees to develop their capabilities in areas different from their daily jobs.

In 2019, more than €6.7 million was donated to or invested in outreach initiatives in the communities around the Group's plants and offices. The decline compared with 2014 reflected the transfer of some of these initiatives to the Michelin Foundation *(see section 4.1.2.5 d).*

Because they are aligned with local needs, community engagement initiatives vary widely, as seen in the following examples:

- employees in **South America** are especially involved in education, diversity (with the "Beaches for Everyone" project) and improving the local environment in general, most often in close cooperation with local NGOs;
- in **India,** health and hygiene issues attract nearly half of all employees, while a significant share of resources is allocated to programs that enhance the employability of young people;
- in **Southeast Asia,** a very wide variety of projects are underway, with an emphasis on road safety, given the extensive use of two-wheeled vehicles, and outreach to the neediest in society;
- employees in **China** also take part in environmental conservation programs, helping to clean up contaminated or flooded land, maintain wilderness areas and plant new trees;
- in the **United States** and **Europe,** initiatives to support education and attract young people to technical and scientific jobs remain popular, as do charity-related sports events.

In general, and in alignment with the Group's business, road safety programs remained an important focus of commitment in 2019, particularly those aimed at children.

/ 4.1.2.5 d) The Michelin Foundation: demonstrating our corporate culture and values

€20.4 million allocated in 2019 by the Michelin Foundation to 124 projects

Created in January 2014 with the goal of helping people move forward, the Michelin Foundation is committed to taking action in every host country in five major areas: sustainable mobility, sports and health, community engagement and education, environmental stewardship, and culture and heritage.

It supports outstanding, innovative projects that are aligned with **Michelin's humanist culture and values of respect,** consistent with its business and meaningful to its employees and operating units.

The Foundation is governed by a Board of Directors and a Selection Committee. The Board defines the overall priorities and rules on projects valued at €100,000 or more. Chaired by the Managing Chairman of the Group, it includes four Executive Committee members, an employee representative and three outside experts. Projects valued at between €5,001 and €99,999 are validated by the Selection Committee, which is comprised of eight members representative of the Group's operations or major corporate functions. Projects valued at €5,000 or less may be directly approved by the General Delegate, who manages the Group's philanthropic programs with the support of the Assistant General Delegate and a small team.

The combined value of the 124 projects financed by the Foundation in 2019 came to more than €20.4 million.

Among the year's beneficiaries were:

- an online decision support tool, launched under the aegis of the World Bank and its Sustainable Mobility for All **(SuM4All)** initiative for countries that have pledged to support the UN Sustainable Development Goals and signed the Paris climate agreement. It lets countries assess their performance against their peers, explore a catalogue of public policy measures that have already been successfully deployed and use them to craft a custom action plan tailored to their particular situation;
- **the Solar Impulse Foundation,** through the 1,000 Solutions Challenge and the World Alliance for Efficient Solutions, has the primary aim of reconciling economic performance with the environment, by promoting products, services and clean technologies that are profitable and support economic growth, while also protecting the environment and optimizing the use of natural resources (the "Efficient Solutions");
- **association *Autisme Info Service*,** which has opened France's first national, free-of-charge hotline to provide, information, support and guidance to people with autism, their friends and family, and the professionals who interact with them. The platform went live on April 2, 2019;
- the ***Chemins d'Avenirs* Association,** which is dedicated to enabling middle school, high school and university students in rural areas and small towns to access as many opportunities to realize their potential as their peers in major cities. Its initiatives are built around a blend of personal mentoring, topic-based training and additional opportunities that the Association spins into an eco-system of success for each program participant;
- the "Largest Museum in France" campaign being led by the ***Fondation pour la Sauvegarde de l'Art Français*** to preserve and showcase works of art located in towns throughout France. Michelin employees at the Bourges, Roanne and Vannes plants have been invited to take part in the campaign, while the *La Sauvegarde de l'Art Français* has been supported by the Michelin Foundation since 2014.

/ 4.1.2.5 e) Fostering closer relations with environmental protection associations

Whenever appropriate, Michelin fosters close ties with environmental protection associations and organizations. These initiatives concern not only the production facilities or the Technology Center but also office facilities. Partnerships are also being created with local, national and international associations, in particular to support biodiversity *(see section 4.1.4.4 Supporting biodiversity).*

In 2019, Michelin pursued the cooperation agreement with the World Wildlife Fund (WWF) signed in 2015 and renewed in 2018 to promote sustainable natural rubber around the world. As part of the Tire Industry Project *(see section 4.1.1.1 Guaranteeing the quality of our products and services)* and under the auspices of the World Business Council for Sustainable Development (WBCSD), in March 2019, the Group helped to launch the Global Platform for Sustainable Natural Rubber (GPSNR), a multi-stakeholder platform to encourage best practices across the natural rubber value chain. In addition to the WWF, several other NGOs are actively participating in the platform's activities, including Birdlife International, the International Federation of Human Rights Leagues, the Forest Stewardship Council, Global Witness, Mighty Earth, the Rainforest Alliance and the Forest Trust.

In Indonesia, reforestation programs on the islands of Sumatra and Borneo have been developed with WWF France and WWF Indonesia as part of a joint venture with Indonesian partner Barito Pacific. Other environmental projects are being carried out elsewhere in the world, including Brazil (with WWF Brazil) and India (with WWF India).

/ 4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities

While its plants and other facilities deliver benefits to local communities, the Group is aware that they can also have potentially negative impacts.

In 2019, a work on designing action principles to prevent any risk of a negative impact on local communities has been engaged, based on four situations: when a new production plant is being built, when it is being operated, when it is closed down and when rubber plantations are bought and managed. Key principles included identifying possible negative impact risks, deploying remedial action plans, maintaining dialogue with neighboring stakeholders, introducing a complaints mechanism, focusing on hiring locally and training people in the local community. The WWF was consulted on the draft project.

One result is that new plant construction projects now include local community impact studies, covering such areas as access to land and respect for the community's cultural heritage. Independent studies of this type have been performed in India, Indonesia and Mexico, resulting in recommendations that were followed by the Group. In Mexico, for example, before ground was broken on a new tire plant, the study found a risk concerning land rights in the local community. The Group then determined that it had the legal right to acquire the land and made sure that the project was beneficial to local economic development. In particular, it helped to finance the renovation of local public infrastructure and the creation of a vocational school.

In 2015, Michelin and its Indonesian partner Barito Pacific set up the RLU joint venture to develop a program to develop sustainable natural rubber plantations and reforest concessions on Sumatra (66,000 hectares) and in East Kalimantan (20,000 hectares). The program was designed in liaison with local stakeholders. Farmers in the region are being encouraged to improve their farming practices thanks to training programs and to raise more subsistence crops.

The ethical behavior of security guards protecting Group facilities is also carefully monitored. Around 80% of our security guards in Europe and North America have received sensitivity training in human rights issues they may face on the job.

4.1.3 EMPLOYEE HEALTH AND SAFETY

3 GOOD HEALTH AND WELL-BEING

Risks related to the health and safety of employees and others in the workplace (inherent risk)

Risk factors

Michelin directly employs more than 127,000 people worldwide and also uses temporary employment agencies and subcontractors. These people work in a very wide variety of environments, primarily in industrial facilities – where they use machines and equipment that range from manual to fully automated, depending on the type of product manufactured and the age of the machines – but also in logistics operations and dealerships.

Given the nature of our business, Group employees and temporary agency workers face a very diverse array of risks and obligations, depending on whether they work in a production plant or an office, on the road or behind a desk. For example, shopfloor employees are exposed to:

- risks related to site equipment and organization (mechanical and electrical risks, ergonomic risks);
- risks related to the general working environment (heat, working at heights, psychosocial risks, and exposure to country-specific risks such as political instability, terrorism or kidnappings);
- risks related to exposure to chemicals;
- risks of industrial accidents and natural disasters;
- risks related to handling tires and using tire-handling equipment.

Office-based, itinerant and sales personnel are exposed to:

- risks related to business travel (accidents and health risks);
- psychosocial risks.

These risks can have an impact on the health, well-being, and even the physical integrity of Michelin employees and other people who work in Group facilities.

EMPLOYEE HEALTH AND SAFETY GOVERNANCE

The Employee Health and Safety Governance body is chaired by the Personnel Department Chief Officer and co-chaired by the Executive Vice President, Manufacturing, who are both members of the Group Executive Committee. Led by the Group Health Coordination Director, the body also comprises five standing members representing the Corporate Safety & Environment Department, the Corporate Internal Control Audit & Quality Department, the Corporate Legal Affairs Department and the Corporate Administrative Services Office.

The Governance body meets twice a year to manage the Group-wide employee health and safety process. It determines the related policies, objectives and strategies, and ensures that appropriate resources are allocated to drive the timely, successful completion of the action plans defined and deployed to meet the objectives.

HEALTH, SAFETY AND QUALITY OF WORKLIFE POLICIES

Michelin's assertive health and safety policies are designed to ensure that employees remain healthy and safe on the job and in the workplace. The identified risks, such as industrial accidents, musculoskeletal disorders or chemical risks, are addressed by the dedicated prevention and mitigation measures described in this plan.

In full alignment with its fundamental value of respect for people, Michelin is actively deploying a comprehensive range of health, safety and quality of worklife policies, as described in:

- the 2011 **Health and Safety Declaration;**
- the 2018 **Health, Safety and Quality of Worklife Policy,** the updated version of the Health Policy;
- the 2018 **Environment and Prevention General Policy Statement.**

The Health and Safety Declaration states that "above all else, Michelin's wish is to ensure safe and healthy conditions for everyone working in the Group." For Michelin, these conditions include the physical and psychological well-being of employees, the quality of the working environment, and a healthy work-life balance.

These commitments are based on the recommendations issued by key international organizations, such as the UN, the ILO and the OECD, and prevailing standards and legislation, including ISO 26000 and the French Commercial Code.

The Health, Safety and Quality of Worklife Policy defines the Group's foundations and vision, in alignment with its Sustainable Development and Mobility Ambitions for 2020.

The Environment and Prevention General Policy Statement specifies the short and medium-term objectives that will drive progress towards fulfilling our vision, while setting the guidelines that every unit must follow.

The Group's risk management procedures are also being applied to employee health, safety and well-being, as part of a disciplined continuous improvement process.

The policies are being implemented through the Environment and Prevention Management System, which is based on the international ISO 14001 and OHSAS 18001 standards. It is being applied in every facility to capitalize on best practices and embed them across the organization to drive consistent, continuous improvement. The system is auditable and audited.

Every Michelin facility is staffed with risk prevention professionals, such as OSH experts, ergonomists and hygienists, and health care providers, like doctors and nurses.

These professionals share best practices and leverage acquired experience at a regional, national and Group-wide level, as part of a continuous improvement process.

In the production operations, the Environment and Prevention Management System is an integral part of the 64 fundamentals of the Michelin Manufacturing Way (MMW) management system, which identifies and promotes best practices in manufacturing excellence.

In this way, a full array of improvement drivers are being activated across the organization. **Mandatory training courses and programs are helping to instill a culture of vigilance, engagement and alertness in every employee, both for themselves and for others. The emphasis is on encouraging employees to embrace and demonstrate this culture of safety in the workplace** *(see section 4.1.3.2).*

Improvements are being guided by a large number of indicators. To meet each objective, working methods, rules and practices are defined under the supervision of Group managers and audited by the Internal Control Department.

In recent years, a prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation.

These data are also being used to set priorities in the annual or multi-year action plans, which are supported by programs to drive continuous improvement in existing designs, equipment and processes.

4.1.3.1 Safeguarding employee health

According to the World Health Organization, "health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being."

Deployment of the Group Health, Safety and Quality of Worklife Policy is improving the performance of individual and general prevention programs, in particular by instilling a common vision and aligning practices among them.

/ 4.1.3.1 a) Systematically monitoring employee health, to prevent and track occupational illnesses

Since 2010, **the Medical Advisory Committee,** comprised of eight outside experts, has helped to foresee and prevent health risks, based on the latest advances in science. Its independent opinions assist Group management in addressing the health risks specific to tire manufacturing. In 2019, the Committee turned its attention to the impact of artificial intelligence and digitalization on individuals.

A majority of employees are under the care of an occupational physician, in accordance with local legislation. **Medical check-ups** are offered to employees in the few countries, in Africa and the Middle East, that do not require companies to monitor employee health and lack the appropriate medical resources.

In the Regions and the large European countries, where the number of Group employees and national legislation warrant a local approach, health coordination committees are helping to align care systems and the deployment of the Health, Safety and Quality of Worklife recommendations.

Initiatives to prevent and detect occupational illnesses primarily concern the risks related to lifting, repetitive stress, physical exertion, noise exposure and chemicals.

Occupational illnesses are reported every year to help guide remedial action plans. The Group's definition of occupational illness depends on each host country's legislation.

A full 85% of the recognized occupational illnesses occurring Group-wide are associated with job-related physical activity. The program to improve workstation ergonomics is helping to reduce the occurrence of musculoskeletal disorders. To supplement the general protection measures, employees systematically wear personal protective equipment at workstations deemed at risk.

/ 4.1.3.1 b) Safeguarding health and the ability to work

To further protect employees from impairments in health or the inability to work, the programs to attenuate occupational risks are also supplemented with **local health education initiatives and public health campaigns.**

These programs are designed to instill healthy behavior in employees, both on and off the job.

Examples include:

- medical check-ups offered to employees in countries where access to healthcare is difficult or expensive (*e.g.,* **China, India, Thailand, Russia and Brazil**), to provide care and enable early diagnosis of disease;
- medical check-ups introduced in 2018 for all expatriate employees and their families, regardless of their home or host country, before and during expatriation, to prevent at-risk situations;
- encouraging employees to engage in physical activities and sports by installing fitness and athletic equipment and paying a portion of the registration fees for sports activities;
- awareness-building and prevention training concerning addictive behavior, nutrition, cardiovascular disease and other issues that may be defined in connection with local priorities. In some countries, these programs are organized as part of quality-of-life initiatives, such as "Balance", in Germany", *"De Bem Com a Vida"* in Brazil, *"Oxygène"* in France, and "Choose Well Live Well" in the United States.

/ 4.1.3.1 c) Managing industrial hygiene risks to safeguard employee health

Chemical risks are an important focus of policies to protect employee health and safety, both on the shopfloor and in research and development facilities. These risks stem not only from chemicals, but also from harmful process fumes and the asbestos previously used as insulation or friction material.

Before any new chemical substance may be used, its possible risks are managed through a dedicated assessment procedure performed prior to issuing an authorization for use. The procedure gauges the substance's potential impact on human health and, if deemed hazardous, defines the conditions for its safe use. In some cases, its use may be prohibited.

Every workstation features a product data sheet written in the local language and approved by industrial hygiene experts. Based on safety data sheets, these documents are managed by a global information system, which enables real-time document sharing among experts and ensures compliance with REACH standards in Europe and the Global Harmonized System (GHS) standards in the Group's other Regions. The sheets describe the potential hazards and conditions for safe use of products used at the workstation.

Group production facilities and tires are entirely asbestos-free and procurement contracts explicitly prohibit the presence of asbestos in any sourced object or machine. In addition, in recent years, procured machines and spare parts have been inspected to ensure that asbestos has not been reintroduced. Special checks are performed on products sourced from countries where asbestos use is permitted.

/ 4.1.3.1 d) Improving production workstation ergonomics

Most occupational illnesses are the result of musculoskeletal (MSK) disorders, which are also the cause of some of the accidents recorded in certain types of production activities. Since 2002, improving ergonomics has been a major focus of Michelin's health and safety policies.

The prevention of MSK disorders is designed into every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term.

All of the production facilities and certain logistics hubs regularly update their workstation maps to identify action priorities and deploy standardized solutions.

Every year, ergonomic issues across the business base **are addressed by a dedicated capital budget,** totaling €16.8 million in 2019.

Projects to improve ergonomics are implemented by ergonomist-led multidisciplinary teams comprised of managers, operators, prevention specialists and physicians. Each plant is deploying a five-year improvement plan.

In addition to protecting employee health, reducing ergonomic hardship is also making the workstations more accessible and appealing to a wider range of people. In turn, this is supporting diversity, making workstations a more attractive job option, and enhancing people's well-being and motivation.

4.1.3.2 Assessing and preventing workplace safety and security risks

The **Health and Safety Declaration** states that "above all else, Michelin's wish is to ensure safe and healthy conditions for everyone working in the Group." To embed a culture of safety and prevention in every aspect of the Group's business, three essential principles are being instilled across the organization:

- correct behavior begins with compliance with safety guidelines;
- through their active commitment, employees are responsible for everyone's health and safety, both their own and that of others;
- personal engagement drives continuous improvement.

This process emphasizes risk prevention, compliance, employee empowerment and management involvement, so that the Declaration is effectively demonstrated in daily work practices.

In recent years, a comprehensive, prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation. These data are also being used to set priorities in the annual or multi-year action plans. In France, they are consolidated into the comprehensive risk assessment review *(Document Unique),* which addresses all of the possible risk factors.

/ 4.1.3.2 a) Managing workplace safety

A culture of safety at work embraced by employees across the organization, as seen in:

- the corporate communication media issued by the Group;
- the initiatives designed to get management, employees and other stakeholders involved;
- the promotion of strong managerial leadership, from the executive suite to the shopfloor;
- the sharing of best practices.

Two indirect metrics attest to the importance of safety for Michelin employees in 2019:

- 32,796 Progress Ideas were submitted by employees to address safety issues (44%) and working conditions (56%);
- 87% of the 81,227 employees who responded to the "Moving Forward Together" survey felt that "we never compromise safety to meet other targets" (costs, deadlines, etc.). This was three points higher than in 2018.

/ 4.1.3.2 b) Protecting employees during a crisis

Surveillance of security issues has been heightened in response to the growing number of threats and tense situations potentially faced by Michelin employees, particularly when traveling abroad.

Group security services maintain a country risk map, which is regularly updated and posted on the country intranets. It rates each country on a scale of 1 (lowest risk) to 4 (highest) and defines security guidelines and recommendations for each level. In this way, it serves as handbook for managing the security of employees traveling to or based in countries at risk.

Every business trip is now tracked by Group security services using a digital application, which allows them to contact the travelers 24/7 to offer appropriate assistance and advice in the event of an incident. Travel to countries classified as high-risk (level 3) is now subject to prior authorization and compliance with the prescribed security guidelines. No travel is authorized to extremely high-risk countries (level 4), such as Libya, Syria, Yemen, Iraq, Somalia, North Korea and Venezuela.

Specific guidelines and measures have also been introduced to increase the security of expatriate employees and their families in high-risk countries, including pre-assignment training to raise awareness of in-country security precautions.

Every year, Group security services visit the high-risk countries to assess and verify, on-site, the consistency and proper application of the Group's guidelines and recommendations. One such in-country inspection was conducted in India in February 2019.

Due to the persistent threat of terrorism, Europe, and particularly France, is still considered a region at risk. In 2019, social, political and security unrest in certain South American countries (Bolivia, Ecuador and Chile), Hong Kong and the Persian Gulf prompted the Group to increase its vigilance and take a number of measures to reduce employee exposure, including temporary travel bans.

Given the size of the Group's local presence and business operations, special attention is being focused on (i) Brazil, home of the Group's headquarters for the South America Region; (ii) the United Arab Emirates, in response to the worsening situation in the region; and (iii) Mexico, due to the presence of a production plant in the State of Guanajuato, which is suffering from high levels of insecurity.

The shifting nature of terrorist threats, particularly in Africa, Central Europe and Southeast Asia, is being closely monitored with special attention.

Air pollution in the major cities of India, China and elsewhere in Asia remains a health concern, and measures have been taken to inform and protect employees.

/ 4.1.3.2 c) Measuring and tracking occupational accidents

Since 2013, Michelin's worldwide health and safety performance has been measured using the **Total Case Incident Rate** (TCIR), which is based on the US Occupational Safety & Health Administration (OSHA) indicator. On the basis of every 200,000 hours worked, TCIR records the number of lost-time accidents, accidents without lost time but requiring medical treatment, incidents requiring workstation adjustments (*e.g.,* due to ergonomic issues, and involving musculoskeletal disorders), or occurrences of an illness recognized as work-related. In this way, it takes into consideration not just accidents but every type of health and safety-related incident.

The system also records incidents involving temporary workers and contractor employees. Such incidents are then reviewed with the companies concerned to help them prepare improvement action plans.

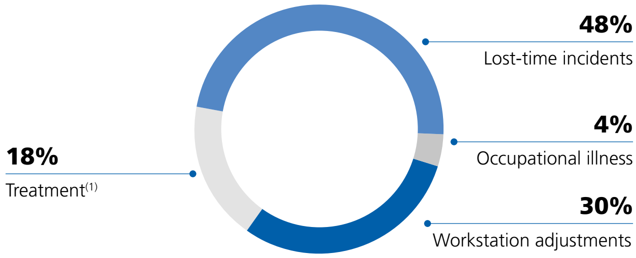
In 2019, a review of the consolidated, Group-wide data for the year enabled management, the ergonomist and the occupational medicine team to prepare effective health and safety improvement plans. Information, awareness-building and training programs continued to be conducted for the designated health and safety experts in every Region and time zone.

In 2018, a new indicator, TA+, was introduced to track the frequency, with or without lost time, of a list of accidents that the Group has prioritized. It supports a more granular approach to these accidents, while helping to improve the consistency of multi-country data. The number of TA+ accidents is recorded by a dedicated committee chaired by the Group Safety Manager. The committee meets once a month with members of the Safety Department and the Group physician after monthly indicator data have been reported.

The Michelin community was saddened during the year by a fatal work-related accident in Halmstad, Sweden, while a forklift tire was being inflated in a service dealership. The Group was also affected by the death of two contractor employees, one on a construction site in Thailand and the other at the Almería research center in Spain. No fatal accidents were reported at any active production facility.

The causes and circumstances of all these accidents were thoroughly investigated by the authorities and Michelin, which took protective measures to improve everyone's safety. Continuously improving Michelin's health and safety performance remains, more than ever, one of the Group's top priorities.

ANALYSIS OF TCIR



(1) *Treatment represents more intensive medical care than first aid, which involves stabilizing victims by cleaning their wounds or keeping them cool or warm. The various types of first aid have been identified in a list.*

Consolidated TCIR declined to 1.43 in 2019 from 1.94 the year before, primarily due to the very good performance in the dealerships (down 40%) and the manufacturing operations (down 19%).

4.1.3.3 Well-being in the workplace: improving work-life balance

Michelin wishes to create working conditions that foster a sense of balance and personal well-being. Initiatives are being deployed to improve the workplace environment and organization. In addition, the country organizations and plants have been empowered to make headway on local priorities, in accordance with the needs expressed by their employees.

The "Moving Forward Together" survey *(see section 4.1.2.2 a An assertive social dialogue process/Listening to employees* via *the annual engagement survey)* continues to demonstrate that, in general, employees would primarily like to enjoy a better balance between their personal lives and work.

/ 4.1.3.3 a) Adjusting working hours

Adjusting office work schedules

Local initiatives to encourage telecommuting are still being promoted. Teleworkers feel that one of the main benefits is the significant reduction in their weekly commute, particularly in Brazil, Romania, the United States and other countries where traffic congestion is on the rise. Operations in Germany, Canada, Spain, France and the Nordic countries have introduced work-at-home options in response to employee aspirations for a better work-life balance.

As part of its commitment to diversity, special attention is paid to requests from disabled employees, pre- and post-maternity leave employees, seniors and people working part-time after sick leave *(see section 4.1.2.2 d).*

Initiatives for production operator work schedules

While more challenging to implement for operators working in a variety of shifts to keep production plants running around the clock (3x8 hours, 4x8 hours, 5x8 hours, 2x12 hours), a number of shopfloor work-life balance initiatives have been deployed, in particular as part of the empowerment process. Any adjustments to production schedules are announced as far in advance as possible.

Offering more flexible part-time options

Michelin continues to encourage part-time working, which plays an important role in improving quality of life and work-life balance, while opening up job opportunities for people from diverse backgrounds. Procedures for implementing these arrangements vary by country, depending on local legislation, expectations and practices. To the extent possible, they also reflect input from employee representatives.

At constant scope of reporting (Ambitions 2020), **the percentage of employees choosing to work part-time was unchanged at 3.6% in 2019.** It was slightly higher at Euromaster, at 4.8%, lifting the proportion to 3.7% for the Group Personnel scope of reporting.

PART-TIME EMPLOYEES BY GENDER

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
Production workers	6.2%	6.0%	3.5%	3.7%	3.9%	4.0%
Administrative and technical staff and supervisors	7.6%	7.0%	1.4%	1.4%	3.3%	3.1%
Managers	7.2%	6.3%	1.0%	0.9%	2.6%	2.2%
GROUP TOTAL*	**7.0%**	**6.5%**	**2.8%**	**2.9%**	**3.6%**	**3.6%**

* *Scope of reporting: Employees on payroll under any form of work contract, excluding temp agency workers and excluding the dealership networks and recently acquired companies.*

/ 4.1.3.3 b) Quality of worklife: listening to needs and measuring performance

Improvement plans to address employee needs

In a large majority of plants and offices worldwide, initiatives to improve the quality of worklife (QWL) are underway with the active participation of employees and, whenever possible, their representatives.

These and other programs to enhance the quality of worklife are being incorporated, with employee input, into each facility's improvement action plans by on-site Health, Safety and Quality of Worklife Steering Committees.

Positive quality-of-worklife scores in the engagement survey

In 2019, 76% of the 81,200 people who responded to the Moving Forward Together survey were satisfied with their quality of worklife (74% in 2018). This overall result reflects how employees feel about their work-life balance and personal job fulfillment, their workplace environment and workstation safety issues. Work-life balance remains a priority for employees. A full 86% of employees feel safe at work, a two-point improvement on the already excellent 84% score in 2018. The highest levels of satisfaction were once again reported in China, Mexico and Thailand.

/ 4.1.3.3 c) Psychosocial risks: adapting preventive measures to local cultures

In a commitment to safeguarding employees from the psychosocial effects of stress and harassment, a variety of programs aligned with local needs and legislation have been deployed to provide:

- **primary prevention,** through reviews, sensitivity training and initiatives to improve the quality of management. Deployed in most of the Group's host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia), these measures are helping employees to protect themselves, while improving the ability of managers to detect and respond to at-risk situations;
- **secondary prevention,** through training and organizational improvement initiatives, particularly in at-risk segments/jobs. Programs to **prevent stress** with new workplace organization practices have been introduced in Germany, North America, South America, China, Spain, France, Hungary, Poland, Romania and the United Kingdom;
- **tertiary prevention,** through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician.

Since 2018, some of the Group psychosocial risk prevention programs have been audited by the Internal Control Department, to determine how well the corresponding resources have been deployed.

During the current period of corporate reorganization, employees at the facilities in Clermont-Ferrand, particularly the head office and the research center, have been able to attend personal or group support sessions provided by psychologists from a specialized firm working closely with the Personnel Department and the occupational medicine team.

Almost all of the plants and offices are leading quality-of-worklife programs that help to **attenuate stress** or facilitate access to medical or psychological assistance for people seeking support.

The impact of digital technologies on employees and the environment

The Group is seeking to gain a better understanding of the ways in which the digital transformation is impacting employees and the environment. The use of digital technologies is driving profound changes in the way we work today. To fully grasp how these changes are being introduced and experienced on the front lines, a selection of representative projects underway in our core businesses is now being reviewed in collaboration with the Group's European Works Council.

Although digital technology is often a source of progress, including for the environment, it does use resources that have their own environmental costs. A working group has been formed to quantify these impacts, both internally and at our service providers, and to define best practices for a sustainable digital transformation.

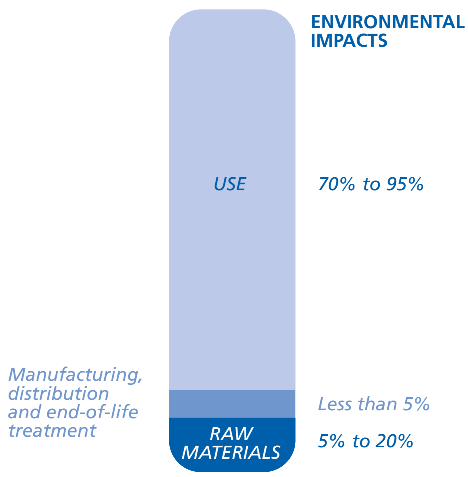
These two issues were discussed with the Stakeholder Committee in 2019. In the same way, the Medical Advisory Committee turned its attention during the year to the impact of artificial intelligence and digitalization on individuals *(see section 4.1.3.1 a).*

4.1.4 THE ENVIRONMENT

Respect for the environment is one of Michelin's five core values, as expressed in 2002 in the Michelin Performance and Responsibility Charter and reaffirmed in 2012 in the Michelin Performance and Responsibility Charter: A Better Way Forward document. In exercising its social responsibility, Michelin has in recent years assessed and addressed the environmental impact of its operations across the entire life cycle of its products, from the extraction and processing of raw materials to product use and on to end-of-life recycling and reuse.

Life cycle assessments have shown that production phases, from raw materials to finished product, can account for up to 30% of a tire's environmental impact, compared to up to 95% for the in-use phase, depending on the type of tire and vehicle.

LIFE CYCLE OF TIRE



In response, Michelin has deployed policies to (i) attenuate the risks arising from the environment footprint of its products and services, its manufacturing and logistics operations, and (ii) help to mitigate climate change. Targets for improvement have been set and performance indicators have been introduced in all these areas.

In addition, the Group is actively engaged in the circular economy through the "4R Strategy," which is designed to address the challenges of resource depletion and end-of-life product management by activating four levers: Reduce, Reuse, Recycle and Renew.

The following section presents the outcomes of the environmental policies now in place.

It does not cover the dealership networks, which do not have any manufacturing operations and have only a slight impact (less than 3%) on the Group's CO_2 emissions.

ENVIRONMENTAL GOVERNANCE

The Environmental Governance body is chaired by the Executive Vice President, Manufacturing, who is a member of the Group Executive Committee. It is led by the Group Environment and Prevention Director and coordinated by the Sustainable Development Director. Other members include the Executive Vice President, Research and Development and eight other standing members representing the Standards and Regulations Department, the Sustainable Development and Mobility Department, the Materials Research Department, the Risk Management Department, the Purchasing Department, the B2B On-Road section of the Research and Development Department, the Corporate Information Systems Security, Safety & Security and Environment Department, and the High-Tech Materials Business Line.

The Environmental Governance body meets three times a year to manage the Group's environmental programs and processes. It determines the related policies, objectives and strategies, and ensures that action plans have been defined and deployed to meet the objectives. It ensures that environmental risk is under control and that, if necessary, effective preventive or remedial measures have been defined and implemented. The body is supported by the work of three multidisciplinary Operational Committees – the Carbon Strategy Committee, the Circular Economy Operational Committee and the Biodiversity Operational Committee – which are tasked with coordinating initiatives, detecting weak signals and assessing emerging risks *(see section 4.1 Michelin Sustainable Development and Mobility Report/Governance/Oversight by the Group Management Committee/ Coordinated management of the Sustainable Development and Mobility approach).*

4.1.4.1 Helping to mitigate climate change

/ 4.1.4.1 a) Reducing our carbon footprint and managing the energy transition

Climate change risks

Climate change poses a multitude of risks, which have to be addressed through concerted action by all of society, including public authorities, businesses and consumers. **The Michelin Group has identified the following main risk factors: (i) extreme weather events, which could have a potential impact on business continuity and employee safety; (ii) energy transition costs in the Group's business operations, including CO_2 allowance management costs; and (iii) the uncertainties inherent to renewable energy markets** *(see section 2.1 Risk Factors Specific to Michelin, Description and Related Management Systems/Financial risks associated with climate change and the low-carbon strategy).*

Given the challenges that climate change poses for both society and its own business operations, the Michelin Group is supporting the energy transition and low-carbon mobility by deploying policies defined in 2015 and structured to meet four priority objectives:

- reduce the absolute value of CO_2 emissions from the Group's manufacturing operations;
- reduce the amount of energy associated with tire use;
- support the introduction of a global carbon pricing system;
- capitalize on its expertise, culture of innovation and advanced research to develop new technologies, new low-carbon energy sources, and new forms of mobility for people and goods.

Reducing the absolute value of CO_2 emissions from manufacturing operations

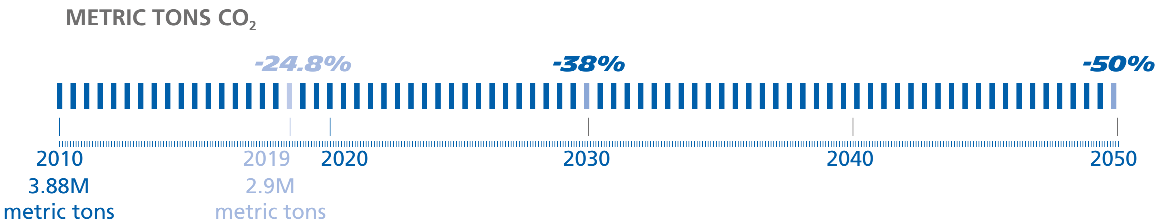
Michelin has been measuring and steadily reducing its CO_2 emissions since 2005. In 2015, the Group committed to reducing CO_2 emissions from its plants by 50% over the period from 2010 to 2050. As awareness of the climate emergency grew, in 2019 it set a new, more ambitious mid-way target of a 38% reduction in 2030 versus 2010. The new objective was submitted to the Science Based Targets initiative[1], which was still assessing it at year-end.

Meeting this stricter target would prepare us to aim for carbon neutrality across our manufacturing base by 2050.

The emissions reduction program is based on improving energy efficiency and shifting to a less carbon-intensive energy mix *(see section 4.1.4.3 c Reducing energy use and greenhouse gas emissions).*

The performance indicators are as follows.

CO_2 EMISSIONS FROM PRODUCTION PLANTS

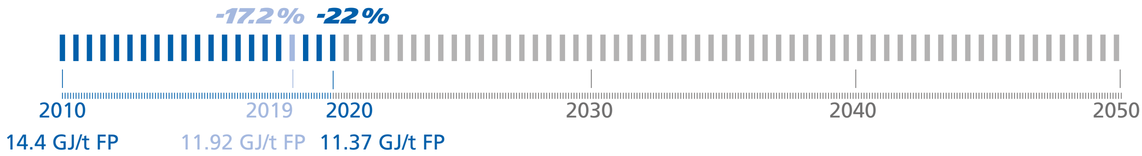


(2018: 3 million metric tons of CO_2; 2018 vs 2010: -22%)

(1) *The Science Based Targets initiative is a joint partnership between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It assesses and approves the CO_2 emissions reduction targets submitted by companies, according to how well they align with the Paris Agreement objective of limiting the average increase in global temperatures to below 2°C (preferably 1.5°C).*

ENERGY EFFICIENCY OF PRODUCTION PLANTS

GIGAJOULES PER METRIC TON OF TIRES PRODUCED



(2018: 12.06 GJ/t FP; 2018 vs. 2010: -16%)

Reducing the amount of energy associated with tires in use

In 2015, the Group committed to reducing the amount of energy associated with tires in use by 20% by 2030 compared to 2010. Progress on this commitment is measured by the average overall improvement in rolling resistance, which is one of the four components of the **Michelin Total Performance** indicator *(see section 4.1.4.2 Attenuating the Environmental Impact of our Products and Services).* Because rolling resistance has a direct impact on a tire's energy performance, the annual result is expressed in liters of fuel saved and CO_2 emissions avoided over the useful life of a tire on the road. In 2019, the Michelin Total Performance indicator improved by 9.9% over the year.

Supporting the introduction of a global carbon pricing system

Today, there is no global carbon market or price, only fragmented and uncoordinated local systems. Michelin is strongly encouraging public stakeholders to support the development of a more structured market. This is why it has been a member of the World Bank's Carbon Pricing Leadership Coalition since 2015. Since 2016, the Group has also been preparing for the emergence of a global carbon market by incorporating an internal carbon price *(see section 4.1.4.1 e Carbon pricing).*

Low-carbon mobility

Tomorrow's world will be shaped by rising demand for mobility from an increasingly urban, connected population. In response, Michelin's vision is focused on three priorities:

- developing new technologies and energy sources that will enable the wider use of clean, long-range vehicles. Michelin intends to help build the car of the future by contributing to continuous improvement of tires, fuel cells and self-driving technology;
- transforming the mobility of goods and people. Michelin is committed to integrating its tires and services into tomorrow's smart transportation systems and to supporting evolving usage patterns;
- improving urban mobility systems. With 70% of the world's population expected to live in cities by 2050, urban mobility is one of Michelin's core concerns. The Group is an engaged, unifying stakeholder in a wide range of emerging mobility ecosystems *(see section 4.1.4.2 b Actively improving energy performance in the transportation industry).*

/ 4.1.4.1 b) The Group's carbon footprint

Michelin regularly updates its inventory of CO_2 emissions from its manufacturing operations in accordance with the Greenhouse Gas Protocol[1], which defines three for emissions accounting. The inventory is calculated for an overall base corresponding to the Group's financial reporting. The most recent inventory is shown in the following table. The methodology and the data used (20% of Scope 1 and Scope 2 data and 100% Scope 3 data) were reviewed by independent third parties in compliance with standard ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

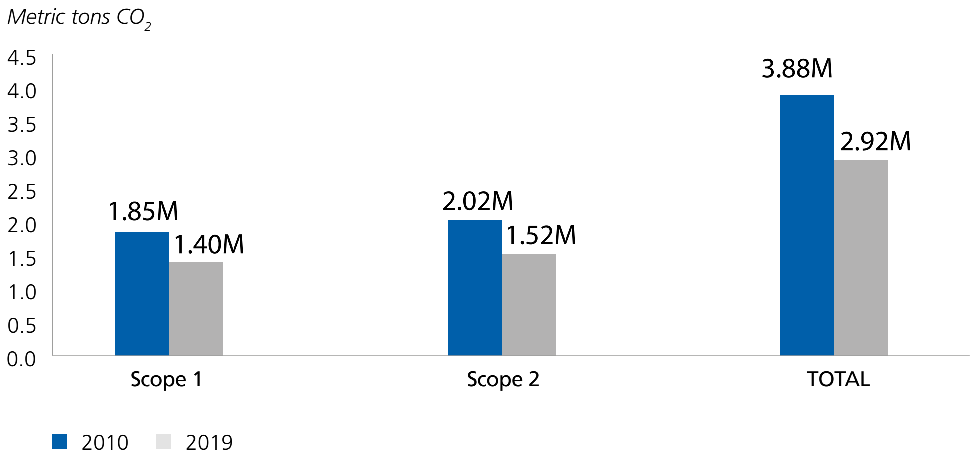
(1) The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) and its supplement, Corporate Value Chain (Scope 3) Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, March 2004 and September 2011, respectively).

INVENTORY OF SCOPE 1, 2 AND 3 CO_2 EMISSIONS

Scope of reporting *(for the purpose of measuring greenhouse gas emissions)*	**Inventory** *(millions of tonnes of CO_2)*	**Year**	**Group sources covered by the inventory**	**Comments**
Scope 1 Emissions from specific point or mobile sources that are owned or controlled by the Company.	1.40[1]	2019	CO_2 emissions from boiler houses at production plants and R&D facilities	Michelin controls the assets at which energy is used, thus generating CO_2 emissions. Emissions excluded from inventory data account for less than 5% of Scope 1 and Scope 2 greenhouse gas emissions. The change in emissions volumes in 2019 compared with the 2010 baseline is presented below *(see Scope 1 and Scope 2 CO_2 Emissions)* GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Indirect (Scope 2) GHG emissions
Scope 2 Emissions from the generation of purchased electricity, heating, cooling and steam consumed by the Company	1.52[2]	2019	CO_2 emissions from the generation of purchased electricity and steam consumed at production plants and R&D facilities	
Scope 3 Emissions that are a consequence of the activities of the Company, but occur from sources not owned or controlled by the Company. The standard specifies 15 categories of activity.	140	2018[3]	CO_2 emissions from the 11 activity categories corresponding to the Group's value chain *(see the Inventory of Scope 3 CO_2 Emissions by Category).*	Michelin's ability to influence activities in the value chain varies by category. The tonnage figure is an estimate, not exact calculation, due to the quality and availability of data on value chain activities and the need to make a certain number of assumptions. Given these uncertainties, it is not yet possible to reliably demonstrate how these estimated emissions will evolve over time. GRI 305-3: Other indirect (Scope 3) GHG emissions.

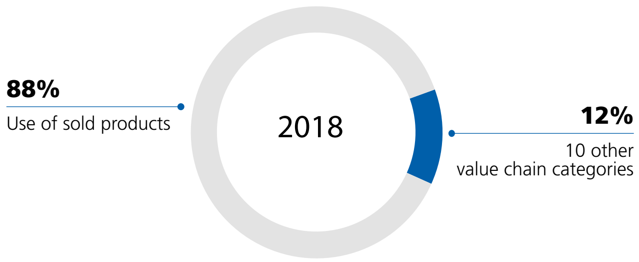
(1) *See section 4.1.4.3 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group.*
(2) *See section 4.1.4.3 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group.*
(3) *Because the level of uncertainty for the various Scope 3 categories remains high, at between 10% and 30%, the Group has chosen to measure them every three years. An updated calculation corresponding to the year 2019 will be done in 2020.*

EVOLUTION OF SCOPE 1 AND SCOPE 2 CO_2 EMISSIONS[1] (MARKET-BASED)



(1) *2010 Scope 2 emissions were recalculated following the change in method in 2015 (see section 4.1.4.3 b) Reducing the environmental footprint of the production plants/Recalculation of 2010 emissions based on differentiated emission factors for purchased steam).*

INVENTORY OF SCOPE 3 CO_2 EMISSIONS BY CATEGORY



Proportion of emissions by category, excluding "Use of sold products"	
Purchased good and services	54%
Capital goods	6%
Fuel and energy-related activites	4%
Upstream transportation and distribution	7%
Waste generated in operations	3%
Business travel	0.5%
Employee commuting	1%
Downstream transportation and distribution	5%
End-of-life treatment of sold products	18%
Franchises	1.5%

Engagement and transparency

Science Based Targets Initiative. Michelin joined this global initiative in 2018 with a commitment to setting greenhouse gas reduction targets consistent with a below 2°C climate change scenario. In October 2019, the Group submitted its proposed targets for Scopes 1, 2 and 3 emissions, which the initiative was still assessing at year-end.

CDP Climate Change Questionnaire. Every year, the Group responds to the climate change questionnaire issued by the CDP, an independent rating agency for environmental impact disclosure. In 2019, Michelin was ranked among the most forward-looking companies in the areas of transparency and combating climate change. Its A- score was a reflection of its strategy, the reduction in its CO_2 emissions and its long-term commitment to further reducing its carbon footprint. Michelin's full response may be found on the CDP platform (https://www.cdp.net/en/responses) and on the Group's website (www.michelin.com).

Task Force on Climate-related Financial Disclosures. Since 2018, the Group has applied the recommendations issued by this organization operating under the aegis of the G20 Financial Stability Board *(see section 4.1.4.1.d Applying the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)* and https://www.fsb-tcfd.org/publications).

/ 4.1.4.1 c) Adapting to the impact of climate change

In line with recommendations issued by the Group's risk managers, business continuity plans in the event of extreme weather events have been reviewed in the various host countries. These events concern only a few facilities, which have all implemented prevention plans to ensure business continuity and employee safety. In addition to these risks of extreme weather events, the Group's vulnerability to energy supply is also regularly reviewed. The Group believes that climate change would only have a moderate impact on its operations, due to the location of its plants and the distribution of its business base.

Rubber tree plants, which produce the natural rubber needed to make tires, can only grow in the planet's narrow intertropical convergence zone, which is exposed to the impact of climate change and the growing scarcity of arable land. To address this challenge, Michelin's agronomists and scientific partners are selecting productive, disease-resistant varieties and encouraging innovative farming practices that improve yield. The Group is also diversifying sources of supply in every production basin and pursuing research and development programs to optimize the quantity of natural rubber used per thousand kilometers traveled.

/ 4.1.4.1 d) Applying the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)

The Michelin Group applies all the recommendations issued on June 29, 2017 by the TCFD. Further information may be found in the public answers to the CDP Climate Change 2019 questionnaire (see https://www.cdp.net/en/responses). A summary of these disclosures is presented below(1):

Governance	
Roles, responsibilities and control	Twice a year, the Group Executive Committee, the Chief Procurement Officer and the Vice President, Legal Affairs meet in sessions dedicated to sustainable development and mobility, during which they define strategic objectives, approve priority initiatives, and validate and track indicators addressing a full range of issues, including climate change and the energy transition *(see section 4.1 Michelin Sustainable Development and Mobility Report/Challenges and performance/The materiality matrix).* They give careful consideration to the recommendations issued by the Corporate Stakeholders Committee *(see section 4.1.2.5 a Stakeholder dialogue).* Ahead of any decisions made by the Group Management Committee, the Environmental Governance body extensively reviews the related climate change and energy transition issues and makes decisions on behalf of the Executive Committee. Led by an Executive Committee member *(see section 4.1.4 The Environment/Environmental governance),* the Environmental Governance body comprises two other Executive Committee members and representatives of the departments concerned. The latter are supported by working groups of experts who contribute an array of multidisciplinary skills.
Strategy	
Time horizons	**Short-term (0 to 5 years)** Manage operational risks and opportunities requiring analyses of the external environment and decisions concerning, for example, energy efficiency projects, purchases of renewable energy, the management of regulated CO_2 allowances and the development of new solutions and partnerships. **Medium-term (6 to 15 years)** Manage strategic risks and opportunities requiring decisions related to (i) manufacturing facilities (type of energy, energy utilities, deployment of new technologies and/or processes); (ii) future CO_2 allowance costs; (iii) research and development priorities (environmental footprint of future tire generations, new powertrains); (iv) the strategic foresight analysis of trends in the mobility of people and goods; and (v) responses to forthcoming changes in standards and regulations. **Long-term (16 to 30 years)** Build a roadmap to lower the carbon intensity of the Company's business operations, aligned with the Paris Agreement and the goal of achieving a carbon-neutral manufacturing base by 2050.
Main risks and opportunities	**Physical risks** ▶ Extreme weather events: deterioration of production capacity caused by increasingly frequent and severe extreme weather events (production shutdowns, supply chain disruptions, damage to production assets). **Transition risks** ▶ Technological costs: higher costs of introducing or deploying new practices, technologies and processes to reduce the Group's carbon footprint (power generation, energy efficiency and coal replacement projects). ▶ Legal and regulatory compliance: increasing CO_2 allowance costs on regulated markets. ▶ Market uncertainties: fluctuations in the availability, reliability and cost of the renewable energies required to deploy a low-carbon strategy. **Opportunities** ▶ Market: develop and promote mobility products and services that are low-carbon and/or suitable for use in adverse weather conditions, in response to market trends driven either by legislation (emissions standards, minimum tire performance standards) or by emerging demand from corporate customers or consumers. ▶ Resilience: improve reliability across the natural rubber supply chain with an industry-wide commitment to sustainable production *(see section 4.1.1.3 c A dedicated approach for natural rubber).*
Climate scenarios used	CO_2 emissions from manufacturing operations: the reduction targets for 2030 and 2050 *(see section 4.1.4.1 a Reducing our carbon footprint and managing the energy transition/Reducing the absolute value of CO_2 emissions from manufacturing operations)* were set in accordance with the IPCC AR5 RCP 2.6 scenario. CO_2 emissions from tires in use: the 2030 target *(see section 4.1.4.1 a Reducing our carbon footprint and managing the energy transition/Reducing the amount of energy associated with tires in use)* was set in accordance with the IEA Mobility Model 2DS. These two scenarios are being used to submit emission reduction targets as part of the Science Based Targets initiative. For strategic planning purposes, the Group has developed several climate scenarios based on a set of political, technological, economic and social assumptions. Each one is based on an increase in the global mean surface temperature ranging between 1.5° and 4°C before the end of the century. Together, they guide the Group's business units to forecast the corresponding impact on their markets.

(1) This information has been structured according to the framework recommended for energy and transportation companies in "Climate-related financial reporting: Operational framework for a constructive dialogue between investors and companies," issued in July 2018 by the MEDEF French business network, the French Insurance Federation and the French Asset Management Association.

Risks and opportunities	
Identifying, assessing and managing risks and opportunities	Operational risks are identified, assessed and managed as part of the corporate risk management process *(see section 2.1 Risk Factors Specific to Michelin, Description and Related Management Systems/Financial risks associated with climate change and the low-carbon strategy).* Climate change is a risk in itself, due to rising temperatures, floods, extreme weather events and other threats. It can also give rise to indirect risks, such as threats to employee health and safety, damage to assets, volatile energy costs and financial losses due to production shutdowns, supply chain disruptions and water shortages. At the same time, other risks could arise from shifting social trends in three areas: stricter greenhouse gas emissions standards, ubiquitous media scrutiny with heightened sensitivity to possible greenwashing, and a profound change in mobility modes and practices, including access *via* digital platforms. Emerging risks are identified and reviewed by several working groups of experts overseen by the Environmental Governance body. Examples of identified risks include changes in CO_2 allowance systems and carbon taxes, technological and social trends in low-carbon mobility systems, carbon strategies deployed by peers, customers, competitors and other companies, and the availability and pricing of renewable energies. These risks are managed by the departments concerned, and any material ones are reported to the Environmental Governance body. Technological and innovation risks are managed by the R&D Department in coordination with the business units. Opportunities are identified and managed cross-functionally by the Environmental Governance body (*e.g.* strategy for eliminating coal), the business units (*e.g.* development of the CrossClimate tire), or the Corporate Innovation Board (*e.g.* development of automotive hydrogen applications). To support the business units, the Strategic Foresight, Sustainable Development and Corporate Strategy Departments provide climate scenario and mobility energy transition data and analyses from outside sources. To support the Manufacturing Department, the Corporate Information Systems Security, Safety & Security and Environment & Prevention Department and the Purchasing Department assist the Regions and production plants in meeting their targets for improving energy efficiency and reducing CO_2 emissions.

Metrics and targets	
Greenhouse gas emissions	CO_2 emissions, Scopes 1, 2 and 3 *(see section 4.1.4.1 b The Group's carbon footprint/Inventory of Scope 1, 2 and 3 CO_2 emissions).*
Reduction targets	Scopes 1 and 2: *(see section 4.1.4.3 Reducing the Environmental Footprint of our Manufacturing and Logistics Operations).* Scope 3/in-use phase *(see section 4.1.4.2 Attenuating the Environmental Impact of our Products and Services).*
Spending	Committed in 2019 to support the energy transition: *(see section 4.1.4.3 a An Environmental Management System backed by a network of experts).*

/ 4.1.4.1 e) Carbon pricing

In its commitment to cost-effectively reducing its CO_2 emissions, Michelin supports the introduction of an international carbon pricing system as part of the Carbon Pricing Leadership Coalition. Since 2016, the Group has also been preparing for the emergence of a global carbon market by incorporating an internal carbon price of €50 per tonne of CO_2 into its method of calculating return on investment for projects requiring major capital expenditure, such as production capacity increases, boiler upgrades and logistics improvements.

For projects designed to increase the energy efficiency of existing installations (curing press insulation, lighting upgrades, etc.), which require more modest outlays, the internal carbon price is integrated into a project consolidation application developed in 2016 as part of the new energy efficiency improvement program *(see section 4.1.4.3 c Reducing energy use and greenhouse gas emissions/Improving energy efficiency).*

As a result, each project leader is expected to submit two scenarios, one conventional and the other based on carbon costing €50 a tonne. Each project sponsor can compare the payback calculated with a carbon market price (now zero in every host region except Europe and Shanghai) and the payback calculated with the projected carbon price over the lifetime of the equipment being purchased today.

/ 4.1.4.1 f) Carbon allowance systems

In European Union countries, direct CO_2 emissions from the 19 Group facilities that operated boilers with over 20 MW capacity in 2019 are subject to allowances issued under the EU's Emissions Trading Scheme (ETS). These allowances continued to decline in 2019 under the impact of the cross-sectorial correction factor, but the Group's sustained improvements in energy efficiency and the energy mix kept emissions under control. Emissions from most of the plants are still covered by the credits accumulated between 2008 and 2016. Since 2017, the Group has started purchasing allowances on the market, which are covering the returns from the four plants exceeding their quotas.

In China, emissions trading schemes were introduced in 2013 in seven cities and provinces. The one in Shanghai, covering an initial three-year period until 2015, involved both direct and indirect emissions. It was renewed for the 2016-2019 period. Over the 2013-2019 period, emissions from the two plants concerned were covered by the allowances.

Created in 2005, the CO_2 Allowance Management Committee tracks legislation governing carbon markets and taxes in all of the countries where Group production facilities are located. Comprising specialists in greenhouse gases (GHG), energy buying, energy efficiency, finance and accounting, its role is to define CO_2 allowance management principles and guidelines, ensure their proper application and conduct the necessary forecasting studies.

/ 4.1.4.1 g) Investing in socially responsible carbon credits

Since 2014, Michelin has invested in the Livelihoods Carbon Fund, which supports reforestation, agroforestry and low-carbon cookstove projects on three continents. Conducted in collaboration with local NGOs, its projects help to reduce GHG emissions, while improving quality of life in local communities and offering investors a return in the form of carbon credits with high environmental and social value. In 2017, Michelin also invested in the new Livelihoods 2 carbon fund.

In all, the Group's total stake in the two funds currently stands at €4.3 million.

In 2019, four projects generated 73,008 carbon credits for the Group, corresponding to 73,008 tonnes of avoided CO_2. Two of them, in Burkina Faso and Kenya, have installed several tens of thousands of energy-efficient cookstoves in village homes, which eliminate toxic smoke and the time-consuming task of collecting wood, while cutting GHG emissions in half. A project in Indonesia has restored a mangrove forest that will store CO_2, while increasing marine wildlife and providing additional income for local fishermen. The fourth project, in Kenya, is designed to encourage sustainable farming and ranching practices, increase crop yields and milk production per cow, and prevent soil erosion.

In 2019, as in 2018, Michelin used its credits to offset the carbon footprint of its Movin'On sustainable mobility summit held in Montreal in late May, whose emissions were calculated at 4,009 tonnes of CO_2 by EcoAct. The Group also offset all of the emissions from employee travel by airplane and train in 2018 (45,970 tonnes) and 2019 (40,249 tonnes).

4.1.4.2 Attenuating the environmental impact of our products and services

Environmental risks from the use of our products

Risk factors

As the only point of contact between a vehicle and the road, tires play a vital role in road safety. They are non-biodegradable products made of renewable materials, such as natural rubber, but also synthetic materials such as petroleum derivatives, chemicals and metals. A tire's contact with road surfaces causes abrasion, which generates wear particles, and requires the burning of fuel, which emits greenhouse gases. Lastly, tires have a limited life span that varies depending on how they are used. As a result, the main risk factors concern pollution from (i) the release of greenhouse gases and tire and road wear particles (TRWP)[1] into the air and soil during the in-use phase, and (ii) the disposal of end-of-life tires. Michelin makes every effort to attenuate the impact of its products on the environment.

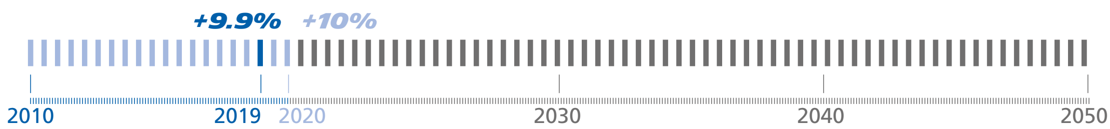
Michelin is committed to steadily reducing the risks involved in using its products through a policy of continuous innovation, focused on sustainable mobility and built on two main pillars: improving the energy efficiency of its products and the use of renewable or recycled materials in designing its tires. The policy is also backed by ecodesign processes and the Michelin 4R strategy to Reduce, Reuse, Recycle and Renew.

At the same time, Michelin is helping to lower the carbon intensity of transportation by offering bundled services for corporate fleets, promoting innovative, hydrogen fuel cell-powered mobility solutions and building partnerships and collaborative platforms capable of bringing together a variety of mobility ecosystems through the Movin'On Summit and Movin'On LAB.

To attenuate the environmental impact of its products and continuously improve their performance, without ever compromising on safety, the Group is pursuing two ambitious objectives in 2020:

/ Improve the Michelin Total Performance index by at least 10%

SUSTAINABILITY PERFORMANCE COMPOSITE INDICATOR



(2018 vs. 2010: +9.7%; 2017 vs. 2010: +7.6%)

The Michelin Total Performance indicator measures the improvement in four key tire performance features: fuel efficiency by reducing rolling resistance, safety by increasing grip, rolling noise by attenuating the resonance caused by road impact, and tread life by improving wear resistance and robustness. All while using fewer raw materials.

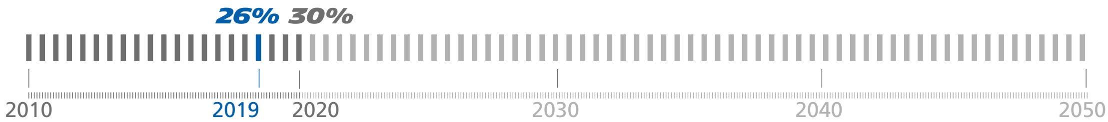
When compared with 2010, improvements in the rolling resistance of Passenger car, Light truck and Truck tires sold by the Group in 2019 have saved the equivalent of 2.9 billion liters of fuel over their useful lives, thereby avoiding the release of more than 7.3 million tonnes of CO_2.

(1) https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/Resources/Tire-and-Road-Wear-Particles-TRWP-and-other-Material-Research.

/ Incorporate 30% sustainable materials, from renewable or recycled sources, in our tires

The performance indicator for this commitment is the Average Sustainable Materials Rate (GRI 301-2 Recycled input materials used):

SUSTAINABLE MATERIALS AS AN AVERAGE PERCENTAGE OF TIRE MASS



(2018: 26%)*

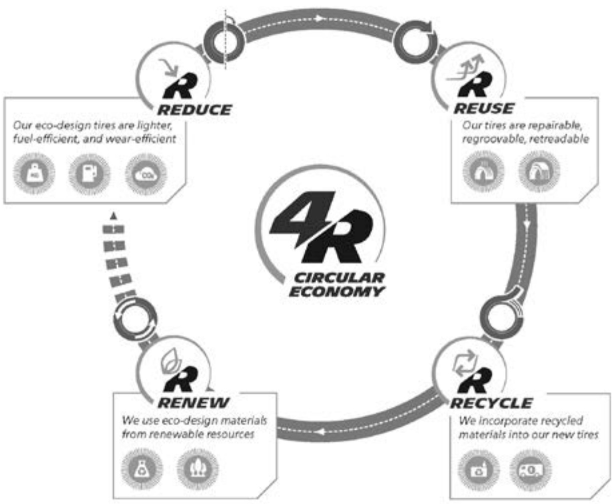
* *2018 indicator results were revised after the robustness of the calculation method was improved in 2019.*

Michelin's ambition in the next 30 years is to incorporate sustainable materials comprising up to 80% of our tires.

In 2017, the Group presented its ambitions for sustainable mobility through its Vision concept, which comprises both a wheel and an airless tire, fully connected and made from sustainable materials, whose "rechargeable" tread can be produced on demand by 3D printing. Vision lies at the core of Michelin's sustainable development and mobility strategy and offers a compelling illustration of its circular economy approach.

At the Movin'On Summit in 2019, Michelin unveiled UPTIS, a combined airless, puncture-proof tire and wheel assembly developed in partnership with General Motors. A decisive milestone in making the Vision concept a reality, UPTIS eliminates any risk of flats or blowouts, thereby improving both the safety of motorists and the productivity of business fleet operations. This feature also reduces the use of raw materials in production, which in turn reduces waste and promotes sustainable mobility.

/ 4.1.4.2 a) The Michelin 4R strategy for a circular economy



The tire industry uses around 32 million tonnes of materials every year, three-quarters of which are fossil-based. At the same time, worldwide road mobility will at least double and maybe quadruple between 2010 and 2050. This poses a variety of challenges in securing supply, reducing the impact of mobility on health, ecosystems and natural resources, and limiting its effects on climate change. To ensure that resources are used more wisely, Michelin is simultaneously rolling out four initiatives known as the Michelin 4R strategy: Reduce, Reuse, Recycle and Renew.

Since 2017, the strategy has been managed by the Circular Economy Operational Committee, whose multidisciplinary members are led by the Sustainable Development team. It meets once a month to define and control deployment of the strategy, identify risks and opportunities, lead the initiatives and proactively track changes in legislation and compliance. Its activities and outcomes are validated by the Environmental Governance body *(see section 4.1 Michelin Sustainable Development and Mobility Report/Governance/ Coordinated management of the Sustainable Development and Mobility approach by three Governance bodies and a Committee).*

Ecodesign

Life cycle assessments (LCAs) of a Passenger car tire measure its environmental impact *via* such indicators as global warming potential, resource depletion, photochemical oxidation and water acidification and eutrophication. LCAs conducted in Europe have shown that more than 80% of a car tire's environmental impact occurs during use. This proportion rises to more than 95% for a Truck tire in Europe.

To learn more about a tire's potential environmental impacts, so that better tires can be engineered to attenuate them, Michelin is constantly enhancing its LCA capabilities and extending their use to new categories and ranges of tires. In addition, Michelin has been involved since 2012 with eight other international corporations to support the International Life Cycle (ILC) Chair, the primary research unit of the International Reference Center for the Life Cycle of Products, Processes and Services (CIRAIG). In 2017, a five-year funding agreement was signed with the ILC Chair, which is addressing such major issues as the decarbonization of power generation and use, the efficient use of resources and energy, the circularity of material flows and planetary limits.

Since 2017, Michelin has been a member of ScoreLCA, a French association that conducts research commissioned by its 12 active members and partners. Like those pursued by the ILC Chair, its research programs are helping to enhance the methodological skills used by the Group's LCA expertise unit.

Michelin has also worked with other tiremakers in the Tire Industry Project (TIP)[(1)] to draft product category rules (PCRs) defining a set of industry-specific, ISO 14025-compliant guidelines that manufacturers can apply to determine the environmental impact of their products with a view to creating Environmental Product Declarations (EPDs). The TIP has developed a PCR that is technically comprehensive, global in scope and capable of supporting consistent, harmonized assessments.

(1) *Launched in 2005, the* **Tire Industry Project** *is a voluntary initiative dedicated to addressing the tire industry's sustainability challenges and issues. It currently comprises 11 of the world's leading tiremakers: Bridgestone Corporation, Continental AG, Cooper Tire & Rubber Company, The Goodyear Tire & Rubber Company, Hankook Tire Company, Kumho Tire Company, Inc., Groupe Michelin, Pirelli Tyre S.p.A., Sumitomo Rubber Industries, Ltd., Toyo Tire & Rubber Company Ltd., and Yokohama Rubber Co., Ltd. The TIP operates under the auspices of World Business Council for Sustainable Development (WBCSD).*

Through the TIP, Michelin is also working to deepen its knowledge of tire and road wear particles (TRWP).Studies have been conducted to collect, characterize and understand both the composition and the dispersion of these particles, as well as to assess their potential impact on the environment and human health *(see 4.1.1.1 Guaranteeing the Quality of our Products and Services/An active role in safeguarding consumers and the environment).*

Reduce

This aspect involves using fewer raw materials and less energy to make tires that are lighter, longer-lasting and more energy efficient, all while delivering the same safe driving experience and ever-improved performance.

But Michelin does not just set objectives for new tires, it is also committed to delivering performance over time by extensively testing worn tires, so as to demonstrate that tires can and should deliver very high performance until the tread wear indicators appear. If motorists were confident that their tires would remain safe throughout their useful lives, they would be encouraged to use them until they reached the legal minimum tread depth of 1.6 mm. Based on European data, this would avoid the unnecessary use of 400 million tires a year worldwide and help to reduce carbon emissions by up to 35 million tonnes a year.

Reuse

Raw materials can also be saved during the in-use phase by repairing, regrooving and retreading tires. Michelin offers retreading solutions for Truck, Aircraft and Earthmover tires.

Michelin Truck tires can be regrooved when the tread is worn, then mold-cure retreaded using the Remix process or pre-cure retreaded and regrooved a second time before the components are reused in end-of-life tire recovery solutions. Assuming the tire has a theoretical lifespan of 100 units, regrooving can add 25 units without any additional material; retreading then adds a further 100 units using four times less raw material than it takes to make a new tire; and lastly, the final regrooving increases total tread life by another 25 units.

In all, with one retreading and two regroovings, a Michelin Truck tire can last 2.5 times longer than a new Michelin tire with just an additional 25% of material.

In other words, Michelin's retreading/regrooving solutions can keep truckers on the road 2.5 times longer on the same tire, or up to one million kilometers for certain long-haul tires with an initial lifespan of already 250,000 km. This offers three benefits compared with a non-retreadable, non-regroovable tire, whether premium or budget:

- a financial benefit thanks to the lower cost per kilometer;
- environmental benefits, by considerably reducing raw materials use and improving the carbon footprint;
- social benefits, by creating more jobs. Everywhere that retreading/regrooving is practiced, the logistics operations and related services (collection, inspection, maintenance, retailing, etc.) help to stimulate the local economy.

Recycle

As part of its strong commitment to recycling end-of-life tires, in October 2017, Michelin acquired US-based Lehigh Technologies, a world-class expert in micronized rubber powder technologies, and began to develop technological synergies.

To supply micronized powder for its own tire and non-tire applications, in 2018 the Group built and commissioned a new micropowder plant in Spain (10 kt/year) and launched a plan to upgrade Lehigh's production lines in the United States (30 kt/year).

The deployment of technically and economically viable systems to recycle and dispose of end-of-life tires is a major challenge that Michelin is determined to address, in every country, in cooperation with all of the stakeholders concerned. Indeed, for many years, the Group has been encouraging the introduction of effective solutions and continues to play a leading role.

Studies conducted in 2019 showed that 88% of all end-of-life tires sold in the 45 countries under review were collected and most of them were recovered (recycled, reused)[1]. Collection and recycling systems have been introduced, in accordance with local legislation. In 2019, the Group continued to participate in end-of-life tire recycling programs through its active membership in a variety of industry associations, including in particular:

- the Tire Industry Project (TIP), which commissioned a global study from Deloitte with the intention of eventually developing the most promising recycling technologies in each region of the world[2];
- the European Tyre and Rubber Manufacturers Association (ETRMA), the United States Tire Manufacturers Association (USTMA) and the Japan Automobile Tyre Manufacturers Association (JATMA). By working with these industry associations, Michelin is making every effort to ensure that end-of-life tires are properly collected and processed, demonstrating its support for the concept of extended producer responsibility.

In addition, for more than ten years now, Michelin has been ensuring that all of its tire manufacturing waste is recovered *(see section 4.1.4.3 e Reducing and managing waste).*

Renew

Michelin encourages the use of sustainable recycled or biosourced materials like natural rubber and certain plant-based oils and resins, which currently account for an aggregate 26% of its sourced inputs.

Michelin is moving to the next level with two major new projects:

- BioButterfly, in partnership with Axens and IFPEN, is developing a bio-butadiene production process using ethanol derived from biomass. Development got underway in late 2015, with the goal of starting up a pilot plant by 2021;
- since 2017, Michelin has been a member of BioSpeed, a consortium of companies committed to accelerating the market uptake of next generation bio-based materials.

At the same time, Michelin is sustainably and responsibly developing its natural rubber supply *(see section 4.1.1.3 c A dedicated approach for natural rubber).*

(1) Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies, Tire Industry Project, December 2019. https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs.

(2) Ibid., 8. https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs.

/ 4.1.4.2 b) Actively improving energy performance in the transportation industry

Improving the energy efficiency of our products

Reducing a tire's rolling resistance helps to improve a vehicle's fuel efficiency, which in turn reduces both CO_2 emissions during use and ambient air pollutants, such as NOx and SOx. Lower rolling resistance also increases the range of electric vehicles. Introduced in 2018, Michelin's highly energy-efficient MICHELIN Primacy 4 Passenger car tire, the sixth generation of the MICHELIN Energy™ tire invented in 1992, significantly reduces fuel consumption and with it, CO_2 emissions – by 2.5 g/km for an average European car compared with the 2012 generation. This performance has been widely recognized by the market, as attested by the certifications of MICHELIN Primacy 4 tires as new car original equipment. Michelin is also committed to enabling consumers to use their tires as safely and as long as possible.

Michelin is leveraging its technology to support a more sustainable economy and attenuating the excessive use of raw materials and energy. This commitment was already demonstrated in 2016 with products, like the MICHELIN CrossClimate+, that guarantee safe driving in all weather conditions, in every season, throughout their entire lives. It was further manifested in 2018 with the market launch of the MICHELIN Primacy 4, offering by far the longest tread life in its segment – lasting more than 18,000 km longer than the average competitor – while delivering outstanding wet grip performance, whether new or worn.

In Truck tires, the technological innovations collectively known as MICHELIN Durable Technologies deliver a significant improvement in fuel efficiency and with it a reduction in CO_2 emissions. Brought to market in January 2016, the MICHELIN X® LINE™ ENERGY™ tires for long-haul trucks are the first set of big rig tires to be rated A in energy efficiency, on any axle, under EU tire-labeling rules. In addition, the MICHELIN X® MULTI™ ENERGY™ tire for regional truckers, launched in 2017-2018, has reaffirmed the Group's commitment to offering innovative solutions that both improve performance and protect the environment.

Since then, Michelin has steadily enhanced its MICHELIN X® LINE™ ENERGY™ tire family to meet the challenges of the VECTO application for OEMs in Europe and will continue to pursue its innovation programs in this area.

At the same time, to serve the North American market and support compliance with the new GHGII regulations, Michelin launched the X® LINE™ ENERGY™ D+ tire, developed in collaboration with Daimler, which has helped to cut CO_2 emissions on the new Cascadia Class 8 truck by 5%.

These technological advances are also increasing load capacity, making trucking more efficient, especially as tire life continues to improve. In fact, the useful lives of Michelin's long-haul Truck tires have doubled since 1980.

At the same time, as with Passenger car tires, grip performance has also improved, in all types of weather conditions, throughout the life of the tire, thanks to the Regenion technology supported by the Group's metal 3D printing expertise.

In addition to bringing new tire solutions to market, Michelin has long championed retreading, with enabling technology built into every tire to deliver all of retreading's benefits for the environment, the economy and society *(see section 4.1.4.2 a The Michelin 4R strategy for a circular economy/Reuse).*

These product examples attest to Michelin's commitment to offering tire buyers guaranteed superior performance over time and, therefore, longer lasting tires.

Improving the energy performance of business fleets

Another pathway to reducing the Group's CO_2 emissions is the product-service economy, which involves either (i) the combined supply of a product and a service to manage and maintain tires in ways that optimize their energy efficiency and other performance features; or (ii) the provision of a service alone that streamlines certain cumbersome fleet processes to make driving fleet vehicles cheaper, safer and greener.

Michelin's first outsourced tire maintenance solution with per-kilometer invoicing was introduced in the late 1940s. Today, Michelin's services and solutions business line designs, develops and prototypes new mobility solutions. These solutions are then marketed and supported close to customers in the different Regions, either directly by Michelin or by dedicated companies or joint ventures. They enable fleet operators to optimize their management, improve their safety performance and margins and reduce their carbon footprint. In this way, Michelin solutions are addressing a number of challenges faced by customers today.

- Some concern tires, such as EFFITIRES™ and Michelin Tire Care, which take the trouble out of tire maintenance. Others focus on the vehicle, to improve their operating efficiency and safety performance. MyInspection, for example, supports methodical vehicle inspections, while MyTraining facilitates driver training and encourages more environmentally friendly driving.

Others are structured around fleet management solutions like Sascar in South America and Masternaut in Europe, which help to reduce empty kilometers, thereby optimizing fleet operations and vehicles and improving their energy efficiency.

Data analytics are deepening our understanding of driver behavior and how tires and vehicles are actually used, so that we can develop new mobility solutions that deliver superior value added to our customers while improving their safety, increasing the productivity of their companies and shrinking their environmental footprint.

Hydrogen-powered mobility, the embodiment of Michelin's "All Sustainable" vision

By eliminating CO_2 emissions from vehicles in use, improving air quality and supporting the energy transition, while being suitable for every use, hydrogen offers the promise of sustainable mobility as Michelin sees it. Michelin's objective is clear – to speed up the roll-out of hydrogen-powered mobility by becoming not only an operator of zero emission mobility solutions, but also a world leader in hydrogen systems, a technology that fits seamlessly with the Group's "All Sustainable" vision.

In early 2019, Michelin demonstrated its faith in the potential of this emerging market by acquiring Symbio and joining with Faurecia to create a joint venture combining most of their hydrogen fuel cell dedicated activities, with the aim of becoming a world leader in hydrogen mobility.

Known as Symbio, A Faurecia Michelin Hydrogen Company, and built around a unique ecosystem, the new unit will develop, produce and market hydrogen fuel cell systems for cars, utility vehicles, trucks and other electromobility applications.

Michelin and Faurecia will initially invest €140 million in the venture to speed up the development of next-generation fuel cells, start up mass production and grow the business in Europe, China and the United States. By 2030, the hydrogen fuel cell market will represent two million vehicles, half of which will be produced by carmakers. Symbio is dedicated to becoming the leader in the accessible market (corresponding to one million vehicles), with a share of 25% and around €1.5 billion in revenue.

Michelin is also expressing its commitment by creating unprecedented, far-reaching public-private partnerships. One example is the Zero Emission Valley Project in the Auvergne Rhône-Alpes region, which is spearheading the massive, simultaneous deployment of 20 hydrogen vehicles owned by Michelin affiliate Hympulsion and 1,200 green hydrogen refueling stations. This flagship European project has received broad financial support from both the European Union, *via* the Connecting Europe Facilities fund, and France's ADEME agency.

Michelin is an engaged, unifying stakeholder in the hydrogen fuel chain. As part of the FCHJU[(1)], Michelin chairs Hydrogen Europe, an umbrella organization for European manufacturers, researchers and national associations, and is a member of the French Association for Hydrogen and Fuel Cells (AFHYPAC) and AVERE, an association that supports the deployment of electric mobility systems.

The development of hydrogen mobility capabilities perfectly illustrates the Michelin Group's growth ambitions, particularly in the area of high-tech materials. The strategy also reflects a broader vision of mobility that is more sustainable and widely accessible to all.

Michelin, a unifying global stakeholder for sustainable mobility

In 2019, Michelin reached a significant milestone in its worldwide commitment to sustainable mobility, in particular as part of leading international forums. Leveraging all the potential and vitality of the Movin'On ecosystem, which began in Europe and now extends to North America and soon to Asia, Michelin has successfully established the private sector's presence in major global initiatives that are primarily public in nature. Along the way, it has constantly demonstrated its focus on moving from "Ambition to Action", as the Movin'On slogan enjoins us:

- In 2019, as an active member of the Steering Committee of the Sustainable Mobility for All (SuM4All) Consortium, Michelin undertook two initiatives to make the Global Roadmap of Action (GRA) more effective. Led by the World Bank, the GRA is designed to encourage countries to achieve the four policy goals (universal access, efficiency, safety and green) for all modes of sustainable transportation.

  In spring 2019, the Group financed and led a process to gather input from corporations, playing a major role in driving the systemic transformation of the mobility market. In addition, with funding from its Corporate Foundation, Michelin worked to turn the GRA into an online decision-making tool for countries, enabling them to benchmark their performance and identify the most impactful public policies to move the roadmap forward. Following the new platform's official launch in October 2019 in Washington DC, Michelin and its Foundation are planning to support a campaign to publicize a number of real-world success stories.
- Thanks to the participation of the special envoy of the United Nations Secretary General, António Guterres, at the 2019 Movin'On Summit, Michelin and the Movin'On ecosystem were asked to take part in the Climate Action Summit at United Nations Headquarters on September 23, 2019. With its annual event in Montreal and its co-innovation capabilities, Movin'On looks set to become a major forum for structuring dialogue between the private sector and the world's leading institutional systems (UN, COP). In this role, Movin'On has joined the Action towards Climate-friendly Transport (ACT) coalition, which hopes to accelerate the transition of the transportation industry by supporting public and private stakeholders.

In 2019, Michelin deepened its involvement in the Transport Decarbonisation Alliance (TDA), one of the official commitments of the One Planet Summit organized by the French government in Paris in December 2017 with the support of the United Nations. TDA is a unique coalition of the "3Cs" (countries, cities/regions and companies) that is pioneering the systemic transformation of mobility into a "net zero emissions" system before 2050, ahead of the Paris Agreement timetable. It currently has 25 members, spanning seven countries, nine cities/regions and nine companies (including Michelin). In 2019, the TDA addressed urban freight issues by presenting a white paper at the COP25 conference in Madrid and, more specifically, by conducting a campaign to encourage European automakers to produce more light urban freight vehicles.

Lastly, Michelin continued to support the Paris Process on Mobility and Climate (PPMC), the coalition of non-government transportation stakeholders formed in 2015 during the French-led COP21 conference. PPMC is a major point of reference for the global stakeholder community, particularly for transport decarbonization issues and action methodologies. In 2019, for example, PPMC supported a transportation roadmap initiative in Côte d'Ivoire and India, in conjunction with local public authorities and with funding from the Michelin Foundation. These two countries' national strategies will be published in 2020.

(1) *Fuel Cell and Hydrogen Joint Undertaking, a public-private partnership with the European Commission.*

The Movin'On Summit: taking sustainable mobility from ambition to action

For the past four years, the Movin'On Summit has been helping to accelerate the transition to mobility that is more sustainable, more aligned with emerging social trends and gentler on the environment. It enables key mobility ecosystem stakeholders – companies, public institutions, cities and civil society – to share and address their mobility issues. For three days, several thousand participants meet to inspire, share and explore innovative ideas to make the mobility of tomorrow a reality. In Montreal, in June 2017 and June 2018, industry and government leaders came together to create a better world by proposing innovative mobility solutions capable of benefiting both the planet and the global economy. With the stated goal of moving from "ambition to action," the event seeks to convince today's leaders to lay the groundwork for better and more sustainable mobility in the future and, most importantly, to do so together.

In 2018, more than ten major advances towards cleaner, safer mobility were announced during the event, including WWF's launch of a new tool to assist transportation companies in setting GHG emissions targets in line with the reductions needed to meet the goals of the Paris climate agreement. A toolkit developed by the WWF, PPMC, the ITF, the IDDRI and the WBCSD[1] was presented, tested and offered to cities, countries, companies and other transport decarbonization stakeholders.

In 2019, a new milestone was reached with the participation of Luis Alfonso de Alba, the UN special envoy to the climate summit, which positioned Movin'On as a resource for mitigating the environmental impact of new mobility systems. Discussions and dialogue are continuing through the digital ecosystem created around these communities at www.movinonconnect.com.

Movin'On LAB

At the heart of the ecosystem approach to sustainable mobility innovation is the Movin'On LAB, a "think and do tank" that brings together leading stakeholders involved in sustainable mobility issues. They are helping to foster a continuous process of innovation and international collaboration within communities of interest where they can forge and validate a shared vision, develop their strategies and test innovative mobility solutions as part of an ecosystem. The annual Movin'On Summit enables these leading contributors to compare their ideas and solutions with the international mobility community in order to move it towards a more sustainable future.

In 2019, Movin'On LAB worked on a variety of issues with its partners and community of interest leaders, including: "How to Improve Urban Air Quality" with Faurecia; Smartbus trials or "How to Invent a Mobile Office" with Orange; recruiting partners to test "Accepting and Living with Self-Driving Vehicles" in 2021, with MACIF; creating a Frugal Mobility City Index with Accenture; decarbonization with EY and an update to the "Speeding Up to 2°C" study, which explores solutions for reducing the transportation industry's carbon footprint that are practical and easy to implement by 2030.

In the same way, the open sustainable mobility innovation network launched in 2018 between Movin'On LAB, its leading stakeholders and its Quebec mobility partners (INNOVEE, IVEO, PROPULSION, Jalon and PROMPT), with support from the Quebec Ministry of Economy, Science and Innovation (MESI) and the City of Montreal, also pursued its programs over the year.

4.1.4.3 Reducing the Environmental Footprint of our manufacturing and logistics operations

Risks related to production and logistics operations

The main environmental impact risks arising from the tire manufacturing process concern the use of energy, water and raw materials resources, the release of pollutants into the air, water and soil, the production of waste and the release of greenhouse gas emissions. The transportation of semi-finished products among the various production plants and of tires to dealerships around the world also gives rise to CO_2 emissions.

The Group is exposed to the risk of legal or financial consequences if its operations cause soil, water or air pollution or if it fails to comply with the applicable local, national or international environmental regulations and standards. These risks are effectively controlled through the Environmental Management System *(see section 4.1.4.3 a An Environmental Management System backed by a network of experts)*.

The Group's environmental policies reflect the "setting the industry standard for responsible manufacturing" Ambition for 2020. **To fulfill it, Michelin is committed to reducing the environmental footprint of its production facilities by 50%, as measured by the Michelin Environmental Footprint (MEF) performance indicator, by improving their energy efficiency by 38% compared with 2005** *(see section 4.1.4.1 a Reducing our carbon footprint and managing the energy transition)*. The MEF indicator is described below.

In 2018, a General Policy Note re-specified the fundamentals of managing Environmental and Prevention risks and described the standard methods and tools used to assess risks at existing facilities and in new projects, along with the targets and related guidelines. In particular, the environmental guidelines cover the procedures for assessing environmental risks, preventing soil contamination, managing waste treatment and performing renewable energy opportunity studies. They also deal with the quality of environmental data and indicators.

A dedicated Environmental Guidebook specifies the Group's environmental policies, describes its medium and long-term objectives and identifies the main action levers to meet them. Applicable by every unit in every manufacturing, research, logistics and office facility around the world, these policies express the Group's dedication to safeguarding the environment at every stage in the tire life cycle and, more broadly, its sustainable development vision.

In 2017, four MEF programs (Energy/CO_2, Volatile Organic Compounds, Waste and Water) were created, each with two objectives:

- ensure that the MEF 2020 target is met, in particular by sharing best practices;
- prepare for the future by defining ambitious improvement targets for 2050, as well as effective intermediate milestones.

(1) *IDDRI: Institut du développement durable et des relations internationales; WBCSD: World Business Council for Sustainable Development.*

Each program is managed by a program leader, with the support of a multidisciplinary team of experts who perform medium and long-term opportunity and feasibility studies. These programs are overseen by the Environmental Governance body *(see section 4.1.4 The Environment/Environmental governance)*. Each program's policies and outcomes are described in detail in this section.

At the same time, the Group has developed prevention systems to manage the risks of soil contamination and to protect sensitive ecosystems around its facilities.

/ 4.1.4.3 a) An Environmental Management System backed by a network of experts

The Group's EMS is designed to enable each plant to manage its impact on the environment, on both a day-to-day and long-term basis. It comprises a process to track compliance with legislation and Michelin standards, the obligation to define and meet, every year, improvement targets aligned with local issues and Group commitments, and procedures to attenuate the risks of accidental pollution. It is structured into processes, so as to ensure compliance with ISO 14001-2015 standards. Since 2018, all of the production plants subject to certification have been certified to these standards.

Group guidelines dictate that every new production facility must earn ISO 14001 certification within five years of start-up. In 2019, close to 94% of all facilities were certified, including the production plants, natural rubber processing facilities and Technology Centers having a material impact on the environment. ISO 14001-certified facilities accounted for more than 98% of the tires produced during the year.

To ensure the effectiveness of both the system's operating procedures and the implemented solutions, a networked organization is in place, comprising around 100 specialists based in every host country plant and Operating Department. Its manager reports to the Environmental Governance body.

Dedicated training courses to support EMS deployment have raised environmental awareness among all of the nearly 77,000 employees working on certified sites, along with a varying number of subcontractors and temporary workers.

In 2019, €35.7 million, or 8% less than in 2018, was committed to projects to enhance the environmental performance of the production facilities.

These budget amounts are based on the definition recommended by the French Accounting Board (CNC recommendation 2003-R02 of October 21, 2003), which covers only outlays that are "supplementary" (*i.e.,* excluding routine maintenance, operating costs, waste management and similar expenses) and "exclusively environmental" (*i.e.,* excluding the environmental aspects of capital expenditure projects).

Budget allocation is analyzed in the following table.

Group	Total expenditure		
(in € thousands)	**2019**	**2018**	**2017**
Air pollution prevention	5,997	6,326	17,704
Surface water pollution prevention	953	3,465	2,819
Soil and subsurface water pollution prevention	2,543	2,835	2,122
Waste reduction and recycling	2,864	2,521	5,179
Sustainable use of water resources	2,047	2,982	2,210
Sustainable use of energy resources	12,510	12,634	24,704
Reduction of greenhouse gas emissions	6,588	6,878	1,652
Other	2,149	973	2,956
TOTAL	**35,651**	**38,613**	**59,347**

As of December 31, 2019, total consolidated provisions for environmental risk amounted to €7.72 million, all of which covered site assessment and remediation issues.

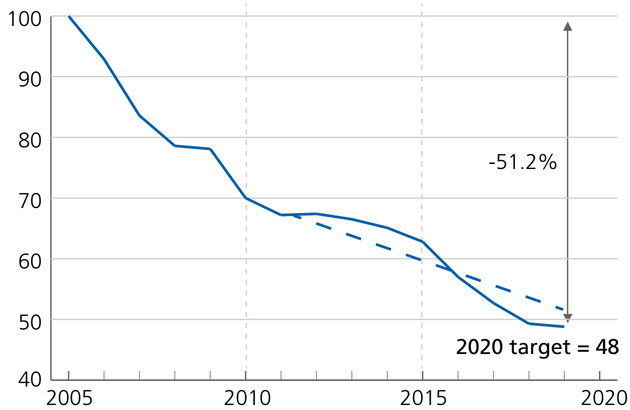
/ 4.1.4.3 b) Reducing the environmental footprint of the production plants

Since 2005, Michelin has measured the key impacts from its manufacturing operations in terms of energy consumption, water withdrawals, CO_2 emissions, volatile organic compound (VOC) emissions, amount of waste generated and amount of waste landfilled (*i.e.,* not recovered or reused).

Improvements are planned, driven and tracked at every level, from the shopfloor to the boardroom, through an indicator comprising these six variables, known as the Michelin Environmental Footprint (MEF). The MEF is included in the Group's balanced scorecard and is one of the eight strategic indicators that every plant must track to measure its operational excellence.

To fulfill the ambition of "setting the industry standard for responsible manufacturing," the target set in early 2016 for 2020 was to reduce the MEF by 30% compared with 2010 and by 50% compared with 2005, while using 25% less energy over the first period and 38% over the second.

Improvement in the Michelin Environmental Footprint (MEF) Indicator – Group



The MEF declined to 48.8 in 2019, representing a 1.1% improvement on 2018 but falling short of the targeted 47.7 for the year. Note, however, that the 2019 result came on top of a very strong 6.5% improvement in 2018.

In addition, without the inclusion of the plants in Manaus and São Paulo, Brazil early in the year, the Group MEF would have stood at 48.1, or a 2.4% decline at constant scope of reporting.

Between 2005 and 2019, the Group's environmental performance, as measured by the MEF, improved by more than 51%, exceeding the 2020 target of 50% that had already been met in 2018. New medium and long-term targets are now being defined.

The 2019 performance is analyzed in the following tables.

Improvement in the Michelin Environmental Footprint (MEF) Indicator – Group

Ambitions for 2020	2020 Ambition compared with 2005	2005	2010	2018	2019	2020 target	% change 2019/2005	% change 2019/2018
MEF	-50%	100	70	49.3	48.8	48	-51.2%	-1.1%
Energy consumption in GJ/t of finished product (FP)	-38%	17.4	14.4	12.11	11.92	11.37	-31.5%	-1.6%

Summary table of environmental data – Group

	Ratios					Absolute values by MEF component - Group						
MEF component	**2019**	**2018**	**2010**	**% change 2019 vs. 2018**	**% change 2019 vs. 2010**	**2019**	**2018**	**2010**	**Unit**	**% change 2019 vs. 2018**	**% change 2019 vs. 2010**	**GRI Indicators[1]**
Energy consumption (GJ/t FP)	11.92	12.06	14.40	-1.1%	-17.2%	40,302	41,376	45,583	x10³ GJ	-2.6%	-11.6%	GRI 302-1
Michelin point sources	6.08	6.20	8.00	2.0%	-24.1%							GRI 302-3
Steam purchased, net	0.97	0.97	1.20	0.2%	-19.0%							GRI 302-4
Electricity purchased, net	4.87	4.89	5.20	-0.3%	-6.3%							
Water withdrawals *(m³/t FP)*	**7.98**	**8.09**	**11.8**	**-1.3%**	**-32.4%**	**26,985**	**27,736**	**37,322**	**x10³ m³**	**-2.7%**	**-27.7%**	GRI 303-1
CO_2 emissions[2] *(t/t FP)*	**0.86**	**0.88**	**1.24[3]**	**-1.3%**	**-30.4%**	**2,919**	**3,002**	**3,880[3]**	**x10³t**	**-2.8%**	**-24.8%**	GRI 305-1
Direct emissions from Michelin point sources (Scope 1)	0.41	0.43	0.58	-3.6%	-28.5%	1,401			**x10³t**			GRI 305-2
Indirect emissions, steam generation (Scope 2)[3]	0.05	0.05	0.12	-4.3%	-60.1%	162			**x10³t**			GRI 305-4
Indirect emissions, electricity generation	0.40	0.44	0.58	-8.8%	-30.8%	1,356			**x10³t**			GRI 305-5
VOC emissions (kg/t FP)	**1.74**	**1.77**	**2.89**	**-1.8%**	**-39.8%**	**5,877**	**6,056**	**9,155**	**t**	**-2.9%**	**-35.8%**	GRI 305-7
Waste generated *(kg/t FP)*	**97.9**	**98.7**	**109.5**	**-0.8%**	**-10.6%**	**330,836**	**338,575**	**348,461**	**t**	**-2.3%**	**-5.1%**	GRI 306-2
Waste landfilled *(kg/t FP)*	**3.08**	**2.93**	**10.20**	**5.2%**	**-69.8%**	**10,419**	**10,067**	**32,561**	**t**	**3.5%**	**-68.0%**	
MEF INDICATOR PERFORMANCE	**48.8**	**49.3**	**70.0**	**-1.0%**	**-30.3%**							
Other environmental indicators												
Total Michelin direct and indirect emissions avoided *(tonnes of CO_2)*						33,000	33,000	24,000				GRI 305-5
Sulfur dioxide emissions *(kg/t FP)*	0.41	0.41	0.96	0.97%	-56.9%							GRI 305-7
Nitrogen dioxide emissions *(kg/t FP)*	0.47	0.50	0.83	-5.6%	-43.1%							GRI 305-7
Hazardous waste generated *(kg/t FP)*	8.29	7.90	-	4.9%								GRI 306-2
Number and total surface area of facilities located less than one kilometer from a protected area	28 facilities totaling 6,600 ha		_									GRI 304-1
In 2019, the Michelin Group did not incur any significant fines or non-monetary sanctions for non-compliance with environmental legislation and/or regulations.												GRI 307-1

(1) Consolidated Set of GRI Sustainability Reporting Standards 2016", Global Reporting Initiative, 2016.
(2) "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, revised edition", World Business Council for Sustainable Development and World Resources Institute
(3) With 2010 Scope 2 emissions recalculated to take into account a new method applied as of 2015. See explanations in box below.

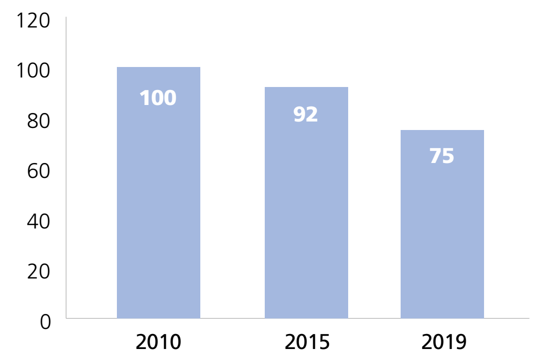
Recalculation of 2010 emissions based on differentiated emission factors for purchased steam

Until 2014, the same emission factor was used for every site that purchased steam, regardless of the primary energy (coal, fuel oil or gas) or technology used by the vendor, and based on the same fuel utilization efficiency ratio of 50%.(1) In 2015, the Group decided to replace the single emission factor of 0.404 tonnes of CO_2 emitted per MWh of purchased steam by three emissions factors, one for each primary energy used, and to apply fuel utilization efficiency assumptions that were closer to the actual ratios of the installed facilities. This means that the new baseline for the Group's 2030 target(2) corresponds to the 2010 emissions recalculated according to the new method, *i.e.*, 3.877 million cubic meters instead of the originally calculated 4.067 million, or 1.24 tonnes of CO_2 per tonne of finished product instead of 1.28.

/ 4.1.4.3 c) Reducing energy use and greenhouse gas emissions

CHANGE IN CO_2 EMISSIONS*

(base 100)



(*) Absolute value.

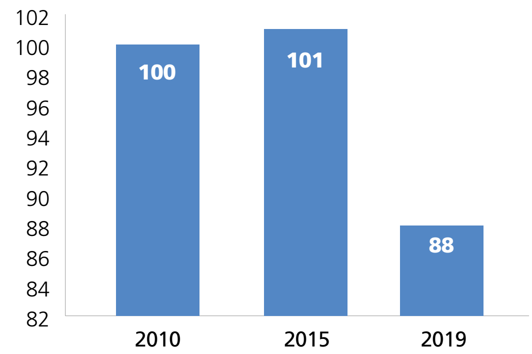
Total CO_2 emissions from the Group's production plants amounted to 0.86 tonnes per tonne of finished product in 2019, a reduction of 30.4% compared with 2010 and of 1.3% compared with 2018. In absolute value, they declined by 25% over the period, to less than three million tonnes from nearly four million in 2010.

These improvements were driven by a two-pronged strategy designed to: (i) reduce energy use and (ii) shift to a less carbon-intensive energy mix. The first objective is being pursued through an energy efficiency process led by the Manufacturing Department, while the second is being met by activating both structural levers, to upgrade energy supply infrastructure to use less carbon-intensive energies, and market levers to purchase less carbon-intensive energies. To spur further progress, an internal carbon price is used in analyzing return on investment in capital projects *(see section 4.1.4.1 e Carbon pricing).*

Improving energy efficiency

CHANGE IN ENERGIE CONSUMPTION*

(base 100)



(*) Absolute value.

In 2019, the Group's energy consumption stood at 11.92 GJ per tonne of finished product, down by 1.1% year-on-year and by 17.2% since 2010. After a difficult 2018, which saw only a 0.4% improvement, the 2019 performance was better but still fell short of expectations. The year-end 2020 target is now set at a 22% decline from 2010, compared to the initial target of 25%.

Based on lean manufacturing principles, the energy performance improvement approach is also compatible with the ISO 50001 standard, to which the Group's five German plants and three logistics hubs have been certified in response to local expectations. Its effectiveness was amply demonstrated in 2019, when production plant energy audits resulted in recommendations for around a 10% improvement over the next three years.

New Site Energy Improvement Leaders have joined the network and the Technical Program has been broadened with a new solution to install heat pumps on the evaporative cooling towers, which enable waste heat to be repurposed, notably in heating systems. In France, heat pumps have been installed and commissioned at the Ladoux Technology Center in 2018 (now supplying 20% of the Center's heat), at the Montceau-Les-Mines plant in May 2019 (50%) and at the Gravanches plant in December 2019 (100%). The new installation means that all the electricity used at the Gravanches plant is guaranteed to be sourced from renewable sources, making it the Group's first carbon-neutral production facility.

During the 2020-2030 decade, several of the Group's boilers will need to be refurbished as they reach the end of their useful lives. To proactively prepare for these projects, a creativity workshop was organized at the Montceau-Les-Mines plant to define a new boiler and utilities model capable of meeting the future needs of our production plants, while leading them to carbon neutrality at a competitive cost. More than 250 ideas were shared and four pathways to progress were approved, with feasibility studies scheduled to begin in 2020.

All together, the energy efficiency improvement program was supported by €17.81 million in capital expenditure in 2019.

(1) For more information, please refer to the 2015 Registration Document, page 178.

(2) In accordance with Recommendation 13 of the SBTi Criteria and Recommendations, Version 2.0.

Driving the Group's energy transition

Increasing the use of renewable energies

In a commitment to sustainably reducing the Group's carbon footprint, policies have been in place since 2008 to increase the use of renewable energies. These biomass, solar power and wind power projects often have long maturity cycles.

Today, 17 Group facilities are equipped with renewable energy installations.

Facility	Technology	Tonnes of CO_2 emissions avoided in 2019*
Bassens, France	Purchase of heat generated by a waste incinerator	6,000 t (direct CO_2)
Cholet, France	Biomass-fired boiler	4,500 t (direct CO_2)
Bourges, France	Biomass-fired boiler	5,500 t (direct CO_2)
Vannes, France	Purchase of household waste methanation heat	350 t (direct CO_2)
La Combaude, France	Purchase of heat from biomass-fired facilities	2,000 t (direct CO_2)
Waterville, Canada	Solar wall	30 t (direct CO_2)
Dundee, United Kingdom	Wind turbines	2,000 t (direct CO_2)
Nongkae, Thailand	Photovoltaic panels	600 t (direct CO_2)
Germany, seven facilities	Photovoltaic panels	11,500 t (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,000 t (power sold back to the grid)
Le Puy, France	Photovoltaic panels	150 t (power sold back to the grid)

** Based on emission factors for the substituted energies published by the International Energy Agency in "CO_2 Emissions from Fuel Combustion", 2016 edition.*

In Germany, 27 MWp of photovoltaic panels were installed on several different sites between 2006 and 2017. In Valladolid, Spain, 31,000 square meters of solar panels with peak capacity of 3.3 MWp were commissioned in 2010 and 2011. At the Le Puy-en-Velay plant in France, rooftop photovoltaic panels with an aggregate capacity of 3 MWp were installed in 2011 over three hectares, or three quarters of the roof's surface. The output of all these installations, which totaled 32,000 MWh in 2019, is sold back to the national grids, helping to reduce the host country's electricity emission factor.

Other installations are directly reducing the Group's CO_2 emissions.

At the Bourges and Cholet plants in France, two biomass-fired heating plants rated 5 and 10 MW respectively came on stream in 2010.

Since 2013, the plant in Vannes, France has used steam generated from a boiler fired by biogas derived from the methanation of household waste.

In Canada, a solar wall has replaced heavy fuel as a source of heat for the Waterville plant since late 2010.

In Thailand, the 0.88 MWp photovoltaic panels installed on the Nongkae plant's parking lot shade roofs generated 12,000 MWh of power in 2019. The installation is the Group's first solar farm whose power is directly used on-site.

In France, the IMECA subsidiary, which designs and integrates special tiremaking machinery, has mounted photovoltaic panels on its plant grounds, which generated around 75 MWh in 2019. This covered 8% of the plant's power needs and avoided the emission of five tonnes of CO_2. While relatively small, the project is the Group's first photovoltaic installation in France whose power will be directly used on-site, and the second worldwide after the Thai unit.

Compared with the emissions from previously used energy sources, these on-site renewable energy installations avoided the emission of more than 33,000 tonnes of CO_2 in 2019, of which more than 20,000 tonnes directly reduced the Group's total CO_2 emissions.

In 2019, one project had to be discontinued and five others were ongoing:

- in **Avallon,** France, the project to install photovoltaic panels on a retreadable casings storage building was discontinued after detailed studies revealed significant budget overruns, caused by the need to collect and store water runoff in the event of a fire at the installation (in compliance with the plant's environmental construction permit);
- in **Chennai,** India, photovoltaic panels with peak capacity of 4.2 MWp are being installed on the plant roof. Their output, totaling around 5,500 MWh a year, will be used on-site to cover 10% of the plant's power needs;
- in **Phrapadaeng and Laem Chabang,** Thailand, photovoltaic panels are also being installed on the plant rooftop and the parking lot shade roofs. Rated at 0.99 Wp, each unit is expected to generate around 1,500 MWh a year;
- in **Golbey,** France, the project to purchase steam generated by burning waste from a nearby paper mill continues apace, with the goal of meeting all of the plant's heating needs by the end of 2020;
- in **Troyes,** France, expects to begin purchasing heat and power from a household waste-fired combined heat and power (CHP) facility in 2021, covering around 15% of its needs.

Purchasing electricity from guaranteed renewable sources

Since 2017, all of the Group's production plants in the European Union use electricity from renewable sources, mainly through direct purchases of electricity with guarantees of origin as defined by Directive (EU) 2018/2001[1] but also, to a lesser extent, through the purchase of unbundled guarantees of origin.

In 2019, this represented nearly 1,465,000 MWh, or 31% of all electric power used by the Group. Without these purchases, which avoided the release of 272,000 tonnes of CO_2, the Group's CO_2 emissions would have been 9% higher for the year.

(1) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.328.01.0082.01.ENG.

In Thailand, the Nonkgae facility is the Group's first production plant outside Europe to use electricity from renewable sources, as part of a power purchase agreement covering 1.5% of its needs.

In all, 14% of energy (thermal and electric combined) used by the Group in 2019 came from renewable sources.

Eliminating coal

In China, in the final quarter of 2015, the Shanghai plant replaced its steam generated on-site in a coal-fired boiler with steam purchased from a gas-fired CHP power station. Since 2016, this has avoided the emission of around 14,000 tonnes of CO_2 a year.

Today, four of the Group's 78 manufacturing facilities are still equipped with coal-fired boilers, in Olsztyn (Poland), Louisville KY (United States), Bassens (France) and Pirot (Serbia), while another, in Shenyang, China, purchases steam from a coal-fired plant. In 2018, the Environmental Governance body *(see section 4.1.4 The Environment/Environmental governance)* approved the goal of eliminating coal as an energy source by 2030. Studies to assess the feasibility of replacing coal with natural gas, biomass or other primary energy source are already underway at four of the five plants. The Olsztyn facility is currently taking the first step towards phasing out coal by installing a new gas boiler, which is expected to supply nearly 20% of its heating needs as from 2020.

The Group's first zero emission plant

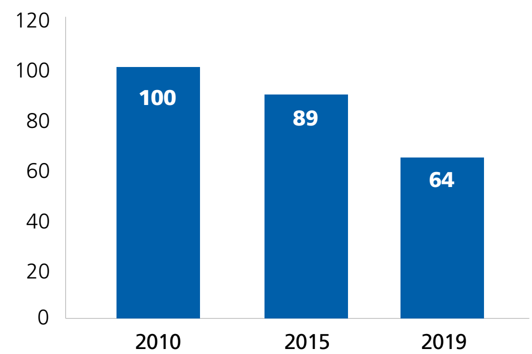
Since the end of 2019, the Gravanches plant in Clermont-Ferrand has been heated by a heat pump system that recovers waste process heat. With all its other energy needs covered for the past three years by purchasing electricity from certified renewable sources, Gravanches has become the Group's first zero emission site.

/ 4.1.4.3 d) Reducing harmful air emissions

Declining VOC emissions

CHANGE IN VOC EMISSIONS*

(base 100)



(*) Absolute value.

Volatile organic compound emissions per tonne of finished product declined by 1.8% year-on-year in 2019.

The Group's strategy to lower its VOC emissions is based on reducing the use of organic solvents in production processes.

This is being done in three ways:

- deploying **good manufacturing practices** to optimize solvent use, in particular by tracking quantities used, precisely adjusting the solvent applicators, using just the right amount of solvent and maintaining performance over time through effective management. The following examples illustrate a few of these practices:
  - the plant in La Roche-sur-Yon has been equipped with a portable flowmeter that measures solvent use in real time. Analyzing its data enabled us to compare the applicators by machine and by size, so that practices could be aligned,
  - the Aranda plant in Spain has replaced the solvent applicator nozzles with smaller diameter versions to reduce amounts applied;
- the introduction of **new process, materials and product solutions** designed to reduce or remove organic solvents at certain interfaces. For example:
  - the plant in Bad Kreuznach, Germany has replaced an organic solvent with a water-based solvent,
  - instead of using solvents, the Nyiregyhaza plant in Hungary now places a thin rubber film on an interface between two products;
- research and development teams are **designing lower organic solvent use** into projects, to ensure that tomorrow's products minimize their impact on VOC emissions.

These three improvement drivers have been embraced and documented by the VOC Program, which is pursuing the initiatives underway since 2017 to deploy best practices, identify innovations and explore ways of further reducing solvent use in the future.

In all, VOC emissions per tonne of finished product declined by 39.8% between 2010 and 2019.

/ Nitrogen oxide (NOx) and sulfur oxide (SOx) emissions

In general, reported data concern nitrogen oxide and sulfur oxide emissions from the Group's heating plants that can vary widely from year to year, because they are calculated based on the periodic (often quarterly) measurement of emission concentrations. In addition, given that purchased steam is not included in the calculation, reported data depend on the mix between generated and purchased steam.

In 2019, NOx emissions amounted to 0.47 kg per tonne of finished product, versus 0.62 kg in 2015 and 0.83 kg in 2010.

SOx emissions came to 0.41 kg per tonne of finished product, versus 0.54 kg in 2015 and 0.96 kg in 2010.

In 2015 and 2016, four upgrades helped to significantly reduce NOx and SOx emissions by: (i) replacing the use of fuel oil with natural gas at three production facilities in Canada; (ii) closing the former Shenyang plant in China, which used a coal-fired boiler; (iii) replacing the on-site coal-fired steam generation facility at the Shanghai plant with the purchase of steam from a gas-fired CHP power station; and (iv) fitting a DeSOx/DeNOx scrubber on the coal-fired boiler at the Bassens plant in France. The elimination of coal-fired boilers in all of the production facilities by 2030 will drive a further significant reduction in these emissions.

/ 4.1.4.3 e) Reducing and managing waste

The Group's waste management policies are based on three principles:

- reducing the amount of waste produced, in particular through reuse;
- ensuring recovery or reuse of the waste produced;
- ensuring recovery of at least 70% of waste materials by developing innovative outsourced recycling solutions.

These policies are seamlessly aligned with a circular economy approach *(see section 4.1.4.2 a The Michelin 4R strategy for a circular economy)*.

In 2019, the amount of waste generated per tonne of finished product declined by a slight 0.8% year-on-year, to 97.9 kg, while the weight of landfilled waste rose by 5.1% to 3.1 kg per tonne of tires produced, primarily due to disruptions in certain recovery and recycling chains.

Initiatives are underway in every Region to drive a sustained reduction in the amount of waste produced. Examples include on-going employee awareness building, reviews of end-of-waste criteria, and the increasing application of best practices, particularly those that facilitate the in-house reuse of materials and products (use in less demanding applications, repair, regeneration, decontamination). Other programs are exploring new recovery and reuse solutions to ensure that landfilling is avoided.

Since 2005, the volume of waste generated per tonne of finished product has been reduced by around 30%, to 98 kg from 140 kg, and the volume of waste landfilled has fallen by more than 90% to 3.1 kg from 33 kg.

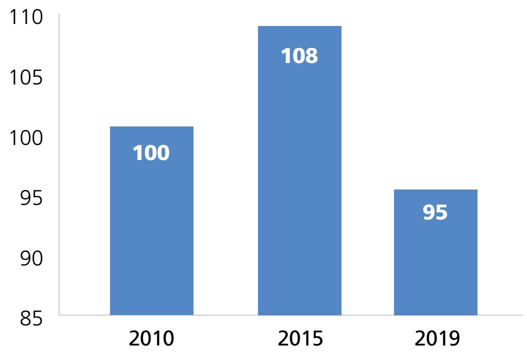
Today, 96.9% of all waste is recovered or reused as materials or fuel, with 56 of the 78 facilities recovering more than 95%.

Around 8.5% of total waste generated in 2019 was classified as hazardous under each country's legislation.

Although combating food waste is not an issue in its business operations, Michelin still feels that it is a challenge for society and seeks to raise awareness among employees, particularly through its foodservice providers.

CHANGE IN WASTE GENERATED*

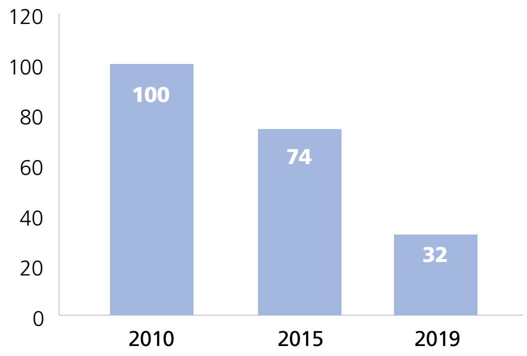
(base 100)



(*) Absolute value.

CHANGE IN AMOUNT OF WASTE LANDFILLED*

(base 100)



(*) Absolute value.

/ 4.1.4.3 f) Reducing water withdrawals and effluent discharge

Aware that water is a precious commodity, the Group's strategy is to reduce the amount of water it withdraws.

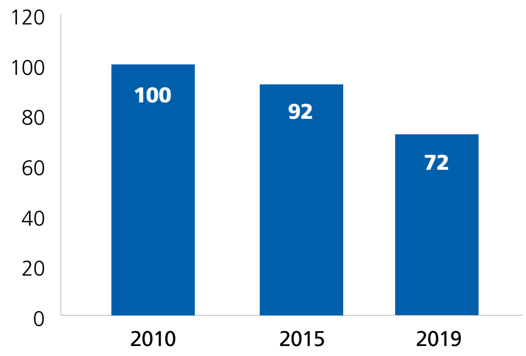
In 2019, on a per tonne of finished product basis, these withdrawals declined by 1.3% year-on-year and by 32.4% compared with 2010.

These outcomes reflected the improvements in water efficiency at the Group's production plants, led by the activation of the following levers:

- Reducing and eliminating leaks;
- Reducing steam consumption;
- Reducing evaporation;
- Optimizing recycling and/or reuse;
- Using water-saving systems;
- Measuring and controlling water use.

CHANGE IN WATER WITHDRAWALS*

(base 100)



(*) Absolute value.

The following examples illustrate how these levers are being activated and helped to reduce the Group's water withdrawals in 2019:

- Gravanches, France: a heat pump installed upstream from the cooling towers is reducing the amount of water lost to evaporation. This is expected to save 3,000 cubic meters of water a year, or 15% of the site's water withdrawals;
- Stoke-on-Trent, United Kingdom: an electro-acoustic device was used to inspect the underground pipelines and detected four major leaks. Repairing them reduced the plant's water needs by 64%, excluding steam generation;
- Greenville, SC, United States: management of the water used to clean trucks and loading docks was improved by cleaning fewer trucks more quickly. Implemented mid-year, the initiative has already saved the plant 1,300 cubic meters of water;
- Olsztyn, Poland: installation of smart meters has improved the ability to track key water use parameters for certain facilities. In turn, this led to a number of recommendations to optimize use. For example, real-time tracking of water conductivity in the evaporative cooling towers improved management of the back-up water system and saved more than 10,000 cubic meters.

Alongside these technical upgrades, the Group raised employee awareness of water issues and illustrated the year's most successful initiatives in a presentation on the Group's website on World Water Day.

/ 4.1.4.3 g) Preventing releases to soil and groundwater

The Group's Environmental Management System includes a dedicated process to prevent the risk of chronic or accidental spills. Standard operating procedures, which were updated in 2016 and apply to all of the Group's property assets, demand that risks and opportunities be very robustly managed. They were inspired by the strictest legislation prevailing in this area, and regularly exceed local standards.

In addition to preventive measures, all of the Group's plants are expected to follow the regularly updated site assessment and cleanup procedures first issued in 2006, which enable them to detect potential usage risks and to manage them with state-of-the-art solutions. The procedures are especially applied when any excavation work is performed at existing sites, when an accidental spill requires analysis to manage or confirm a potential risk or when requested by local authorities. They are also applied in the case of an acquisition, the creation of a joint venture or a new company, or the purchase, lease or sale of all or part of a site or a property asset. This process requires disciplined oversight, particularly the use of qualified service providers generally managed through framework agreements and the tracking of open cases by local coordinators. In addition, since 2018, these contractor framework agreements have included performance indicators tracked every six months, which help to ensure superior performance.

In all, 27 new CSS site assessment or cleanup cases were initiated in 2019 and 24 (mainly concerning new acquisitions) were closed, bringing the total number of cases completed over the past four years to 83.

Lastly, to improve knowledge and practices both inside and outside the organization, Michelin has co-led the CSS Industry Club in association with other manufacturers since 2015.

/ 4.1.4.3 h) Abating odors and noise pollution

Although entirely innocuous, odors are nonetheless an issue for Michelin plants, some of which are located in built-up areas. These odors may be generated by the process used to produce certain types of natural rubber components used in tire manufacturing.

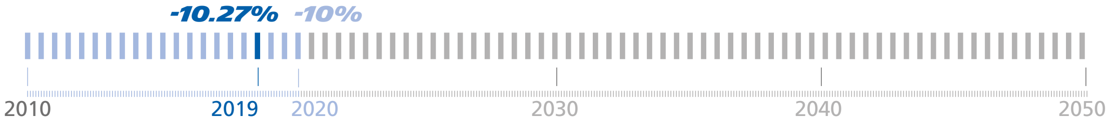
The standard solution, based on the thermal oxidation of effluents, has now been retrofitted at several European facilities and at the plant in Shenyang, China. New technologies are also being explored. In the case of noise pollution, manufacturing operations whose noise levels are not particularly significant consistently comply with local legislation in every host community. When designing new facilities or extensions, guidelines are followed to ensure that noise-generating equipment, such as fans and other auxiliary systems, are installed far from the property boundaries.

More generally, the on-site teams work with Group experts to abate the odors, noise and other potential environmental nuisances that manufacturing operations may cause local residents.

/ 4.1.4.3 i) Sustainable logistics operations

Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin, which is why in 2013 it pledged to reduce these emissions by 10% over the 2010 to 2020 period. This target was exceeded a year ahead of schedule, with an aggregate 10.27% decrease in 2019.

KILOGRAMS CO_2 PER METRIC TON TIRES SOLD



(2018 vs. 2010: -9.6%; 2017 vs. 2010: -7.6%)

To successfully cut these emissions, Michelin first defined a policy based on three action levers: transport less, transport better and transport differently. In addition, to provide sustainable, reliable and consistent CO_2 emissions data, measurement procedures have been set up in every Region, in compliance with the latest calculation standards and recommendations issued by the Smart Freight Center and other international organizations.

Transporting less, the fundamental lever

Transporting less embeds sustainable development deep into the logistics strategy, by addressing it in every decision and constantly tracking the ratio between tonnages transported and tonnages sold.

The resulting analytics help to identify where inventory should be ideally located to improve product availability, while avoiding unnecessary transportation. They also guide the choice of production sites, with a preference for local facilities to limit the transfer of finished products between producing and consuming regions.

Results show that significant progress has been made on these issues in Europe and North America, while in Australia, the reduction in local inventory has also lessened the number of long-distance transfers between warehouses.

Transporting better, an operational lever

The second lever consists in optimizing current transportation systems, based on three avenues for improvement:

Engaging with our transportation partners

Michelin firmly believes that partnerships with logistics providers are mutually beneficial over the long term. In 2019, the Group renewed two "forums" with trucking companies, one in Europe and the other in North America,

Where short, medium and long-term action levers to attenuate environmental impacts were jointly tracked and assessed. In the United States, 98% of Michelin routes are served by SmartWay-certified trucking companies, a shared commitment that was recognized by a SmartWay Excellence Award in 2019.

Concerning workplace issues, truck driver working conditions in Europe were extensively discussed in working sessions and a certain number of initiatives were deployed, such as providing break rooms at Michelin facilities and keeping trucks on stand-by to limit driver waiting times.

Optimizing our current transportation systems

In its commitment to using existing resources more efficiently, Michelin optimizes truck and container fill rates using digital applications that maximize each load. Other examples include the optimization of dealership deliveries in the United States, which has eliminated the equivalent of around 150,000 miles of route, and the start-up of a new distribution center in Tamil Nadu, India. In Malaysia, delivery routes have been reworked to focus on direct deliveries, which has reduced the environmental impact by 15%.

Promoting and developing multimodal solutions

In Europe and the United States, Michelin has led a number of major projects to deploy multimodal solutions, which have proven highly effective in attenuating environmental impacts and negative externalities. Freight between Poland and Germany, for example, is now shipped by train rather than truck, avoiding the release of 42 tonnes of CO_2 per week and shifting 70,000 kilometers from road to rail every year. In North America, a sea link has replaced overland shipments between Canada and South Carolina.

Transport differently, a lever for innovation

The third lever is activated by implementing innovative solutions, informed by two processes:

Collaborating with outside organizations

An effective way to reduce the environmental impact of logistics operations is to share ideas and projects with other industry stakeholders. With this in mind, Michelin continues to play a leading role in such associations as *Écologie Logistique,* ASLOG and Clean Cargo. Regular involvement in these organizations is driving significant progress in identifying courses of action, while laying the foundations for collaborative work on innovative issues supporting the sustainable mobility of goods and decarbonized transportation.

Innovating to deploy more environmentally friendly technologies and practices

Michelin takes an active part in discussions about the future of logistics, in a commitment to promoting and deploying innovative technologies. The Group uses natural gas and electric trucks for deliveries in Europe and the United States. In addition, in Europe, pooling certain shipments with other companies is helping to optimize truck fill rates and reduce the number of empty kilometers.

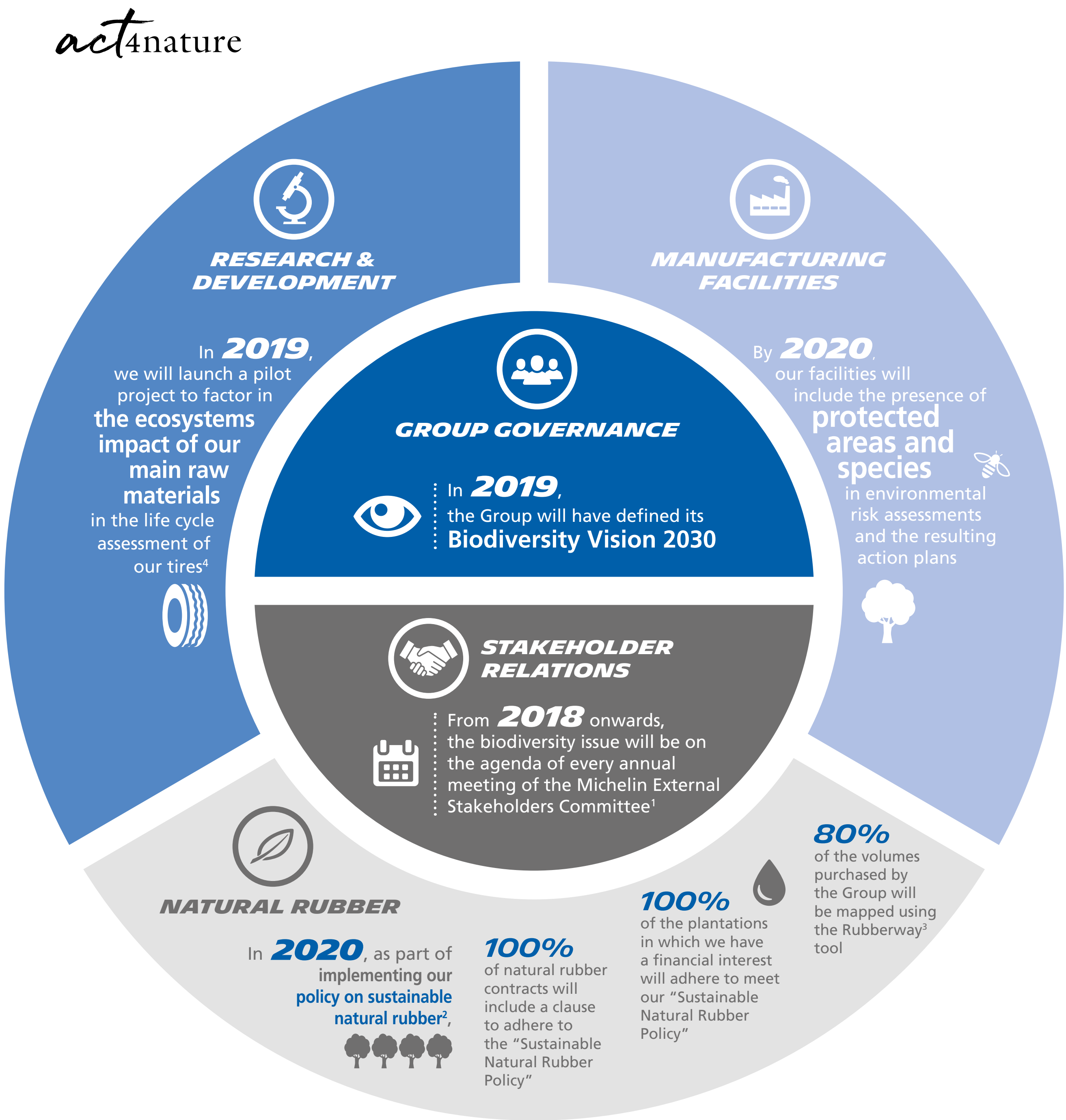
4.1.4.4 Supporting Biodiversity

Michelin, like every company, relies on biodiversity and ecosystem services, such as the supply of raw materials, water provisioning and climate regulation, to conduct its business sustainably. This is why the Group, through its research and development, designs environmental stewardship into every product, by selecting the right materials, tire architecture and production processes. It also strives to improve the environmental performance of its production plants and to encourage sustainable natural rubber-tree farming.

In 2018, the Group formalized its commitment to biodiversity by joining the **act4nature** initiative launched by French association *Entreprises pour l'Environnement* (EpE). For the first time, more than 60 business leaders signed a charter of ten common commitments, along with individual commitments for each member company.

/ 4.1.4.4 a) Michelin's individual commitments

In this way, Michelin pledged to address biodiversity in its strategy so as to avoid or reduce impacts across its value chain.



(1) The stakeholder committee is made up of representatives of NGOs, including the WWF, universities, international institutions, trade unions, customers and suppliers
(2) The "Sustainable Natural Rubber Policy" stipulates the conditions in which natural rubber is produced and marketed. It specifies both environmental factors (zero deforestation, protection of areas of High Conservation Value (HCV), areas of High Carbon Stock (HCS) and peatlands) and social and human rights-related factors (working conditions and the prior free and informed consent of the populations concerned).
For more information, visit https://purchasing.michelin.com/fr/gestion-responsable-de-filiere-heveicole/
(3) Online questionnaire for the various stakeholders involved in the upstream natural rubber supply chain. It is designed for 4 types of respondents: small-scale growers, plantations over 45 ha, intermediaries and natural rubber processing plants.
(4) Number of life cycle assessment carried out that factor in these impacts / total number of LCAs performed.

/ 4.1.4.4 b) Mid-point update on the act4nature individual commitments

Corporate governance

Set up in late 2018, a multidisciplinary operational committee, led by the Sustainable Development Department, brings together life cycle assessment experts and specialists from the Corporate Environment and Responsible Procurement Departments. It presents its recommendations to the **Environmental Governance body** for validation.
Approved by the Environmental Governance body in 2019, the 2030 roadmap for the Group's biodiversity vision will be expressed in commitments beginning in 2021.

Dialogue with stakeholders

In the fall of 2018, the act4nature commitments were presented to the Corporate Stakeholders Committee *(see section 4.1.2.5 a Stakeholder dialogue),* which brings together representatives of NGOs (notably the WWF), universities, international institutions, trade unions, customers and suppliers.
In 2019, the Group forged partnerships with such outside stakeholders as the WWF, CDC Biodiversité *via* the Club B4B+, and the CIRAIG*, while actively participating in the creation of the GPSNR *(see section 4.1.1.3 c A dedicated approach for natural rubber/The Global Platform for Sustainable Natural Rubber (GPSNR)).*

Research and development

As of end-2019:
In partnership with the CIRAIG's International Life Cycle Assessment Chair1, a pilot project was conducted to determine the most effective scientific methods for measuring the impact of our raw materials on ecosystems. Its findings will be used in 2020 to perform LCAs for the main raw materials *(see section 4.1.4.2 a The Michelin 4R strategy for a circular economy/Ecodesign).*

Natural rubber

As of end-2019:
Every natural rubber contract now includes a "Sustainable Natural Rubber Commitment" clause.
One-third of the plantations have been audited, with compliance action plans to be deployed in 2020.
45% of volumes have been mapped with Rubberway® *(see section 4.1.1.3 c A dedicated approach for natural rubber)*

Manufacturing facilities

As of end-2019:
All of the production plants have inventoried their protected areas and species.
Management plans are being deployed on the sites that have identified protected areas at risk of pollution.

**International Reference Center for the Life Cycle of Products, Processes and Services.*

/ 4.1.4.4 c) Preserving biodiversity around Group manufacturing and research facilities

Systematically identifying nearby protected areas

In 2013, the Group's production plants and research facilities conducted an initial survey to **identify nearby areas classified as protected** under supranational, national or local legislation. In 2018, the facilities performed the systematic update recommended every five years, which showed a total of 196 protected areas within a radius of five kilometers of each one. These findings are now being integrated into each facility's environmental risk analysis, as a criterion for assessing the sensitivity of the natural environment (according to the standard Group method). In line with that method, facilities identifying significant environmental issues are expected to deploy remedial action plans.

When the updated data was analyzed with regard to the GRI 304-1(1) indicator, it showed that 28 facilities in eight countries, representing a total surface area of 6,600 hectares, are located less than a kilometer from one or more protected areas.

Local initiatives designed to address local issues

Michelin remains committed to attenuating the impact of its operations on biodiversity with initiatives to protect fragile environments, particularly in Almería (Spain), Ladoux (France) and Bahia (Brazil). Other production plants conducted surveys or replanting campaigns during the year.

Almería, Spain

Created in 1973 and certified ISO 14001 since 2005, the Almería Test Center covers 4,500 hectares, of which 1,500 lie in the heart of the Cabo de Gata-Níjar Natural Park in Andalusia, in southern Spain. The park is located in an arid region with the lowest rainfall in Europe and is home to a number of plant and animal species, including many found only in the park. The Group's initiatives have helped to preserve, for example, a specimen of the Canary Islands Dragon Tree (Dracaena draco) that is more than 500 years old.

From the design phase, Michelin's objectives for the CEMA were not only to build the test center and efficiently use its capabilities but also to preserve the site's ecosystems. Environmental conservation targets were therefore included in the center's day-to-day operating indicators. When the Andalusia government decided to protect the area's seacoast and landscape by creating the Cabo de Gata-Níjar Natural Park in 1987, Michelin also began working with park authorities to share best practices and enhance the conservation measures in place.

Initiatives under way at the Almería Test Center (CEMA) in Spain were presented by the WBCSD at the International Union for Conservation of Nature (IUCN) Congress devoted to preserving biodiversity and ecosystems, held in Jeju, South Korea, in September 2012.

Group efforts on the Almería site are regularly commended by the government and by academics. Working hand in hand with local authorities – even well before the official agreement was signed in 1995 – Michelin successfully achieved a balance between its operations and commitment to environmental stewardship.

Ladoux, France

In July 2011, an agreement was signed with the Auvergne Regional Nature Conservancy to ensure protection of a 3.5-hectare area containing continental salt meadows on the grounds of the Ladoux Technology Center. Extremely rare in Europe, this type of habitat is home to protected maritime species in the Auvergne region (such as the sea plantain and *Juncus gerardii* black grass) and has been designated as a priority for conservation.

(1) GRI 304-1: Operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.

In addition, the Natura'Ladoux non-profit organization, which was founded in 2016 and has 45 members, is leading a wide range of local preservation programs, for example, to vary mowing patterns to protect orchids, build nest boxes and bird tables for passerines and perform site development studies. It also organizes activities to raise employee awareness of the site's biodiversity and ecosystem, including birdsong recognition classes and observation walks. Sightings by Natura'Ladoux members have identified 60 bird species on the site, up to 37 of which can be seen or heard during the annual walk around the test tracks.

In 2019, the Ladoux site commissioned France's National Center for Scientific Research (CNRS) to assess the risks of test vehicles colliding with the crows and other birds that are sometimes found on the test tracks. Based on the findings, recommendations were issued to reduce the risks of collision while protecting the birds, for example by using repellents only when necessary.

The Michelin Ecological Reserve in Bahia, Brazil

Created in 2007, the 3,350-hectare Michelin Ecological Reserve (*Reserva Ecológica Michelin* – REM) in Bahia Brazil is today one of the best-protected areas of the Atlantic Forest, one of the most species-rich, yet most endangered biomes in the world. The Reserve's program builds on the work of both in-house researchers and outside scientists, whose input helps to shape decisions on how to manage the area.

To date, Michelin has sponsored 110 research projects on various species of mammals, birds, amphibians, reptiles, fish, plants and fungi. Research conducted in the Reserve has resulted in the publication of 107 scientific papers. In a region where forests have been almost entirely destroyed, the REM is a haven for biodiversity, with more than 2,000 species, including 16 that were previously unknown. Michelin's commitment to preserving this local biodiversity was honored by scientists, who gave the Group's name to five of the newly discovered species (a frog, a snail, a mayfly, a spider and a begonia)(1).

As part of the reforestation program, 105,000 trees spanning 275 species have been planted, enlarging the forested area by 300 hectares. In 2019, the REM began a decade-long project to restore the Pachanga River Valley by introducing 131 native tree species in the watershed.

Since the Reserve opened, hunting has fallen off sharply, spurring a 117% increase in the mammal and large bird population, including certain species threatened with extinction like the yellow-breasted capuchin monkey *(Sapajus xanthosternos)* and the red-billed curassow *(Crax blumenbachii).* Wildlife is recovering, to the extent that it may now be found throughout the Reserve and even in some of the neighboring properties.

The REM also protects the Pancada Grande waterfalls, which are visited by more than 70,000 people a year. In addition, an environmental awareness program is being conducted to help local communities manage the day-to-day environmental obligations associated with living so close to a reserve.

Carmes, France

The Carmes complex, the Group's headquarters, has inventoried all of its biodiversity, including plants, fish, bats, birds, mammals, reptiles, amphibians and insects. The comprehensive study was conducted over a full year, so that all of the species could be identified during the flowering, breeding, nesting and other seasons.

In May 2019, for example, the local angling association came on-site to inventory the fish species found in the Tiretaine River, which flows through the headquarters complex, and counted more than 350 trout.

Full results of their survey will be released in early 2020. Eventually, the complex plans to define indicators so that biodiversity can be tracked over time.

Shanghai and Shenyang, China

In China, the production facilities in Shanghai and Shenyang support biodiversity with annual activities, such as planting trees on the site and in the surrounding community.

Since the first annual day-long event in 2014, some 600 employees have helped to plant 1,500 seedlings in the nearby Wetland National Park. In 2019, the event was held at the Michelin site itself. A tree planting day was also organized at the Shanghai facility, which also participated in the day-long event held by the Chuanjiang Community. Since 2015, 180 trees have been planted by employees.

Davydovo, Russia

For the fifth straight year, Michelin's Davydovo plant supported the environmental protection programs led by the government of the Moscow region, where significant amounts of forest have been devastated by especially destructive fires and insect pests. In response, the Ministry of the Environment has defined an ambitious reforestation program, which employees from the Michelin facility are supporting. Last spring, for example, around 100 employees, most of them accompanied by their children, helped in the replanting.

León, Mexico

In León, Mexico, Michelin has deployed projects to improve rainwater runoff to the city's main aquifer and to replant forest trees. Carried out in the protected Sierra de Lobos area, these initiatives have also improved the quality of the site's soil and its ability to support native species. In addition, 11,000 pine trees have been planted.

Lastly, 2,000 mesquite trees were planted on and around the Michelin site to preserve the species and its wildlife.

(1) Adelophryne michelin, Anura; Eleutherodactylidae, Oxychona michelinae, Bulimulidae; Askola michelin, Atalophlebininae, Leptophlebiidae, Ephemeroptera; Melychiopharis bibendum, Araneidae, Araneae, Arachnida; and Begonia micheliniana, Begoniaceae.

4.1.5 SUMMARY TABLE OF 2019 EMPLOYEE DATA

Ambitions 2020 scope of reporting

	2019	2018	2017	2016	2015	GRI Indicator
Employees on payroll at December 31 *(consolidated companies, under any form of work contract, excluding temp agency workers)*	**127,187**	**117,393**	**114,069**	**111,708**	**111,681**	GRI 102-7
Full-time equivalent employees at December 31 *(consolidated companies, excluding interns, apprentices, work-study trainees and temp agency workers)*	**121,339**	**111,117**	**107,807**	**105,654**	**105,798**	GRI 102-7
Employees by gender* *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
Men	81.4%	81.9%	82.5%	82.9%	83.2%	
Women	18.6%	18.1%	17.5%	17.1%	16.8%	GRI 102-8
Employees by category* *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
Production operators	61.2%	61.8%	62.2%	61.9%	62.1%	
Administrative and technical staff and supervisors	29.3%	29.5%	29.4%	29.9%	30.0%	
Managers**	9.4%	8.7%	8.4%	8.2%	7.9%	GRI 102-8
Employees by age* *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
24 and under	5.6%	5.9%	5.8%	5.3%	5.3%	
25-34	26.2%	26.3%	26.3%	26.6%	27.2%	
35-44	30.2%	29.9%	29.4%	29.1%	28.6%	
45-54	24.3%	23.4%	23.0%	22.6%	22.3%	
55-64	13.1%	14.0%	15.1%	15.9%	16.2%	
Over 65	0.5%	0.5%	0.4%	0.5%	0.4%	
Employees by length of service* *(full-time equivalent employees, as a %)*						
Less than 2 years	14.3%	15.5%	15.2%	21.5%	18.7%	
3-5 years	15.4%	14.5%	13.8%	14.4%	15.4%	
6-10 years	19.7%	17.5%	17.9%	15.1%	14.8%	
11-15 years	12.5%	14.28%	13.8%	13.6%	13.5%	
16-20 years	11.9%	11.6%	13.1%	10.8%	11.6%	
More than 20 years	26.2%	26.8%	26.1%	24.5%	25.9%	
Employee movements* *(permanent work contracts)*						
New hires	7,023	7,957	7,553	6,456	6,057	
Resignations	4,346	3,378	2,682	2,185	2,390	
Dismissals and terminations by mutual agreement	1,756	2,624	2,524	2,364	2,843	
Retirement	2,357	2,484	2,077	1,871	2,115	
Death	103	97	120	99	116	

	2019	2018	2017	2016	2015	GRI Indicator
Attrition rate *(excluding retirements and excluding the dealership networks and recently acquired companies)*	6.9%	6.8%	5.9%	5.2%	5.9%	
Contract employees* *(excluding temp agency workers, as a %)*	4.2%	4.7%	5.2%	4.4%	4.4%	
Part-time employees*	3.6%	3.6%	4.4%	3.6%	3.1%	
Training hours* *(employees on payroll, under any form of work contract, excluding temp agency workers)*						
Percentage of training hours per total hours worked	2.9%	3.1%	3.2%	3.3%	3.5%	
% of employees who received training during the year	98%	97%	85%	93%	93%	
Number of hours of training per employee per year	49	53	54	56	59	GRI 404-1
Total training *hours (excluding temp agency workers and the dealership networks)*	4,585,897	5,008,971	5,107,806	5,300,000	5,635,657	
Occupational accidents *(including the dealership networks; excluding recently acquired companies, excluding temp agency workers)*						
Number of lost-time incidents, Group-wide	648	704	725	796	740	
Serious accident frequency rate (TA+)	0.7					GRI 403-2
TCIR Michelin Group, excluding Euromaster and recently acquired companies	1.1	1.3	1.5	1.6	1.7	GRI 403-2
TCIR entire Group	1.4	1.9	2.1	2.5	2.7	
Diversity* *(employees on payroll, under any form of work contract, excluding temp agency workers)*						
Percentage of women in extended management[(1)]	27.4%	26.8%	25.7%	24.8%	24.2%	GRI 405-1
Percentage of local top managers in growth-region countries*	75%	75%	74%	72%	68%	
Percentage of management positions held by employees promoted or transferred from within*	74%	76%	76%	76%	75%	GRI 405-1 GRI 202-2
Employee engagement rate*	81%	80%	80%	80%	77%	
Number of Progress Ideas*	61,825	62,802	59,082	59,601	58,980	

* *Ambitions 2020 scope of reporting: excluding the dealership networks and recently acquired companies.*
** *Management defined as employees with a level of individual responsibility of A to K, according to the Hay method used by the Group.*
(1) *Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.*

4.2 NON-FINANCIAL INFORMATION STATEMENT

Non-Financial Information Statement disclosures, as stipulated in Articles L. 225-105-1[(1)] and R. 225-105 of the French Commercial Code, may be found in the sections listed in the concordance table below (4.2.2).

The business and value creation model is presented in Section 1. It is illustrated by a summary diagram entitled "Our Growth and Value Creation Model" and its components are described throughout the section.

All of the other Statement disclosures have been included in the Sustainable Development and Mobility Report (4.1).

4.2.1 IDENTIFICATION OF THE MAIN RISKS

To define and manage its main social responsibility issues, the Group has prepared a materiality matrix *(Section 4.1 Sustainable Development and Mobility Report/Introduction – Michelin Sustainable Development and Mobility//Challenges and Performance/Materiality matrix).*

These issues represent not only potential risks, but also opportunities for growth and business development. For this reason, the materiality matrix is closely aligned with the risk map, according to the concordance table below, with updates to one resulting in changes in the other. Consequently, the materiality matrix serves as the frame of reference in identifying the "main risks" that structure this Non-Financial Performance Statement, even though these issues are not expressed negatively as risks. For example, the matrix speaks of "diversity" whereas the risk map is concerned with "discrimination." Moreover, unlike the risk map, the materiality matrix also incorporates the perception of Michelin stakeholders.

The method of identifying risks and the systems for managing them are described in Section 2, Risk Management. The main CSR risk families and the guidelines for managing them are indicated in the introduction to each section of the Sustainable Development and Mobility Report, according to the methodology for preparing the materiality matrix (below) and the definitions of the Group's risk factors. They have also been audited by the Internal Control Department. The risks mentioned in Section 4 are "operational" risks, that have been classified as level 1 (high) or level 2 (low), depending on their criticality. Policies and due diligence procedures are presented in extensive detail following these introductions, in particular to express the Group's sustainable development strategy quantitatively, qualitatively, transparently and in a manner comparable with reports from years prior.

The performance indicators for each of the main risks are mostly derived from the six Ambitions for 2020 (Section 1, pages 36 and 37), which help to track the Group's responsible performance. Means indicators have also been defined for the main opportunities. For each of the main risks, an essential indicator has been highlighted in the table of concordance to the Non-Financial Information Statement. In the interests of transparency and materiality, however, other indicators have been presented alongside the deployed policies, depending on the issues addressed.

(1) Information on (i) the impact that the Company's business operations and the use of its products and services may have on climate change; (ii) the Company's social commitments to supporting sustainable development and the circular economy, reducing food waste and combating food insecurity, respecting animal welfare and responsible, fair, sustainable food systems; (iii) the collective agreements signed in the Company and their impact on business performance and working conditions; (iv) initiatives to prevent discrimination and promote diversity; (v) measures taken in favor of the disabled; and (vi) the impact of the Company's business on respect for human rights and the fight against corruption and tax evasion.

4.2.2 TABLE OF CONCORDANCE

TABLE OF CONCORDANCE TO THE NON-FINANCIAL INFORMATION STATEMENT

Business and Value Creation Model		
Our purpose: "offering everyone a better way forward."	Offering everyone a better way forward	p. 2
Scope, organization and main resources	A global footprint	p. 13
	A solid governance organization	p. 28-33
Business and value creation model (diagram)	Our growth and value creation model	p. 14-15
Core businesses, operational excellence and 2019 outcomes	A better way forward for 130 years	p. 12
	Four areas of growth	p. 16-25
Innovation and differentiation	Among our growth and value creation drivers	p. 26-27
2019 financial and operating highlights	Financial and non-financial results	p. 34-35
	Progress on our ambitions for 2020	p. 36-37
Challenges, strategy and outlook	Tomorrow, everything will be sustainable at Michelin	p. 6-7
	Tire trends and issues	p. 8-11
	Outlook for 2020	p. 40

Managing the Social and Environmental Impact of our Business Operations

			4.1 Sustainable Development and Mobility Report		
No.	**Materiality Matrix**	**Risk Family/Risk Factor**	**Description**	**Policies, Due Diligence and Outcomes**	**Key Performance Indicators and Objectives/ Key outcomes (Ambition 2020, pages 36 and 37)**
	ETHICS AND COMPLIANCE				
5	**The safety of users of Michelin products and services**	Safety and Performance of Products and Services	4.1.1.1 Guaranteeing the quality of our products and services – Risks related to the safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services	**Percentage of targeted customer groups delivering NPSs in line with the Group's 100% objective** 4.1.1.1 Guaranteeing the quality of our products and services
6	**High-performance, competitive, responsible products and services**	Safety and Performance of Products and Services	4.1.1.1 Guaranteeing the quality of our products and services – risks related to the safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services	
7	**Business ethics**	Ethics	4.1.1.2 Ensuring ethical business practices – Risk of ethics violations	**4.1.1.2 Ensuring ethical business practices** a) Establishing a global ethical framework b) Taking a firm stand against corruption c) Responsible tax management	Types of calls to the ethics hotline 4.1.1.2 a) Establishing a global ethical framework/ Whistleblowing controls and procedures
8	**Responsible purchasing**	Supplier ethics and CSR	4.1.1.3 b) Risk identification and levers for action	**4.1.1.3 Responsible procurement** a) Governance and organization b) Risk identification and levers for action c) A dedicated approach for natural rubber	**Percentage of suppliers assessed by EcoVadis that are confirmed as compliant – Objective: 70%** 4.1.1.3 b) Risk identification and levers for action/Supplier assessments

	HUMAN RIGHTS				
9	**Respecting human rights and duty of care**	Managing Social Cohesion, People and Human Rights/Failure to uphold our human rights commitments	4.1.2.1 b) Risks and prevention measures	4.1.2.1 Ensuring respect for human rights 4.1.1.3 c) A dedicated approach for natural rubber/Assessing stakeholders across the supply chain	**TCIR (Total Case Incident Rate)** **Percentage of women managers and supervisors** **Employee engagement rate** **Percentage of suppliers assessed by EcoVadis that are confirmed as compliant**
10	**Diversity of teams**	Managing Social Cohesion, People and Human Rights/ Discrimination and harassment	4.1.2.2 b) Programs and tools to attenuate the risk of discrimination / Risk of discrimination	4.1.2.2 Diversity and inclusion	**Increase the percentage of women in management and supervisory positions to 30%** 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity
11	**Staff development**	Managing Social Cohesion, People and Human Rights/ Employee skills mismatch; lack of attractiveness	4.1.2.4 Supporting employee growth and development/Managing Social Cohesion, People and Human Rights – Level 2 risk/Risk factors	4.1.2.4 Supporting employee growth and development 4.1.2.3 Social dialogue	**Achieve and maintain an 85% employee engagement rate** 4.1.2.3 a) An assertive social dialogue process/Listening to employees *via* the annual engagement survey **Percentage of training hours per total hours worked** 4.1.2.4 e) Enhancing skills through training **Ensure that 75% of management positions are held by employees promoted from within** 4.1.5 Summary Table of 2019 Employee Data
	EMPLOYEE HEALTH AND SAFETY				
16	**Health and well-being of staff**	Health and safety of staff and others in the workplace	4.1.3 Employee health and safety/Risks related to the health and safety of employees and others in the workplace – Level 1 risk/ Risk factors	4.1.3.2 Assessing and preventing workplace safety and security risks [except: 4.1.3.2 b) Protecting employees during a crisis] 4.1.2.3 Promoting responsible social dialogue	**Achieve a total case incident rate (TCIR) of less than 2** 4.1.3.2 c) Measuring and tracking occupational accidents **Achieve and maintain an 85% employee engagement rate** 4.1.2.3 a) An assertive social dialogue process/Listening to employees *via* the annual engagement survey
	ENVIRONMENT AND CLIMATE CHANGE				
19	**Energy transition and carbon reduction**	Environment/Air pollution and releases	2.1 Risk Factors Specific to Michelin, Description and Related Management Systems/Financial risks associated with climate change and the low-carbon strategy 4.1.4.1 a) Reducing our carbon footprint and managing the energy transition	4.1.4.1 Helping to mitigate climate change 4.1.4.2 Attenuating the environmental impact of our products and services	**Improve the Michelin Total Performance (MTP) index by at least 10%** **2019 – MTP: 9.9%** 4.1.4.2 Attenuating the environmental impact of our products and services
				4.1.4.3 c) Reducing energy use and greenhouse gas emissions	**Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) indicator, by 50%, notably by improving our energy efficiency by 38% in relation to 2005** **2019 – MEF: 48.8; Energy consumption: -31.5% (versus 2005)** 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 c) Reducing energy use and greenhouse gas emissions

20	**Eco-design of our products and services**	Environment/Air pollution and releases; pollution from the disposal of end-of-life tires; pollution from tire and road wear particles (TRWP)	4.1.4.2 Attenuating the environmental impact of our products and services – Environmental risks from the use of our products 4.1.1.1 Guaranteeing the quality of our products and services – Risk related to the safety and performance of products and services	4.1.4.2 Attenuating the environmental impact of our products and services	**1) Improve the Michelin Total Performance (MTP) index by at least 10%** **2019 – MTP: 9.9%** 4.1.4.2 Attenuating the environmental impact of our products and services **2) Contribute to the development of a circular economy by using 30% renewable or recycled materials in making our tires (according to the Average Sustainable Materials Rate index)** **2019 – ASMR: 26%** 4.1.4.2 a) The Michelin 4R strategy for a circular economy
				4.1.1.1 Guaranteeing the quality of our products and services	**Percentage of targeted customer groups delivering NPSs in line with the Group's 100% objective** **67.4% in 2019** 4.1.1.1 Guaranteeing the quality of our products and services
21	**Sustainable, responsible operations**	Environment/ Air pollution and releases; soil pollution and environmental liabilities; overuse of water and water pollution; pollution released during product shipment	4.1.4.3 Reducing the environmental footprint of our manufacturing and supply chain operations – Risks related to production and supply chain operations.	4.1.4.3 Reducing the Environmental Footprint of our manufacturing and logistics operations	**1) Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) indicator, by 50%, notably by improving our energy efficiency by 38% in relation to 2005** **2019 – MEF: 48.8; Energy consumption: down 31.5% per tonne of tires produced (versus 2005)** 4.1.4.3 b) Reducing the environmental footprint of the production plants **2) Reduce CO_2 emissions in the supply chain by 10% compared with 2010** **2019 – CO_2 emissions per tonne of tires sold outside the Group: -10.27%** 4.1.4.3 i) Sustainable supply chain operations
Impact of the Group's Business Operations					
	▶ on respect for human rights		4.1.2.1 Human rights 4.1.1.3 Responsible procurement		
	▶ on the fight against corruption		4.1.1.2 b) Taking a firm stand against corruption		
	▶ on the fight against tax evasion		4.1.1.2 c) Responsible tax management		
Impacts on Climate Change					
	▶ of the Company's business operations		4.1.4.1 Helping to mitigate climate change 4.1.4.3 c) Reducing energy use and greenhouse gas emissions 4.1.4.3 i) Sustainable supply chain operations		
	▶ of the use of its products and services		4.1.1.1 Guaranteeing the quality of our products and services 4.1.4.2 Attenuating the environmental impact of our products and services		

Social commitments to supporting	
▶ sustainable development	4.1.4.4 Supporting biodiversity 4.2.1.5 Communities
▶ the circular economy	4.1.4.2 a) The Michelin 4R strategy for a circular economy
▶ initiatives to reduce food waste ▶ initiatives to combat food insecurity ▶ responsible, fair, sustainable food choices	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk. However, related initiatives are being undertaken by the Group's food service providers at the local level. In addition, as part of its Maps & Guides business, Michelin has created the Sustainable Gastronomy distinction, which was awarded for the first time in 2019. The Group intends to use the distinction to draw attention to initiatives taken by chefs to support balanced regional development as well as natural resource conservation. These chefs encourage sustainable development through their practices, such as locavorism (eating better, locally), energy efficiency, sourcing from responsible, organic farms, sustainable fishing and a commitment to zero waste.
▶ animal rights and welfare	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk.
Information on collective bargaining agreements signed in the Company and their impact on business performance and employee working conditions	
	Since these issues do not represent a major risk, they are not discussed in this report.
Initiatives to prevent discrimination and promote diversity, and measures taken in favor of the disabled	
	4.1.2.2 Diversity and inclusion

4.2.3 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

For the year ended December 31, 2019

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements Michelin (hereinafter the "entity"), appointed as an independent third party and certified by COFRAC under number 3-1060 rev.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated nonfinancial information statement for the year ended December 31, 2019 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code *(Code de commerce).*

The entity's responsibility

Pursuant to legal and regulatory requirements, the Managing Chairman is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics *(Code de déontologie)* of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R. 225-105-I-3 and II of the French Commercial Code, *i.e.,* the outcome of the policies, including key performance indicators, and the measures implemented in light of the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the labor and environmental risks associated with their activities, and the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102-1-III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under Article L. 225-102-1-III-2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as its their policies, measures and the outcomes thereof, including key performance indicators;

- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R. 225-105-II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, *i.e.,* all the companies included in the scope of consolidation in accordance with Article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative results that we considered to be the most important (see the list provided in the appendix), we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, *i.e.,* Aranda (Spain), Bamberg (Germany), Cuneo (Italy), Ladoux and Épinal (France), Leam Chabang (Thailand), Shenyang (China), Madrid (Spain), Norwood, Louisville, Tuscaloosa and Greenville (United States), and covered between 17% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important (see the list provided in the appendix);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of seven persons between September 2019 and February 2020 and lasted around 15 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 15 interviews with the people responsible for preparing the Statement, representing the administration and finance, risk management, compliance, human resources, health and safety, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Comments

Without qualifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comment: the anti-corruption-related outcomes presented do not identify the key performance indicator for the policies concerned.

Neuilly-sur-Seine, February 10, 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Jean-Christophe Georghiou	Sylvain Lambert
Partner	Sustainable Development Partner

Appendix: List of the information we considered most important

/ Key performance indicators and other quantitative outcomes

- Total Case Incident Rate;
- The Group-wide employee engagement rate, as measured by the annual "Moving Forward Together" survey;
- Employee response rate to the "Moving Forward Together" survey;
- MEF and its components (energy, water, volatile organic compounds, CO_2 (scopes 1 and 2), waste);
- Percentage improvement in the composite performance indicator compared with 2010;
- Percentage of renewable or recycled raw materials in our tires;
- Percentage of targeted customer groups delivering Net Promoter Scores in line with the Group's objective;
- Types of calls to the ethics hotline;
- Percentage of suppliers assessed by EcoVadis that are confirmed as compliant;
- Percentage of women managers and supervisors (level of individual responsibility of A to N, according to the Hay method used by the Group);
- Percentage of training hours per total hours worked;
- Percentage of local managers coming from the growth regions;
- Percentage of management positions held by employees promoted or transferred from within;
- Serious accident frequency rate;
- Volume of natural rubber purchases assessed by a desktop review;
- Number of working days dedicated to community engagement;
- Group-wide gender wage gap.

/ Qualitative information (actions and outcomes)

- Sustainable procurement labels, programs and partnerships;
- Design of the new UPTIS prototype;
- ISO 50001 certification earned by five German plants and three logistics hubs;
- Human Rights Operational Committee;
- TA+ Management Committee;
- Group carbon footprint: proposed targets for Scopes 1, 2 and 3 emissions;
- Michelin's involvement in the TIP and ETRMA associations;
- Total provisions for environmental risks;
- RFID program with the ISO.

4.3 DUTY OF CARE PLAN

4.3.1 METHODOLOGY

For the third year in a row, Michelin has prepared a Duty of Care Plan in compliance with Act 2017-399 of March 27, 2017. It describes all of the risks incurred by the Group and its main subcontractors as regards the environment, health & safety and human rights, along with the measures taken to prevent and mitigate them. For Michelin, the plan is a means to consolidate and strengthen its proactive approach to deploying risk prevention and management processes in these three areas, as well as an opportunity to deepen its due diligence with subcontractors as part of a continuous improvement process. The Duty of Care Plan is fully aligned with the Group's values and its commitment to conducting its business responsibly with regard to all its stakeholders. Michelin's corporate governance system includes a Sustainable Development and Mobility Committee, comprising every member of the Group Executive Committee as well as the Heads of the Legal Affairs, Purchasing, and Sustainable Development and Mobility Departments. It coordinates four governance bodies, dedicated to the Environment, Human Rights, Employees Health and Safety, as well as the Ethics Committee.

The plan expands on the information and initiatives already embedded in the Group's policies, which underpin its sustainable development commitment. These include the Michelin Performance and Responsibility Charter, the Code of Ethics, the Purchasing Principles, the Health Policy, the Environment and Prevention General Policy Note, the Employee Relations Policy and the Diversity and Workplace Equality Policy. It presents the relevant information disclosed by the Group in its Universal Registration Document, Statement of Non-Financial Performance and other annual reports. The Group has defined standards of compliance that meet and often exceed prevailing standards and legislation in its host countries. Even when local legislation is not as strict as its own, Michelin continues to require compliance with its highly demanding environmental, health & safety and human rights standards. With respect to international environmental and human rights standards, the Group has pledged to support the UN Global Compact and upholds the UN Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. These international standards also inform the Duty of Care Plan.

The plan is tracked and updated through a dedicated process, which was coordinated in 2019 by a Sustainable Development and Mobility Department working group comprising representatives from the Internal Control, Risk Management, Environment and Prevention, Purchasing, Legal Affairs and Employee Relations Departments. Each one provided input to expand and update the plan with the support of the Sustainable Development and Mobility Department. In this third plan, certain risks were analyzed in more detail than in the first two plans. This was particularly the case for human rights risks, where our improved understanding meant that the related risks to the Group and the measures in place to mitigate them could be described more accurately.

This year, for the first time, the Duty of Care Plan has been prepared in the form of a concordance table, referring more broadly back to the issues addressed in the Sustainable Development and Mobility Report. The decision to publish the Plan in this format in the URD was the result of wide-ranging discussions by the Sustainable Development and Mobility Department and all our stakeholders. After analyzing the methodology used to prepare the 2018 plan, the Group preferred to avoid repetitions and overlaps this year to make the report easier to read. **A comprehensive, fully written, stand-alone Duty of Care Plan may be found on the Group's corporate website,** www.michelin.com**.**

4.3.2 TABLE OF CONCORDANCE

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
Environmental risks	**Presentation of environmental risks** **Presentation of risk factors related to the environmental impact of our products** **Presentation of environmental risk factors related to our production and supply chain operations**				**p. 168** **p. 175** **p. 180**
	Climate change	**4.1.4.1 Helping to mitigate climate change** 4.1.4.1 a) Reducing our carbon footprint 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 c) Reducing energy use and greenhouse gas emissions	Michelin Environmental Footprint CO_2 targets for 2030 and 2050	Deployment and outcomes of carbon footprint targets for 2030 and 2050 on a pathway to carbon neutrality Deployment and outcomes of the reduction in carbon emissions in 2019	p. 169-172 p. 180-184
	Air and water pollution	**4.1.4.3 Reducing the environmental footprint of our manufacturing and supply chain operations** 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 d) Reducing harmful air emissions 4.1.4.3 f) Reducing water withdrawals and effluent discharge	Michelin Environmental Footprint	Improvement in MEF performance between 2018 and 2019 Deployment and outcomes of the reduction in VOC emissions in 2019 Deployment and outcomes of the reduction in SOx and NOx emissions in 2019 Deployment and outcomes of the reduction in water withdrawals in 2019	p. 180-183
	Resource depletion	**4.1.4.2 Attenuating the environmental impact of our products and services** 4.1.4.2 a) The Michelin 4R strategy for a circular economy 4.1.4.2 b) Actively improving energy performance in the transportation industry 4.1.4.3 e) Reducing and managing waste	Michelin Environmental Footprint (water, energy) Percentage of renewable or recycled tire materials in our tires	Deployment and outcomes of the reduction in fossil fuel and water use in 2019 Deployment and outcomes of the use of renewable energy sources in 2019 Deployment and outcomes of the increase in the percentage of recyclable materials in 2019 Deployment and outcomes of Michelin 4R strategy in 2019 Deployment and outcomes of the reduction in waste in 2019	p. 175-179 p. 185
	Biodiversity	**4.1.4.4 Supporting biodiversity** 4.1.4.4 a) Michelin's individual commitments 4.1.4.4 b) Mid-point update on the act4nature individual commitments 4.1.4.4 c) Preserving biodiversity around Group manufacturing and research facilities	Inventorying protected areas Initiatives under way in the production facilities	Tracking Michelin's commitments in 2019 Inventorying protected areas in 2019 Tracking local initiatives by Michelin facility in 2019	p. 189-192

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
Health and safety risks	**Presentation of risk factors related to the health and safety of employees and others in the workplace**				**p. 163**
	Occupational accidents	4.1.3.2 c) Measuring and tracking occupational accidents	Total Case Incident Rate (TCIR)	Measures introduced in 2019 to prevent occupational accidents	p. 166
	Musculoskeletal (MSK) disorders	4.1.3.1 d) Improving production workstation ergonomics	Percentage of capital expenditure dedicated to ergonomic projects (Percentage of G8 and G10 workstations)	Deployment and outcomes of the measures taken to prevent ergonomic risks in Michelin production plants in 2019 Capital expenditure dedicated to ergonomic projects in 2019	p. 165
	Chemical risks	4.1.3.1 c) Managing industrial hygiene risks to safeguard employee health	Product data sheets in the local language	Deployment and outcomes of the measures taken to manage chemical risks in 2019 Production facilities are entirely asbestos-free	p. 165
	Psychosocial risks	4.1.3.3 b) Quality of worklife: listening to needs and measuring performance 4.1.3.3 c) Psychosocial risks: adapting preventive measures to local cultures	The Group-wide employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey Employee response rate	Tracking the Moving Forward Together survey on this issue in 2019 Deployment and outcomes of the measures to prevent psychosocial risks in 2019	p. 167
	Employee security	4.1.3.2 b) Managing workplace safety	Country risk map	Deployment and outcomes of the measures taken to prevent workplace safety risks	p. 165-167
Human rights risks	**Presentation of human rights risks**				**p. 147**
	Harassment and discrimination	**4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination** 4.1.2.2 b) Programs and tools to attenuate the risk of discrimination 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity 4.1.2.2 d) Promoting employment for people with disabilities and retaining employees who become disabled 4.1.2.2 e) Focusing on local management sensitive to host community cultures	Percentage of women managers Gender wage gap Legally mandated percentage of disabled employees Percentage of local managers in countries outside France	Deployment and outcomes of measures to ensure gender equality in 2019 and encourage the hiring of women Deployment and outcomes of measures to hire and retain people with disabilities in 2019 Deployment and outcomes of measures to encourage cultural diversity among managers in 2019	p. 148-151

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
	Employee relations/ Freedom of association	**4.1.2.3 Promoting responsible social dialogue** 4.1.2.3 a) An assertive social dialogue process 4.1.2.3 c) Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year **4.1.2.4 Supporting employee growth and development**	The Group-wide employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey Number of collective bargaining agreements signed with employee representatives worldwide	Deployment and outcomes of Michelin's Labor Relations Policy in 2019 Deployment and outcomes of the annual "Moving Forward Together" survey and employee engagement rate in 2019 Deployment and outcomes of employee support measures during plant closures in 2018 and 2019	p. 151-159
	Protecting employee privacy and personal data	4.1.1.2 d) Protecting employee privacy and personal data	Percentage of each type of ethics alerts	Deployment and outcomes of the ethics hotline and percentage of each type of alert in 2019	p. 140 p. 44 Cyber risks
	Corruption	4.1.1.2 b) Taking a firm stand against corruption	Percentage of each type of ethics alerts Number of people trained in ethical guidelines	Deployment and outcomes of the ethics hotline and percentage of each type of alert in 2019 Deployment and outcomes of the online training in compliance with ethical guidelines	p. 139-140
	Child labor	4.1.2.1 b) Risks and prevention measures Decent work-related risks now being assessed in the contracting chain	Number of suppliers assessed by EcoVadis Percentage of the 400 suppliers assessed by EcoVadis that are confirmed as compliant Number of Rubberway questionnaires deployed	Deployment and outcomes of the work with the Human Resources Without Borders NGO in 2019 Deployment and outcomes of the human rights impact study conducted in six countries and the new approach in 2019 Deployment and outcomes of the data collected from the Rubberway application in 2019	p. 148
	Forced labor	4.1.2.1 b) Risks and prevention measures Decent work-related risks now being assessed in the contracting chain	Number of suppliers assessed by EcoVadis Percentage of the 400 suppliers assessed by EcoVadis that are confirmed as compliant Number of Rubberway questionnaires deployed	Deployment and outcomes of the work with the Human Resources Without Borders NGO in 2019 Deployment and outcomes of the human rights impact study conducted in six countries and the new approach in 2019 Deployment and outcomes of the data collected from the Rubberway application in 2019	p. 148

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
	Impact on local communities	4.1.2.5 c) Participating harmoniously in local community life through our employees 4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities)	Number of working days dedicated by employees to local community involvement Number of jobs created with the help of Michelin Development	Deployment and outcomes of the impact of Michelin facilities on local communities in 2019 Drafting in 2019 of guidelines for preventing risks to local communities	p. 161-162
	A decent wage	4.1.2.3 b) Offering fair compensation and benefits A decent wage		Launch in 2019 of a comparative study of decent wage practices in France, Romania and Thailand	p. 154
	Product safety	4.1.1.1 Guaranteeing the quality of our products and services	Michelin Total Performance (committed to a 10% improvement between 2010 and 2020)	Update on programs with the TIP on tire wear particles in 2019	p.135-138
Supplier risks	**Supply continuity risk**				**p. 45**
	Michelin Purchasing Principles + ESQF supplier quality system audit procedure + Performance assessment + CSR self-assessment	**4.1.1.3 Demonstrating our social commitments through responsible procurement policies** 4.1.1.3 a) Governance and organization 4.1.1.3 b) Risk identification and levers for action Supplier assessments	Number of suppliers assessed by EcoVadis Percentage of the 400 suppliers assessed by EcoVadis that are confirmed as compliant	Deployment and outcomes of the Michelin Purchasing Policies in 2019 Deployment and outcomes of the ESQF supplier quality system audit procedure in 2019	p. 140-143
Category management	*Raw materials procurement*	4.1.1.3 b) Risk identification and levers for action Identified risks Levers for action deployed: Dedicated Levers for Action in Certain Purchasing Categories	Analysis by source country with Verisk Maplecroft Number of suppliers assessed by EcoVadis Percentage of the 400 suppliers assessed by EcoVadis that are confirmed as compliant Number of action plans deployed at suppliers	Deployment and outcomes of the natural rubber purchasing policies in 2019 Deployment and outcomes of the risk analysis for conflict minerals and hazardous chemicals in 2019 Deployment and outcomes of CSR risk mapping exercise for the procurement of manufacturing inputs and services in 2019	p. 141, 143-144
	Natural rubber procurement	4.1.1.3 c) A dedicated approach for natural rubber	2018 Rubberway results	Deployment and outcomes of the various natural rubber partnerships in 2019 (WWF and GPSNR) Analysis of the 2019 results from the Rubberway application and implementation of on-site action projects as needed	p. 144-146

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
Other issues					**p. 159**
Dialogue with stakeholders	4.1.2.5 a) Stakeholder dialogue				
Managing risks related to acquisitions in 2018	Section 2 Managing risks – Mergers, acquisitions and alliances				p. 45
Whistleblowing system					**p. 139**
4.1.1.2 a) Establishing a global ethical framework/Whistleblowing controls and procedures 4.1.1.3 b) Risk identification and levers for action/Mediation with suppliers					p. 143

05. FINANCIAL PERFORMANCE

5.1 REPORT OF THE MANAGERS

5.1.1 TIRE MARKETS

5.1.1 a) A global market worth some $170 billion[1] in 2018

The global tire market totaled $170 billion in 2018[1], with light-vehicle tires accounting for around 60% of sales and truck tires 30%[2]. By volume, it represented more than 1.5 billion car and light truck tires and a little more than 220 million truck and bus tires[2]. In all, three out of four tires were sold in the replacement market.

Beyond 2020, Michelin expects new tire demand to grow by an average of 2% a year in the Passenger car and Light truck segment and 0-1% a year in the new Truck tire segment. Over the same period, the specialty tire market is forecast to expand by around an average 3% a year, led by the structural growth in the world's population and the ongoing outmigration from rural to urban areas.

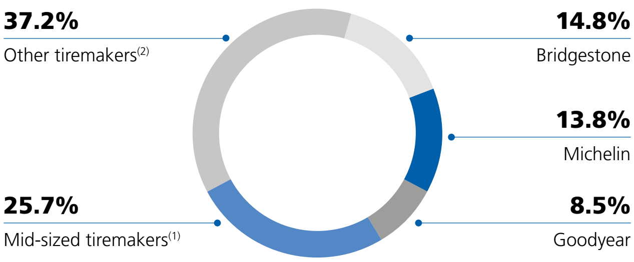
Longer term, tire demand is likely to expand by 1-2% a year in mature markets and by 5-10% a year in the new markets.

/ Changes in standards for tires

Tire performance ratings displayed on standardized labels have been mandatory across the European Union since November 2012, with stricter standards introduced in November 2016 and upgraded in November 2018. Similar legislation has been in effect in South Korea since 2012 (labeling) 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. Regulated tire labeling systems are also under consideration in China.

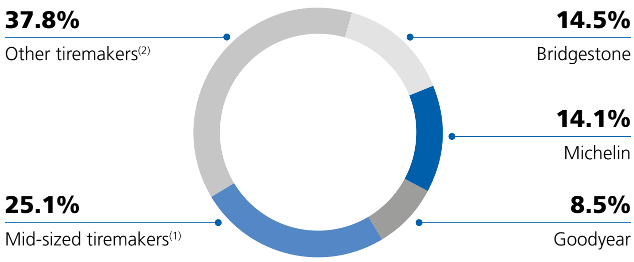
Along with the new environmental legislation requiring automakers to reduce CO_2 and particulate emissions, these tire-related standards are driving demand for low rolling resistance tires, of which Michelin is a world-leading manufacturer.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2018



Source: 2018 sales in US dollars, published in Tire Business, August 2019.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2017



Source: 2017 sales in US dollars, published in Tire Business, August 2018.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

5.1.1 b) Tire markets in 2019

Tire markets generally declined in 2019.

In the Passenger car and Light truck segment, Original Equipment demand fell steeply in every market around the world. The Replacement market was stable, as gains in the Americas and China were offset by declines in Europe and India.

In Truck tires, markets contracted sharply in every region, with the slight growth in OE demand in the Americas and in Replacement markets in Europe offset by the decline in OE demand in Europe and India and the significant drop in the US Replacement market.

In the Specialty Businesses, the mining, two-wheel and aircraft tire markets remained on a growth trend, while demand for agricultural and construction tires fell sharply throughout the year.

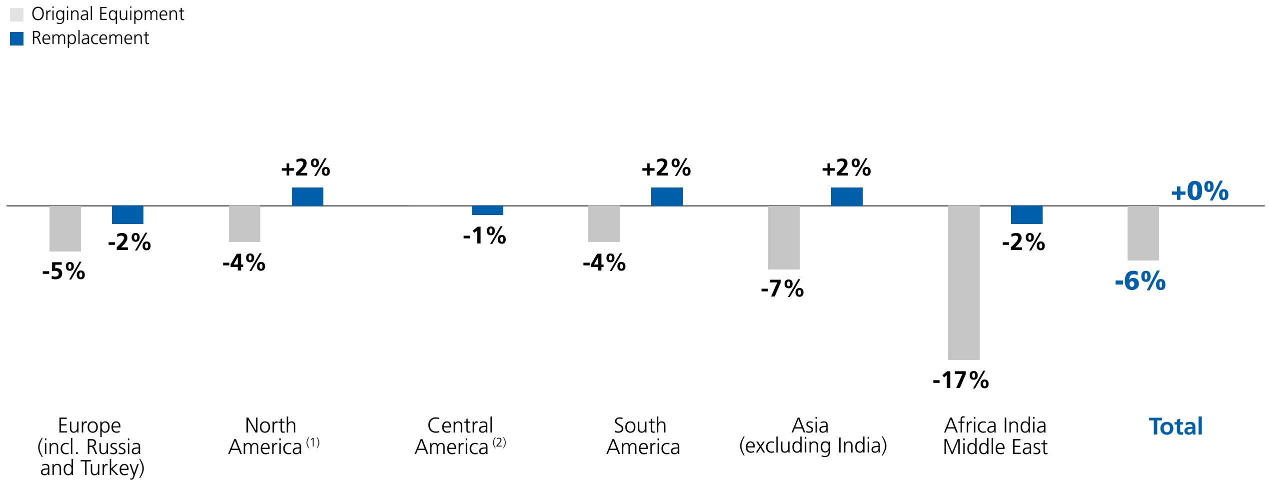
Methodological note: Tire market estimates reflect sell-in data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and are expressed in the number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

(1) Source: Tire Business, August 2019.
(2) Michelin estimates.

5.1.1 c) Passenger car and Light truck tire markets in 2019

In 2019, the global Original Equipment and Replacement **Passenger car and Light truck** tire market was down 2% in number of tires sold.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2019 VS. 2018



Michelin estimates
(1) For Original Equipment, North America is: United States, Canada, Central America.
(2 Replacement data only.

/ Original Equipment

Worldwide unit sales of Original Equipment tires declined by 6% in 2019. In line with second-half 2018 trends, demand fell 8% in the first six months of the year before easing to a 5% decline in the second half, buoyed by the fourth-quarter upturn in the Chinese market.

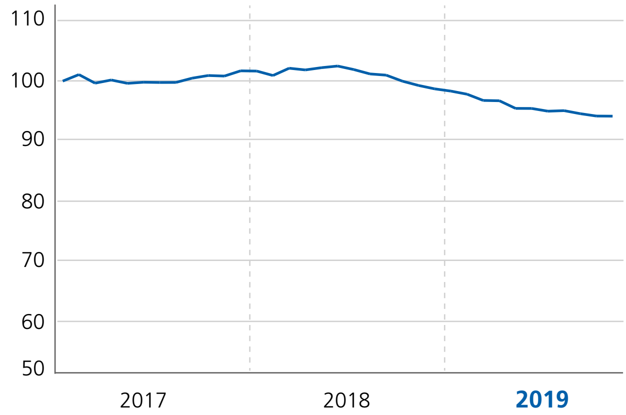
Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	**2019**	**2018**	**2019/2018**	**Second half 2019/2018**	**Fourth quarter 2019/2018**	**Third quarter 2019/2018**	**First half 2019/2018**	**Second quarter 2019/2018**	**First quarter 2019/2018**
Europe[1]	100.0	105.2	-5%	-3%	-4%	-2%	-7%	-8%	-5%
North America[2]	78.9	82.3	-4%	-5%	-9%	-0%	-4%	-3%	-5%
South America	16.3	17.0	-4%	-5%	-5%	-5%	-4%	-2%	-5%
Asia (excluding India)	195.1	208.7	-7%	-4%	-4%	-4%	-9%	-11%	-8%
Africa/India/Middle East	30.2	36.4	-17%	-19%	-17%	-21%	-15%	-18%	-12%
TOTAL	**420.4**	**449.6**	**-6%**	**-5%**	**-6%**	**-4%**	**-8%**	**-9%**	**-7%**

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

In Europe, demand declined by 5% overall during the year, reflecting a 5% contraction in Western Europe due to the significant impact of weaker automobile sales caused by (i) weaker vehicle exports to the United States and China; and (ii) flat domestic demand. Eastern Europe also saw demand shrink by 5%.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

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

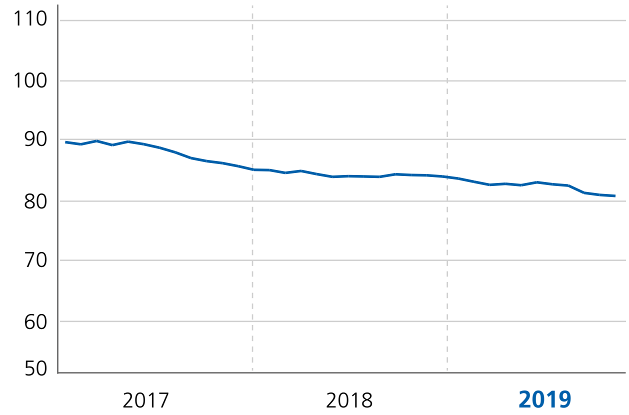


Michelin estimates.

The **North American** market ended the year down 4%. After declining by 4% in the first half, demand dropped by another 5% in the second six months, heavily impacted by the General Motors strike in the fourth quarter, as well as by inventory drawdowns across the auto industry.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

Markets in **South America** ended the year down 4% overall, reflecting the heavily adverse effects of the economic crisis in Argentina.

In Asia (excluding India), total demand fell by 7% over the year, with an 9% drop in the Chinese market. From 15% in the first half, the fall-off in demand slowed to 2% in the second, thanks to more favorable prior-year comparatives and purchases made ahead of the Chinese New Year in the fourth quarter. Overall, the Chinese market was hard hit by a decline in consumption caused by the Chinese-American trade war and the more lackluster economic environment.

The **Africa/India/Middle East** market dropped 17% over the year, as demand was severely dampened by the plunge in domestic spending in India with, in particular, a drop in new vehicle sales of more than 13% in 2019 (due to the liquidity crunch and new regulations) and the geo-political crisis in the Middle East.

/ Replacement

The global Replacement market was stable over the year, as gains in the Americas (up 2%) and China (up 4%) were offset by declines in Europe (down 2%) and in India/Middle East (down 2%).

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	**2019**	**2018**	**2019/2018**	**Second half 2019/2018**	**Fourth quarter 2019/2018**	**Third quarter 2019/2018**	**First half 2019/2018**	**Second quarter 2019/2018**	**First quarter 2019/2018**
Europe[(1)]	373.6	380.7	-2%	-1%	-2%	-0%	-3%	-3%	-2%
North America[(2)]	280.4	274.2	+2%	+1%	-0%	+3%	+4%	+1%	+7%
Central America	36.5	36.9	-1%	-2%	-6%	+3%	-0%	-2%	+1%
South America	66.2	65.0	+2%	+8%	+9%	+6%	-4%	-1%	-7%
Asia (excluding India)	282.3	276.9	+2%	+2%	-4%	+8%	+2%	+4%	+1%
Africa/India/Middle East	103.9	106.3	-2%	-2%	-2%	-2%	-2%	-2%	-2%
TOTAL	**1,142.9**	**1,140.0**	**+0%**	**+0%**	**-2%**	**+3%**	**+0%**	**-0%**	**+0%**

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

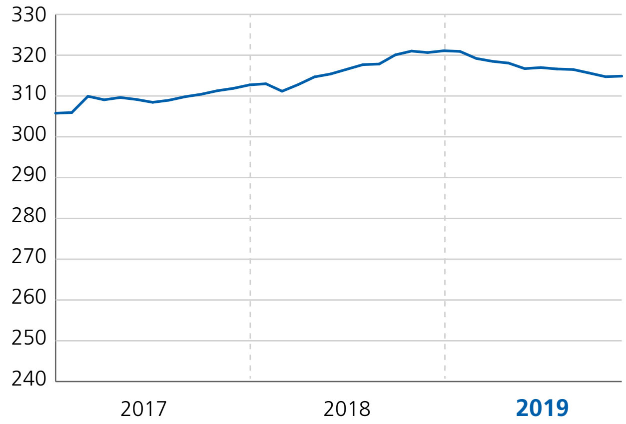
In Europe, the market contracted by 2% overall during the year. After declining 3% in the first half under the highly negative impact of the Turkish economic crisis and inventory drawdowns in Western Europe, demand remained on a downward trend in the second six months, losing 1% primarily because warm winter weighed on winter tire demand. In this environment, the all-season segment continued to enjoy robust demand and remained the leading market growth driver across Europe.

The following table shows the change in demand by major country, with growth varying in the non-euro geographies depending on export sales.

Passenger car and Light truck tires – Replacement	Change vs. 2018
WESTERN EUROPE	**-2%**
▶ France	+0%
▶ Spain	-3%
▶ Italy	-4%
▶ United Kingdom	-1%
▶ Germany	-5%
▶ Poland	-4%
▶ Turkey	-0%
EASTERN EUROPE	**-2%**
▶ Russia	-6%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

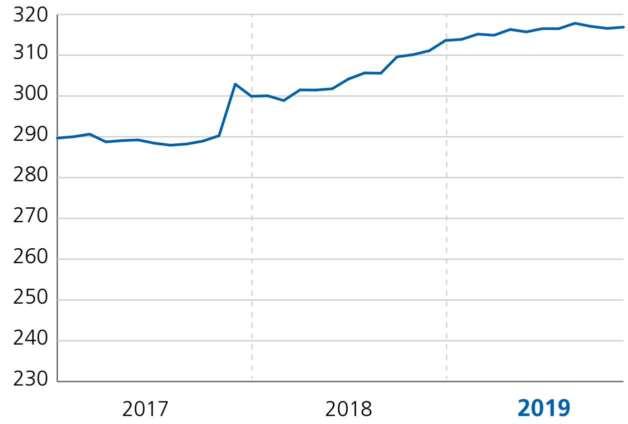
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

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

(in millions of tires – moving 12 months)



Michelin estimates.

In a favorable economic environment, demand in **North America** rose by 2% overall, as a 5% contraction in the Canadian market was offset by a sustained 3% gain in the United States, led by rising sales of Asian tire imports.

In Central America, the market narrowed by 1% over the year, primarily due to the decline in Mexican demand in the second half.

In South America, demand rose by 2% over the year. After being severely impacted in the first half by the economic crisis in Argentina (down 13%) and the decline in Brazilian demand (down 3%), the market rebounded by 8% in the second half, lifted by import tire sales in Brazil and Argentina.

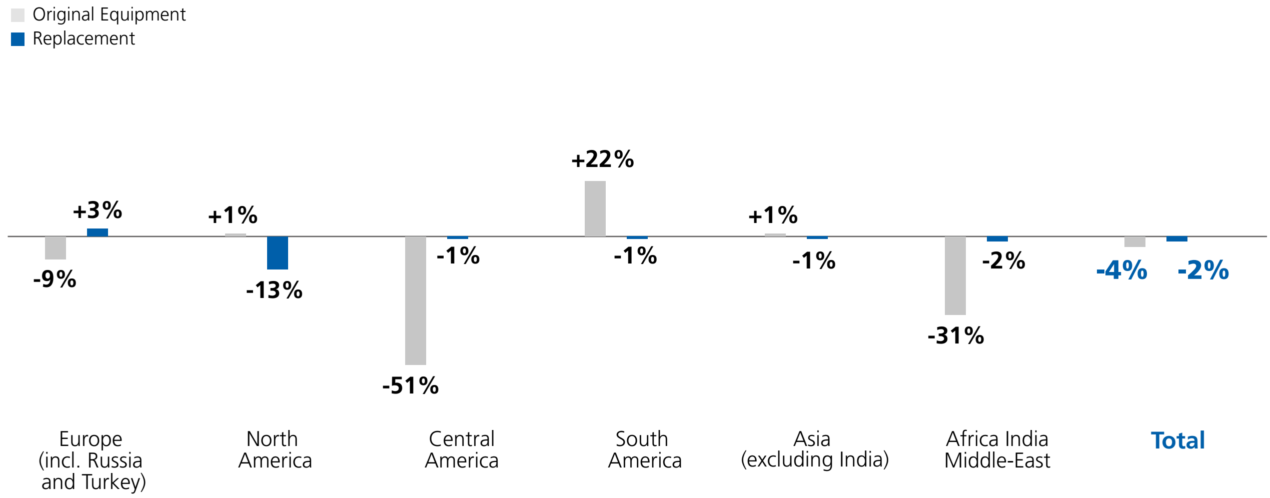
Demand in **Asia (excluding India)** ended 2019 up 2% overall. The sustained strong gains in China (up 4%) were considerably attenuated by the flatness of demand in Southeast Asia. The Japanese market was hurt by the fourth-quarter increase in the VAT rate and, more seriously, by a particularly warm winter season. The other countries in the region showed modest growth over the year.

In the Africa/India/Middle East region, demand slipped 2% over the year. The 17% collapse in the Indian market as the liquidity crunch weighed on consumer spending was partially offset by rising demand in the Middle East (up 5%) and Africa.

5.1.1 d) Truck Tire Markets in 2019

The number of new **Truck** tires sold worldwide declined by 3% in 2019, with a second-half performance in line with first-half trends. The 4% downturn in OE demand and the 13% plunge in the North American Replacement market were only partially offset by the 3% increase in the European Replacement market.

THE GLOBAL TRUCK TIRE MARKET, 2019 VS. 2018



Michelin estimates – new tire market only.

/ Original Equipment

The **global Original Equipment Truck tire market,** as measured by the number of new tires sold, contracted by 4% in 2019. After declining by 2% in the first six months, demand fell by a faster 6% in the second half following the downturn in North America.

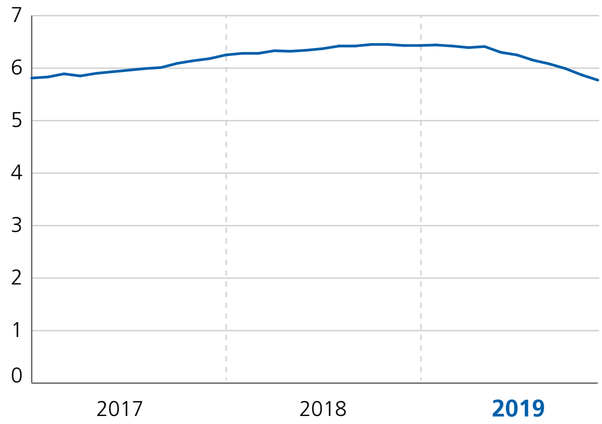
Truck tire markets Original equipment *(in millions of tires)*	**2019**	**2018**	**2019/2018**	**Second half 2019/2018**	**Fourth quarter 2019/2018**	**Third quarter 2019/2018**	**First half 2019/2018**	**Second quarter 2019/2018**	**First quarter 2019/2018**
Europe[(1)]	6.7	7.3	-9%	-15%	-17%	-12%	-4%	-7%	-0%
North America[(2)]	6.8	6.7	+1%	-8%	-14%	-2%	+9%	+6%	+12%
Central America	0.1	0.1	-51%	-60%	-68%	-53%	-40%	-69%	-13%
South America	1.9	1.6	+22%	+12%	+3%	+22%	+33%	+35%	+31%
Asia (excluding India)	27.3	27.1	+1%	+4%	+9%	-2%	-2%	-5%	+2%
Africa/India/Middle East	4.2	6.2	-31%	-38%	-44%	-33%	-24%	-21%	-26%
TOTAL	**46.9**	**49.0**	**-4%**	**-6%**	**-6%**	**-7%**	**-2%**	**-4%**	**-0%**

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

In Europe, the Original Equipment market fell by 9% over the year. The first half saw a 4% decline, caused by the highly adverse impact of the economic crisis in Turkey (down 23%) and of Brexit uncertainties in the UK (down 17%). The contraction further tightened in the second half, with a 15% drop led by the fall-off in automaker demand in Germany (down 32%), as well as in France (down 12%) and Spain (down 19%). However, the Turkish market began to level off during the period (down 4% in the second half).

THE OE TRUCK TIRE MARKET IN EUROPE

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

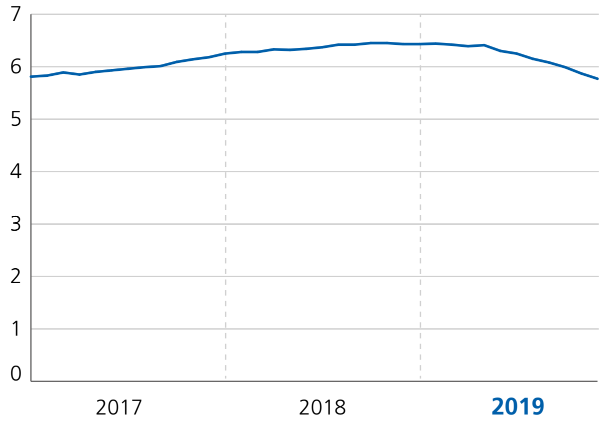


Michelin estimates.

In a still buoyant economic environment, the **North American** OE market delivered very strong 9% growth in the first half before turning downwards in the second, with an 8% decline off of very high prior-year comparatives.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

In South America, the market grew by 22% over the full year, but slowed to a 12% gain in the second half.

Demand **in Asia (excluding India)** edged up 1% overall in 2019. After declining by 2% in the first half, the market rebounded by 4% in the second six months, lifted by Chinese demand and a favorable basis of comparison. Demand in the rest of Asia declined by 11% over the second half, with a 5% contraction in Japan (after an increase in the first half led by regulatory changes) and a 31% drop in Indonesia.

In the **Africa/India/Middle East** region, the market plummeted 31%, dragged down by the collapse in Indian demand (down 45%) in the wake of the country's bruising liquidity crisis.

/ Replacement

The **global Replacement market** declined by 2% in 2019, mainly due to the fall-off in Asian tire imports in the North American market, which was partially offset by a slight increase in demand in Europe led by the upturn in Asian tire sales.

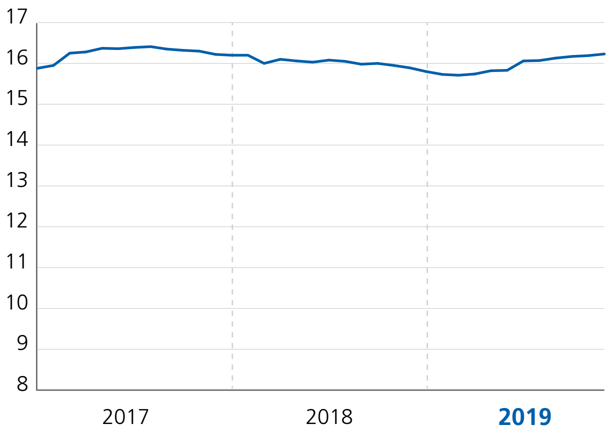
Truck tire markets Replacement *(in millions of tires)*	2019	2018	2019/2018	Second half 2019/2018	Fourth quarter 2019/2018	Third quarter 2019/2018	First half 2019/2018	Second quarter 2019/2018	First quarter 2019/2018
Europe(1)	24.3	23.5	+3%	+7%	+6%	+9%	-1%	+2%	-5%
North America(2)	20.6	23.7	-13%	-15%	-16%	-14%	-10%	-13%	-7%
Central America	6.0	6.1	-1%	+1%	-5%	+7%	-3%	-1%	-4%
South America	12.5	12.6	-1%	-1%	+1%	-2%	-1%	-2%	-0%
Asia (excluding India)	80.5	81.3	-1%	-0%	-3%	+3%	-2%	-4%	+1%
Africa/India/Middle East	31.0	31.7	-2%	-2%	-3%	-2%	-2%	-2%	-2%
TOTAL	**174.9**	**178.8**	**-2%**	**-2%**	**-3%**	**+0%**	**-3%**	**-4%**	**-2%**

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

In Europe, the market ended the year up 3%. After declining by 1% in the first half, demand rebounded by a robust 7% in the second six months, led by imports across the region coming from Thailand and Vietnam. This was particularly the case in Western Europe, where growth benefited from highly favorable prior-year comparatives (reflecting the anti-dumping measures introduced in April 2018 on tires coming from China).

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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

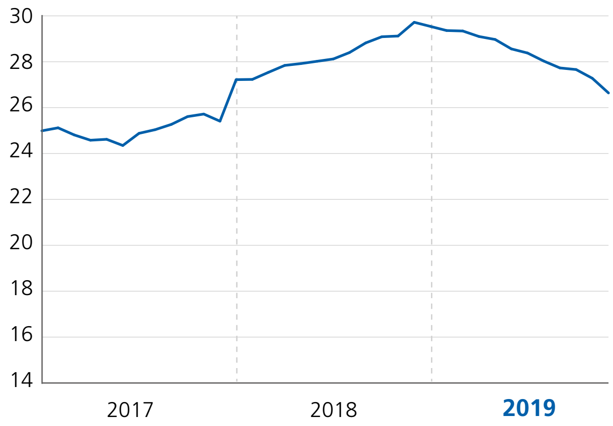


Michelin estimates.

In North America, demand plunged 13% over the year. Because retailers had stockpiled massive inventory in second-half 2018 ahead of the mid-February 2019 introduction of customs duties on Chinese tires, the North American non-pool Replacement market saw steep inventory drawdowns in the first half, followed in the second by comparisons with very high prior-year figures. The pool market eased back only slightly over the year, mainly thanks to the very high demand in the OE segment until third-quarter 2019.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

In Central America, demand declined by 1% over the year.

South American markets were also down 1% overall, with persistently flat demand in Brazil but an 8% rebound in Argentina in the second half following a sharp 15% drop in the first. The Colombian and Peruvian markets cooled in the second half, dampened by the unstable political and economic environment.

Replacement tire markets **in Asia (excluding India)** retreated by 1% in 2019. After declining by 2% in the first six months of the year, demand seems to have leveled off in the second half, particularly in China (down 2% in the first half then stable in the second). The Japanese market was stable, with highly volatile demand between the third and fourth quarters following an increase in the VAT rate.

In the Africa/India/Middle East region, new tire demand contracted by 2%, with a 3% decline in the Indian market.

5.1.1 e) Specialty Tire Markets in 2019

Mining tires: the Mining tire market is still being driven by robust demand from mining companies, while the quarry tire segment is suffering from dealer inventory management policies.

Conveyor belt markets are continuing to expand, in line with global GDP trends.

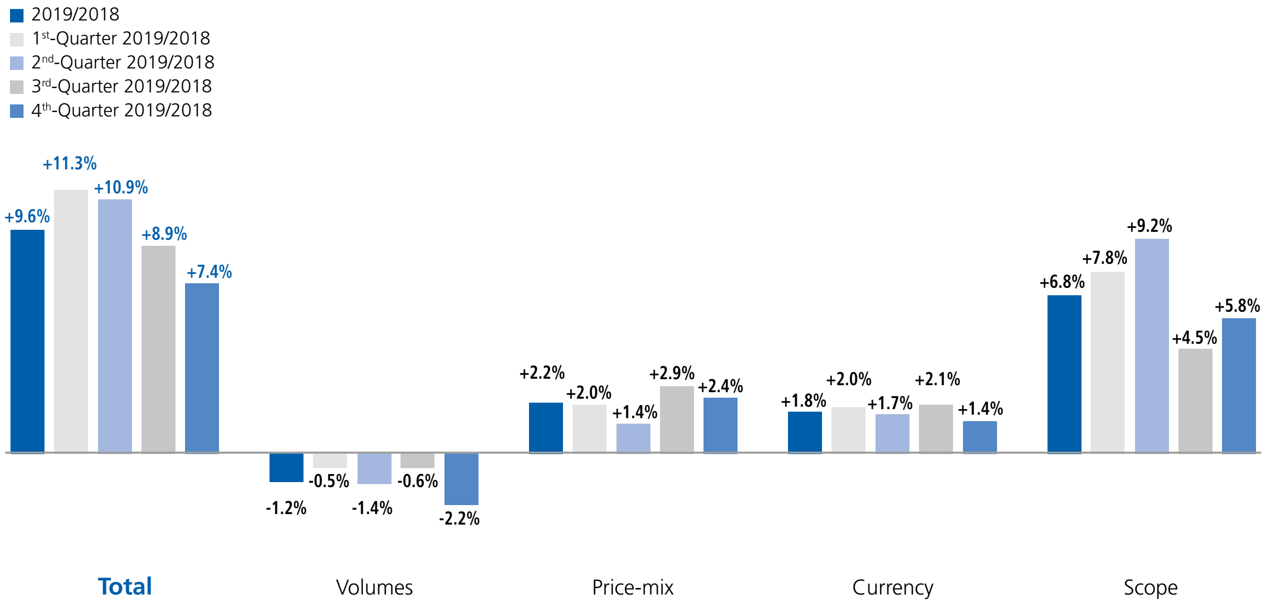
Agricultural and Construction tires: in the Agricultural segment, the cyclical contraction observed since the summer is continuing, especially in OE markets. Demand in the Construction segments is being dampened by global economic uncertainty.

Two-wheel tires: the global motorcycle tire market declined during the year, dragged down by the sharp fall-off in demand in North America, which was only partially offset by growth in both the motorcycle and scooter segments in Europe. Demand in the commuting segment continued to trend upwards.

Aircraft tires: the commercial Aircraft tire market is continuing to grow, with momentum still strongest in the radial segment. This reflects the sustained increase in air passenger traffic, which has slightly slowed recently as load factors improve.

5.1.2 SALES

5.1.2 a) Analysis of Sales



Sales stood at €24,135 million for the year, up 9.6% from €22,028 million in 2018, due to the combined impact of the following factors:

- a €261 million decrease from the 1.2% decline in volumes, reflecting the Group's ability to maintain its positions in contracting markets. This performance was primarily supported by the Group's well-balanced business base and the ongoing extension of its products and services portfolio;
- a €477 million or 2.2% increase from the price-mix effect, comprising €230 million (1.1%) from higher prices and €248 million (1.1%) from improvements in the mix. The price impact stemmed from (i) in the Replacement segment, assertive price management at a time of softening demand; and (ii) in the indexed businesses, adjustments following the application of raw materials indexation clauses. While the mix effect was favorable across the business base, the primary factors at the Group level were (i) in the Automotive business, the steady sales growth in the premium MICHELIN-brand 18-inch and larger segment and, to a lesser extent, the relative growth rates in Replacement and Original Equipment sales; and (ii) in the Specialty businesses, the sustained relative growth in mining tire sales and the decline in Off-the-road sales, hit by the steep fall-off in OE markets;
- a €395 million or 1.8% increase from the currency effect, which essentially reflected the US dollar's rise against the euro throughout the year. The positive impact was dampened, however, by the significant decline against the euro of emerging market currencies (mainly the Turkish lira and the Argentine peso);
- a €1,496 million or 6.8% increase from changes in the scope of consolidation, mainly corresponding to the consolidation of Fenner (over six months), Camso (acquired in December 2018 and consolidated as from January 1, 2019), and Multistrada and Masternaut (both acquired in 2019). The positive impacts were somewhat attenuated by the first-quarter 2019 deconsolidation of the TCi distribution network in North America, following its sale to the TBC wholesaling joint venture in April 2018.

Note that sales of tire-related services and solutions totaled €1,169 million in 2019, versus €1,113 million in 2018.

(in € millions and %)	2019	Second half 2019	Fourth quarter 2019	Third quarter 2019	First half 2019	Second quarter 2019	First quarter 2019
SALES	**24,135**	**12,354**	**6,239**	**6,115**	**11,781**	**5,972**	**5,809**
Change, year-on-year	**+2,107**	**+929**	**+429**	**+500**	**+1,179**	**+587**	**+591**
Volumes	-261	-163	-127	-36	-98	-74	-25
Price-mix	+477	+301	+137	+164	+176	+73	+104
Currency effect	+395	+197	+80	+117	+197	+94	+103
Scope of consolidation	+1,496	+592	+337	+255	+904	+495	+409
% change, year-on-year	**+9.6%**	**+8.1%**	**+7.4%**	**+8.9%**	**+11.1%**	**+10.9%**	**+11.3%**
Volumes	-1.2%	-1.4%	-2.2%	-0.6%	-0.9%	-1.4%	-0.5%
Price-mix	+2.2%	+2.6%	+2.4%	+2.9%	+1.7%	+1.4%	+2.0%
Currency effect	+1.8%	+1.7%	+1.4%	+2.1%	+1.9%	+1.7%	+2.0%
Scope of consolidation	+6.8%	+5.2%	+5.8%	+4.5%	+8.5%	+9.2%	+7.8%

5.1.2 b) Sales by Reporting Segment

Segment information is presented according the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities as well as the Conveyor Belts and High-Tech Materials activities. The above three operating segments are essentially the same as the ones presented in the prior year, with the exception of a few reallocations. The main change, which was prompted by the 2018 acquisition of Camso and the subsequent redefinition of the exclusively Off-the-road business unit, concerned the transfer of multi-purpose (on and off-the-road) construction truck tires from the Off-the-road unit in the "Specialty businesses" segment to the "Road transportation" segment. The 2018 segment reporting has been restated accordingly. Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

(in € millions)	2019	Second half 2019	Fourth quarter 2019	Third quarter 2019	First half 2019	Second quarter 2019	First quarter 2019
GROUP	**24,135**	**12,354**	**6,239**	**6,115**	**11,781**	**5,972**	**5,809**
Automotive and related distribution	11,851	6,193	3,217	2,976	5,658	2,871	2,788
Road transportation and related distribution	6,448	3,304	1,615	1,689	3,144	1,594	1,550
Specialty businesses and related distribution	5,836	2,857	1,406	1,451	2,979	1,508	1,471
% change, year-on-year	**+9.6%**	**+8.1%**	**+7.4%**	**+8.9%**	**+11.1%**	**+10.9%**	**+11.3%**
Automotive and related distribution	+4.6%	+8.1%	+7.1%	+9.2%	+1.0%	+1.8%	+0.2%
Road transportation and related distribution	+1.1%	-0.8%	-2.7%	+1.0%	+3.2%	+1.3%	+5.3%
Specialty businesses and related distribution	+35.2%	+20.9%	+22.6%	+19.2%	+52.5%	+52.2%	+52.8%

/ Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution reporting segment declined by 1% over the year. After retreating 2% in the first half, which saw a very sharp slowdown in global OE demand and a particularly weak Replacement market in Europe, sales returned to growth in the second six months, gaining 1% despite the still adverse market impact of softening OE demand and persistently weak Replacement demand. Over the full year, the Group successfully maintained its market positions overall, even as it diligently applied a disciplined pricing policy and continued to enhance the value of the mix by increasing sales in the premium 18-inch and larger segment, in particular by broadening the product portfolio.

In **Europe,** OE sales ended the year down in a market hard hit by cooling new vehicle demand in an increasingly restrictive regulatory environment, but also by the plunge in new vehicle exports due to trade tensions between China and the United States. In Replacement markets, Michelin strengthened its positions over the year, while diligently applying its pricing policy. The product mix moved further upmarket, led by growth in the 18-inch and larger segment. In addition, the Group continued to benefit from its strong positions in the all-season segment, with its MICHELIN Cross Climate line, and from the robust sales of its Tier 2 brands (KLEBER and BFGoodrich) and Tier 3 lines in Central Europe. Sales rose sharply in Eastern Europe, lifted by the success of the new MICHELIN X Ice North 4 line of winter tires.

In a **North American** OE market dampened by the decline in automobile production and the General Motors strike in the final quarter, the Group maintained its positions over the year. In the Replacement segment, where growth is being driven primarily by Asian tire imports, Group sales declined, in particular due to the dealership network rationalization program deployed in 2019 by TBC, the joint venture created with Sumitomo Corporation of Americas in 2018, that lead to some destocking. UNIROYAL brand sales climbed sharply, lifted by the end-to-end product line refresh in 2019.

Sales in **South America** rose over the year, especially in the 17-inch and larger segments, where the Group is gaining market share while diligently managing prices in a highly volatile currency environment. OE sales contracted, primarily due to the decline in demand, which was severely impacted by the economic crisis in Argentina.

In **Asia (excluding India),** the Group maintained its positions in markets that saw weak growth in the Replacement segment and a sharp decline in OE demand. In China, transforming the Replacement market access model helped to enhance the sales mix, which remained stable overall, with in particular a steadily growing proportion of 18-inch and larger tires. Replacement sales rose in Southeast Asia, led by MICHELIN-brand 18-inch tires and BF GOODRICH-brand all-terrain solutions. OE demand fell precipitously across the region. In this environment, the Group maintained its positions by capitalizing on its diversified customer base, which enabled it to seize growth opportunities wherever they arose.

In the **Africa/India/Middle East** region, the Group broadened its market share in both the OE and Replacement segments, even as they weakened during the year.

Michelin Experiences' sales performance was shaped by strong growth in B2B revenue, led by the monetization of Michelin Guide launches in an ever-widening array of destinations, and by an increase in digital revenue thanks more effective content monetization. On December 3, Michelin signed an agreement with TripAdvisor that included the sale of BookaTable to online restaurant booking platform TheFork, as well as a licensing partnership with TheFork aimed at improving access to the some 4,000 restaurants selected by Michelin Guide inspectors in Europe. In addition, on December 10, Michelin Travel Partner (MTP) and Media Participation announced their plans to create a joint venture, with MTP contributing its B2C Print operations and taking a 40% minority stake in the operation. In its ongoing commitment to offering every customer an outstanding mobility experience, Michelin Experiences is strategically focusing on its unrivaled expertise in curating a unique selection of restaurants, hotels and travel services.

In all, sales in the Automotive and related distribution reporting segment rose by 4.6% to €11,851 million, from €11,332 million in 2018. The decline in volumes was more than offset by steady enhancement of the product mix, led by the sustained success of the MICHELIN Primacy 4, Cross Climate+, X Ice North 4 and PilotSport 4 SUV lines on the one hand, and strong growth in the 18-inch and larger segment on the other, as well as a disciplined pricing policy pursued throughout the year. The acquisition of Multistrada in first-quarter 2019 also helped to increase segment sales, despite the slightly unfavorable impact of deconsolidating TCi in first-quarter 2018.

/ Road transportation and related distribution – Analysis of sales

Volumes in the Road transportation and related distribution reporting segment declined by 3% in 2019, in line with market trends for the year. Although the Group strengthened its positions in generally shrinking markets in the first half, the ensuing collapse in OE demand, particularly in Europe and North America, weighed heavily on sales in the second half of the year.

In **Europe,** the Group maintained its positions in an OE market down 10% for the year. On the Replacement side, the first half saw volume gains, led by the customs duties introduced in 2018 and the success of the MICHELIN AGILIS Cross Climate and BFGoodrich lines. However, the second half proved to be more challenging as the economic slowdown weighed on the transportation industry and the only growth in demand was for Asian tires (off of favorable prior-year comparatives), which hurt the Group's Low Intermediate tire sales. In this environment, Michelin focused on preserving margins with an assertive pricing policy.

In a **North American** market shaped by robust OE demand until the third quarter and a steep drop in Replacement demand that was primarily due to the collapse in import sales, Michelin volumes rose in every operating segment, thanks to the quality of the Group's products and services, which is widely recognized by manufacturers and users of urban mobility solutions such as buses and light trucks. The development of fleet services continued apace.

In **South America,** Michelin successfully maintained its positions in a fast-growing, OE-driven market, in particular thanks to strong OEM demand for its products and services. The high volatility of imports into markets that have generally been weakened by a series of recessions is disrupting the competitive environment in the Replacement segment, at a time when the Group has decided to maintain its firm pricing policy. Sascar's fleet management solutions remain on a growth trajectory.

In **Asia (excluding India),** and particularly in China, the focus on customers who value Michelin products with their high technological content did not adversely impact Group volumes, which held firm in a slightly lower market. In the rest of the region, the Group's operations are confronting increased competition from local tiremakers, particularly the Chinese manufacturers who have been shut out of other world markets by the introduction of import duties.

In the **Africa/India/Middle East** region, where markets fell sharply during the year, Michelin maintained its positions while protecting its margins with a disciplined pricing policy.

In all, sales by the Road transportation and related distribution reporting segment increased by 1.1% year-on-year, to €6,448 million from €6,378 million in 2018. Despite a favorable mix and a firm pricing policy reflecting the Group's strategy of building positions only in value-creating markets, the decline in volumes caused sales to end the year down slightly at constant exchange rates.

/ Specialty businesses and related distribution – Analysis of sales

Mining tires: Sales maintained their momentum, in particular thanks to the business' solid positions in the surface mining segment, its unrelenting pricing discipline and the expansion of its service operations.

Market share gains by Fenner's Conveyor Solutions business more than offset a certain amount of dealer destocking and softer demand in the energy-related segments.

Agricultural and Construction tires: Sales declined during the year, dragged down by plummeting OE demand. The Group's firm price discipline partially offset the unfavorable impact of the market collapse.

The integration of Camso, a global leader in off-the-road mobility acquired in December 2018, proceeded as planned during the year, delivering a number of contract wins in 2019 capitalizing on the company's synergies with Michelin.

Two-wheel tires: Sales rose under the combined impact of the increase in tonnages sold, strict price management and a favorable currency effect.

Aircraft tires: Sales continued to increase, lifted as always by sustained growth in the Radial segment, where Michelin is demonstrating its technological leadership.

In all, sales by the Specialty businesses reporting segment increased by 35.2% year-on-year, to €5,836 million from €4,318 million in 2018. In addition to the highly favorable impact from the consolidation of Fenner and Camso, the gain was led by growth in mining tire sales, robust demand for aircraft and two-wheel tires and a disciplined pricing policy.

5.1.2 c) Changes in exchange rates for the main operating currencies

At current exchange rates, consolidated sales rose by 9.6% in 2019.

This increase included a €395 million positive currency effect, stemming primarily from the euro's favorable movements against the US dollar, Chinese renminbi and pound sterling.

Average exchange rate	2019	2018	Change
Euro/USD	1.120	1.182	-5.2%
Euro/CNY	7.733	7.803	-0.9%
Euro/GBP	0.877	0.884	-0.8%
Euro/BRL	4.410	4.283	+3.0%
Euro/AUD	1.611	1.579	+2.0%
Euro/CAD	1.486	1.530	-2.8%
Euro/RUB	72.469	73.749	-1.7%
Euro/JPY	122.042	130.477	-6.5%
Euro/MXN	21.566	22.703	-5.0%
Euro/THB	34.773	38.172	-8.9%
Euro/CLP	785.316	755.499	+3.9%
Euro/TRY	6.350	5.525	+14.9%
Euro/SEK	10.580	10.247	+3.2%
Euro/INR	78.841	80.611	-2.2%
Euro/ZAR	16.169	15.521	+4.2%
Euro/ARS	52.281	30.732	+70.1%

Sales break down as follows by currency:

Currency	%		
USD	38%	MXN	1%
EUR	31%	THB	1%
CNY	5%	CLP	1%
GBP	3%	TRY	1%
BRL	3%	SEK	1%
AUD	3%	INR	1%
CAD	3%	ZAR	0.5%
RUB	1%	ARS	0.4%
JPY	1%	Other	4.4%
TOTAL			**100%**

5.1.2 d) Sales by region

(in € millions)	2019	2019/2018	Second half 2019	First half 2019
GROUP	**24,135**	**+9.6%**	**12,354**	**11,781**
Europe	8,847	+3.2%	4,495	4,352
of which France	*2,113*	*+2.8%*	*1,077*	*1,036*
North America (incl. Mexico)	8,902	+13.8%	4,606	4,296
Other regions	6,386	+13.3%	3,253	3,133

(in € millions)	2019	% of total	2018	% of total
GROUP	**24,135**		**22,028**	
Europe	8,847	36.7%	8,570	38.9%
of which France	*2,113*	*8.8%*	*2,056*	*9.3%*
North America (incl. Mexico)	8,902	36.9%	7,824	35.5%
Other regions	6,386	26.4%	5,634	25.6%

The Group's sales rose in every region during the year.
More than 60% of consolidated sales were generated outside Europe and more than 90% outside France.

5.1.3 CONSOLIDATED INCOME STATEMENT REVIEW

The definition of cost of sales was updated in 2019 to reflect the effects of the new organization set up in 2018 and the development of customer service businesses. Previously limited to the description of cost of sales for the Group's manufacturing activities, which is unchanged, the definition now includes the costs incurred to produce, administer and execute customer services. The main impact of this change is that "cost of sales" now includes the operating costs of the service centers run by the Euromaster dealership network in Europe, which were previously recognized in the consolidated income statement under "sales and marketing expenses".

The change has not had any impact on segment operating income, which is the Group's key operating performance metric, or on segment reporting data.

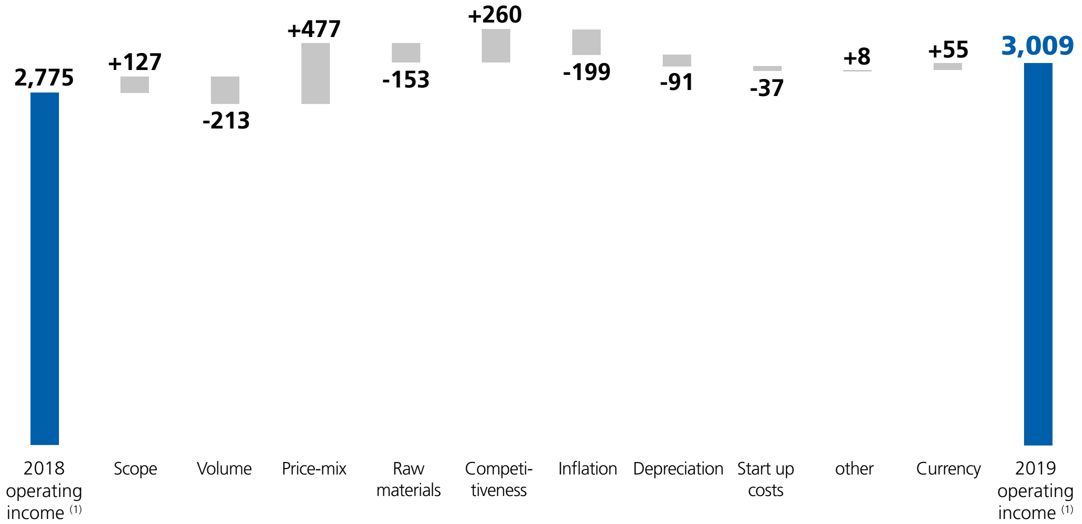
The impact of these changes on the consolidated income statement is presented in note 2.5 "Restatement of comparative financial information at December 31, 2018" to the consolidated financial statements.

(in € millions, except per share data)	2019	2018[(1)]	2019/2018	2019 *(as a % of sales)*	2018 *(as a % of sales)*
Sales	24,135	22,028	9.6%		
Cost of sales	(17,053)	(15,517)	9.9%	70.7%	70.4%
Gross income	**7,082**	**6,511**	**8.8%**	**29.3%**	**29.6%**
Sales and marketing expenses	(1,380)	(1,267)	8.9%	5.7%	5.8%
Research and development expenses	(687)	(648)	6.0%	2.8%	2.9%
General and administrative expenses	(1,987)	(1,816)	9.4%	8.2%	8.2%
Segment other income and expenses	(19)	(5)	280.0%	0.1%	0.0%
Segment operating income	**3,009**	**2,775**	**8.4%**	**12.5%**	**12.6%**
Other operating income and expenses	(318)	(225)	41.3%	1.3%	1.0%
Operating income	**2,691**	**2,550**	**5.5%**	**11.1%**	**11.6%**
Cost of net debt	(330)	(200)	65.0%	1.4%	0.9%
Other financial income and expenses	(5)	16	n/a	0.0%	-0.1%
Net interest on employee benefit obligations	(98)	(90)	8.9%	0.4%	0.4%
Share of profit/(loss) from equity-accounted companies	(22)	(46)	-52.2%	0.1%	0.2%
Income before taxes	**2,236**	**2,230**	**0.3%**	**9.3%**	**10.1%**
Income tax	(506)	(570)	-11.2%	2.1%	2.6%
Net income	**1,730**	**1,660**	**4.2%**	**7.2%**	**7.5%**
▶ Attributable to the shareholders of the Company	1,751	1,677	4.4%	7.3%	7.6%
▶ Attributable to the non-controlling interests	(21)	(17)	23.5%		
Earnings per share (in €)					
▶ Basic	9.69	9.30	4.2%		
▶ Diluted	9.66	9.25	4.4%		

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

5.1.3 a) Analysis of segment operating income

(in € millions)



(1) Segment operating income.

Segment operating income amounted to €3,009 million or 12.5% of sales in the year ended December 31, 2019, versus €2,775 million and 12.6% in 2018.

The year's performance reflected:

- a €127 million increase from changes in the scope of consolidation following the inclusion of Fenner, Camso, Multistrada and Masternaut and the removal of TCi;
- a €213 million decrease from the 1.2% decline in volumes and the €108 million fixed cost shortfall, following the sudden drop in demand and the ensuing production adjustments required to reduce inventory during the end of the year;
- a robust €477 million increase from the price-mix effect thanks in particular to disciplined price management, which cushioned the €153 million adverse impact from raw materials costs (including customs duties);
- the €199 million increase in costs was more than offset by €260 million in competitiveness gains. Depreciation and amortization expense rose by €91 million and start-up costs by €37 million. Other factors totaled an increase of €8 million for the year;
- lastly, favorable currency movements added €55 million to the reported figure.

At constant exchange rates and scope of consolidation, segment operating income totaled €2,827 million in 2019, a €52 million improvement on the €2,775 million reported in 2018. In this way, Michelin has met its target of generating segment operating income at constant exchange rates and scope of consolidation in an amount exceeding the 2018 figure.

Other operating income and expenses represented an expense of €318 million. This primarily corresponded to restructuring costs, particularly the €249 million in costs related to the planned closure of the production plants in La Roche-sur-Yon, France and Bamberg, Germany. Other expenses also include the €91 million in amortization of acquired trademarks and customer relationships, recognized in particular on the consolidation of Fenner and Camso.

5.1.3 b) Segment operating income

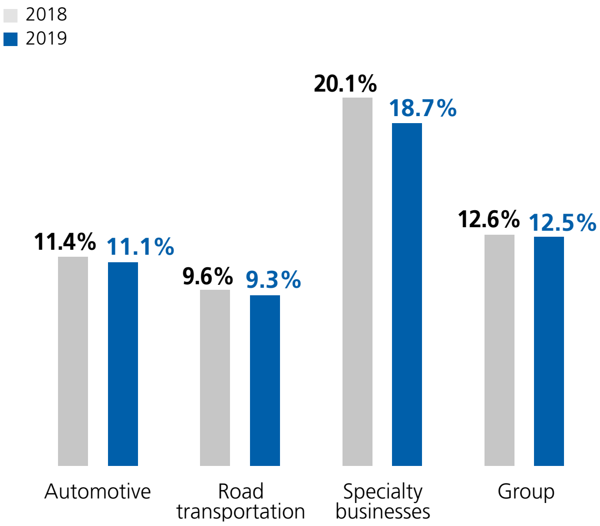
Certain businesses were reallocated to new segments with effect from January 1, 2019. The main change, which was prompted by the December 2018 acquisition of Camso and the subsequent redefinition of the exclusively Off-the-road business unit, concerned the transfer of multi-purpose (on and off-the-road) construction Truck tires from the Off-the-road unit in the "Specialty businesses" segment to the "Road transportation" segment.

Camso's income is included in the exclusively Off-the-road business unit in the "Specialty businesses" segment.

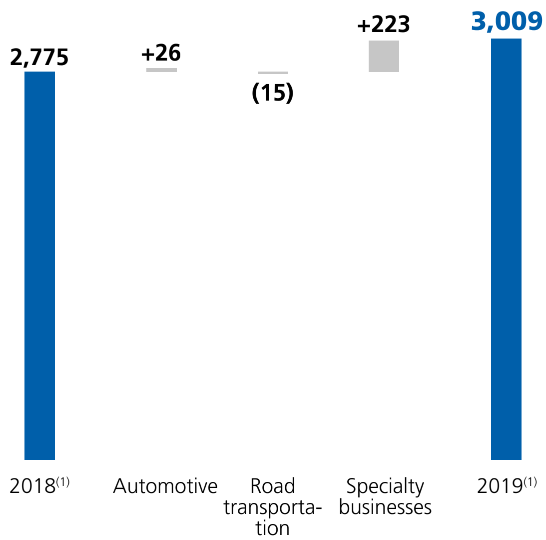
The impact of these changes on the consolidated income statement is presented in note 2.5 "Restatement of comparative financial information at December 31, 2018" to the consolidated financial statements.

(in € millions)	2019	2018 restated	Second half 2019	First half 2019
Automotive and related distribution				
Sales	11,851	11,332	6,193	5,658
Segment operating income	1,321	1,295	736	585
Segment operating margin	**11.1%**	**11.4%**	**11.9%**	**10.3%**
Road transportation and related distribution				
Sales	6,448	6,378	3,304	3,144
Segment operating income	597	612	318	279
Segment operating margin	**9.3%**	**9.6%**	**9.6%**	**8.9%**
Specialty businesses and related distribution				
Sales	5,836	4,318	2,857	2,979
Segment operating income	1,091	868	517	574
Segment operating margin	**18.7%**	**20.1%**	**18.1%**	**19.3%**
Group				
Sales	24,135	22,028	12,354	11,781
Segment operating income	3,009	2,775	1,571	1,438
Segment operating margin	**12.5%**	**12.6%**	**12.7%**	**12.2%**

/ Segment operating margin



(in € millions)



(1) Segment operating income.

/ Automotive and related distribution – Analysis of segment operating income

Automotive and related distribution *(in € millions)*	**2019**	**2018 restated**	**2019/2018**	**2019** *(% of consolidated total)*	**2018** *(% of consolidated total)*
Sales	11,851	11,332	+4.6%	49%	51%
Change in volumes	*-1%*				
Segment operating income	1,321	1,295	+2.0%	44%	47%
Segment operating margin	11.1%	11.4%	-0.3 pt		

Automotive segment operating income came to €1,321 million or 11.1% of sales versus €1,295 million and 11.4% in 2018.

The improvement primarily reflected (i) the 1% decline in volumes in markets down 2% for the year, the fixed cost shortfall and the rise in raw materials costs following the late 2018 increase in butadiene prices, all of which were offset by (ii) the highly positive price-mix effect stemming from the Group's disciplined price management and the growing proportion of 18-inch and larger tires in the sales mix. In addition, the consolidation of Multistrada reduced the segment operating margin.

/ Road transportation and related distribution – Analysis of segment operating income

Road transportation and related distribution *(in € millions)*	**2019**	**2018 restated**	**2019/2018**	**2019** *(% of consolidated total)*	**2018** *(% of consolidated total)*
Sales	6,448	6,378	+1.1%	27%	29%
Change in volumes	*-3%*				
Segment operating income	597	612	-2.4%	20%	22%
Segment operating margin	9.3%	9.6%	-0.3 pt		

Road transportation segment operating income amounted to €597 million or 9.3% of sales, compared with €612 million and 9.6% the year before.

The slight decline was attributable to (i) the 3% contraction in volumes in line with market trends, the fixed cost shortfall and the €30 million increase in customs duties, all of which were offset by (ii) the robust price-mix reflecting the Group's selective focus on value-creating market segments. The Group continued to expand its Services and Solutions business with the acquisition of Masternaut in Europe, and now manages more than one million vehicles under contract.

/ Specialty businesses and related distribution – Analysis of segment operating income

Specialty businesses and related distribution *(in € millions)*	**2019**	**2018 restated**	**2019/2018**	**2019** *(% of consolidated total)*	**2018** *(% of consolidated total)*
Sales	5,836	4,318	+35.2%	24%	20%
Change in volumes	*-1%*				
Segment operating income	1,091	868	+25.7%	36%	31%
Segment operating margin	18.7%	20.1%	-1.4 pt		

Segment operating income from the Specialty businesses amounted to €1,091 million or 18.7% of sales, versus €868 million and 20.1% the year before.

The increase was primarily attributable to the consolidation of Fenner and Camso, whose results were in line with expectations. However, their consolidation reduced segment operating margin by 2.5 points.

At constant scope of consolidation, segment operating margin improved to 21.2% in 2019 from 20.1% a year earlier. Volumes eased back 0.6% during the year, as the strong performance in mining tires offset nearly all of the contraction in Off-the-road tire volumes. The fixed cost shortfall was absorbed by the robust price effect, with in particular a favorable business mix and a priority focus on margin integrity in the OE Agricultural tire segment.

5.1.3 c) Other income statement items

/ Raw materials

The cost of **raw materials** reported in cost of sales has been estimated at €5.1 billion in 2019 versus €4.9 billion in 2018.

It is calculated on the basis of:

- the price and mix of the Group's raw materials purchases;
- production and sales volumes;
- the valuation of raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product;
- exchange rate movements, which correspond to (i) the impact of converting the cost of purchases made in local currencies into the consolidation currency; and (ii) an untracked residual currency effect resulting from the difference between the purchasing companies' local currency and the currency used to purchase their raw materials.

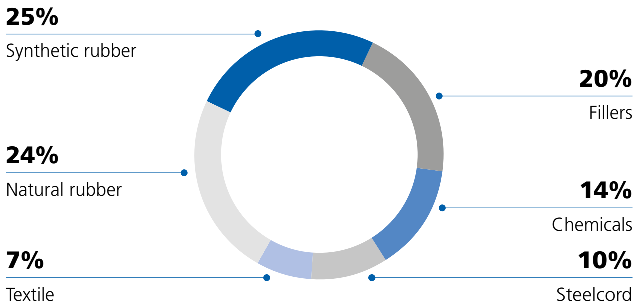
In 2019, the raw materials costs recognized in cost of sales included a €123 million unfavorable price impact, including the residual currency effect, as well as €30 million in additional customs duties compared with 2018.

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

On the basis of estimated 2019 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

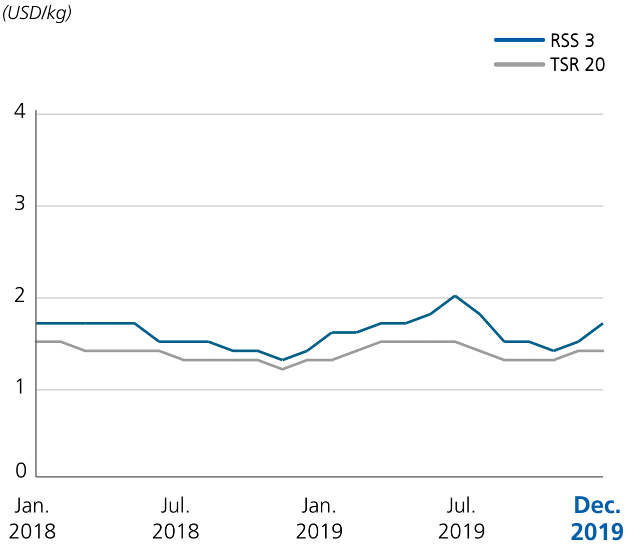
- a USD 0.10 per kg decrease in natural rubber prices would feed through to around an USD 90 million reduction in full-year purchasing costs;
- a USD 1.00 per barrel decline in oil prices would feed through to a USD 9 million decrease in full-year purchasing costs.

RAW MATERIALS RECOGNIZED IN 2019 COST OF SALES (€5.1 BILLION)

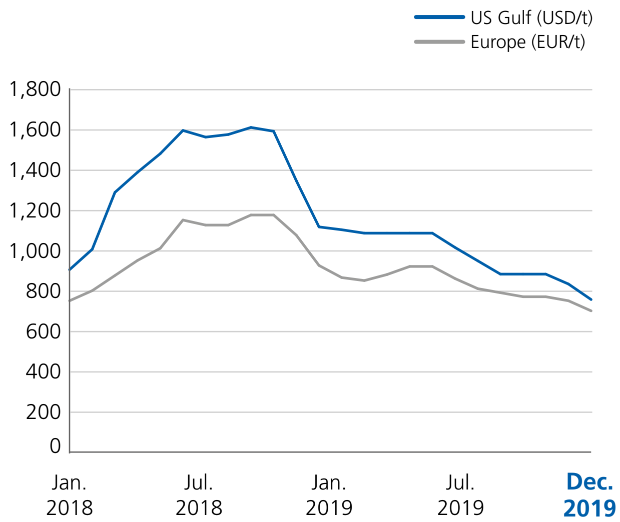


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



/ Employee benefit costs and number of employees

At €6,365 million, **employee benefit costs** represented 26.4% of sales in 2019, down 1 point from the year before. The 5.4% or €327 million increase in euro terms was primarily attributable to the consolidation of Fenner, Camso, Multistrada and Masternaut employees.

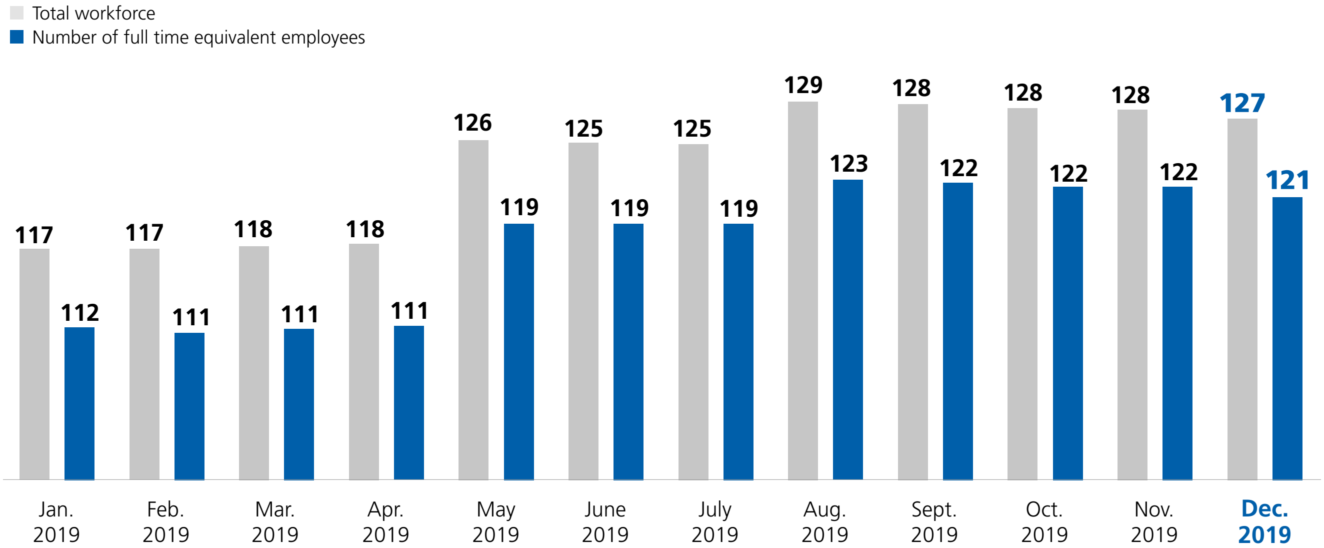
In addition, the adverse impact of currency movements (mainly the US dollar's gains against the euro) was more than offset by the ongoing reduction in headcount in high-cost regions and corporate offices.

In 2019, an expense of €6,423 million was recognized in segment operating income, and a gain of €58 million was recognized in other operating income and expenses. In 2018, €5,972 million in expenses were recognized in segment operating income and €66 million in other operating income and expenses. Employee benefit obligations recognized in other operating income and expenses are described in more detail in note 9.4 to the consolidated financial statements.

(in € millions and number of people)	2019	2018	Change
Total employee benefit costs	6,365	6,038	+5.4%
As a % of sales	*26.4%*	*27.4%*	*-1.0 pt*
Employees on payroll at December 31	127,200	117,400	+8.3%
Number of full-time equivalent employees at December 31	121,300	111,100	+9.2%
Average number of full-time equivalent employees	117,800	108,900	+8.2%

NUMBER OF EMPLOYEES

(in thousands)



Camso employees have been consolidated since May 2019, Multistrada employees since August and Masternaut employees since November.

/ Depreciation and amortization

(in € millions)	2019	2018	Change
Total depreciation and amortization	1,846	1,383	+33.4%
As a % of sales	*8%*	*6%*	

Depreciation and amortization charges rose by 33% to €1,846 million in 2019, of which €1,754 million was recognized in segment operating income and €91 million in other operating income and expenses (see notes 6 and 9 to the consolidated financial statements).

Excluding the €35 million positive currency effect, depreciation and amortization recognized in segment operating income rose by €375 million over the year. Nearly half of the increase (€180 million) stemmed from the application of IFRS 16 as from January 1, 2019 (see note 2.3.1 to the consolidated financial statements). The consolidation of Fenner, Camso, Multistrada and Masternaut added €97 million to depreciation and amortization charges for the year. The increase also reflected the recognition of depreciation charges following the commissioning of capital assets, particularly the new Passenger car tire plant in Mexico and the synthetic rubber facility in Indonesia.

/ Transportation costs

(in € millions)	2019	2018	Change
Transportation costs	1,232	1,186	+3.8%
As a % of sales	*5.1%*	*5.4%*	

Transportation costs came to €1,232 million or 5.1% of sales, up €45 million year-on-year, as the positive impact of productivity gains achieved during the year was offset by the increase in costs in North America at a time of truck driver shortages and rising wages. The currency effect also increased transportation costs for the period.

/ Sales and marketing expenses

Sales and marketing expenses represented 5.7% of sales in 2019, versus 5.8% in 2018, and rose by €113 million in euro terms at €1,380 million, impacted in particular by the consolidation of Fenner, Camso, Multistrada and Masternaut and by unfavorable movements in the US dollar.

/ Research and development expenses

Research and development expenses stood at €687 million, up €39 million from 2018, primarily due to the consolidation of Fenner, Camso, Multistrada and Masternaut, as well as to unfavorable movements in exchange rates.

They represented 2.8% of sales for the year, down 0.1 point compared with 2018, reflecting the Group's ability to keep research and development costs under control while maintaining its technological leadership.

/ General and administrative expenses

General and administrative expenses amounted to €1,987 million, a €171 million year-on-year increase that was led by the consolidation of Fenner, Camso, Multistrada and Masternaut and the unfavorable currency effect.

As a percentage of sales, general and administrative expenses were unchanged, at 8.2%.

/ Segment other income and expenses

Segment other operating income and expenses represented a net expense of €19 million in 2019 versus a net expense of €5 million in 2018. Most of the 2019 expense corresponded to the change in fair value of the shares held in SAPH, a rubber plantation company based in Côte d'Ivoire, as well as costs related to performance share grants and various taxes, partially offset by gains on the Group's insurance programs.

/ Other operating income and expenses

Other operating income and expenses represented a net expense of €318 million in 2019 versus a net expense of €225 million in 2018. The 2019 figure primarily corresponded to restructuring costs, particularly the €249 million in costs related to the planned closure of the production plants in La Roche-sur-Yon, France and Bamberg, Germany. Other expenses also include the €91 million in amortization of acquired trademarks and customer relationships, recognized in particular on the consolidation of Fenner and Camso.

/ Cost of net debt

(in € millions)	2019	2018	Change
Cost of net debt	330	200	+130

At €330 million, the **cost of net debt** was up €130 million compared with 2018, primarily as a result of the following factors:

- a €91 million increase in net interest expense to €299 million, reflecting the net impact of:
  - a €121 million increase due to the rise in average net debt to €5,809 million in 2019 from €2,364 million in 2018,
  - a €28 million decrease from the decline in the average gross interest rate on borrowings to 4.0% in 2019 from 4.4% in 2018,
  - a €2 million net decrease from a variety of other factors;
- a €29 million increase in losses on exchange rate derivatives, due mainly to the around 1-point decline in US dollar interest rates;
- an aggregate €10 million net increase from movements in other factors.

/ Other financial income and expenses

(in € millions)	2019	2018	Change
Other financial income and expenses	(5)	16	-21

Other financial income and expenses represented a net expense of €5 million in 2019 versus net income of €16 million the previous year (see note 10 to the consolidated financial statements).

/ Income tax

(in € millions)	2019	2018 restated	Change
Income before taxes	2,236	2,230	+6
Income tax	**(506)**	**(570)**	**-64**
Current tax	(492)	(535)	-43
Withholding tax	(56)	(35)	+21
Deferred tax	42	(0)	-42

Income tax amounted to €506 million in 2019, a €64 million year-on-year decrease that mainly stemmed from a favorable country mix and changes in the scope of consolidation, mainly related to the acquisition of Multistrada and Fenner.

The effective tax rate was 22.6%, versus 25.6% the year before.

/ Consolidated net income and earnings per share

(in € millions)	2019	2018	Change
Net income	1,730	1,660	+70
As a % of sales	*7.2%*	*7.5%*	*-0.3pt*
▶ Attributable to the shareholders of the Company	1,751	1,677	+74
▶ Attributable to the non-controlling interests	(21)	(17)	-4
Earnings per share *(in €)*			
▶ Basic	9.69	9.30	+0.39
▶ Diluted	9.66	9.25	+0.41

Net income came to €1,730 million, or 7.2% of sales, compared with €1,660 million in 2018.

The €70 million increase reflected the following factors:

- favorable factors:
  - the €234 million increase in segment operating income,
  - the €64 million reduction in income tax;
- unfavorable factors:
  - a €93 million increase in other operating expenses,
  - the increase in net financial expense, led by the €130 million increase in the cost of net debt.

5.1.4 CONSOLIDATED BALANCE SHEET REVIEW

The acquisition of a controlling interest in Camso was completed on December 18, 2018. Given the closing date, the entire purchase price as of the acquisition date (€1,174 million) was accounted for on a provisional basis as preliminary goodwill in the consolidated statement of financial position for the year ended December 31, 2018. For comparison purposes, that reported statement has been restated to reflect the final allocation of the purchase price (see note 2.5 to consolidated financial statements).

Methodological note: translation adjustments primarily stem from the translation into euros of prior-year assets and liabilities at the closing exchange rate.

Assets

(in € millions)	December 31, 2019	December 31, 2018[1]	Total changes	Translation adjustments	Movement
Goodwill	2,388	2,160	+228	+65	+163
Intangible assets	2,280	2,217	+63	+72	-9
Property, plant and equipment	13,169	11,644	+1,525	+236	+1,289
Non-current financial assets and other non-current assets	796	699	+97	+5	+92
Investments in equity-accounted companies	1,087	953	+134	+19	+115
Deferred tax assets	814	752	+62	+9	+53
Non-current assets	**20,534**	**18,425**	**+2,109**	**+406**	**+1,703**
Inventories	4,694	4,702	-8	+77	-85
Trade receivables	3,532	3,453	+79	+51	+28
Current financial assets	396	315	+81	+0	+81
Other current assets	1,055	1,103	-48	-2	-46
Cash and cash equivalents	1,466	2,128	-662	+4	-666
Current assets	**11,143**	**11,701**	**-558**	**+130**	**-688**
TOTAL ASSETS	**31,677**	**30,126**	**+1,551**	**+536**	**+1,015**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Equity and liabilities

(in € millions)	December 31, 2019	December 31, 2018[1]	Total changes	Translation adjustments	Movement
Share capital	357	360	-3		-3
Share premiums	2,789	2,923	-134		-134
Reserves	10,080	8,875	+1,205	+201	+1,004
Non-controlling interests	3	23	-20	+0	-20
Total equity	**13,229**	**12,181**	**+1,048**	**+201**	**+847**
Non-current financial liabilities	5,923	5,302	+621	+36	+585
Employee benefit obligations	3,873	3,858	+15	+45	-30
Provisions and other non-current liabilities	1,104	1,319	-215	+14	-229
Deferred tax liabilities	455	435	+20	+18	+2
Non-current liabilities	**11,355**	**10,914**	**+441**	**+113**	**+328**
Current financial liabilities	1,158	1,222	-64	+132	-196
Trade payables	2,627	2,600	+27	+41	-14
Trade payables under reverse factoring agreements	470	440	+30	+10	+20
Provisions and other current liabilities	2,838	2,769	+69	+39	+30
Current liabilities	**7,093**	**7,031**	**+62**	**+222**	**-160**
TOTAL EQUITY AND LIABILITIES	**31,677**	**30,126**	**+1,551**	**+536**	**+1,015**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

5.1.4 a) Goodwill

Excluding the €65 million positive impact of translation adjustments, **goodwill** rose by €163 million to €2,388 million at December 31, 2019, primarily due to the recognition of preliminary goodwill on the acquisition of an 87.59% stake in Indonesian tire manufacturer Multistrada in March 2019 (see note 4.1.1 to the consolidated financial statements) and of all outstanding shares of Masternaut, one of Europe's largest telematics providers, in May 2019 (see note 4.1.2 to the consolidated financial statements).

5.1.4 b) Intangible assets

Intangible assets amounted to €2,280 million, unchanged from December 31, 2018 (before the positive €72 million translation adjustment), reflecting slightly higher amortization charges for the year than additions, adjusted for changes in the scope of consolidation, mainly related to the acquisitions of Multistrada and Masternaut.

5.1.4 c) Property, plant and equipment

Property, plant and equipment stood at €13,169 million at December 31, 2019, a €1,289 million increase before the positive €236 million translation adjustment. The increase was primarily attributable to (i) the first-time application of IFRS 16 concerning leases, which added €796 million; and (ii) the €428 million impact of consolidating newly acquired companies, including mainly Multistrada and Masternaut. In 2019, additions to property, plant and equipment amounted €1,594 million.

5.1.4 d) Non-current financial assets and other non-current assets

Non-current financial assets and other non-current assets ended the year at €796 million, a €92 million increase (before the positive €5 million translation adjustment) that primarily reflected the non-recurring matching contribution paid in first-half 2019 to the employee benefits fund in the United Kingdom, as well as fair value adjustments to derivative instruments.

5.1.4 e) Investments in equity-accounted companies

Excluding the positive €19 million translation adjustment, **investments in equity-accounted companies** rose by €115 million over the year to €1,087 million. The growth essentially stemmed from the €140 million increase in the portfolio of equity-accounted companies, primarily following the Group's investment in Symbio, A Faurecia Michelin Company, a 50/50-owned joint venture with Faurecia, its acquisition of shares in SIPH and its purchase of a 20% stake in Indonesian retailer PT Penta Artha Impressi ("Penta"), in partnership with Indomobil and private investors (see 3.9 "Highlights").

This favorable impact was partially attenuated by the Group's €22 million share in the loss from equity-accounted companies.

5.1.4 f) Deferred tax assets and liabilities

At December 31, 2019, the Group held a net **deferred tax asset** of €359 million, representing an increase of €51 million compared with a year earlier (before the €9 million negative translation adjustment). The increase was led mainly by the recognition of €47 million in deferred tax assets recognized on tax loss carryforwards in Mexico and Germany during the year (see note 18 to the consolidated financial statements).

5.1.4 g) Trade working capital

(in € millions)	December 31, 2019	December 31, 2018 restated	Change	2019 *(as a % of sales)*	2018 *(as a % of sales)*
Inventories	4,694	4,702	-9	19.4%	21.3%
Trade receivables	3,532	3,453	+79	14.6%	15.7%
Trade payables	(2,627)	(2,600)	-27	10.9%	11.8%
Trade payables under reverse factoring agreements	(470)	(440)	-30	1.9%	2.0%
TRADE WORKING CAPITAL	**5,129**	**5,115**	**+14**	**21.3%**	**23.2%**

Trade working capital declined by almost 2 points over the year as a percentage of sales, to 21.3% at end-2019 from 23.2% at end-2018. Excluding a positive €78 million in translation adjustments, this change amounted to a €63 million decrease in working capital in euro terms, mainly attributable to a sharp €85 million reduction in inventories (excluding translation adjustments).

Inventories represented 19.4% of sales at end-2019, declining 1.9 points year-on-year to €4,694 million. In euro terms, the €85 million reduction in inventories, excluding a positive €77 million in translation adjustments, was led by significant drawdowns across the inventory base (raw materials, semi-finished products, finished products) in a challenging market environment, particularly in the fourth quarter when demand for Truck tires and OE Agricultural and Construction tires fell sharply. This disciplined management of output more than offset the €62 million increase in inventories resulting from the consolidation of Multistrada and other acquisitions.

Excluding the positive €51 million in translation adjustments, **trade receivables** rose by €28 million year-on-year to €3,532 million at December 31, 2019. As a percentage of sales, they declined by 1.1 point year-on-year, to 14.6% at December 31, 2019. This favorable change was chiefly attributable to the around €31 million reduction in outstanding receivables at constant scope of consolidation, with changes in scope adding around €58 million, mainly due to the consolidation of Multistrada.

Trade payables, including under **reverse factoring agreements,** rose by €6 million year-on-year to €3,097 million (excluding translation adjustments for a positive €51 million). The impact of consolidating Multistrada and Masternaut offset the decline in outstandings at constant scope of consolidation.

5.1.4 h) Cash and cash equivalents

Cash and cash equivalents stood at €1,466 million, down €666 million year-on-year excluding translation adjustments, primarily reflecting the net impact of the following factors:

- increases from:
  - the €1,142 million in free cash flow, after the investment of €423 million in acquisitions during the year,
  - the €101 million in new debt raised through the issue of commercial paper;
- decreases from:
  - the €765 million in debt repayments, of which €383 million in bonds maturing in June 2019 and €382 million in debt held by acquired companies that had been arranged on less favorable terms than on Michelin-grade debt securities,
  - the €676 million in dividends paid during the year,
  - the outlay of €141 million for share buybacks during the year,
  - the €238 million in repayments of lease liabilities,
  - the €89 million in other unfavorable factors, including the €58 million paid to buy out the non-controlling interests in Multistrada in May 2019.

5.1.4 i) Equity

Including translation adjustments for a positive €201 million, **total equity** increased by €1,048 million to €13,229 million, from €12,181 million at December 31, 2018, primarily as a result of the following factors:

- increases:
  - €1,893 million in comprehensive income for the year, including:
    - €1,730 million in net income,
    - the €115 million unfavorable impact of actuarial gains and losses, after deferred taxes,
    - the €201 million gain from translating foreign currencies,
    - the €46 million favorable impact from currency hedges, including hedges of US dollar-denominated convertible bond issues,
    - an aggregate €31 million net increase from other factors,
  - €7 million in service costs on performance share-based payment plans,
  - €6 million in other favorable items;
- decreases:
  - €676 million in dividends and other distributions,
  - €141 million in share buybacks under the shareholder-approved program,
  - €24 million in payments to buy out the non-controlling interests in Multistrada,
  - the €17 million impact of applying IFRS 16.

At December 31, 2019, the **share capital** of Compagnie Générale des Établissements Michelin stood at €357,255,110, comprising 178,627,555 shares outstanding corresponding to 240,861,826 voting rights.

5.1.4 j) Net Debt

Net debt stood at €5,184 million at December 31, 2019, up €1,128 million from a year earlier, mainly as a result of the following factors:

- €273 million in net cash flow, which breaks down into four items:
  - €1,142 million in free cash flow for the period, of which €195 million due to IFRS 16,
  - €676 million distributions and other, of which €666 million in dividends,
  - €141 million in share buybacks,
  - €62 million in other outlays.
- €165 million in positive translation adjustments;
- €1,237 million in other factors together increasing net debt, of which:
  - the €815 million impact of applying IFRS 16 as of January 1,
  - a €217 million increase from setting up new leases,
  - a €249 million increase from the consolidation of Multistrada, Masternaut and other acquisitions,
  - €43 million in other factors decreasing net debt.

CHANGES IN NET DEBT

(in € millions)	2019	2018 restated
At January 1	**4,056**	**716**
Free cash flow[1]	-1,142[2]	+1,985
Distributions and other	+676	+648
IFRS 16	+815	-
New leases	+217	+65
Changes in scope of consolidation	+249	+203
Camso PPA[3]	-	+363
Share buybacks	+141	+75
Other	+172	+1
AT DECEMBER 31	**+5,184**	**+4,056**
CHANGE	**+1,128**	**+3,340**

(1) Free cash flow corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash pool assets and financial assets lodged as collateral for debt.
(2) of which €-195 million due to IFRS 16.
(3) Related to the fact that Camso's opening balance sheet was consolidated retroactively. Because the company's €1.2 billion purchase price was temporarily accounted for as preliminary goodwill, its opening balance sheet was not included in the consolidated statement of financial position at December 31, 2018. It was restated during the first half of 2019.

/ Gearing

Gearing rose to 39% at December 31, 2019 from 33% at year-end 2018, primarily due to the application of IFRS 16 and the recognition of new leases, which added €837 million in new debt during the year.

/ Credit ratings

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

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Moody's	P-2	P-2
	Fitch Ratings	F2	F2
Long term	Standard & Poor's	A-	A-
	Moody's	A3	A3
	Fitch Ratings	A-	A-
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Stable	Stable
	Fitch Ratings	Stable	Stable

On January 29, 2016, Standard & Poor's upgraded Michelin's long-term credit rating to A- from BBB+, with a stable outlook, while affirming its A-2 short-term rating.

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.

Fitch Ratings is one of the solicited rating agencies since July 1, 2019, and has confirmed its ratings for CGEM and CFM, namely A- for long-term rating, with a stable outlook, and F2 for short-term rating.

5.1.4 k) Provisions

Provisions and other non-current liabilities amounted to €1,104 million, versus €1,319 million at December 31, 2018. Excluding the €14 million positive currency effect, they declined by €229 million year-on-year, primarily due to the fulfillment of Group commitments undertaken as part of the reorganization and adaptation of its activities in Europe.

5.1.4 l) Employee benefits

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other defined benefit plans	2019	2018[1]
At January 1	**2,098**	**1,760**	**3,858**	**3,969**
Translation adjustments	14	30	44	23
Contributions paid to the funds	(192)	-	(192)	(189)
Benefits paid directly to the beneficiaries	(34)	(105)	(139)	(140)
Changes in scope of consolidation	10	(2)	8	29
Net cost recognized in operating expenses				
Current service cost	44	67	111	107
Actuarial (gains) or losses recognized on other long-term benefit obligations	-	5	5	(5)
Past service cost resulting from the introduction of new plans or plan amendments	(68)	-	(68)	54
Past service cost resulting from plan curtailments	(12)	(18)	(30)	(21)
Effect of any plan settlements	(10)	-	(10)	-
Other items	13	-	13	13
Net cost recognized in operating expenses				
Net interest on net defined benefit obligation (asset)	48	49	97	89
Costs recognized in other comprehensive income				
Actuarial (gains) or losses	63	111	174	(87)
Unrecognized assets due to the effect of the asset ceiling	(43)	-	(43)	16
NET OBLIGATION AT DECEMBER 31	**1,931**	**1,897**	**3,828**	**3,858**

(1) The 2018 figures have been restated for comparison purposes.

The net defined benefit obligation recognized at December 31, 2019 stood at €3,828 million, a year-on-year decrease of €30 million as reported and of €74 million excluding the €44 million positive currency effect (stemming primarily from the rise of the US dollar against the euro).

The decline in the net defined benefit obligation reflected the following main factors:

- the total €331 million in contributions and benefits paid in 2019 (2018: €329 million), of which:
  - €192 million in contributions paid to fund management institutions (2018: €189 million), primarily corresponding to a supplemental €125 million contribution in addition to the normal contributions to the UK pension plan,
  - €139 million in benefits paid directly to employees (2018: €140 million);
- the €8 million increase in obligations recognized by the Group due to the acquisition of Multistrada and other changes in the scope of consolidation (2018: €29 million);
- a €21 million expense recognized in operating income in 2019 (2018: €148 million) that resulted from:
  - a €118 million expense related to the cost of defined benefit plans (2018: €237 million),
  - a €98 million gain from plan amendments, curtailments and settlements, primarily reflecting the amendment of the supplemental pension plan in France (€68 million);
- the €97 million in net interest expense on the net defined benefit obligation, recognized outside of operating income (2018: €89 million);
- the €174 million in actuarial losses recorded in 2019 (2018: actuarial gains of €87 million), which corresponded to:
  - €944 million in actuarial losses on defined benefit obligations, resulting mainly from reductions in discount rates,
  - €727 million in actuarial gains on plan assets, due to the fact that the actual rate of return on plan assets was higher than the discount rate,
  - €43 million in experience gains on defined benefit obligations;
- €43 million in unrecognized assets due to the effect of the asset ceiling.

In addition, contributions paid by the Group to defined contribution plans amounted to €226 million in 2019 (2018: €223 million). The expense recognized in respect of defined contribution plans amounted to €226 million in 2019, up €3 million year-on-year.

5.1.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

5.1.5 a) Net cash from operating activities

(in € millions)	2019	2018	Change
Segment EBITDA	**4,763**	**4,119**	**644**
Change in inventories	147	4	143
Change in trade receivables and advances	(81)	(52)	(29)
Change in trade payables and advances	(135)	(124)	(11)
Restructuring cash costs	(172)	(172)	0
Other changes in provisions	-240	(241)	+1
Tax and interest paid	(944)	(679)	(265)
Other	-17	(24)	+7
NET CASH FROM OPERATING ACTIVITIES	**3,321**	**2,831**	**490**

At €4,763 million, segment **EBITDA** was up €644 million year-on-year, led by growth of €234 million in segment operating income, with depreciation and amortization charges rising by €410 million over the year, including the impact of applying IFRS 16.

Net cash from operating activities rose by €490 million to €3,321 million in 2019 from €2,831 million in 2018. The €644 million increase in EBITDA and the significant €103 million improvement in working capital amply offset the €265 million increase in tax and interest paid, which primarily reflected the one-time tax refund received in the United States in 2018 and the year-on-year increase in debt in 2019 (see section 3.3.3 j).

The general improvement in working capital reflected the following factors:

- a €147 million reduction in inventories at constant scope of consolidation during the year. This was led by drawdowns across the inventory base (raw materials, semi-finished products, finished products) in a challenging market environment, particularly in the fourth quarter when demand for Truck tires and OE Agricultural and Construction tires fell sharply;
- an €81 million increase in trade receivables and advances;
- a €135 million reduction in trade payables and advances.

Other factors only had a negligible impact on movements in cash flows from operating activities, with restructuring-related outlays in 2019 more or less on a par with 2018.

5.1.5 b) Capital expenditure

(in € millions)	2019	2018	2019/2018	2019 *(as a % of sales)*	2018 *(as a % of sales)*
Additions to intangible assets and PP&E	**1,801**	**1,669**	**+132**	**7.5%**	**7.6%**
Investment grants received and change in capital expenditure payables	(19)	48	-67	0.1%	0.2%
Proceeds from sales of intangible assets and PP&E	(67)	(100)	+33	0.3%	0.5%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,715**	**1,617**	**+98**	**7.1%**	**7.3%**

Additions to **intangible assets and property, plant and equipment** amounted to €1,801 million in 2019, compared with €1,669 million in 2018. As a percentage of sales, they declined by 0.1 point, to 7.5% from 7.6% a year earlier. Competitiveness and growth investments accounted for €523 million of the total for the year.

By Business Line, the main capital projects completed during the year or still underway as part of competitiveness, product line renewal and growth investment programs are as follows:

Automotive tires:

- Mexico;
- China;
- Thailand,

Road transportation tires:

- Romania;
- Thailand,

Specialty products:

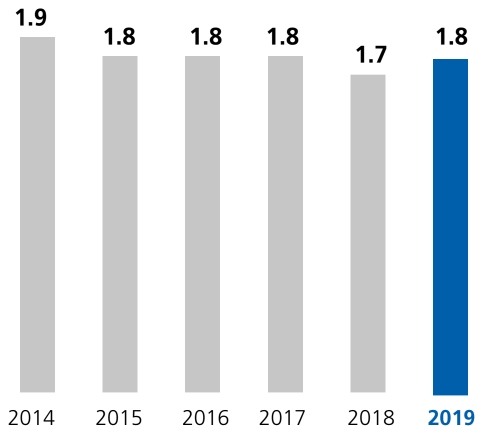
- Mining tires;
- Two-wheel tires;
- Aircraft tires.

In addition, the Group has a pipeline of technological innovation projects concerning new components or new products and services, to support its strategic expansion in the High-Tech Materials and Services & Solutions territories.

All of these projects have been supported by the capital expenditure commitments illustrated below.

CAPITAL EXPENDITURE

(in € billions)



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

5.1.5 c) Available cash flow and free cash flow

Available cash flow corresponds to cash flow from recurring operating activities, i.e., after routine capital expenditure but before competitiveness, growth and new-venture investments.

Free cash flow, which is stated before dividend payments and financing transactions, corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash pool assets and financial assets lodged as collateral for debt.

(in € millions)	2019	2018[(1)]
Net cash from operating activities	**3,321**	**2,831**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(1,096)	(1,031)
AVAILABLE CASH FLOW	**2,225**	**1,800**
Competitiveness and growth investments	(523)	(580)
Investments in new ventures	(181)	(59)
Acquisitions	(464)	(3,199)
Other	85	53
FREE CASH FLOW	**1,142**	**(1,985)**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

After deducting €1,096 million in routine capital expenditure, available cash flow was strongly positive in 2019, at €2,225 million.

Free cash flow was also positive, at €1,142 million, after outlays of €523 million in competitiveness and growth investments and €181 million in investments in new ventures. The €464 million in acquisitions primarily reflects the purchases of controlling interests in Multistrada and Masternaut.

5.1.5 d) Structural free cash flow

To track its intrinsic performance, Michelin has set targets based on its structural free cash flow, which is defined as free cash flow before acquisitions and adjusted for the impact of movements in raw materials prices on trade receivables, trade payables and inventories.

(in € millions)	2019	2018[(1)]
FREE CASH FLOW	**1,142**	**(1,985)**
Acquisitions	464	3,199
FREE CASH FLOW EXCLUDING ACQUISITIONS & DISPOSALS	**1,606**	**1,214**
Impact of raw materials costs on working capital	9	60
STRUCTURAL FREE CASH FLOW	**1,615**	**1,274**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

5.1.6 RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is measured as:

- segment operating income after tax (net operating profit after tax – NOPAT), calculated at a standard tax rate of 26%, corresponding to the Group's average effective tax rate;
- divided by the average economic assets employed during the year (excluding equity-accounted companies), i.e., all of the Group's intangible assets (excluding acquired intangible assets), property, plant and equipment, loans and deposits, and net working capital.

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 estimated at 7.5%, it is based on a theoretical balance between equity and debt. The WACC is benchmarked externally. 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.

(in € millions)	2019	2018
Segment operating income	3,009	2,775
Average standard income tax rate used for ROCE calculation	26%	26%
Segment operating income after tax (NOPAT)	**2,227**	**2,053**
Economic assets at December 31	17,430	14,867
Average economic assets	**16,233**	**14,661**
Consolidated ROCE	**13.7%**	**14.0%**
Passenger car/Light truck tires & related distribution ROCE	12.2%	14.4%
Truck tires & related distribution ROCE	10.8%	11.4%
Specialty businesses & related distribution ROCE	19.5%	18.4%

5.1.7 TREND INFORMATION

5.1.7 a) Outlook*

In 2020, the Passenger car and Light truck tire markets are expected to decline slightly over the year, with flat growth in Replacement demand and a sustained contraction in Original Equipment demand. Truck and Off-the-road tire markets should continue to soften, impacted by the sharp decline in Original Equipment business. Mining markets should also shrink due to a slight inventory adjustment, while tire consumption should be sustained.

In this generally declining market environment, Michelin's objectives for 2020 are as follows: Segment operating income at constante parity slightly down on the prior year and free cash flow of more than €1.5 billion excluding the systemic effect of the coronavirus crisis in China.

5.1.7 b) Profit Forecasts or Estimates

No precise earnings or operating margin forecasts or estimates have been issued for 2020.

In light of the trend information provided in section 5.1.7 a), any previously issued targets for 2020 do not take into account the current economic environment and are not achievable this year.

5.1.7 c) Recent events

On January 7, 2020, the Group called on the assistance of an investment services provider for the implementation of its share buyback program as authorized by the Annual Shareholders Meeting of May 17, 2019. The investment services provider has agreed to sell to CGEM, and CGEM has agreed to purchase, between January 8, 2020 and November 19, 2020, a certain quantity of CGEM shares for a maximum consideration of €100 million. All of the acquired shares will be canceled.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

***DISCLAIMER**

On March 18th, 2020 at 6:10 pm, the Michelin Group acknoledged, through a press release, that the global economy was in the midst of a systemic crisis, the Group's 2020 guidance being no longer relevant, without any possibility at present of assessing the potential impact. Section 5.1.11 of this Universal Registration Document reports on the impact of recent events related to the Covid-19 crisis on the Group at the date the original French version of this Document was filed. The Report of the Managers, including this Outlook section (5.1.7 a), has not been modified since it was approved on February 10, 2020.

5.1.8 HIGHLIGHTS

5.1.8 a) Strategy

Michelin acquires 99.64% of leading Indonesian tire manufacturer Multistrada

(March 8, 2019, April 16, 2019) – After taking an 87.59% stake in PT Multistrada Arah Sarana TBK (March 8, 2019), Michelin has acquired an additional 12.05% following a public offer for the remaining outstanding shares (April 16, 2019). Through the transaction, Michelin will strengthen its presence in the highly promising but local-production dominated Indonesian market by acquiring a very competitive plant with good quality facilities and immediately available capacity to manufacture up to 180,000 tonnes of Passenger car, Two-wheel and Truck tires.

Faurecia and Michelin join forces to create a future world leader in hydrogen mobility

(March 11, 2019) – Faurecia and Michelin, the current parent company of Symbio (a hydrogen company), have signed a memorandum of understanding. Symbio will be owned equally by Faurecia and Michelin. This French joint venture, built around a unique ecosystem, will develop, produce and market hydrogen fuel cell systems for light vehicles, utility vehicles, trucks.

Investor Day held in Almeria (Spain) and €500 million share buyback program announced, to be implemented between 2019 and 2023

(April 4, 2019) – At an Investor Day held at its Spanish test center in Almeria, Michelin confirmed its growth strategy and announced a €500 million share buyback program to be implemented between 2019 and 2023, including €70 million in 2019. During this day, the Group also reaffirmed the commitment of all Michelin employees to meeting its ambitious growth objectives in support of sustainable mobility.

Gulf Air chooses Michelin as exclusive tire supplier

(May 3, 2019) – Gulf Air, the national carrier of the Kingdom of Bahrain, has chosen Michelin to equip every aircraft type in its fleet including its brand new Boeing 787-9 Dreamliners, Airbus 320neos and Airbus 321neos. With Gulf Air's fleet already fitted with Michelin tires over the past decade, the new contract is just the latest chapter in the successful, long-lasting relationship between the two companies. The complete revamp of Gulf Air's new fleet is the perfect opportunity to introduce the MICHELIN Air X tire featuring the patented Michelin Near Zero Growth technology.

Michelin acquires Masternaut, stepping up deployment of its telematics solutions across Europe

(May 16, 2019) – Michelin has acquired the entire share capital of Masternaut, one of the largest European telematics providers. Masternaut operates primarily in France and the United Kingdom. It provides a technical platform equipped with the latest technology and offers on-board fleet telematics solutions to optimize vehicle fleet management and monitoring. Masternaut manages over 220,000 mostly light utility vehicles under contract. The acquisition bolsters the Group's presence in the booming fleet services market.

Florent Menegaux, Managing General Partner, elected Managing Chairman of the Group

(May 17, 2019) – The Annual Meeting of Michelin shareholders was held on May 17, 2019 in Clermont-Ferrand. Following the Meeting, Florent Menegaux, Managing General Partner, became Managing Chairman, succeeding Jean-Dominique Senard.

Michelin acquires a 22.8% stake in a unique public-private partnership to create Hympulsion, whose mission is to encourage renewable hydrogen powered mobility in the Auvergne-Rhône-Alpes region

(May 20, 2019) – Hympulsion is a unique public-private partnership owned 49% by the Auvergne-Rhône-Alpes Region and the Banque des Territoires and 51% by Michelin, ENGIE and Crédit Agricole. It is tasked with stepping up the deployment of Zero Emission Valley, France's first renewable hydrogen-powered mobility project for corporate fleets, involving 1,000 vehicles and 20 refueling stations. Co-financed by European funds, the project is committed to providing vehicles and renewable hydrogen at an overall cost that is on a par with diesel. It represents a real-world response to the environmental, industrial and economic challenges of hydrogen mobility.

Michelin presents the safety, purchasing power and environmental benefits of its LONG LASTING PERFORMANCE approach in Vienna. The approach has been recognized by the European Parliament, which has added worn tire testing to EU safety regulations from 2022

(June 3, 2019) – Presented in Vienna from July 1 to 5, 2019, Michelin's LONG LASTING PERFORMANCE approach highlighted the Group's firm conviction that everyone is entitled to tires that deliver safe performance from the first to the last kilometer. Michelin supports the passage of legislation that would encourage this performance and welcomes the recent decisions of the European Parliament to raise safety standards by introducing tests on worn tires from 2022. In addition to safety, this approach has a direct impact on consumer purchasing power and the environment, in particular by enabling motorists to use their tires longer before replacing them, thereby saving raw materials.

Inaugural edition of the MICHELIN Guide California, featuring 90 starred restaurants

(June 4, 2019) – Michelin is pleased to unveil the highly anticipated selection of star awards in the 2019 MICHELIN Guide California, the first ever statewide MICHELIN Guide in the United States. Expanding the selection announced in the 2019 MICHELIN Guide San Francisco, the Guide now showcases 657 restaurants across the state.

Fenner expands its industrial presence in Australia

(July 24, 2019) – Fenner, the world leader in industrial and mining conveyor belt solutions, acquired by the Michelin group in 2018, has announced the opening of a new production site in Brisbane, Australia. Manufacturing process has been optimized through robotic automation to reduce production costs while maintaining the highest quality.

WWF France and the Michelin group renew their partnership

(July 26, 2019) – WWF France and the Michelin group have renewed their joint commitment to a sustainable natural rubber market and the development of a pilot project in Indonesia to preserve and restore forests while developing responsible rubber plantations that are good for local communities and ecosystems. In this new phase, the partnership will expand to include two additional areas: sustainable mobility and biodiversity conservation.

The Michelin group announces the closure of its Bamberg (Germany) site

(September 25, 2019) – In response to a steep drop in global demand for 16-inch tires and fierce competition from Asian manufacturers on this segment, Michelin made the decision to close its production site in Bamberg (Germany). Negotiations with the social partners are currently under way.

Michelin announces its intention to close the La Roche-sur-Yon (France) site

(October 10, 2019) – The La Roche-sur-Yon site, which specializes in high-end truck tires, will end production. The Michelin group's decision was driven by the lack of growth potential on the European market of this tire segment, heightened competition, and the steady growth of the entry level brand segment. On January 23, a majority agreement for aiding employees was signed by unions representing its personnel.

Michelin files public offer to acquire all outstanding shares of Société Internationale de Plantation d'Hévéas (SIPH)

(November 20, 2019) – On October 15, 2019, Michelin filed a draft buyout offer with squeeze-out (BOSO) for the outstanding shares of Société Internationale de Plantation d'Hévéas (SIPH). The offer was launched on November 20, 2019, with the squeeze-out taking place on December 6, 2019, The transaction followed on from the public offer carried out by Michelin in 2017.

Faurecia and Michelin including its subsidiary "Symbio", formalize their joint venture and aim to create a world leader in mobility

(November 21, 2019) – In March 2019, Faurecia and Michelin announced the signature of a Memorandum of Understanding to create a joint venture bringing together all of Michelin's fuel cell related activities – including its subsidiary Symbio – with those of Faurecia. An alliance that just a few months later led to the creation of SYMBIO, A FAURECIA MICHELIN HYDROGEN COMPANY, which aims to achieve 25% market share and sales of around €1.5 billion by 2030.

The MICHELIN Guide, TripAdvisor®, and TheFork launch an international strategic partnership

(December 3, 2019) – The Michelin Guide has teamed up with TripAdvisor® and TheFork to bring users an array of exclusive and unique dining experiences, with access to a broader selection of gourmet restaurants worldwide. For TheFork, the acquisition of BookaTable opens up five new markets: the UK, Germany, Austria, Finland, and Norway.

Capital Reduction

(December 9, 2019) – The Compagnie Générale des Établissements Michelin has decided to cancel 1,345,821 treasury shares, representing 0.75% of the total shares outstanding. On December 9, 2019, its issued share capital therefore decreased to 178,601,169 shares.

5.1.8 b) Innovation

At the Geneva International Motor Show, Michelin presents the two latest additions to the MICHELIN Pilot Sport family: the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup2 R

(March 5, 2019) – Its two latest additions, the MICHELIN Pilot Sport 4 SUV and the MICHELIN Pilot Sport Cup2 R, were unveiled at the Geneva International Motor Show. Designed for drivers who want to use the full potential of their car and increase their driving pleasure, the new models leverage technologies developed in motorsport and in cooperation with the most demanding car manufacturers.

Michelin elected "Tire Manufacturer of the Year"

(March 8, 2019) - At the Tire Technology Expo 2019 in Germany, a global panel of 31 tire industry experts voted Michelin "Tire Manufacturer of the Year". The jury rewarded Michelin in particular for its environmental initiatives, its product innovations, and its work on the performance of used tires.

Launch of the new MICHELIN Anakee Adventure motorcycle tire in one of the most dynamic, competitive and innovative markets

(March 21, 2019) – With this new tire, which ticks all the performance-related boxes, and will appeal to exacting on Michelin is effectively addressing the expectations of customers who use their bike in all weather for commuting, or predominantly at the weekend, not only on sealed surfaces but also off-road.

Michelin extends its X Multi regional truck tire range

(May 3, 2019) – The new X Multi HD D tire is designed for tractor units and trucks for road use mainly, and for loading phases, use in rural areas. The X Multi T2 tire is intended for low platform height trailers, such as tank carriers or exceptional convoys. The common characteristic of these two Michelin X Multi tires is their robustness, which offers users greater safety and lower operating costs.

At the Movin'On summit, Michelin and General Motors presented the MICHELIN Unique Puncture-Proof Tire System (Uptis) prototype, a new generation of airless wheels for passenger vehicles

(June 4, 2019) – At the Movin'On Summit third edition held from June 4 to 6, 2019 in Montreal, Michelin and General Motors (GM) presented the Uptis prototype, the first airless tire developed by the two companies' research partnership, which is now being tested on vehicles like the Chevrolet Bolt EV. MICHELIN Uptis features ground-breaking improvements in architecture and composite materials, which enable it to bear the car's weight at road-going speeds. This stage represents a major advancement toward achieving Michelin's VISION concept, presented at the Movin'On Summit in 2017, and demonstrates Michelin's and GM's shared commitment to delivering safer, more sustainable mobility solutions.

BMW chooses the MICHELIN Pilot Sport 4S* as a tire fitment for its new X3 M and X4 M models

(June 18, 2019) – BMW has chosen the MICHELIN Pilot Sport 4S* as the sole fitment for the global press launch of its new high performance X3 M and X4 M models. The result of almost three years of co-development between BMW M and Michelin, the tires feature such novel Michelin technologies as multi-compound treads and aramid-fiber reinforced casings. The contract has confirmed Michelin's long and successful relationship with BMW M.

Michelin and Safran announce successful flight tests of the world's first connected aircraft tire

(June 19, 2019) – At the Paris Air Show, Michelin and Safran Landing Systems announced the successful flight tests of PresSense, the world's first connected aircraft tire, on June 13 at the Istres air base in southern France, using a Dassault Aviation Falcon 2000S. The flight tests mark the latest phase in the development of the PresSense solution and pave the way for an entry into service towards 2020. The wireless solution is designed to facilitate ground maintenance operations for airlines by sharply reducing tire cooling time, thereby speeding aircraft turnaround.

CAMSO launches its brand new X4S track system

(August 6, 2019) – The X4S track system is designed to meet the full spectrum of ATV owners' needs, even on the toughest terrain. It is an ideal solution for users looking for better performance, excellent versatility and easy handling on any terrain, year-round. Michelin finalized its acquisition of CAMSO in 2018 and has created the leader of the off-road mobility.

Launch of the MICHELIN Road 5 GT, a tire designed for riders

(September 3, 2019) – The MICHELIN Road 5 GT tire is built for high performance, especially on wet ground, to guarantee stability and efficient braking. Designed using additive metal manufacturing technology, it features sipes that change over time to maintain its water-clearance capacity as it is used.

Michelin, Continental and Smag create a joint-venture to develop Rubberway®, the mobile app designed to map sustainability practices across the natural rubber industry

(September 12, 2019) – Rubberway® uses the data collected to assess practices and environmental, social, and governance risks from rubber processing plants to plantations. Tire manufacturers can use it to identify and boost sustainability in the natural rubber supply chain.

Michelin, IFPEN, and Axens announce the construction of the first industrial-scale prototype of a plant producing butadiene from bioethanol

(September 26, 2019) – This decision lends a new dimension to the BioButterfly project and highlights the partners' commitment to reducing the environmental impact of manufacturing by encouraging the development of a biosourced synthetic rubber industry. Remember that biosourced and high-tech materials support the Group's growth strategy of changing mobility to make it more sustainable. This production process will also help Michelin secure its access to butadiene.

The BioImpulse project is giving new impetus to biotechnologies in materials

(October 1, 2019) – The BioImpulse project, which Michelin coordinates through its ResiCare entity, aims to create a new adhesive resin that is free of Substances of Very High Concern (SVHC). The global market targeted by this replacement resin has very strong potential, particularly in the automotive and construction industries. Remember that biosourced and high-tech materials support the Group's growth strategy of changing mobility to make it more sustainable.

Michelin overhauls its road bike tire offer

(October 16, 2019) – With "MICHELIN POWER," Michelin has developed its Premium Road tire offer to better fit the needs of amateur and professional cyclists dedicated to the pursuit of excellence. Road cycling tires account for over half of the Group's cycling sales.

Michelin pushes the limits of electric bus tires with the MICHELIN X-Incity Energy Z"

(October 17, 2019) – This innovation opens up new possibilities for electric bus designers thanks to increased battery life while offering the same capacities as those of current buses. The MICHELIN X-Incity Energy Z also fits into the Michelin group's strategy of offering consumers tires that remain safe and high-performing throughout their lifespan.

Michelin and Essilor join forces for safer mobility, with the announcement of a two-year Memorandum of Understanding

(November 7, 2019) – Michelin and Essilor have decided to formalize their shared commitment to road safety with a cooperation agreement that combines both companies' expertise. Its goal: raising public awareness of the importance of having good vision and tires in good condition that are reliable up to the legal wear limit to keep them safe on the road.

Michelin presents AgroPressure by Michelin, a free decision support module, at the 2019 AGRITCHNICA show.

(November 12, 2019) – With its new AgroPressure by Michelin service, the Michelin group is offering a personalized, connected solution that its agricultural customers can use to make the most of their equipment, protect their soil, and increase their yields. It also offers benefits in terms of fuel costs and tire wear.

5.1.8 c) Racing

2019 World Endurance Championship – 24 Hours of Le Mans 2019: Toyota Gazoo Racing's double win clinches Michelin's 22nd straight victory

(June 17, 2019) – The 2019 race saw Toyota Gazoo Racing claim first and second places to clinch the 2019 FIA World Endurance Championship title with Sébastien Buemi, Kazuki Nakajima (Japan's first ever FIA World Champion) and Fernando Alonso, who steered the No. 8 Toyota TS050-Hybrid to Michelin's 22nd straight Le Mans victory. On both track and street, Michelin is committed to meeting the same exacting standard of long-lasting performance.

Michelin looks back at the MICHELIN Pilot Sport tire's maiden Formula E season: a tire worthy of its ambitions

(July 15, 2019) – These new tires, designed by Michelin Motorsport's engineers, stood out in all the 2018/2019 Formula E FIA Championship races. Race after race, they proved their energy efficiency, versatility, longevity and high performance.

Michelin to make Playstation's Gran Turismo Sport even more gripping for gamers

(August 23, 2019) – Michelin is the "official tire technology partner" for Gran Turismo, the most realistic racing video game on the market. Players choose between hard, medium, and soft MICHELIN tires as they develop their racing strategy, experience the thrill of racing, and get to know the brand.

Michelin launches the first connected racing tire for Formula-E Season 6

(November 22, 2019) – With Michelin Track Connect, its connected solution for motorsport which was used in international car racing and an FIA championship for the first time in 2019-2020, Michelin is investing to stay on the cutting edge of technology. For the Group, this solution also represents a way to accelerate connected mobility for all.

5.1.9 MATERIAL CONTRACTS

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

5.1.10 INFORMATION CONCERNING TERMS OF PAYMENTS

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

	Article D. 441-I-2°: invoices issued and past due at December 31, 2019					
Trade receivables	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
(A) Breakdown of past due payments:						
Number of invoices		1				1
Total amount of invoices (including tax)		3,190				3,190
Percentage of total sales for the period (including tax)		0.63%				0.63%
(B) Invoices excluded from (A) relating to disputed or unrecognized payables and receivables						0
Number of invoices excluded						0
Total amount of invoices excluded						0
(C) Reference payment terms used (contractual or statutory pursuant to Article L. 441-6 or L. 443-1 of the French Commercial Code)						30
Reference payment terms used to calculate past due payments	Contractual terms agreed at initial recognition of the trade receivable					30

	Article D. 441-1-1°: invoices received and past due at December 31, 2019					
Trade payables	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
(A) Breakdown of past due payments:						
Number of invoices		58	1	23	115	197
Total amount of invoices (including tax)		348,532	94	297,355	1,247,164	1,893,145
Percentage of total purchases for the period (including tax)		0.07%	0.00%	0.06%	0.24%	0.37%
(B) Invoices excluded from (A) relating to disputed or unrecognized payables and receivables						
Number of invoices excluded						0
Total amount of invoices excluded (including tax)						0

5.1.11 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

When presenting its 2019 results on February 10, 2020, the Group issued its guidance for 2020 excluding any impacts from a systemic crisis caused by Covid-19 (see section 3.1.7 Outlook in the 2019 Annual Results Guide, issued at the same time as the results[(1)]).

On March 18, 2020, at 6:10 pm CET, the Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility, at that time, of assessing the potential impact, and consequently, its 2020 financial ambitions also.

The information presented below describes the impact of recent Covid-19 related events on the Group as of the date of filing of this Universal Registration Document. The Report of the Managers, which is included in this same Document, has not been changed or amended since it was approved.

Press release published on Tuesday, March 18 at 6:10 pm CET[(2)]

"COVID-19 Health Crisis: The Michelin Group is responding to prevailing market conditions and deploying the measures required to attenuate the impact of this systemic crisis.

Tire market data as of end-February 2020, released today by the Michelin Group, show the initial impact of the COVID 19 public health crisis, with the global Passenger car and Light truck tire market down 9% year-on-year and the Truck tire market down 16%.

First of all, the Group is taking all the measures required to safeguard the health of its employees, in close cooperation with local authorities in every host country. The Group has decided to close, for at least one week, its production facilities located in the European countries most affected so far by the pandemic.

When presenting its 2019 results, the Group issued its guidance for 2020 excluding the systemic effects of the COVID 19 crisis. Now that the global economy is in the midst of a systemic crisis, the Group's 2020 guidance is no longer relevant, without any possibility at present of assessing the potential impact. The Group is taking all of the initiatives required to attenuate as much as possible the negative consequences of the crisis on segment operating income and free cash flow. In addition, the Group has the sources of financing in place to deal with the uncertainty surrounding the crisis. [...]"

/ Situation as of April 16, 2020, the day before this Universal Registration Document was published

Measures designed to safeguard the health of Group employees

Since the beginning of the pandemic, the Executive Committee's primary concern has been to protect the health and safety of Group employees and their loved ones.

The evolving situation is tracked on a daily basis, so as to keep teams constantly informed, adjust health precautions as needed and take the appropriate decisions in each country. The Group's teams are in regular contact both with international authorities and with national authorities in its host countries.

In mid-March, the Group decided to temporarily suspend part of its manufacturing operations in Europe, India and North America. These decisions were taken after carefully reviewing the following criteria:

- how fast the virus was spreading in the country concerned;
- the type of health and economic measures undertaken by the local government;
- what the plant was producing, and particularly if it was making priority products or meeting the vital needs of public services;
- the amount of semi-finished product inventory;
- the amount of demand.

In early April, the Group announced that some of its operations, particularly in Italy and France, were going to partially reopen. This will enable the Group to meet customer demand and ensure the continuity of the public services that are playing a critical role in fighting the pandemic. It will also, in association with others, help to restart the economy, without in any way compromising the absolute priority focus on safeguarding everyone's health.

Because the situation is not the same in every country, before making any decisions, the Group carefully reviews the local situation, based on:

- the country's current health situation,
- the type of health and economic regulations issued by the local government,
- the existence of sanitary conditions capable of effectively protecting employee health and safety at the plant in question,
- the plant's products, and particularly if they are priority products or essential to supporting the vital needs of public services,
- the amount of demand.

If all of these sanitary, health and other conditions are not in place, operations will not be resumed.

In every plant or workshop still in operation, or resuming operations, sanitary and health measures have been strengthened to protect our employees.

Wearing a mask is one of the health precautions to fight against the virus, but there are others such as the possibility of cleaning your hands frequently (soap or gel), regular disinfection of premises and workspaces, the application of the rules of physical distance or even the taking of temperature.

In many countries, the majority of employees who are able to do so (mainly in office positions) are now working from home.

Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of December 31, 2019:

- €1.5 billion in cash and cash equivalents (notes 23 and 33.2 to the consolidated financial statements);
- €0.2 billion in cash management instruments (note 33.2 to the consolidated financial statements);
- a €2.5 billion commercial paper program, drawn down by €250 million at December 31, 2019 (notes 9.2 to the company financial statements and 26.1 to the consolidated financial statements);

(1) *The Outlook section is numbered 3.7.1 in the 2019 Annual Results Guide issued on February 10, 2020 and 5.1.7 a) in this Universal Registration Document. The 2019 Annual Results Guide may be found at: https://www.michelin.com/en/finance/results-and-presentations/annual-results/)*

(2) *The press release may be found at: https://www.michelin.com/en/press-releases/2020-03-18-610pm-covid-19-health-crisis-the-michelin-group-is-responding-to-prevailing-market-conditions-and-deploying-the-measures-required-to-attenuate-the-impact-of-this-systemic-crisis/*

- a $0.7 billion commercial paper program, drawn down by $50 million at December 31, 2019 (note 26.1 to the consolidated financial statements);
- a €0.5 billion factoring program, activated when there are sufficient trade receivables of high enough quality, and drawn down by €15 million as of December 31, 2019 (note 32.3.3 of the consolidated financial statements);
- €1.5 billion in undrawn confirmed lines of credit (note 33.2 to the consolidated financial statements).

In the current situation, the financial risks committee, which usually meets once a month, holds a weekly meeting to manage liquidity and counterparty risks. This organization is capable of agilely managing and optimizing routine outlays, capital expenditure and working capital. These exceptional liquidity risk management measures have been deployed in addition to the ongoing systems described in note 33.2 to the consolidated financial statements.

Moreover, stress tests have been performed to assess the Group's ability to meet its financial commitments, based on its sources of financing, in the event of a deep, prolonged market downturn. They have demonstrated that with all the financing mechanisms described above and the exceptional measures introduced to attenuate the negative impact of the crisis on segment operating income and free cash flow, the Group will be able to withstand any developments as the crisis unfolds.

Annual Shareholders Meeting and proposed 2019 dividend

On April 1, 2020, at 6:00 pm CEST, the Group issued a press release announcing that its Annual Shareholders Meeting would be held behind closed doors at 9:00 am on June 23, 2020 and that the proposed 2019 dividend would be reduced to €2.00 from the initial €3.85.

This press release read as follows:

"Michelin will hold its Annual Shareholders Meeting behind closed doors on June 23, 2020 and is reducing the amount of the proposed 2019 dividend to €2 versus €3.85 initially.

In the current global health crisis, the Michelin Group has implemented all of the measures necessary for the health and safety of its employees and their loved ones.

In response to social distancing measures and restrictions on movement, the Group will, exceptionally, hold its Annual Shareholders Meeting behind closed doors and without shareholders in physical attendance (1), at 9:00 am (CEST) on June 23, 20201. Shareholders may however follow the Meeting, which will be broadcast via video conference on the corporate website www.michelin.com, and are highly encouraged to vote remotely ahead of the Meeting. The rules concerning this Meeting will be detailed in the Notice of Meeting, which will be published shortly, and may also be consulted at www.michelin.com.

In a commitment to optimally balance the interests of all its stakeholders, the Group has decided to reduce the amount of the proposed 2019 dividend to €2, compared with the initially announced €3.85, with payment scheduled for July 3, 2020.

Since the beginning of the crisis, the Group has taken all of the initiatives required to attenuate as much as possible the negative impact of the crisis on segment operating income and free cash flow. The Group has the financing sources and mechanisms in place to deal with the uncertainty surrounding the crisis".

> Executive compensation

On April 6, 2020, at 10:50 am CEST, the Group issued a press release announcing that its executives had reduced their compensation in response to the noticeable slowdown in business caused by the health crisis.

This press release read as follows:

"Michelin Group executives reduce their compensation.

The health crisis has caused a noticeable slowdown in the activities of the Michelin Group, which has led to some employees having to undergo partial unemployment measures. In this context, and as a demonstration of solidarity with the entire employee community, the Managing Partners, the Executive Committee, as well as the Chairman and independent members of the Supervisory Board are reducing their remuneration.

Florent Menegaux and Yves Chapot, Managing Partners of the Michelin Group, have chosen to reduce their remuneration by around 25% for the months of April and May 2020.

In addition, the members of the Group's Executive Committee have voluntarily decided to reduce their remuneration by around 10% during the same period.

These reductions will be continued as long as Group employees are in partial activity due to the Covid-19 health crisis.

Florent Menegaux and Yves Chapot have also expressed their will to give up part of their 2019 variable compensation paid in 2020, once submitted to the vote of the shareholders at the annual general meeting to be held behind closed doors on June 23, 2020.

Finally, the chairman of the Michelin Group Supervisory Board, Michel Rollier, and its independent members are joining this effort by donating 25% of their attendance fees received in 2020 to foundations in their respective countries, which are part of the fight against Covid-19. [...]"

Market outlook

So far as the environment permits and to the extent possible, the Group will update its annual tire market forecast when it releases its first-quarter revenue figures on April 29 after close of trading.

/ Impact of the health crisis on the risk factors specific to the Group

To a certain extent, the current health crisis has exacerbated a number of risks or classes of risks specific to the Group, such as business interruption or continuity of supply. On the other hand, the crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in section 2 Risk Management of this Universal Registration Document. On the contrary, managing the crisis makes it possible to test the robustness of the measures put in place to mitigate the consequences of the above-mentioned risks.

To date, the business continuity procedures prepared by the Group have kept key manufacturing, sales and administrative operations up and running wherever temporary closures for health reasons have not been required. The supply chain is encountering disruptions, but these are not preventing the delivery of critical components, semi-finished products and finished products. Nevertheless, the situation is evolving very quickly, requiring the entire chain to respond accordingly.

(1) This decision has been made in response to the current health crisis, in light of stepped up government measures requiring residents to stay indoors and public places to close. It is consistent with Article 4 of French government order No. 2020-321 dated March 25, 2020 on the adaptation of rules of assembly and deliberation. [...]

The Group is also organizing the resumption of operations around the world, capitalizing on the feedback from its teams in China, where lockdown measures are gradually being lifted and economic activity picks back up.

5.1.12 INFORMATION DISCLOSED IN COMPLIANCE WITH FRANCE'S GRENELLE 2 ACT

The 2019 social, societal and environmental information disclosed in compliance with Article 225-102-1 of the French Commercial Code, as well as the Auditors' review report, may be found in section 4, "Non-financial performance statement".

5.1.13 DISCLOSURES PURSUANT TO FRANCE'S DUTY OF CARE ACT APPLICABLE TO PARENT COMPANIES AND SUB CONTRACTING COMPANIES

The 2019 duty of care plan, which outlines the risks and preventive measures that the Group and its main subcontractors face in relation to the environment, public health and safety and human rights, pursuant to the French Duty of Care Act (No. 2017-399) of March 27, 2017, is presented in section 4 "Non-financial performance statement".

5.1.14 CONSOLIDATED KEY FIGURES AND RATIOS

(in € millions)	2019	2018*	2017	2016	2015
Sales	24,135	22,028	21,960	20,907	21,199
% change	+9.6%	+0.3%	+5.0%	-1.4%	+8.4%
Total employee benefit costs	6,365	6,038	5,871	5,542	5,785
as a % of sales	26.4%	27.4%	26.7%	26.5%	27.3%
Number of full-time equivalent employees at period-end	121,300	111,100	107,800	105,700	105,800
Research and development expenses	687	648	641	718	689
as a % of sales	2.8%	2.9%	2.9%	3.4%	3.3%
Segment EBITDA(1)	**4,763**	**4,119**	**4,087**	**4,084**	**3,934**
Segment operating income	3,009	2,775	2,742	2,692	2,577
Segment operating margin	12.5%	12.6%	12.5%	12.9%	12.2%
Operating income	2,691	2,550	2,631	2,791	2,207
Operating margin	11.1%	11.6%	12.0%	13.3%	10.4%
Cost of net debt	330	200	176	203	184
Other financial income and expenses	(5)	16	(0)	20	(30)
Income before taxes	2,236	2,230	2,354	2,464	1,869
Income tax	506	570	661	797	706
Effective tax rate	22.6%	25.6%	28.1%	32.3%	37.8%
Net income	1,730	1,660	1,693	1,667	1,163
as a % of sales	7.2%	7.5%	7.7%	8.0%	5.5%
Dividends(2)	666	637	585	522	463
Net cash from operating activities	**3,321**	**2,831**	**2,741**	**2,764**	**2,695**
as a % of sales	13.8%	12.9%	12.5%	13.2%	12.7%
Gross purchases of intangible assets and PP&E	1,801	1,669	1,771	1,811	1,804
as a % of sales	7.5%	7.6%	8.1%	8.7%	8.5%
Net debt(3)	5,184	4,056	716	944	1,008
Total equity	13,229	12,181	11,261	10,646	9,542
Gearing	39%	33%	6%	9%	11%
Net debt(3)/EBITDA(1)	1.09	0.98	0.18	0.23	0.26
Segment operating income/net interest expense(4)	10.1	13.3	15.9	13.3	12.8
Free cash flow(5)	1,142	(1,985)	662	1,024	653
ROE(6)	13.1%	13.6%	15.0%	15.7%	12.2%
ROCE(7)	-	-	11.9%	12.1%	12.2%
Operating ROCE(8)	13.7%	14.0%	13.0%	-	-
Per share data *(in €)*					
Net assets per share(9)	74.1	67.8	62.7	59.1	52.5
Basic earnings per share	9.69	9.30	9.39	9.21	6.28
Diluted earnings per share	9.66	9.25	9.34	9.03	6.19
Price-earnings ratio(10)	11.3	9.3	12.7	11.5	14.0
Dividend for the year(11)	3.85	3.70	3.55	3.25	2.85
Payout ratio(12)	37.6%	36.4%	36.0%	36.5%	37.0%
Yield(13)	3.5%	4.3%	3.0%	3.1%	3.2%
Share turnover rate(14)	82%	92%	71%	78%	99%

* *The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).*
(1) *As defined in note 3.7.2 to the consolidated financial statements.*
(2) *Including the dividends paid in shares.*
(3) *Net debt: financial liabilities - cash and cash equivalents adjusted for net cash flows relating to cash pool assets and financial assets lodged as collateral for debt +/- derivative assets, as defined in note 26 to the consolidated financial statements.*
(4) *Net interest expense: interest expense - interest income from cash and equivalents.*
(5) *Free cash flow: as calculated in section 3.5.3.*
(6) *ROE: net income attributable to the shareholders/shareholders' equity excluding non-controlling interests.*
(7) *ROCE: net segment operating profit after tax (NOPAT)/capital employed (intangible assets and PP&E + non-current financial assets + working capital), as calculated in section 3.6.*
(8) *Operating ROCE: net segment operating profit after tax (NOPAT)/capital employed (intangible assets and PP&E + non-current financial assets + working capital and goodwill - acquired intangible assets and investments in equity-accounted companies), as calculated in section 3.6.*
(9) *Net assets per share: net assets/number of shares outstanding at the end of the period.*
(10) *Price-earnings ratio: share price at the end of the period/basic earnings per share.*
(11) *Subject to approval at the Annual Shareholders Meeting on May 15, 2020 (proposal reviewed at 2 € on April 1, 2020, see section 5.1.11).*
(12) *Payout ratio: Dividend/net income excluding non-recurring items (adjusted with respect to the nominal tax rate).*
(13) *Yield: dividend per share/share price at December 31.*
(14) *Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.*

5.2 CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

DETAILED SUMMARY OF THE NOTES TO THE CONSOLIDATED STATEMENTS

5.2.1 CONSOLIDATED FINANCIAL STATEMENTS – YEAR ENDED DECEMBER 31, 2019

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	2019	2018[1]
Sales	5	24,135	22,028
Cost of sales		(17,053)	(15,517)
Gross income		**7,082**	**6,511**
Sales and marketing expenses		(1,380)	(1,267)
Research and development expenses		(687)	(648)
General and administrative expenses		(1,987)	(1,816)
Segment other income and expenses	8	(19)	(5)
Segment operating income	**5**	**3,009**	**2,775**
Other operating income and expenses	9	(318)	(225)
Operating income		**2,691**	**2,550**
Cost of net debt	10	(330)	(200)
Other financial income and expenses	10	(5)	16
Net interest on employee benefit obligations	27.1	(98)	(90)
Share of profit/(loss) from equity-accounted companies	17	(22)	(46)
Income before taxes		**2,236**	**2,230**
Income tax	11	(506)	(570)
NET INCOME		**1,730**	**1,660**
▶ Attributable to the shareholders of the Company		1,751	1,677
▶ Attributable to the non-controlling interests		(21)	(17)
Earnings per share *(in €)*	**12**		
▶ Basic		9.69	9.30
▶ Diluted		9.66	9.25

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	2019	2018[(1)]
Net income		**1,730**	**1,660**
Post-employment benefits	27.1	(131)	71
Tax effect – Post-employment benefits	18	16	(101)
Equity instruments at fair value through OCI – changes in fair value	15.1	20	-
Tax effect – equity instruments at fair value through OCI		6	-
Other comprehensive income that will not be reclassified to the income statement		***(89)***	***(30)***
Cash flow hedges – changes in fair value		46	(37)
Currency translation differences		201	(57)
Other		5	40
Other comprehensive income that may be reclassified to the income statement		***252***	***(54)***
Other comprehensive income		**163**	**(84)**
TOTAL COMPREHENSIVE INCOME		**1,893**	**1,576**
▶ Attributable to the shareholders of the Company		1,914	1,590
▶ Attributable to the non-controlling interests		(21)	(14)

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2019	December 31, 2018[1]
Goodwill	13	2,388	2,160
Intangible assets	13	2,280	2,217
Property, plant and equipment (PP&E)	14	13,169	11,644
Non-current financial assets and other non-current assets	15	796	699
Investments in equity-accounted companies	17	1,087	953
Deferred tax assets	18	814	752
Non-current assets		**20,534**	**18,425**
Inventories	19	4,694	4,702
Trade receivables	20	3,532	3,453
Current financial assets	21	396	315
Other current assets	22	1,055	1,103
Cash and cash equivalents	23	1,466	2,128
Current assets		**11,143**	**11,701**
TOTAL ASSETS		**31,677**	**30,126**
Share capital	24	357	360
Share premiums	24	2,789	2,923
Reserves	25	10,080	8,875
Non-controlling interests		3	23
Equity		**13,229**	**12,181**
Non-current financial liabilities	26	5,923	5,302
Provisions for employee benefit obligations	27.1	3,873	3,858
Provisions and other non-current liabilities	29	1,104	1,319
Deferred tax liabilities	18	455	435
Non-current liabilities		**11,355**	**10,914**
Current financial liabilities	26	1,158	1,222
Trade payables		2,627	2,600
Trade payables under reverse factoring agreements	3.26	470	440
Provisions and other current liabilities	30	2,838	2,769
Current liabilities		**7,093**	**7,031**
TOTAL EQUITY AND LIABILITIES		**31,677**	**30,126**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Share capital (note 24)	Share premiums (note 24)	Reserves (note 25)	Non-controlling interests	Total
At January 1, 2018	**359**	**2,942**	**7,925**	**35**	**11,261**
Net income/(loss)	-	-	1,677	(17)	1,660
Other comprehensive income	-	-	(87)	3	(84)
Comprehensive income	**-**	**-**	**1,590**	**(14)**	**1,576**
Issuance of shares	2	56	-	-	58
Share buybacks	-	-	(75)	-	(75)
Cancellation of shares	(1)	(74)	75	-	-
Dividends and other appropriations	-	-	(647)	(1)	(648)
Share-based payments – current service cost	-	-	7	-	7
Other	-	(1)	-	3	2
At December 31, 2018[1]	**360**	**2,923**	**8,875**	**23**	**12,181**
Net income/(loss)	-	-	1,751	(21)	1,730
Other comprehensive income	-	-	163	-	163
Comprehensive income	**-**	**-**	**1,914**	**(21)**	**1,893**
Issuance of shares	-	4	-	-	4
Share buybacks	-	-	(141)	-	(141)
Cancellation of shares	(3)	(138)	141	-	-
Dividends and other appropriations	-	-	(675)	(1)	(676)
Share-based payments – current service cost	-	-	7	-	7
Other	-	-	(41)	2	(39)
AT DECEMBER 31, 2019	**357**	**2,789**	**10,080**	**3**	**13,229**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	2019	2018[1]
Net income		1,730	1,660
Adjustments			
▶ Cost of net debt	10	330	200
▶ Other financial income and expenses	10	5	(16)
▶ Net interest on employee benefit obligations	27.1	98	90
▶ Income tax	11	506	570
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,754	1,344
▶ Other operating income and expenses	9	318	225
▶ Share of profit from equity-accounted companies	17	22	46
Segment EBITDA	**3.7.2.**	**4,763**	**4,119**
Other operating income and expenses (cash) and change in provisions	31	(399)	(413)
Interest and other financial income and expenses received and paid, net	31	(325)	(182)
Income tax paid	18.2	(619)	(497)
Change in working capital, net of impairment	31	(99)	(196)
Net cash from operating activities		**3,321**	**2,831**
Purchases of intangible assets and PP&E	31	(1,782)	(1,716)
Proceeds from sales of intangible assets and PP&E		67	100
Equity investments in consolidated companies, net of cash acquired		(553)	(3,138)
Disposals of equity investments in consolidated companies, net of cash sold		128	161
Purchases of equity instruments at fair value		(15)	(18)
Disposals of equity instruments at fair value		17	29
Cash flows from other financial assets	31	(109)	(224)
Net cash from/(used in) investing activities		**(2,247)**	**(4,806)**
Proceeds from issuance of shares	24	4	58
Dividends paid to the shareholders of the Company	24	(665)	(637)
Cash flows relating to financial liabilities, net	31	(870)	3,020
Share buybacks	24	(141)	(75)
Other		(68)	(38)
Net cash from/(used in) financing activities		**(1,740)**	**2,328**
Effect of changes in exchange rates		**4**	**2**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(662)**	**355**
Cash and cash equivalents at January 1		**2,128**	**1,773**
Cash and cash equivalents at December 31	**23**	**1,466**	**2,128**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Notes 1 to 37 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") design, manufacture and market tires throughout the world. The Group also provides its customers with tire-related services and solutions, mobility experiences and expertise in high-tech materials.

The Company is a partnership limited by shares *(société en commandite par actions)* 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 7, 2020.

Except as otherwise stated, all amounts are presented in millions of euros (€ millions).

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements:

- have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union as of the reporting date and applicable to the period then ended;
- also comply with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared using the historical cost convention, with the exception of unconsolidated equity investments and financial assets and liabilities (including derivatives), which are measured at fair value through profit and loss or other comprehensive income.

2.2 Accounting policies

The accounting policies applied in the preparation of the Group's consolidated financial statements are set out in note 3 "Accounting policies". Aside from the exceptions described in sections 2.3 and 2.5 below, these policies have been consistently applied to all the years presented.

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2019 in the European Union

2.3.1 IFRS 16 "Leases"

IFRS 16 "Leases", published in January 2016 and adopted by the European Union in November 2017, has been applied by the Group as from January 1, 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 supersedes IAS 17 and its associated interpretative guidance. The accounting policies applied and assumptions used to account for leases are set out in note 3.16.1.

The new standard applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. In accordance with transitional provisions of IFRS 16, the Group has applied this standard to contracts previously identified as leases in application of IAS 17 and IFRIC 4. The implementation project showed that the new definition of leases in IFRS 16 does not materially affect the scope of contracts identified as leases by the Group.

This new definition has been applied to contracts signed or amended since the date of first-time application of the standard.

Significant changes to the lessee's accounting model have been introduced, as the previous distinction between operating and finance leases has been removed. The lessee must recognize an asset, corresponding to the right of use, and a liability corresponding to the lease commitment.

This standard has been applied as from January 1, 2019 without restatement of 2018 comparatives, as permitted by the simplified retrospective method. In addition, the Group has applied the practical simplifications provided for short-term leases, including leases with a remaining term of less than 12 months after the application date and those relating to low-value assets (mainly computers, printers and tools).

Most of the leases are operating leases where the Group is the lessee. Leased assets are mainly real estate assets (points of sale for the Group's integrated distribution network, sales and administrative offices), passenger cars and forklifts.

For contracts previously classified as finance leases, the Group has maintained the carrying amount of the right-of-use assets and lease liability at the date of initial application.

For the purposes of the transition, the incremental borrowing rate used is the rate applicable to the residual term of the lease, taking into account each subsidiary's specific credit risk, the currency of the contract and the weighted average maturity of the reimbursement of the lease liability.

The reconciliation between operating lease commitments disclosed at December 31, 2018 and the lease liability recognized at the IFRS 16 first-time application date is presented below:

(in € millions)	
Operating lease commitments disclosed at December 31, 2018	**917**
(Less): lease commitments on short-term leases	(69)
(Less): lease commitments on low-value assets	(69)
Add: adjustments resulting from a different treatment of extension and termination options	175
Discounted using the average incremental borrowing rate of 3.7% at the date of initial application	**815**
Add: finance lease liabilities recognized at December 31, 2018	316
LEASE LIABILITY AT JANUARY 1, 2019	**1,131**
Of which:	
Current lease liabilities	*211*
Non-current lease liabilities	*920*

Right-of-use assets include the following types of assets:

(in € millions)	December 31, 2019	January 1, 2019
Land and buildings	889	880
Plant and industrial equipment	74	70
Other equipment	164	178
TOTAL RIGHT-OF-USE ASSETS	**1,127**	**1,128**

Movements for the year are presented in note 14.1.

The first-time application of IFRS 16 affected mainly the following items in the consolidated statement of financial position at January 1, 2019:

(in € millions)	December 31, 2018(1)	IFRS 16	January 1, 2019 restated
Property, plant and equipment (PP&E)	11,644	796	12,440
Non-current financial liabilities	5,302	637	5,939
Current financial liabilities	1,222	178	1,400

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The indicators of the consolidated income statement and consolidated cash flow statement presented below were impacted at December 31, 2019 by the implementation of IFRS 16 as follows:

(in € millions)	Increase of
Segment operating income	17
Segment EBITDA	223

2.3.2 IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 "Uncertainty Over Income Tax Treatments" clarifies the recognition and valuation principles applicable to income tax risks. These risks arise when there is uncertainty related to a tax position adopted by the Group that could be challenged by the tax administration.

This interpretation was adopted by the European Union in October 2018 and is applicable for financial years beginning on or after January 1, 2019. It did not have a material impact on the consolidated financial statements.

2.3.3 Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

Negative compensation arises when a symmetric prepayment option is exercised by the borrower and the contractual terms require the lender to pay compensation to the borrower. The amendment describes the situations in which a financial asset with a symmetric prepayment option may be measured at amortized cost.

Prior to this amendment, to qualify for amortized cost measurement, the prepaid amount had to correspond to the unpaid principal and interest plus reasonable compensation for early termination of the contract. Symmetrical prepayment options did not fulfill this criterion because the compensation did not depend on which party exercised the option.

Following adoption of the amendment, it is no longer necessary for the party that accepts the exercise of the prepayment option to receive positive cash compensation from the party that exercises the option. In other words, the compensation may now be negative. The only restriction is that the amount of the compensation must be reasonable. Application of the amendment did not have a material impact on the Group's consolidated financial statements.

2.3.4 Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The Group applied the amendments to IAS 19 for the first time in 2019. The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by remeasuring the net defined benefit liability (asset) using current assumptions and the current fair value of plan assets at the time of the amendment, curtailment or settlement, but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Current service cost, net interest on the net liability (asset) and interest on the effect of the asset ceiling for the remainder of the reporting period after the plan amendment are measured using current assumptions and the current fair value of plan assets at the time of the amendment, curtailment or settlement. Application of these amendments did not have a material impact on the Group's consolidated financial statements.

2.3.5 Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The Group applied the amendments to IAS 28 for the first time in 2019. The amendments clarify that IFRS 9 including its impairment requirements, is applicable to financial instruments in an associate or joint venture to which the equity method is not applied. This mainly concerns long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture. The Group applies IFRS 9 to these long-term interests before applying IAS 28. Application of the amendments did not have a material impact on the Group's consolidated financial statements.

2.3.6 Amendments to IAS 39, IFRS 7 and IFRS 9 "Interest Rate Benchmark Reform"

The Phase 1 amendments, which are effective for annual periods beginning on or after January 1, 2020, provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. They have been early-adopted by the Group as from January 1, 2019.

The amendments, which modify certain hedge accounting requirements, are designed to support the provision of useful financial information by companies during the period of uncertainty arising from IBOR reform. They also require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

Application of these amendments did not have material impact on the consolidated financial statements.

2.3.7 Annual Improvements to IFRSs – 2015-2017 Cycle

The Group has applied the amendments included in the Annual Improvements to IFRSs – 2015-2017 Cycle.

These improvements include amendments to the following standards, none of which have a material impact on the Group's consolidated financial statements:

IAS 12 "Income Taxes"

The amendments state that an entity recognizes income tax on dividends in either profit or loss, or other comprehensive income or equity according to where the transactions or events that generated the distributable profits were originally recognized.

IAS 23 "Borrowing Costs"

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 "Business Combinations"

The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements of IFRS 3 for a business combination achieved in stages and remeasures previously held interest in that business. The amounts to be remeasured include all unrecognized assets, liabilities and goodwill related to the joint operation.

IFRS 11 "Joint Arrangements"

The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

There are no other new standard, update and interpretation published and effective whose impact could be material for the Group.

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

As of the date when the Group's consolidated financial statements were approved for publication, the Group had not adopted the following new standards or amendments to existing standards that had been published but were not effective as of January 1, 2019:

- IFRS 17 *"Insurance Contracts"*;
- Amendments to IFRS 10 and IAS 28 – *"Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture"*;
- Amendments to IFRS 3 – *"Definition of a Business"*;
- Amendments to IAS 1 and IAS 8 – *"Definition of Material"*.

The impact of these new standards and amendments is currently being assessed by the Group.

2.5 Restatement of comparative financial information at December 31, 2018

The consolidated financial statements at December 31, 2018, published in February 2019, have been restated with the following impacts:

2.5.1 Consolidated income statement

The definition of cost of sales was updated in 2019 to reflect the effects of the new organization set up in 2018 and the development of customer service businesses. Previously limited to the cost of sales for the Group's manufacturing activities, which is unchanged, the definition now includes the costs incurred to produce, administer and execute customer services. The main impact of this change is that "cost of sales" now includes the operating costs of the service centers run by the Euromaster dealership network in Europe, which were previously recognized in the consolidated income statement under "sales and marketing expenses".

The change has not had any impact on segment operating income, which is the Group's key operating performance metric, or on segment reporting data.

The impact of this change on the comparative income statement for 2018 is presented below:

(in € millions)	2018 as reported	Change in cost of sales definition	2018 restated
Cost of sales	(14,912)	(605)	(15,517)
Gross income	**7,116**	**(605)**	**6,511**
Sales and marketing expenses	(1,862)	595	(1,267)
Research and development expenses	(648)	-	(648)
General and administrative expenses	(1,826)	10	(1,816)
Segment other income and expenses	(5)	-	(5)
SEGMENT OPERATING INCOME	**2,775**	**-**	**2,775**
Other operating income and expenses	(225)	-	(225)
OPERATING INCOME	**2,550**	**-**	**2,550**

2.5.2 Consolidated statement of financial position

At December 31, 2018, given the date when the Camso business combination was concluded, the entire purchase price, *i.e.,* €1,174 million at the acquisition date, accounted for as preliminary goodwill on the "Goodwill" line within the consolidated statement of financial position. The consolidated statement of financial position has been restated for comparison purposes by taking into account the purchase price allocation.

The restatement of the opening balance sheet is presented below:

(in € millions)	December 31, 2018 as reported	Consolidation of Camso's provisional opening balance sheet	December 31, 2018 restated
Goodwill	2,667	(507)	2,160
Intangible assets	1,828	389	2,217
Property, plant and equipment (PP&E)	11,379	265	11,644
Non-current financial assets and other non-current assets	691	8	699
Investments in equity-accounted companies	938	15	953
Deferred tax assets	740	12	752
Non-current assets	**18,243**	**182**	**18,425**
Inventories	4,447	255	4,702
Trade receivables	3,307	146	3,453
Current financial assets	314	1	315
Other current assets	1,037	66	1,103
Cash and cash equivalents	2,100	28	2,128
Current assets	**11,205**	**496**	**11,701**
TOTAL ASSETS	**29,448**	**678**	**30,126**
Share capital	360	-	360
Share premiums	2,923	-	2,923
Reserves	8,862	13	8,875
Non-controlling interests	22	1	23
Total equity	**12,167**	**14**	**12,181**
Non-current financial liabilities	5,020	282	5,302
Provisions for employee benefit obligations	3,850	8	3,858
Provisions and other non-current liabilities	1,315	4	1,319
Deferred tax liabilities	326	109	435
Non-current liabilities	**10,511**	**403**	**10,914**
Current financial liabilities	1,134	88	1,222
Trade payables	2,506	94	2,600
Trade payables under reverse factoring agreements	440	-	440
Provisions and other current liabilities	2,690	79	2,769
Current liabilities	**6,770**	**261**	**7,031**
TOTAL EQUITY AND LIABILITIES	**29,448**	**678**	**30,126**

2.5.3 Consolidated statement of cash flows

The amount of cash and cash equivalents at January 1, 2019 came to €2,128 million following the first-time consolidation of Camso's provisional opening balance sheet (note 4.2.1). This amount was €2,100 million in the consolidated statement of financial position published at December 31, 2018.

2.5.4 Segment reporting

Certain businesses were reallocated to different segments with effect from January 1, 2019. The main change, which was prompted by the 2018 acquisition of Camso and the subsequent redefinition of the exclusively Off-the-road business unit, concerned the transfer of multi-purpose (on- and off-the-road) construction truck tires from the Off-the-road unit in the "Specialty businesses" segment to the "Road transportation" segment.

Camso's income and assets are included in the Off-the-road business unit in the Specialty businesses segment. In the restated statement of financial position at December 31, 2018, Camso's segment assets amounted to €1,630 million. Published segment assets at December 31, 2018 did not include provisional goodwill.

2018 information by reporting segment has been restated as follows to apply the reallocations and include Camso's assets:

	December 31, 2018 as reported				December 31, 2018 restated			
(in € millions)	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Profit and loss information								
Sales	11,340	5,852	4,836	**22,028**	11,332	6,378	4,318	**22,028**
Segment operating income	1,314	513	948	**2,775**	1,295	612	868	**2,775**
As a percentage of sales	*11.6%*	*8.8%*	*19.6%*	***12.6%***	*11.4%*	*9.6%*	*20.1%*	***12.6%***
Segment assets								
Goodwill, intangible assets and PP&E	6,765	3,753	4,197	**14,715**	6,776	4,049	5,196	**16,021**
Finished product inventories	1,208	822	691	**2,721**	1,198	901	800	**2,899**
Trade receivables	1,550	1,035	722	**3,307**	1,544	1,117	792	**3,453**
Segment assets	**9,523**	**5,610**	**5,610**	**20,743**	**9,518**	**6,067**	**6,788**	**22,373**

2.6 Critical accounting estimates and judgments

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

The main sources of uncertainty relating to key assumptions and judgments concern impairment of non-financial assets, employee benefit obligations, income taxes, goodwill, intangible assets acquired in a business combination and the estimated useful life of such assets, and the definition of the enforceable period of a lease contract.

2.6.1 Impairment of non-financial assets

The cash generating units' (CGU) future cash flows used to calculate value in use (note 3.17 "Impairment of non-financial assets") are derived mainly from forecasts set out in the Group's five-year business plan. Strategic objectives are developed with the involvement of key people in the Business Lines and Business Departments, and are validated by management. The process requires using critical estimates and judgments, especially to determine market trends, raw material costs and pricing policies. Consequently, actual cash flows may differ from the estimates used to calculate the CGUs' value in use.

Quantitative information is provided in note 13.1 "Goodwill".

2.6.2 Employee benefit obligations

The Group uses defined contribution plans which generally require, on top of the portion financed by the Group, a contribution from each salaried employee, defined as a percentage of their compensation.

Some subsidiaries also recognize liabilities for pension plans, jubilees and other post-employment benefits linked to rights acquired by the employees through plans specific to these subsidiaries or resulting from certain legal obligations.

The valuation of these benefits is carried out annually with the assistance of independent actuaries. The actuarial method used is the projected unit credit method.

In accordance with this method, statistical information and various assumptions are used in calculating the expenses, liabilities and assets related to the benefit plans. Assumptions mainly include the discount rate, the inflation 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 based on internal guidelines, in consultation with the actuaries.

The discount rates are determined based on actuarial models using the same maturity as the liabilities.

The rate of salary increases is determined by each country based on a long-term salary policy and takes into consideration all of the relevant factors including market practices, as well as career development, promotion and seniority, among other inputs.

The inflation rates, calculated over standard durations, are determined using several methods:

- by using actuarial models based on target rates published by central banks, forecasts from Consensus Economics 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 and disability) 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".

2.6.3 Income tax

Significant judgments and estimates are required to determine the amount of the deferred tax assets resulting from tax loss carryforwards or deductible temporary differences.

The expected reversal of tax losses is based on forecasted future results approved by local management and reviewed by the Group Tax and Accounting Departments. Analyses are also performed in order to ensure the consistency of the forecasts with the Group's strategic plans validated by management. Analyses to support the deferred tax positions are performed periodically, at a date as close as possible to the reporting date.

The period over which tax loss carryforwards are reversed is based on a reasonable time horizon, taking into account the specific circumstances of each Group company, such as:

- the origin of the historical tax losses (generally exceptional and non-recurring: restructuring, significant increases in production capacity, etc.);
- forecasted future results;
- tax planning strategies;
- opportunities for internal reorganizations that will eliminate sources of losses; and
- the time limit for recovering historical losses.

Quantitative information is provided in notes 11 "Income tax" and 18 "Taxes".

The companies that make up the Group operate in different, and sometimes uncertain, legal and regulatory environments, including tax environments. They may be involved, in the normal course of business, in various types of litigation, disputes or other proceedings.

Each of the known disputes or ongoing proceedings in which the Group or one of the Group companies is involved was examined at the reporting date, where appropriate with the assistance of external consultants, and provisions have, if necessary, been booked to cover the estimated risks. The main ongoing tax disputes are described in note 32.2 "Contingencies".

2.6.4 Goodwill, intangible assets acquired and their residual useful life

As part of its acquisitions, the Group identifies, measures and recognizes intangible assets (trademarks and customer relationships, for example) and determines their residual useful lives. The difference between the fair value of assets acquired and liabilities assumed, on the one hand, and the consideration transferred, on the other, represents goodwill, which is allocated to the CGUs or to the groups of CGUs benefiting from the synergies expected from the business combination. In order to perform the purchase price allocation, the Group takes into account the various strategic and operational objectives underlying the acquisition and relies on the expertise of valuation firms.

The value of assets and liabilities recognized on business combinations may be impacted in the future if judgments, estimates and key assumptions made at the time of the acquisition, such as revenue growth rate, operating margin or discount rates, should differ from reality.

2.6.5 Enforceable period of a lease

When the Group enters into a lease, it determines the enforceable period by taking into account all the economic facts and circumstances, as well as the options to extend and terminate the lease. This information is used to determine the most economically relevant end date for the lease.

For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option. Consequently, the duration is selected to coincide with the initial term of the lease.

For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

NOTE 3 ACCOUNTING POLICIES

3.1 Consolidation

The Group's consolidated financial statements include all subsidiaries, joint ventures 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 over the entities in question (no loss nor gain of control), as equity transactions having no impact on comprehensive income. Expenses relating to these transactions 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 previously recognized in other comprehensive income are reclassified to the income statement. When the Group loses control over an entity but keeps some non-controlling interests in the entity, the transaction is analyzed 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 ventures or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.18 "Non-derivative financial assets").

3.1.1 Subsidiaries

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 an impairment loss on the transferred asset arises on the transaction.

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 over which the Group has joint control 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 representing 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's investments in joint ventures and associates include goodwill identified at the acquisition date and are presented net of any accumulated impairment losses.

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

When the Group's 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 entity.

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

The profit resulting from downstream transactions carried out with a joint venture or an associate is deducted from the Group's proportionate share in profit of the joint venture or associate.

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 segment 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 euros, 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 unconsolidated equity investments are included in other comprehensive income until the investment is sold.

3.3.3 Translation

The financial statements of the 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 for the period (as it is considered a reasonable approximation to actual rates at the transaction date), and all resulting exchange differences are recognized in other comprehensive income.

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

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

3.3.4 Exchange rates of major currencies

	Closing rates		Average rates	
Against the euro (EUR):	2019	2018	2019	2018
US dollar (USD)	1.119	1.146	1.120	1.182
Canadian dollar (CAD)	1.464	1.560	1.486	1.530
Mexican peso (MXN)	21.058	22.546	21.566	22.703
Brazilian real (BRL)	4.528	4.440	4.410	4.283
Pound sterling (GBP)	0.854	0.905	0.877	0.884
Chinese yuan (CNY)	7.820	7.860	7.733	7.803
Indian rupee (INR)	79.881	80.218	78.841	80.611
Thai baht (THB)	33.735	37.136	34.773	38.172

3.4 Derivative instruments

Derivative 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 qualifying as hedges are recorded as financial income or expense in the period in which they arise.

The fair values of listed instruments are based on their market values.

For unlisted instruments, fair values are determined using mathematical models, such as option pricing models, or methods based on discounted future cash flows. These models take into account market data.

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

3.5 Hedging

Some derivative 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);
- hedges of highly probable forecast transactions (cash flow hedges).

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 financial income and expenses, 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 reserves. The ineffective portion of the gain or loss is recognized immediately in the income statement, in operating income (commodity price hedges) or financial income and expenses (interest rate hedges).

When options are used to hedge future transactions, only the changes in the options' intrinsic value are designated as hedging instruments. Changes in the intrinsic value and the time value in relation to the hedged item ("aligned time value") are recorded in other reserves.

For forward contracts used to hedge future transactions, the Group designates all the changes in fair value (including the forward points) as hedging instruments. These changes in fair value are recorded in other reserves.

Amounts accumulated in other reserves are recognized in the income statement over the period during which the hedged item affects the profit and loss, as follows:

- when the hedged item is a non-financial asset (for example, a consolidated investment or an inventory), deferred gains or losses, as well as deferred gains or losses on the time value of the option or contract forward points are included in the initial cost of the asset;
- the gains or losses resulting from the interest rate hedge are recognized in financial income at the same time as the interest on the loans that are hedged.

When a hedging instrument is sold or expires, or when a hedging instrument no longer meets the criteria required to qualify for hedge accounting, the amount accumulated in other reserves at that date is immediately recognized in profit or loss.

3.5.3 Derivatives not qualifying for hedge accounting

Certain other derivative instruments, while offering effective economic hedging in terms of the Group's financial policy, do not meet the criteria for hedge accounting or have not been treated as hedging instruments (refer to the policy relating to derivative instruments, above). Changes in the market value of these derivatives must therefore be recognized in financial income and expenses. For example, foreign exchange derivatives used to hedge the currency exposure of financial assets and liabilities recognized in the consolidated statement of financial position are not designated as hedging instruments.

3.6 Fair value of financial instruments

Fair value measurements are disclosed by level of input, in line with the following fair value 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 unconsolidated equity investments, 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 (*i.e.,* as prices) or indirectly (*i.e.,* 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 (*i.e.,* unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument, essentially non-quoted unconsolidated equity investments, 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 adjustment to determine the fair value of derivatives.

The Group assesses the counterparty risk included in the fair value of its over-the-counter derivatives for which there is no exchange of collateral. 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 collateral 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 consolidated statement of financial position 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 pool assets included in "Current financial assets" on the consolidated statement of financial position (these assets are highly liquid, little affected by interest rate risk and foreign currency risk); and
- borrowing collateral included in "Current financial assets" and "Non-current financial assets" on the consolidated statement of financial position.

3.7.2 Segment EBITDA

The Group defines Segment EBITDA as segment operating income less depreciation of property, plant and equipment and amortization of intangible assets.

3.8 Revenue recognition

The sale of tires, in the original equipment or replacement market, constitutes the major part of Group income. In the replacement market, tires are sold to distributors (wholesalers, specialist dealers, etc.) who are customers of the Group. These distributors have the full and complete possibility to use the tires for their own benefit, or to market them, and in this case, to fix the resale price. Furthermore, they carry the inventory risk.

The terms of sale offered by Group companies, in line with normal market practice, vary according to the customer category and the country in which the sales are made. They provide however, that the payment for the goods sold will be made in a period appreciably less than one year and there is therefore no reason to adjust the amount of consideration received from customers to take into account the effects of a financing component.

Each delivery of tires, either in the original equipment market with car manufacturers or in the replacement market, represents a distinct and separate performance obligation to be fulfilled at a point in time and which corresponds to the loading of goods or their delivery, in accordance with the underlying contract.

The warranties offered to the buyers cover design or manufacturing defects, which may appear as irregular or excessive tires wear under normal conditions of use. These warranties, which do not provide the customer with any supplementary guarantee, apart from the fact that the tire is exempt from defects, continue to be accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets".

The Group agrees, under certain conditions, to give trade concessions or to reimburse unsatisfied customers. Occasionally and under special circumstances, it also grants the right to return products already sold. This right gives rise to the recognition of a liability and a reduction in income, as well as an asset representing the Group's right to recover the goods that customers will return. In addition, the amount that the Group effectively receives for the tires delivered, as well as the revenue from sales recognized in the income statement, can vary as a result of deferred rebates stipulated in contractual agreements and/or at the start of marketing campaigns, which will be paid to the customers at the end of the reference period and depending on the achievement of qualitative or quantitative objectives set for that period. Their value is determined using the expected value method. The Group relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be given to customers. Income from ordinary activities is therefore recognized taking into account the uncertainty surrounding the different components of variable consideration and to the extent that it is highly probable that the outcome of this uncertainty will not give rise to a significant reduction in the amount of sales already recognized, once the uncertainty is resolved. The difference between the amounts invoiced to the customers and the level of income recorded from ordinary activities results in the recognition of a liability in respect of the future reimbursement under "Other current liabilities" in the consolidated statement of financial position.

The other sales categories essentially comprise the management of tires for commercial fleets and the supply of telematics services, where the main objective is greater fuel economy and fleet efficiency. The services supplied under these contracts consist of a single performance obligation satisfied over time for which the sales revenue is recognized according to the stage of completion, measured on the basis of the work performed and the costs incurred.

The Group may enter into multi-year agreements with customers, which include a commitment regarding its capacity to supply the products, in exchange for a specific amount of consideration. This is to be paid in advance of fulfillment of the obligations to supply the products, which will be spread over the duration of the contract. As such, this commitment is considered to be linked to the supply of the products and will be recognized as revenue as and when the supply obligations are fulfilled. When the payment is received, a contract liability is recognized and split between the line items "Provisions and other non-current liabilities" and "Other current liabilities" in the consolidated statement of financial position, depending on the date the performance obligations are fulfilled.

3.9 Cost of sales

Cost of sales for the Group's manufacturing activities 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 manufacturing 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.

For non-manufacturing activities, especially customer services, cost of sales includes all the costs incurred to produce, administer or execute a service delivered in the distribution network. Cost of sales for these activities mainly comprises employee benefits expense, depreciation of plant and equipment, energy costs and the cost of acquiring and processing the data needed to produce the service.

3.10 Research and development expenses

Research costs cannot be capitalized. Development costs 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 Segment operating income

"Segment operating income" measures the performance of the operating segments and is one of the Group's management indicators.

3.12 Other operating income and expenses

"Other operating income and expenses" is used to record items that are not taken into account by management when measuring the performance of the operating segments due to their nature or their significant, unusual or abnormal characteristics. They include, in particular, the costs related to the reorganization and adaptation of activities and those related to major litigation (and the adjustments in the corresponding provisions), as well as impairment of goodwill and acquisition-related costs. Given the recent major acquisitions made by the Group, the amortization of trademarks and customer relationships recognized as part of a business combination is also recognized in other operating income and expenses. They also include gains and losses on disposals and changes in impairment of property, plant and equipment and intangible assets, acquisition price adjustments, as well as gains and losses related to changes in post-employment benefits.

They are detailed in note 9 "Other operating income and expenses".

3.13 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 profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax loss carryforwards and the temporary differences can be offset.

Deferred tax is calculated on temporary differences arising from investments in subsidiaries, joint ventures, and associates: deferred tax assets are recognized if the reversal is under the entity's control and is also probable. Deferred tax liabilities are recognized unless their reversal is controlled and not probable.

Tax positions are analyzed periodically and if any positions are considered unlikely to be accepted by the tax authorities a provision is booked for the most probable amount in order to cover the risk. Assets/liabilities resulting from uncertain tax treatments are included in current or deferred tax assets or liabilities in the consolidated statement of financial position.

3.14 Business combinations 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 calculated at the acquisition date as the difference between:

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

The valuation period for a business combination does not exceed 12 months from the acquisition date.

Goodwill is allocated to CGUs 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.

3.15 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 for impairment at least once a year. Those with finite useful lives are amortized on a straight-line basis over their estimated useful life:

- Software 3-7 years
- Brands and trademarks 5-20 years
- Customer relationships 5-20 years

3.16 Property, plant and equipment (PP&E)

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 of 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 land and building installations: 25 years
- Petrochemical equipment: 25 years
- Industrial and commercial equipment: 2-12 years
- Computer and telecommunication equipment: 5 years
- Vehicles: 5 years
- Other: 5-12 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.

3.16.1 Leases

A contract is or contains a lease if it conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The Group assesses whether a contract is or contains a lease on the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Substantially all of the Group's leases are leases where the Group is the lessee. Leased assets are mainly real estate assets (points of sale for the Group's integrated distribution network, sales and administrative offices), passenger cars and forklifts.

Lease liabilities

Lease liabilities correspond to the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate.

For contracts that include a lease component and non-lease components (such as services), only the lease component is taken into account in calculating the present value.

The interest rate implicit in the lease is used as the discount rate if it can be readily determined. If the implicit rate cannot be readily determined, each Group entity uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability.

After initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease and reduced to reflect the lease payments made.

The carrying amount of the lease liability and the corresponding right-of-use asset is adjusted to reflect any change in the lease term, any change in the assessment of an option to purchase the underlying asset, any change in the amount that the lessee expects to have to pay to the lessor under the residual value guarantee or any change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Right-of-use assets

Right-of-use assets corresponding to leased property, plant and equipment are initially measured at cost, corresponding to the sum of the present value of the outstanding lease payments at the commencement date. Any lease payments made at or before the commencement date any initial direct costs and an estimate of costs to be incurred by the Group in dismantling or restoring the underlying asset, are included in the value of the night-of-use asset, less any lease incentives.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the leased asset if the transfer of ownership of the leased asset is uncertain or is not provided for in the contract.

Enforceable period

The enforceable period of a lease is determined by taking into account all the economic facts and circumstances (such as contractual terms and conditions for the optional periods compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location), and contractual options to extend or terminate the lease. Consequently, for leases that are automatically renewable and the 3/6/9-year commercial leases that are common in France, the enforceable period can be longer than the period to the contractual end date. This information is used to determine the most economically relevant end date for the lease. For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option. Consequently, the duration is selected to coincide with the initial term of the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

Exceptions

Leases with a term not exceeding 12 months or concerning low-value assets (mainly computers, printers and tools) are not recognized in the consolidated statement of financial position.

The payments related to these leases are expensed on a straight-line basis over the duration of the contracts. Variable lease payments are expensed in the period in which the triggering event or situation occurs.

3.17 Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (goodwill, intangible assets or property, plant and equipment) may be lower than its carrying amount, the recoverable amount of the asset is measured and if needed, an impairment is recognized. Whether there is an indication of impairment or not, an annual impairment test is performed for goodwill, intangible assets with an indefinite useful life and intangible assets not ready for use, by comparing their carrying amount with their recoverable amount.

At individual asset level, indications of impairment generally relate to 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 (including rights-of-use assets, note 3.16.1) are combined for impairment testing purposes in the smallest identifiable group of assets that generates cash flows that are largely independent of cash flows from other assets or groups of assets (cash generating units – CGUs).

For the tire business, CGUs are based on industrial asset groups, generally production plants, working together to manufacture and provide product offerings that meet the needs of customers with similar expectations in homogeneous markets or market segments.

CGUs related to non-tire businesses (Services and Solutions, Experiences, High-Technology Materials and Distribution) generally cover the scope of each of these activities.

CGUs to which goodwill has been allocated are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment loss. For the purpose of impairment testing, goodwill is allocated to a CGU or group of CGUs on the same basis as that used by the Group's management to monitor the performance of the businesses and assess synergies deriving from business combinations.

CGUs to which no goodwill is allocated are tested for impairment only if there is an indication that they may be impaired. In assessing whether there is any indication that a CGU may be impaired, the Group has defined three indicators for the tire business CGUs. They measure respectively the trends (i) in the market served by the CGU, (ii) in financial performance through the cost of sales' margin and (iii) in the use of the installed production capacity. For the non-tire business CGUs, as well as for the distribution CGUs, the indicator used to measure trends in financial performance serves as the triggering indicator for an impairment test.

Recoverable amount is the higher of value in use and fair value less costs of disposal.

For most CGUs, recoverable amount is based on value in use, which is equal to estimated future cash flows calculated using the weighted average cost of capital (WACC) as a discount rate. Future cash flows are mainly based on the CGUs' five-year cash flow forecasts plus a terminal value, measured by discounting projected cash flows using 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 and a risk premium reflecting the risks associated with the countries where the assets are located. The gearing and the beta are based on data from comparable segments and take into account the specificities of certain activities.

The recoverable amount of the distribution CGUs 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 non-current assets, proportionally to 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, including any reversals, are recognized in "Other operating income and expenses".

3.18 Non-derivative financial assets

3.18.1 Asset categories

The Group classifies and measures its debt instruments in the following categories depending on their alignment with "solely payment of principal and interest" (SPPI) criteria and with its business model:

- Amortized cost: held to maturity financial assets in order to collect repayments from principal and interest;
- Fair value through profit or loss: financial assets that do not meet the criteria to be classified as amortized costs (SPPI and HTC).

The Group measures all its unconsolidated equity investments at their fair value. When the Group chooses to use the irrevocable option to record fair value adjustments in other comprehensive income, the realized gains or losses on disposal are not recycled in the income statement. The impairment losses recognized on equity investments are not shown separately from the other changes in fair value.

3.18.2 Initial recognition and derecognition

Purchases and sales of non-derivative financial assets are recognized on the trade-date, *i.e.,* 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 the risks and rewards of ownership.

3.18.3 Measurement

Loans and receivables are measured at amortized cost using the effective interest rate method.

Financial assets at fair value are valued by direct reference to a price quoted in an active market or on the basis of market assumptions (note 3.6 "Fair value of financial instruments"). Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through profit or loss are recognized immediately in other operating income and expenses.

Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through comprehensive income are recorded in other comprehensive income and never impact the income statement.

3.18.4 Impairment

At each reporting date, the Group looks for any objective indication of impairment of financial assets recorded at amortized cost.

The model for calculating the expected credit loss is determined on the basis of the counterparty rating and the associated default probability. The impairment loss is calculated over a period of 12 months given the non-deterioration of the credit risk of the counterparties. It is recognized in the income statement.

When the credit risk of a financial asset at amortized cost increases significantly, the expected credit loss is calculated over the life of the asset.

If there is no longer a reasonable way to recover the value of a financial asset at amortized cost, the asset is derecognized from the consolidated statement of financial position and impacts the income statement.

3.19 Inventories

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

The cost of raw materials, 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 costs, other direct costs and production overheads based on the normal capacity of production facilities. Borrowing costs are expensed as incurred. The measurement of inventories and cost of sales using the standard cost method put in place by the Group, taking variances into account, is close to what would be obtained using the actual cost method.

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.

3.20 Trade receivables

Trade receivables are initially recognized at the amount unconditionally due by the customer. The Group manages its trade receivables in order to collect the contractual cash flows and measures its receivables at amortized cost, according to the effective interest rate method, after deduction of any impairment losses.

When payment terms are less than one year, the initial fair value and the subsequent amortized cost are equal to the nominal amount to the extent that the receivable does not include a significant financial component.

The Group applies the simplified approach provided under IFRS 9, which consists in calculating the expected credit loss over the life of the trade receivable. This model makes it possible to determine a credit loss expected at maturity for all trade receivables, as soon as they are recognized.

Expected credit losses are based on customer payment patterns that have been observed over 36 months, and trade credit losses historically recorded during this period.

An impairment loss is also recognized whenever there are objective indications that the Group will not be able to recover all amounts due under the terms of the original transaction. Bankruptcies, the use of legal procedures to protect against creditors, cases of known insolvency or disappearance of the debtor, late payments of more than six months, economic or political risks in the country of residence of the debtor, as well as the deterioration of the latter's solvency are all indicators that suggest that a trade receivable must be impaired. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash inflows at the initial effective interest rate. Before recognizing an impairment loss, the quality of the guarantees potentially obtained must be assessed, as well as the capacity to implement them. The impairment loss is recognized in Sales and marketing expenses.

When the receivable is irrecoverable, it is canceled by offsetting it against the previously recognized impairment loss. Any subsequent cash inflows corresponding to previously derecognized receivables are recorded by reducing Sales and marketing expenses in the income statement.

3.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with initial maturities not exceeding three months. Term deposits maturing in more than three months, but with early withdrawal terms of less than three months with guaranteed capital and negligible withdrawal costs are also classified as cash and cash equivalents.

3.22 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.

3.23 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 (after deducting the debt component), representing the value of the conversion option, is recognized in financial liabilities.

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

3.24 Employee benefit obligations

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

Where employee benefits, such as certain pension plans, 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.

3.24.1 Pension and other post-employment benefits

Post-employment benefits are benefits payable after employment ceases. 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' compensation, age and years of service. The obligations relate both to current retirees and to the 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 management policies regarding post-employment benefits have led to the transformation of defined benefit plans into defined contribution benefit plans since the early 2000s. Nevertheless, a significant portion of the post-employment benefit plans provided by the Group are still 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 plans and end-of-service benefit plans.

Post-employment benefit obligations, 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 valuations carried out annually for the largest plans and on a regular basis for other plans. These actuarial valuations are carried out with the help of independent actuaries. Actuarial assumptions, primarily discount rates, projected salary increase rates, inflation rates and expected growth in healthcare costs are incorporated into the actuarial valuations and reviewed annually.

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

The present value of the defined benefit obligation corresponds to the estimated future cash outflows, calculated using a discount rate established by reference to a market rate based on interest rates of high-quality corporate bonds that have maturities approximating the duration of the related post-employment benefit obligation.

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

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 available economic benefits, the Group immediately recognizes 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's net benefit plan cost recognized in the income statement includes the current service cost for the period, curtailment and settlement 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 outside operating income.

3.24.2 Share-based payments

Employee stock option plans

Benefits related to stock options, which may be granted to some Group employees, are measured at the grant date using the binomial option pricing model.

The grant date is the date when the Managing Chairman decides on the list of plan 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 of the shares (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 "Segment other income and expenses".

Performance share plans

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

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

The fair value of the performance shares granted corresponds to the Company's share price on the grant date less:

- the present value of dividends that will not be received by the grantees during the vesting period;
- the value of the stock market performance condition on the grant date, which depends on the probability of the condition being fulfilled.

The number of shares that will ultimately be issued at the end of the vesting period depends on the extent to which the Group's performance and service conditions are met.

The total benefit cost is based on the fair value of the performance shares and the estimated number of shares that will ultimately be issued. This cost is recognized over the vesting period and is recognized in "Segment other income and expenses".

Employee share ownership plan

The Group may offer most of its employees the opportunity to participate in a share ownership plan allowing them to purchase Company shares.

These shares, which are subject to certain restrictions relating to their sale or transfer, may be purchased by the employees at a subscription price based on the Michelin share price, less a discount. The benefit granted to the employees equals the difference between the fair value of the shares acquired (after deducting the five-year lock-up cost) and the price paid by the employees, multiplied by the number of shares acquired.

The benefit granted to the employees is immediately expensed by the Group, as no vesting period applies, and is recognized under "employee benefit costs – share-based payments", within "Segment other income and expenses".

3.25 Provisions

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

Provisions for reorganizations and adaptation of activities 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.

3.26 Trade payables

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

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

Given the nature of some of these agreements, the total balance of trade payables to such suppliers is presented on a separate line of the consolidated statement of financial position, within "Trade payables under reverse factoring agreements". In the consolidated statement of cash flows, these transactions are included in operating or investing activities.

NOTE 4 CHANGES IN THE SCOPE OF CONSOLIDATION

The main acquisitions, joint-venture creations and disposals made by the Group in 2018 and 2019 are presented below:

Company	Transaction type	Transaction date	Purchase price allocation status at December 31, 2019	Note
Multistrada	Acquisition	March 6, 2019	provisional	4.1.1.
Masternaut	Acquisition	May 22, 2019	provisional	4.1.2.
Symbio	Creation of a joint venture	November 21, 2019	provisional	4.1.3.
BookaTable	Disposal	December 3, 2019	not applicable	4.1.4.
Camso	Acquisition	December 18, 2018	final	4.2.1.
Fenner	Acquisition	May 31, 2018	final	4.2.2.
TBC	Creation of a joint venture	April 5, 2018	final	4.2.3.

4.1 Operations in 2019

4.1.1 Multistrada

On January 22, 2019, the Group announced the signing of an agreement to acquire 80% of PT Multistrada Arah Sarana TBK ("Multistrada"), a tire manufacturer based in Indonesia. With this transaction, the Group has strengthened its presence in the highly promising, local production-dominated Indonesian market by acquiring a local plant with good quality equipment and immediately available production capacity.

After obtaining antitrust clearance, the transaction was completed on March 6, 2019 with the acquisition of 87.59% of the share capital.

The net cash outflow generated by the acquisition of 87.59% of the Multistrada shares in 2019 is as follows:

(in € millions)	At the acquisition date
Fair value of consideration transferred	(417)
Net cash acquired	66
Acquisition costs paid	(4)
NET CASH OUTFLOW FROM THE ACQUISITION	**(355)**

As Multistrada is a listed company, and in accordance with Indonesian regulations, the Group launched a mandatory tender offer (MTO) just after the takeover on March 6, 2019 to acquire the remaining 12.41% interest at the same price per share offered to acquire the initial 87.59% stake. The MTO ended on May 22, 2019, resulting in the acquisition of 12.05% of additional shares, bringing the total ownership interest to 99.64%.

The shares acquired through the MTO correspond to a purchase of shares from minority shareholders and are not regarded as part of the fair value of the consideration transferred.

The identification and measurement of the identifiable assets acquired and the liabilities assumed at their fair value at the acquisition date started in the second half of 2019 and will be completed within 12 months after the acquisition date, *i.e.,* no later than March 6, 2020.

The provisional fair value measurement of each main category of identifiable assets acquired and liabilities assumed is detailed as follows:

(in € millions)	At the acquisition date
Intangible assets	14
Property, plant and equipment (PP&E)	411
Non-current financial assets and other non-current assets	10
Deferred tax assets	-
Non-current assets	**435**
Inventories	59
Trade receivables and other current assets	56
Cash and cash equivalents	66
Current assets	**181**
Non-current financial liabilities	96
Provisions and other non-current liabilities	11
Deferred tax liabilities	33
Non-current liabilities	**140**
Current financial liabilities	76
Trade payables and other current liabilities	111
Current liabilities	**187**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**289**

The trademark portfolio has been valued at €13 million and will be amortized over its estimated useful life of 20 years; property, plant and equipment, valued at €411 million, constitute the main acquired assets and will be depreciated over their estimated useful lives, ranging from 10 to 25 years depending on the assets concerned.

As of December 31, 2019, the provisional allocation of the purchase price, after the measurement at fair value of the identifiable assets acquired and liabilities assumed, led to the recognition of goodwill for €164 million in application of the partial goodwill method, calculated as follows:

(in € millions)	At the acquisition date
Fair value of consideration transferred	417
Plus: non-controlling interests at fair value of identifiable net assets	36
Less: fair value of net assets acquired	289
GOODWILL	**164**

This goodwill, allocated to the passenger car tires - regional brands CGU, corresponds primarily to the value attributed to the expected synergies which include strengthening the Group's presence in the highly promising Indonesian market and gradually converting production from Tier 3 passenger car tires to Tier 2 Group brands with limited new investment, thereby allowing more Tier 1 production at other Asian plants and supporting growing demand for Tier 2 tires in Europe, North America and Asia.

4.1.2 Masternaut

On May 22, 2019, the Group completed the acquisition of the entire share capital of Masternaut, one of the largest European telematics providers. Masternaut operates primarily in France and the United Kingdom. It provides a technical platform equipped with the latest technology and offers on-board telematics solutions to optimize vehicle fleet management and monitoring.

The net cash outflow generated by the acquisition of 100% of the Masternaut shares in 2019 breaks down as follows:

(in € millions)	At the acquisition date
Fair value of consideration transferred	(10)
Net cash acquired	2
Acquisition costs paid	(2)
NET CASH OUTFLOW FROM THE ACQUISITION	**(10)**

The identification and measurement of the identifiable assets acquired and the liabilities assumed at their fair value at the acquisition date started in the second half of 2019 and will be completed with 12 months of the acquisition date, *i.e.*, no later than May 22, 2020. The fair value of the net assets acquired was a negative €61 million, corresponding mainly to the €75 million in assumed debt. The debt was repaid when the shares were acquired.

The brand has been valued at €8 million and will be amortized over its estimated useful life of 10 years; the acquired technology has been valued at €18 million and will be amortized over its estimated residual useful life of 10 years.

As of December 31, 2019, the provisional allocation of the purchase price, after the measurement at fair value of the identifiable assets acquired and liabilities assumed, led to the recognition of goodwill for €71 million, calculated as follows:

(in € millions)	**At the acquisition date**
Fair value of consideration transferred	10
Less: fair value of net assets acquired	(61)
GOODWILL	**71**

This goodwill, allocated to the Light truck and Truck tires CGU, corresponds primarily to the value attributed to the expected synergies, which include increasing the pace of growth of the light vehicle Services and Solutions businesses in the extremely buoyant fleet market, deploying the offering in all European countries and using data to provide the best solutions to customers, improve product performance and develop data science businesses such as predictive maintenance.

4.1.3 Symbio

On November 21, 2019, Michelin and Faurecia announced the creation of a joint venture combining all their hydrogen fuel cell dedicated activities, with the aim of becoming a world leader in hydrogen mobility. The joint venture, named Symbio – A Faurecia Michelin Hydrogen Company, will develop, produce and market hydrogen fuel cell systems for light vehicles, commercial vehicles, trucks and other applications.

The joint venture was set up in phases during 2019. In February 2019, the Group increased its interest in Symbio from 46.64% to 100%. Subsequently, and prior to the creation of the joint venture, certain Group companies and Faurecia sold their hydrogen fuel cell assets to Symbio for cash, and the Group employees working in this area were transferred to Symbio. The joint venture was set up on November 21, 2019. Since that date, the Group has exercised joint control over Symbio, which is therefore consolidated using the equity method in the Group's consolidated financial statements.

At December 31, 2019, the Group's interest in Symbio is presented in the consolidated statement of financial position under "Investments in equity-accounted companies" for €82 million.

4.1.4 BookaTable

In December 2019, Michelin, TripAdvisor and LaFourchette entered into an international strategic partnership to combine the gastronomic selection expertise of the Michelin Guide with the power of the global customer audience of TripAdvisor and its subsidiary LaFourchette by TheFork, Europe's leading online restaurant booking platform.

At the same time, Michelin sold its Bookatable online restaurant booking platform to LaFourchette.

The sale generated a loss of €17 million, corresponding mainly to currency translation adjustments, in addition to the €19 million impairment loss recorded in the first half of the year.

4.2 Purchase price allocation for transactions carried out in 2018

4.2.1 Camso

The acquisition of a controlling interest in Camso was completed on December 18, 2018. The fair value of the consideration transferred exclusively in cash amounts to €1,169 million.

The net cash outflow generated by the acquisition of 100% of Camso shares in 2018 was as follows:

(in € millions)	**At the acquisition date**
Fair value of consideration transferred	(1,169)
Net cash acquired	28
Acquisition costs paid	(14)
NET CASH OUTFLOW FROM THE ACQUISITION	**(1,155)**

The identification and measurement at their fair value of assets acquired and liabilities assumed started in the first half of 2019 with the assistance of an external expert.

The measurement at fair value of the assets acquired and liabilities assumed are detailed in the following table:

(in € millions)	At the acquisition date
Intangible assets	389
Property, plant and equipment (PP&E)	265
Non-current financial assets and other non-current assets	21
Deferred tax assets	13
Non-current assets	**688**
Inventories	256
Trade receivables and other current assets	215
Cash and cash equivalents	28
Current assets	**499**
Non-current financial liabilities	282
Provisions and other non-current liabilities	10
Deferred tax liabilities	109
Non-current liabilities	**401**
Current financial liabilities	88
Trade payables and other current liabilities	175
Current liabilities	**263**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**523**

The trademark portfolio was valued at €33 million and will be amortized over a 10-year estimated useful life period. The technology was valued at €52 million and the customer relationships at €267 million; they will be amortized over a 15-year estimated residual life period.

Purchase price allocation was finalized within the 12-month post-acquisition period. Final goodwill at aquisition date amounts to €646 million, as per the following table:

(in € millions)	Provisional restated December 31, 2018	Final
Fair value of consideration transferred	1,174	1,169
Less: fair value of net assets acquired	522	523
GOODWILL	**652**	**646**

This goodwill has been allocated to the Off-the-road tires (OTR) CGU. The rationale is mainly supported by expected synergies in providing customers with a comprehensive range of solutions: premium radial tires and tracks in the agricultural market or radial and bias tires and tracks in the construction market. Deployment of new offerings will be accelerated by the complementarity of both Michelin and Camso's distribution networks. On the technology front, the acquisition is expected to leverage the Group's innovation capacity in tracks and airless tires.

In 2019, Camso contributed €925 million to the Group's sales and €75 million to its segment operating income.

4.2.2 Fenner

Purchase price allocation was finalized within the 12-month post-acquisition period. Final goodwill at acquisition date amounts to €397 million, as per the following table:

(in € millions)	Provisional reported amount at December 31, 2018	Final
Fair value of consideration transferred	1,370	1,370
Less: fair value of net assets acquired	990	973
GOODWILL	**380**	**397**

The goodwill allocated to the Mining CGU amounts to €247 million whereas the portion allocated to the High-Technology Materials CGU group amounts to €150 million. The goodwill rationale is mainly supported by expected synergies:

- in conveyor belts, the acquisition enables the Group to provide its mining industry customers with a comprehensive offering, ranging from tires to conveyor belts with related services and solutions, and to enhance both companies' geographical reach;
- in high-technology materials, the transaction broadens the Group's high-technology materials expertise and innovation capacity.

Subsequent to analysis, the Group decided to amortize the various trademarks and technology related to the reinforced polymer products over an estimated residual useful life of 20 years.

4.2.3 Joint venture with Sumitomo Corporation of Americas

On April 5, 2018, Michelin North America, Inc. and Sumitomo Corporation of Americas completed a definitive agreement to combine their respective North American wholesale and retail distribution activities into a joint venture named TBC, owned on a 50-50 basis by the parties.

The Group has joint control over TBC, which is therefore consolidated using the equity method in the Group's consolidated financial statements.

The purchase price allocation was completed during the first half of 2019 and TBC's financial figures are presented in note 17.1 "Joint venture with Sumitomo Corporation of Americas (TBC)".

NOTE 5 SEGMENT REPORTING

Segment information is presented according the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities.

The above three operating segments are essentially the same as the ones presented in the prior year, with the exception of a few reallocations, the largest of which followed on from the Camso acquisition in 2018. Segment information for 2018 has been restated to reflect these reallocations (note 2.5.4).

The operating segments' performance is measured mainly at the level of sales and segment operating income, according to the same measurement principles used in the consolidated income statement.

Segment assets consist of goodwill, intangible assets, property, plant and equipment, trade receivables and finished product inventories. Corporate intangible assets and property, plant and equipment are allocated to each segment in proportion to the amount of their directly attributed assets. The amounts provided to the Group's management in respect of operating segment assets are measured in a manner consistent with 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 internal report provided to the Group's management.

The segment information is as follows:

	2019				2018[(1)]			
(in € millions)	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Profit and loss information								
Sales	11,851	6,448	5,836	**24,135**	11,332	6,378	4,318	**22,028**
Segment operating income	1,321	597	1,091	**3,009**	1,295	612	868	**2,775**
As a percentage of sales	*11.1%*	*9.3%*	*18.7%*	**12.5%**	*11.4%*	*9.6%*	*20.1%*	**12.6%**
Segment assets								
Goodwill, intangible assets and PP&E	7,911	4,518	5,408	**17,837**	6,776	4,049	5,196	**16,021**
Finished product inventories	1,252	879	806	**2,937**	1,198	901	800	**2,899**
Trade receivables	1,589	1,094	849	**3,532**	1,544	1,117	792	**3,453**
Segment assets	**10,752**	**6,491**	**7,063**	**24,306**	**9,518**	**6,067**	**6,788**	**22,373**
Other information								
Capital expenditure	897	492	412	**1,801**	882	457	329	**1,668**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5.4 to the consolidated financial statements).

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

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Total segment assets	**24,306**	**22,373**
Non-current financial assets and other non-current assets	796	699
Investments in equity-accounted companies	1,087	953
Deferred tax assets	814	752
Other net inventories (raw materials and supplies, work in progress)	1,757	1,803
Current financial assets	396	315
Other current assets	1,055	1,103
Cash and cash equivalents	1,466	2,128
TOTAL GROUP ASSETS	**31,677**	**30,126**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5.4 to the consolidated financial statements).

Information by region breaks down as follows:

	2019				2018[(1)]			
(in € millions)	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	8,847	8,902	6,386	**24,135**	8,570	7,824	5,634	**22,028**
Goodwill, intangible assets and PP&E	6,850	5,817	5,170	**17,837**	6,336	5,451	4,234	**16,021**
Capital expenditure	822	460	519	**1,801**	826	435	407	**1,668**

(1) The asset amounts reported in 2018 have been restated for comparison purposes. Camso's assets have been consolidated in a total amount of €1,305 million, of which €57 million for Europe, €1,072 million for North America and €176 million for the rest of the world.

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.

Sales generated in France amounted to €2,113 million (2018: €2,056 million). The intangible assets and PP&E located in France amounted to €2,488 million (2018: €2,356 millions).

Approximately 80% of North American sales were generated in the United States in 2018 and 2019.

No single external customer accounted for 10% or more of the Group's sales in 2019 and 2018.

NOTE 6 EXPENSES BY NATURE

The following segment operating costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2019	2018
Raw materials and consumables used and changes in finished product inventories	(8,889)	(7,948)
Employee benefit costs	(6,423)	(5,972)
Transportation of goods	(1,232)	(1,186)
Depreciation and amortization[(1)]	(1,754)	(1,344)
Other expenses	(2,828)	(2,803)
EXPENSES BY NATURE	**(21,126)**	**(19,253)**

(1) Excluding amortization of trademarks and customer relationships acquired through business combinations.

NOTE 7 EMPLOYEE BENEFIT COSTS

Employee benefit costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2019	2018
Wages and salaries	(5,140)	(4,732)
Payroll taxes	(941)	(907)
Defined benefit plan costs (note 27.1)	(51)	(169)
Defined contribution plan costs (note 27.2)	(226)	(223)
Share-based payments – current service cost (note 25)	(7)	(7)
EMPLOYEE BENEFIT COSTS	**(6,365)**	**(6,038)**

The average number of employees in 2019 was 128,850 (2018: 118,308).

NOTE 8 SEGMENT OTHER INCOME AND EXPENSES

Segment other income and expenses are recognized within in the income statement:

(in € millions)	2019	2018
Employee share ownership plan cost	-	(13)
Share-based payments – current service cost	(7)	(9)
Other operating income/(expenses)	(12)	17
SEGMENT OTHER INCOME AND EXPENSES	**(19)**	**(5)**

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are detailed in the table below:

(in € millions)	2019	2018
Amortization of trademarks and customer relationships acquired (note 9.1)	(91)	(39)
Reorganization and adaptation of activities (note 9.2)	(174)	(113)
Impairment of non-current assets (note 9.3)	(146)	(70)
Employee benefit obligations (note 9.4)	58	(66)
Other (note 9.5)	35	63
OTHER OPERATING INCOME AND EXPENSES	**(318)**	**(225)**

9.1 Amortization of trademarks and customer relationships acquired

Amortization of trademarks and customer relationships recognized in the course of a business combination (note 4) amounted to €91 million in 2019 (2018: €39 million): €28 million related to amortization of brands or trademarks (2018: €9 million) and €63 million to amortization of customer relationships (2018: €30 million).

9.2 Reorganizations and adaptation of activities

9.2.1 Year ended December 31, 2019

The Bamberg plant in Germany primarily manufactures 16-inch passenger car tires. In September 2019, the Group announced its decision to cease operations at the Bamberg plant by early 2021. The Group's priority is now to provide the plant's 858 employees with the support they need to face the consequences of this decision in the best possible conditions.

An expense amounting to €97 million has been recognized, mainly to cover the cost of the employee-related aspects of the project, as well as the costs required to deploy the revitalization plan to help the impacted area.

In October 2019, the Group announced its intention to close the La Roche-sur-Yon plant in France, which specializes in the manufacture of truck tires, by the end of 2020. The Group's priority is to support each of the 619 employees in a joint process to build their future career, and a dedicated program fostering voluntary mobility has been set up.

An expense amounting to €73 million has been recognized to cover the cost of the employee-related aspects of the project, as well as the costs necessary to convert the site.

9.2.2 Year ended December 31, 2018

The Group announced in 2018 its intention to close the Dundee plant in the United Kingdom by mid-2020. The plant manufactures 16-inch and smaller Michelin tires for passenger cars and employs 845 people. The Groups intends to implement a personalized support program for every plant employee. In addition to enhanced redundancy packages and early retirement measures for employees at the end of their career, a comprehensive plan will be proposed to assist the employees concerned to start a new career as quickly as possible. Michelin Development, the Group's entity dedicated to local economic development in its host communities, will also be working with local stakeholders with the aim of creating an equivalent number of new jobs.

A provision amounting to €104 million has been recognized, mainly to cover the cost of the employee-related aspects of the project, as well as the costs required to deploy the revitalization plan to help the impacted area.

9.3 Impairment of non-current assets

9.3.1 Year ended December 31, 2019

Impairment losses of €79 million were recorded in connection with the Bamberg and La Roche-sur-Yon restructurings.

In addition, a partial €19 million impairment loss was recognized on the goodwill relating to the BookaTable CGU in the first half of 2019 (see note 4.1.4).

9.3.2 Year ended December 31, 2018

Impairment losses of €70 million recorded in 2018 mainly concerned the closure of the Dundee site in the United Kingdom.

9.4 Employee benefit obligations

9.4.1 Year ended December 31, 2019

In France, the transformations needed to align the supplementary pension plan with the requirements of government order 2019-697 dated July 3, 2019 led to the recognition of negative past service costs (income) in an amount of €68 million.

Additional information is provided in note 27.1.

9.4.2 Year ended December 31, 2018

On October 26, 2018, the UK High Court ruled that inequalities between men and women in pension plans with a guaranteed minimum pension (GMP) must be eliminated. The Group analyzed the conclusions of the judgment relating to equalizing the GMPs and recognized an expense (a positive past service cost) for an amount of €37 million.

9.5 Other operating income and expenses

9.5.1 Year ended December 31, 2019

Other operating income and expenses for the year represent net income of €35 million, including the profit recognized in connection with the creation of the Symbio joint venture with Faurecia.

9.5.2 Year ended December 31, 2018

During 2018, the Group acquired both Fenner Plc and Camso Inc. As part of these transactions, expenses in the form of consulting, due diligence, valuation and audit fees were incurred for a total amount of €30 million.

Following a ruling handed down by Brazil's Federal Supreme Court, the Group's local subsidiary SML recorded income of €51 million for payroll tax overpayments made in the period 2005-2018. In addition, interest income of €26 million was recorded in the consolidated income statement under "Other financial income and expenses".

In the United States, the disposal of the TCi wholesale subsidiary, transferred to the joint venture with Sumitomo Corporation of Americas generated a gain of €35 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 € millions)	2019	2018
Interest expense	(303)	(210)
Interest income	4	2
Interest rate derivatives	(33)	(4)
Fees on credit lines	(3)	(3)
Capitalized borrowing costs	5	15
COST OF NET DEBT	**(330)**	**(200)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	16	3
Currency remeasurement (including currency derivatives)	(9)	(7)
Other	(12)	20
OTHER FINANCIAL INCOME AND EXPENSES	**(5)**	**16**

Interest expense on lease liabilities is recognized in cost of net debt and amounted to €40 million for the year ended December 31, 2019 (2018:€10 million).

10.1 Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group's financing activities are mostly centralized (note 33.1.2 "Liquidity risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 33.1.4 "Interest rate risk"). As a consequence:

- most borrowings are denominated in euros (note 26 "Financial liabilities");
- some of these borrowings are subsequently swapped into foreign currencies to finance the foreign subsidiaries; and
- derivatives are purchased to manage the interest rate risk in these currencies (note 16 "Derivative instruments").

This process is described in the summary table in note 33.2.3 "Interest rate risk".

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS and 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 decrease in fair value during the year amounted to €33 million (2018: decrease of €5 million) and is included in "Cost of net debt" under "Interest rate derivatives".

10.2 Ineffective hedges

The effectiveness of the hedge is determined at the beginning of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. A hedging relationship may become ineffective if the timing of the planned transaction changes from the original estimate.

The ineffective portion of cash flow hedges represented a €2 million gain in 2019 (2018: €3 million). This gain recorded under "Other financial income and expenses".

NOTE 11 INCOME TAX

Income tax expense can be analyzed as follows:

(in € millions)	2019	2018
Current tax expense (note 18.2)	(548)	(570)
Deferred tax benefit/(expense) (note 18.1)	42	-
INCOME TAX	**(506)**	**(570)**

Current tax includes €56 million of withholding tax on royalties and on retained earnings distributed between Group companies (2018: €35 million).

The Group tax proof is presented in the table below:

(in € millions)	2019	2018
Income before taxes	**2,236**	**2,230**
Tax calculated using domestic tax rates applicable to income in the respective countries	(410)	(483)
Tax effect of:		
▶ untaxed transactions	15	(22)
▶ deferred tax assets not recognized during the year	(87)	(84)
▶ net change in unrecognized deferred tax assets	15	35
▶ changes in tax rates	3	(32)
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(51)	(1)
▶ other items	9	17
INCOME TAX	**(506)**	**(570)**

The Group has operations in various countries that have different tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary from year to year depending on the relative size of taxable incomes.

The difference between the Group's effective and theoretical tax rates can be explained mainly by deferred tax assets not recognized during the year and by withholding taxes, tax credits and other taxes not assessed on income before tax.

The recoverability of deferred tax assets is periodically reviewed at the tax entity level and may lead to the recognition of previously unrecognized deferred tax assets.

Previously unrecognized deferred tax assets recognized in 2019 were not material. The companies for which no deferred tax assets were recognized in 2019 were broadly the same as in 2018.

In 2018, deferred tax assets arising from tax loss carryforwards were recognized in China and Germany for €61 million.

In China, the Group considered that a deferred tax asset of €36 million was recognizable for tax loss carryforwards (tax base: €144 million) in the consolidated statement of financial position. In 2019, deferred tax assets of €13 million were utilized, reducing the balance to €23 million. The recognized amount takes into consideration that, in China, tax losses can be carried forward for five years.

In Germany, following a reorganization of the tax group, a deferred tax asset of €25 million was recognized for tax loss carryforwards. Tax losses can be carried forward indefinitely, but their utilization is limited to 60% of income for the year if taxable income exceeds €1 million.

In the United Kingdom, following the Group's announcement of its intention to close the Dundee plant by mid-2020, deferred taxes were remeasured in 2018. The remeasurement took into account the new taxable income projections and led to the recognition of deferred tax expense of €30 million. In addition, in this context, deferred tax assets of €39 million were not recognized on tax loss carryforwards of €229 million. As the situation was unchanged in 2019, no deferred tax assets were recognized during the year.

In France, in application of the 2019 finance act *(Loi de finances)* published on December 28, 2018 concerning the taxation of industrial property royalties, the Group reassessed its deferred tax assets, resulting in the recognition of deferred tax expense of €31 million in 2018.

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 bought back 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. At December 31, 2019 the Company had two types of dilutive potential shares: stock options (note 28.1 "Employee stock option plans") and performance shares (note 28.2 "Performance share plans"). For stock options, when they are dilutive at the reporting date, the number of shares that could have been acquired at fair value is calculated based on the monetary value of the subscription rights attached to outstanding stock options. Fair value is determined for this purpose as the average annual market price of the Company's shares. 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 dilutive by definition, the number of shares that are expected to be issued is determined at the reporting date based on estimates.

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

Taking into account the change in the average share price in 2019, all the stock option plans, as described in note 28.1 "Employee stock option plans", are dilutive.

No share transactions affecting the weighted average number of shares used to calculate basic earnings per share and diluted earnings per share occurred after the end of the 2019 reporting period.

	2019	2018
Net income *(in € millions)*, excluding non-controlling interests	1,751	1,677
▶ Less, estimated General Partners' profit shares	(11)	(12)
Net income attributable to the shareholders of the Company used to calculate basic earnings per share	**1,740**	**1,665**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**179,512**	**178,990**
▶ Plus, adjustment for stock option plans	34	129
▶ Plus, adjustment for performance shares	607	857
Weighted average number of shares used to calculate diluted earnings per share	**180,153**	**179,976**
Earnings per share *(in €)*		
▶ Basic	9.69	9.30
▶ Diluted	9.66	9.25

NOTE 13 GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets are as follows:

(in € millions)	Goodwill	Intangible assets	Total
Gross carrying amounts at January 1, 2018	**1,154**	**2,174**	**3,328**
Translation adjustments	(48)	(37)	(85)
Additions (including new emission rights: €21 million)	-	222	222
Disposals	-	(31)	(31)
Change in scope of consolidation[1]	1,125	1,477	2,602
Transfers and other	-	4	4
Gross carrying amounts at December 31, 2018[1]	**2,231**	**3,809**	**6,040**
Translation adjustments	67	77	144
Additions (including new emission rights: €20 million)	-	227	227
Disposals	-	(71)	(71)
Change in scope of consolidation	150	59	209
Transfers and other	-	(4)	(4)
Gross carrying amounts at December 31, 2019	**2,448**	**4,097**	**6,545**
Amortization and impairment at January 1, 2018	**(62)**	**(1,389)**	**(1,451)**
Translation adjustments	-	1	1
Amortization	-	(175)	(175)
Net impairment	(9)	(25)	(34)
Disposals	-	19	19
Change in scope of consolidation	-	(18)	(18)
Transfers and other	-	(5)	(5)
Amortization and impairment at December 31, 2018	**(71)**	**(1,592)**	**(1,663)**
Translation adjustments	(3)	(5)	(8)
Amortization	-	(256)	(256)
Net impairment	(36)	(15)	(51)
Disposals	-	48	48
Change in scope of consolidation	49	4	53
Transfers and other	1	(1)	-
Amortization and impairment at December 31, 2019	**(60)**	**(1,817)**	**(1,877)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2019	**2,388**	**2,280**	**4,668**
Net carrying amounts at December 31, 2018[1]	**2,160**	**2,217**	**4,377**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

13.1 Goodwill

At December 31, 2019, goodwill allocated to the CGUs or groups of CGUs is as follows:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Passenger car tires – global brands CGU group	382	364
Light truck and Truck tires CGU group	680	606
Passenger car tires – regional brands CGU	177	11
Mining CGU group [(2)]	254	235
Two-wheel tires CGU	25	26
Off-the-road tires CGU	698	687
High-Technology Materials CGU group[(2)]	154	136
Other CGUs	18	95
GOODWILL	**2,388**	**2,160**

(1) *The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).*
(2) *As explained in note 4.2.2, Fenner's conveyor belt business represents a separate CGU that is combined with the Mining CGU for impairment testing purposes. Reinforced polymers' activities are shown in the "High-Technology Materials" CGU group.*

Goodwill has been tested for impairment using the following two main assumptions:

- the terminal value takes into account an annual growth rate that depends on the type of business and the countries where the assets are located;
- the CGUs' future cash flows are discounted using the after-tax Weighted Average Cost of Capital (WACC) applied to after-tax cash flows. They are determined by geographical region taking into account the features of the business.

After-tax discount rates and perpetual growth rates used in 2019 for terminal value calculations are presented in the table below:

(as a percent)	WACC	Perpetual growth rate
Passenger car tires – global brands CGU group	7.6	1.5
Light truck and Truck tires CGU group	8.1	1.8
Passenger car tires – regional brands CGU	7.4	1.5
Mining CGU group	9.4	1.9
Two-wheel tires CGU	7.7	1.7
Off-the-road tires CGU	7.4	1.7

A 50-basis point increase in WACC combined with a 100-basis point decrease in the perpetual growth rate applied to the groups of CGUs would not lead to the recognition of any impairment.

Interactions between impairment tests and the application of IFRS 16 have been dealt as follows: right-of-use assets have been included in the assets to be tested, the corresponding lease liabilities have been deducted from the value of the CGU's concerned and values in use include the lease payments determined previously before IFRS 16 was applied. This pragmatic approach does not preclude other approaches to this subject that may be implemented in the future.

13.2 Intangible assets

In 2019, additions to intangible assets, amounting to €227 million (2018: €222 million), are detailed as follows:

- Software €188 million
- Emission rights – allowances granted €20 million
- Other €19 million

Changes in scope of consolidation amount to €59 million (2018: €1,477 million), are detailed as follows:

- Brands and trademarks €20 million
- Contractual customer relationships €2 million
- Technology €13 million
- Other €24 million

13.2.1 Software

The net carrying amount of software at December 31, 2019 was €653 million (2018: €563 million). Software is initially recognized at cost, including the cost of acquisition or production and other costs directly attributable to the acquisition or production of the software.

13.2.2 Brands and trademarks

At December 31, 2019, the net carrying amount of brands and trademarks in the consolidated statement of financial position was €432 million (2018: €419 million), of which €11 million related to brands and trademarks with indefinite useful lives. These amounts correspond mainly to the fair value of brands and trademarks recognized as part of business combinations.

13.2.3 Customer relationships

At December 31, 2019, the net carrying amount of customer relationships in the consolidated statement of financial position was €970 million (2018: €1,013 million). These amounts correspond primarily to the fair value of customer lists recognized in connection with business combinations (mainly Fenner and Camso).

13.2.4 Emission rights

The emission rights received or purchased are recognized as an intangible asset at their price on the transaction date. If emission right is not purchased, a government grant is recognized in liabilities for the same amount. The cost and liability corresponding to actual emissions and the income corresponding to the use of the government grant are accounted for using the price on the acquisition date. Net emission rights at December 31, 2019 amounted to 2.5 million tonnes (2018: 2.5 million tonnes), representing a value of €37 million (2018: €25 million). The liability corresponding to actual emissions in 2019 amounts to 0.8 million tonnes (2018: 0.8 million tonnes) representing a value of €13 million (2018: €9 million). It will be offset by the delivery of the acquired allowances.

13.2.5 Development costs

In 2018 and 2019, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfill six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM approval and when the margin generated by the purchase volumes 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 approval.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

(in € millions)	Land and buildings	Plant and industrial equipment	Other equipment	Total
Gross carrying amounts at January 1, 2018	**6,731**	**18,609**	**1,496**	**26,836**
Translation adjustments	16	79	(1)	94
Additions (including finance leases: €65 million)	334	1,118	80	1,532
Disposals	(145)	(504)	(48)	(697)
Change in scope of consolidation(1)	198	274	15	487
Transfers and other	(220)	215	6	1
Gross carrying amounts at December 31, 2018(1)	**6,914**	**19,791**	**1,548**	**28,253**
Translation adjustments	136	357	26	519
Change in acounting method (note 2.3.1)	672	70	74	816
Additions (including leases: €217 million)	463	1,202	146	1,811
Disposals	(137)	(546)	(56)	(739)
Change in scope of consolidation	192	232	1	425
Transfers and other	(136)	91	39	(6)
Gross carrying amounts at December 31, 2019	**8,104**	**21,197**	**1,778**	**31,079**
Depreciation and impairment at January 1, 2018	**(2,916)**	**(12,021)**	**(1,016)**	**(15,953)**
Translation adjustments	(4)	(53)	2	(55)
Depreciation	(180)	(947)	(81)	(1,208)
Net impairment	(7)	(9)	(4)	(20)
Disposals	106	454	43	603
Change in scope of consolidation(1)	-	18	4	22
Transfers and other	-	1	1	2
Depreciation and impairment at December 31, 2018	**(3,001)**	**(12,557)**	**(1,051)**	**(16,609)**
Translation adjustments	(48)	(219)	(15)	(282)
Change in acounting method (note 2.3.1)	(19)	(1)	-	(20)
Depreciation	(335)	(1,130)	(124)	(1,589)
Net impairment	(18)	(54)	-	(72)
Disposals	100	497	65	662
Change in scope of consolidation	-	1	2	3
Transfers and other	(9)	11	(5)	(3)
Depreciation and impairment at December 31, 2019	**(3,330)**	**(13,452)**	**(1,128)**	**(17,910)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2019	**4,774**	**7,745**	**650**	**13,169**
Net carrying amounts at December 31, 2018(1)	**3,913**	**7,234**	**497**	**11,644**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

PP&E in progress amount to €1,949 million (2018: €2,121 million).

Accumulated impairment losses amount to €386 million (2018: €309 million).

Borrowing costs capitalized in 2019 in PP&E amounted to €5 million (2018: €15 million).

14.1 Right-of-use assets

Right-of-use assets included in PP&E can be analyzed as follows:

(in € millions)	Right-of-use assets Land and buildings	Right-of-use assets Plant and industrial equipment	Right-of-use assets Other equipment	Total
Gross carrying amounts at December 31, 2018[(1)]	**267**	**1**	**134**	**402**
Translation adjustments	20	1	3	24
Change in accounting method (note 2.3.1)	672	70	74	816
New leases	157	30	30	217
Disposals	(9)	(1)	(2)	(12)
Change in scope of consolidation	1	-	-	1
Transfers and other	(11)	(1)	(4)	(16)
Gross carrying amounts at December 31, 2019	**1,097**	**100**	**235**	**1,432**
Depreciation and impairment at December 31, 2018[(1)]	**(40)**	**-**	**(30)**	**(70)**
Translation adjustments	(2)	-	-	(2)
Depreciation	(148)	(34)	(44)	(226)
Net impairment	(1)	-	-	(1)
Disposals	9	1	2	12
Change in scope of consolidation	-	-	-	-
Change in accounting method (note 2.3.1)	(19)	(1)	-	(20)
Transfers and other	(7)	8	1	2
Depreciation and impairment at December 31, 2019	**(208)**	**(26)**	**(71)**	**(305)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2019	**889**	**74**	**164**	**1,127**
Net carrying amounts at December 31, 2018[(1)]	**227**	**1**	**104**	**332**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The principles and criteria applied by the Group and the impact of first-time application of IFRS 16 are described in note 2.3.1.

As explained in note 3.16.1, some leases are recorded directly as an expense in the income statement on a straight-line basis over the life of the lease:

- short-term leases, representing an expense of €40 million in 2019;
- leases of low-value assets, representing an expense of €41 million in 2019;
- variable lease payments not taken into account to determine the lease liability, representing an expense of €24 million in 2019.

Undiscounted future lease payments are analyzed by maturity in note 33.2.1 "Liquidity risk".

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

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

(in € millions)	December 31, 2019	December 31, 2018[1]
Equity investments (note 15.1)	237	233
Loans and deposits (note 15.2)	277	265
Derivative instruments (note 16.1)	127	93
Other	155	108
NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS	**796**	**699**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

15.1 Equity investments

Unconsolidated equity investments consist primarily of a portfolio of shares in unlisted companies (note 33.4. "Classification of financial assets").

Movements in the portfolio during the year are presented in the table below:

(in € millions)	2019	2018
At January 1	**233**	**285**
Translation adjustments	2	4
Additions	15	18
Disposals	(17)	(27)
Change in scope of consolidation[1]	1	(55)
Fair value changes	3	8
AT DECEMBER 31	**237**	**233**

(1) Equity investments at January 1, 2018 include €55 million for companies acquired in 2017 which were consolidated in 2018.

15.2 Loans and deposits

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

(in € millions)	December 31, 2019	December 31, 2018[1]
Gross loans and deposits	320	308
Impairment	(43)	(43)
TOTAL	**277**	**265**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The balance includes loans to employees and customers, as well as loans to equity accounted entities.

NOTE 16 DERIVATIVE INSTRUMENTS

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

16.1 Derivatives recognized as assets

	December 31, 2019	December 31, 2018[1]
(in € millions)	Fair value	Fair value
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	74	33
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	14	43
▶ Interest-rate derivatives	-	4
▶ Other derivatives[2]	39	13
Non-current derivative instruments (note 15)	**127**	**93**
Derivatives qualifying as fair value hedges	-	7
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	2	1
▶ Interest-rate derivatives	-	-
▶ Other derivatives	1	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	18	24
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Current derivative instruments (note 21)	**21**	**32**
TOTAL ASSETS	**148**	**125**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).
(2) Corresponds to financial instruments acquired as hedges of the options embedded in convertible bonds (note 26.1).

The Group grants cash collateral to cover counterparties' credit risk on derivatives with a positive fair value. Cash collateral at December 31, 2019 amounted to €103 million (2018: €34 million).

16.2 Derivatives recognized in liabilities

(in € millions)	December 31, 2019 Fair value	December 31, 2018[1] Fair value
Derivatives qualifying as fair value hedges	-	1
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	-	25
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	131	42
▶ Interest-rate derivatives	3	-
▶ Other derivatives[2]	39	13
Non-current derivative instruments (note 26)	**173**	**81**
Derivatives qualifying as fair value hedges	-	1
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	1	6
▶ Interest-rate derivatives	-	-
▶ Other derivatives	1	6
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	19	59
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Current derivative instruments (note 26)	**21**	**72**
TOTAL LIABILITIES	**194**	**153**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).
(2) Corresponds to the options embedded in convertible bonds (note 26.1).

The Group holds cash collateral covering its credit risk on derivatives with a negative fair value. Collateral received at December 31, 2019 amounted to €58 million (2018: €21 million).

16.3 Contractual amounts of derivatives

The contractual amounts of derivative instruments are presented in the table below:

	December 31, 2019			December 31, 2018[1]		
(in € millions)	Current	Non-current	Total	Current	Non-current	Total
Currency derivatives	3,340	1,736	**5,076**	5,096	1,507	**6,603**
Interest rate derivatives	19	89	**108**	200	106	**306**
Other	-	2,144	**2,144**	-	2,094	**2,094**
Derivatives not qualifying for hedge accounting	**3,359**	**3,969**	**7,328**	**5,296**	**3,707**	**9,003**
Interest rate derivatives	-	-	**-**	383	-	**383**
Derivatives qualifying as fair value hedges	**-**	**-**	**-**	**383**	**-**	**383**
Currency derivatives	63	1,011	**1,074**	163	1,048	**1,211**
Interest rate derivatives	-	-	**-**	22	105	**127**
Other	12	1	**13**	15	1	**16**
Derivatives qualifying as cash flow hedges	**75**	**1,012**	**1,087**	**200**	**1,154**	**1,354**
TOTAL	**3,434**	**4,981**	**8,415**	**5,879**	**4,861**	**10,740**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The decrease in the notional amount of currency derivatives not qualifying for hedge accounting is mainly due to the short-term management of foreign exchange exposures at the end of 2018, primarily influenced by the acquisition of Camso (note 4.2.1. Camso).

16.4 Hedge accounting

Summarized financial data for hedging instruments are set out in the table below:

(in € millions)	Notional amount of the hedging instrument	Carrying amount of the hedging instrument in assets/ (liabilities)	Hedging reserve	Amount recognized in profit or loss	Line item affected in profit or loss
Derivatives qualifying as cash flow hedges					
Forward foreign exchange contracts on bonds denominated in foreign currencies	941	71	8	46	Cost of net debt/Other financial income and expense
Commodity price risk – forward purchase contracts	13	-	1	1	Operating income
Interest rate swaps	-	-	(21)	(2)	Cost of net debt
Interest component of cross currency swaps	100	5	-	-	Cost of net debt
Forward foreign exchange contracts on forecast sales	18	(1)	-	(1)	Operating income
Hedges of currency risk on raw materials purchases	15	-	(1)	-	Operating income
Current and non-current hedging instruments	**1,087**	**75**	**(13)**	**44**	

Gains and losses on cash flow hedges are included in equity, under "Other reserves" (note 25 "Reserves"). These reserves are used to recognize the effective portion of derivatives that qualify for hedge accounting (note 3.5.2 "Cash flow hedges"). The gains and losses accumulated in the reserve are subsequently reclassified as part of the initial cost of a non-financial asset or transferred to the income statement. The largest amount recognized in "Other reserves" during the period was €21 million for interest rate pre-hedging transactions on bond issues in August 2018 (note 26.1 "Bonds and commercial paper"). The gains and losses are transferred to the income statement when the interest on the hedged bonds affects profit or loss, through 2025 and 2030 respectively.

NOTE 17 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Associates and joint ventures are listed in note 36 "List of consolidated companies" to the consolidated financial statements.

17.1 Joint venture with Sumitomo Corporation of Americas (TBC)

Summarized financial data for the TBC joint venture are set out in the table below:

(in € millions)	December 31, 2019	December 31, 2018
Dividends received	-	-
Current assets	1,543	1,308
of which cash and cash equivalents	49	56
Non-current assets	1,949	1,177
Total assets	**3,492**	**2,485**
Current liabilities	1,037	762
of which current financial liabilities	294	64
Non-current liabilities	1,341	608
of which non-current financial liabilities	1,190	411
Total liabilities	**2,378**	**1,370**
Sales	4,401	2,869
Interest income	1	-
Interest expense	(53)	(16)
Depreciation and amortization	(164)	(47)
Income tax expense	14	(4)
Net income from continuing operations	(32)	20
Other comprehensive income	-	(6)
Total comprehensive income *(a)*	(32)	14
Elimination of profit from downstream transactions (net of tax) *(b)*	6	(34)
Share of comprehensive income 50% x *(a)* + *(b)*	**(10)**	**(27)**
Net assets (excluding goodwill)	974	942
Goodwill	140	173
Net assets (including goodwill)	**1,114**	**1,115**
Share of net assets (including goodwill) = 50%	557	558
Elimination of profit from downstream transactions (net of tax)	(29)	(34)
Carrying amount of net interest in the joint venture	**528**	**524**

17.2 Investments in equity-accounted companies

Changes in investments in equity-accounted companies are as follows:

(in € millions)	Investments in associates	Investments in joint ventures	Total investments in equity-accounted companies
At January 1, 2018	**233**	**123**	**356**
Share of profit/(loss) from equity-accounted companies	(2)	(36)	(38)
Impairment	(8)	-	(8)
Dividends	(5)	(5)	(10)
Changes in scope of consolidation/capital increases	75	557	632
Currency translation differences	1	20	21
At December 31, 2018(1)	**294**	**659**	**953**
Share of profit/(loss) from equity-accounted companies	(11)	(36)	(47)
Impairment	-	-	-
Dividends	(4)	(7)	(11)
Changes in scope of consolidation/capital increases	25	146	171
Currency translation differences	4	16	20
Others/reclassifications	(97)	98	1
AT DECEMBER 31, 2019	**211**	**876**	**1,087**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

In the consolidated income statement, the line "Share of profit/(loss) from equity accounted companies" also includes the remeasurement at fair value of investments previously accounted for by the equity method and of which the Group has taken control.

In addition, the Group acquired 425,036 SIPH shares for €36 million.

In 2018, the Group invested €519 million in the TBC joint venture (note 4.2.3) and €60 million for the acquisition of an interest in the associate that is the holding company for the A.T.U. distribution network.

17.3 Financial information about equity-accounted companies

The financial statements of equity-accounted companies other than TBC, which are not material taken individually, include the following amounts (information presented on a 100% basis):

(in € millions)	2019	2018 (1)
Assets	2,168	1,851
Liabilities	1,263	1,065
Sales	2,926	2,357
Net income/(loss)	(76)	(30)

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

17.4 Transactions with equity-accounted companies (related parties)

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € millions)	2019	2018
Income statement		
Income for the sale of goods or supply of services	463	334
Expenses for the purchase of products or supply of services	(180)	(175)
Statement of financial position		
Financial liabilities	(5)	(6)
Trade payables	(6)	(7)
Financial assets	274	237
Accounts receivable	183	174

NOTE 18 TAXES

18.1 Deferred tax assets and liabilities

Deferred taxes in the consolidated statement of financial position are as follows:

(in € millions)	December 31, 2019	December 31, 2018(1)
Deferred tax assets	814	752
Deferred tax liabilities	(455)	(435)
NET DEFERRED TAX ASSET	**359**	**317**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

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

(in € millions)	December 31, 2019	December 31, 2018(1)
Employee benefit obligations	694	675
Inventories	112	98
Financial instruments	99	76
Provisions	51	55
Unused tax losses	158	126
Unused tax credits	1	2
Goodwill & intangible assets	(338)	(361)
Property, plant and equipment (PP&E)	(614)	(494)
Other	196	140
NET DEFERRED TAX ASSET	**359**	**317**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Deferred tax assets have been recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The probability that unused tax losses will be utilized is assessed according to the entity and its taxable profit projections. These projections are prepared using assumptions that are consistent with the short- and medium-term budgets prepared by Group entities.

In 2018, deferred tax assets recognized for tax loss carryforwards amounted to €61 million and concerned China and Germany.

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

(in € millions)	2019	2018(1)
At January 1	**317**	**777**
Translation adjustments	(9)	5
Deferred tax benefit/(expense) (note 11)	42	-
Tax recognized in other comprehensive income	13	(101)
Changes in the scope of consolidation	(4)	(363)
Other	-	(1)
AT DECEMBER 31	**359**	**317**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

In 2019, excluding the impact of tax recognized in other comprehensive income and translation adjustments, the increase in net deferred taxes was mainly due to the recognition of deferred tax assets of €47 million on tax losses incurred during the year in Mexico and Germany.

In 2018, excluding the impact of tax recognized in other comprehensive income and translation adjustments, the decrease in net deferred taxes was mainly due to the recognition of the deferred tax liability resulting from purchase price allocations for Fenner (€256 million) and Camso (€97 million).

The deferred income tax recognized in other comprehensive income is as follows:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Post-employment benefits	345	330
Equity investments	(19)	(19)
Financial instruments	(1)	1
TOTAL DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**325**	**312**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

In 2019, the change in deferred tax recognized in other comprehensive income primarily reflects increased pension benefit obligations.

In 2018, the change in deferred tax recognized in other comprehensive income is mainly due to lower applicable tax rates and to the review of the recoverability of some deferred tax assets.

Unrecognized deferred tax assets break down as follows:

(in € millions)	December 31, 2019	December 31, 2018
Deductible temporary differences	**121**	**126**
Tax losses		
▶ of which expiring in less than one year	17	27
▶ of which expiring in one to five years	80	92
▶ of which expiring in more than five years	45	34
▶ of which evergreen	336	288
Total tax losses	**478**	**441**
Tax credits	**5**	**4**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**604**	**571**

18.2 Current taxes

Current taxes in the consolidated statement of financial position are as follows:

(in € millions)	2019	2018[(1)]
Tax receivables (note 22)	322	426
Taxes payable (note 30)	(203)	(186)
Net total at January 1	**119**	**240**
Current tax expense (note 11)	(548)	(570)
Income tax paid	619	497
Changes in the scope of consolidation	(19)	(39)
Translation adjustments and other	1	(9)
Total changes	**53**	**(121)**
Tax receivables (note 22)	317	322
Taxes payable (note 30)	(145)	(203)
NET TOTAL AT DECEMBER 31	**172**	**119**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

NOTE 19 INVENTORIES

Inventories include the following:

(in € millions)	December 31, 2019	December 31, 2018[1]
Raw materials and supplies	1,333	1,288
Work in progress	467	556
Finished goods	2,994	2,949
Total gross inventory	**4,794**	**4,793**
Impairment of raw materials and supplies	(42)	(37)
Impairment of work in progress	(1)	(4)
Impairment of finished goods	(57)	(50)
Total impairment	**(100)**	**(91)**
NET INVENTORY	**4,694**	**4,702**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Movements in inventory write-downs were as follows:

(in € millions)	2019	2018[1]
At January 1	**(91)**	**(85)**
Translation adjustments and other	(1)	1
Change in scope of consolidation	(3)	(7)
Impairment of inventories recognized as an expense in the period	(43)	(22)
Impairment reversals	38	22
AT DECEMBER 31	**(100)**	**(91)**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € millions)	December 31, 2019	December 31, 2018[1]
Gross trade receivables	3,629	3,556
Impairment	(97)	(103)
TRADE RECEIVABLES	**3,532**	**3,453**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

All trade receivables are due within 12 months.

The following table presents an aging analysis of trade receivables at December 31, 2019:

(in € millions)	Gross	Impairment	Net
Trade receivables not yet due	**3,201**	**(13)**	**3,188**
Overdue			
▶ by less than three months	270	(3)	267
▶ by three to six months	54	(3)	51
▶ by more than six months	104	(78)	26
Overdue trade receivables	**428**	**(84)**	**344**
TRADE RECEIVABLES	**3,629**	**(97)**	**3,532**

Movements in impairment are analyzed in the table below:

(in € millions)	2019	2018[1]
At January 1	**(103)**	**(104)**
Translation adjustments and other	(1)	1
Write-downs of inventories recognized as an expense in the period	(50)	(65)
Impairment reversals	56	69
Change in scope of consolidation	1	(4)
AT DECEMBER 31	**(97)**	**(103)**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Impairment provisions of €26 million were reversed during the period following the write-off of the underlying receivables (2018: €28 million).

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of current financial assets is analyzed in the table below:

(in € millions)	December 31, 2019	December 31, 2018[1]
Loans and deposits	195	103
Cash management financial assets (note 26)	180	180
Derivative instruments (note 16.1)	21	32
CURRENT FINANCIAL ASSETS	**396**	**315**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Although cash management financial assets are highly liquid and have very limited exposure to interest rate risk, they do not strictly fulfill the criteria for classification as cash and cash equivalents (note 3.21 "Cash and cash equivalents"). Cash management financial assets are measured at amortized cost (note 3.18 "Non-derivative financial assets").

Loans and deposits include collateral exchanged with financial institutions of €103 million (2018: €34 million) that is not freely available.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is analyzed in the table below:

(in € millions)	December 31, 2019	December 31, 2018[1]
Prepayments to suppliers	153	139
Income tax prepayments	317	322
Other taxes receivable	265	331
Other	325	316
Impairment	(5)	(5)
OTHER CURRENT ASSETS	**1,055**	**1,103**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Other taxes receivable mainly concern VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is analyzed in the table below:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Cash at bank and in hand	229	282
Short-term bank deposits of less than three months and other cash equivalents (primarily money market funds)	1,237	1,846
CASH AND CASH EQUIVALENTS	**1,466**	**2,128**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The average effective interest rate on short-term bank deposits was 0.25% in 2019 (2018: 0.09%).

Cash and cash equivalents are mainly held in euros (2019: 83%, 2018: 89%).

Restricted deposits consist mainly of cash and cash equivalents subject to prudential rules in Ireland specific to captive insurance companies (2019: €82 million, 2018: €81 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

Changes in share capital and share premiums are analyzed in the table below:

(in € millions)	Share capital	Share premiums	Total
At January 1, 2018	**359**	**2,942**	**3,301**
Issuance of shares upon exercise of stock options and performance share rights	2	56	58
Cancellation of shares	(1)	(74)	(75)
Other	-	(1)	(1)
At December 31, 2018	**360**	**2,923**	**3,283**
Issuance of shares upon exercise of stock options and performance share rights	-	4	4
Cancellation of shares	(3)	(138)	(141)
Other	-	-	-
AT DECEMBER 31, 2019	**357**	**2,789**	**3,146**

Changes in outstanding shares are analyzed in the table below:

(number of shares)	Shares issued	Treasury shares	Shares outstanding
At January 1, 2018	**179,520,987**	**-**	**179,520,987**
Issuance of shares upon exercise of stock options and performance share rights	974,876	-	974,876
Share buybacks	-	(648,231)	(648,231)
Sales of treasury shares	-	-	-
Cancellation of shares	(648,231)	648,231	-
Other	-	-	-
At December 31, 2018	**179,847,632**	**-**	**179,847,632**
Issuance of shares upon exercise of stock options and performance share rights	125,744	-	125,744
Share buybacks	-	(1,354,049)	(1,354,049)
Sales of treasury shares	-	8,228	8,228
Cancellation of shares	(1,345,821)	1,345,821	-
Other	-	-	-
AT DECEMBER 31, 2019	**178,627,555**	**-**	**178,627,555**

The par value per share amounts to €2 (unchanged since 2018). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

The 2018 dividend paid to shareholders in 2019 was €3.70 per share (2017 dividend paid in 2018: €3.55 per share). The dividend was paid in full in cash for a net amount of €665 million.

The Managing Chairman will propose that shareholders approve the payment of a 2019 dividend in 2020 of €3.85 per share[(1)].

(1) Proposal reviewed at 2 € on April 1, 2020, see section 5.1.11.

NOTE 25 RESERVES

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2018	**(496)**	**-**	**99**	**8,322**	**7,925**
Dividends and other appropriations	-	-	-	(647)	(647)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	7	7
Share buybacks	-	(75)	-	-	(75)
Sale/cancellation of treasury shares	-	75	-	-	75
Other	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(640)**	**(640)**
Net income attributable to the shareholders of the Company	-	-	-	1,677	1,677
Post-employment benefits	-	-	-	*71*	*71*
Tax effect – Post-employment benefits	-	-	-	*(101)*	*(101)*
Other comprehensive income that will not be reclassified to the income statement	-	-	-	(30)	(30)
Cash flow hedges – changes in fair value	-	-	*(37)*	-	*(37)*
Currency translation differences[(1)]	*(57)*	-	*(1)*	-	*(58)*
Other	*41*	-	*(10)*	*7*	*38*
Other comprehensive income that may be reclassified to the income statement	(16)	-	(48)	7	(57)
Comprehensive income	**(16)**	**-**	**(48)**	**1,654**	**1,590**
At December 31, 2018[(1)]	**(512)**	**-**	**51**	**9,336**	**8,875**
Dividends and other appropriations	-	-	-	(675)	(675)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	7	7
Share buybacks	-	(141)	-	-	(141)
Sale/cancellation of treasury shares	-	141	-	-	141
Other	-	-	-	(41)	(41)
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(709)**	**(709)**
Net income attributable to the shareholders of the Company	-	-	-	1,751	1,751
Post-employment benefits	-	-	-	*(131)*	*(131)*
Tax effect – Post-employment benefits	-	-	-	*16*	*16*
Equity instruments at fair value through OCI – changes in fair value	-	-	*20*	-	*20*
Tax effect – equity instruments at fair value through OCI	-	-	*6*	-	*6*
Other comprehensive income that will not be reclassified to the income statement	-	-	26	(115)	(89)
Cash flow hedges – changes in fair value	-	-	*46*	-	*46*
Currency translation differences	*204*	-	*(3)*	-	*201*
Other	*21*	-	*(42)*	*26*	*5*
Other comprehensive income that may be reclassified to the income statement	225	-	1	26	252
Comprehensive income	**225**	**-**	**27**	**1,662**	**1,914**
AT DECEMBER 31, 2019	**(287)**	**-**	**78**	**10,289**	**10,080**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Under the share buyback program authorized at the May 19, 2018 Annual Shareholders Meeting, two agreements were signed in February 2019 and August 2019 with an investment services provider, under which the Group undertook to buy back a variable number of shares for a maximum total amount of €140 million. Under the first agreement, capped at €70 million, the Group bought back 665,642 shares at an average price per share of €105.16.Under the second agreement, also capped at €70 million, the Group bought back 680,044 shares at an average price per share of €102.93. All of these shares were canceled during the year.

Pursuant to the authorization given at the May 19, 2017 Annual Shareholders Meeting, an agreement was signed in February 2018 with an investment services provider, under which the Group undertook to buy back a variable number of shares before November 22, 2018, for a maximum amount of €75 million. The investment services provider having exercised its option to ask the Group to accelerate the buybacks, all of the shares were bought back and canceled in the period ended June 30, 2018. The average unit price of the 648,231 shares bought back during the first half of 2018 was €115.70.

NOTE 26 FINANCIAL LIABILITIES

The carrying amount of financial liabilities is presented in the table below:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Bonds	4,535	4,484
Loans from financial institutions and other	318	454
Lease liabilities	897	-
Obligations under finance leases	-	283
Derivative instruments	173	81
Non-current financial liabilities	**5,923**	**5,302**
Bonds and commercial paper	295	580
Loans from financial institutions and other	616	537
Lease liabilities	226	-
Obligations under finance leases	-	33
Derivative instruments	21	72
Current financial liabilities	**1,158**	**1,222**
FINANCIAL LIABILITIES	**7,081**	**6,524**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Further to the first-time application of IFRS 16 "Leases", the finance lease liabilities related to the previous finance lease contracts are recorded in the line "Lease liabilities" as presented in the reconciliation of the note 2.3.1.

Group net debt is analyzed in the table below:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Financial liabilities	7,081	6,524
Derivatives recognized as assets (note 16.1)	(148)	(125)
Borrowing collaterals (note 32.3.2)	(103)	(35)
Cash management financial assets (note 21)	(180)	(180)
Cash and cash equivalents (note 23)	(1,466)	(2,128)
NET DEBT	**5,184**	**4,056**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

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 € millions)	December 31, 2019	December 31, 2018[(1)]
Bonds	4,965	4,463
Loans from financial institutions and other	318	454
Lease liabilities	897	-
Obligations under finance leases	-	283
Derivative instruments	173	81
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**6,353**	**5,281**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

Changes in financial liabilities and derivatives are analyzed by flow in the table below:

(in € millions)	At January 1, 2019[1]	Cash flows from financial liabilities	Non-cash movements: Conversions	Non-cash movements: Other	At December 31, 2019
Bonds, loans from financial institutions and other	4,938	(194)	16	93	4,853
Lease liabilities	-	(1)	18	880	897
Obligations under finance leases	283	-	-	(283)	-
Derivative instruments	81	111	2	(21)	173
Non-current financial liabilities	**5,302**	**(84)**	**36**	**669**	**5,923**
Bonds, loans from financial institutions and other	1,117	(486)	127	153	911
Lease liabilities	-	(237)	4	459	226
Obligations under finance leases	33	-	-	(33)	-
Derivative instruments	72	(39)	1	(13)	21
Current financial liabilities	**1,222**	**(762)**	**132**	**566**	**1,158**
TOTAL FINANCIAL LIABILITIES	**6,524**	**(846)**	**168**	**1,235**	**7,081**
Derivatives recognized as assets	(125)	(24)	-	1	(148)
Net impact on the consolidated statement of cash flows		**(870)**			

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

26.1 Bonds and commercial paper

The table below provides detailed information about the bonds and commercial paper issued by the Group:

(in € millions)	December 31, 2019 Current	December 31, 2019 Non-current	December 31, 2018 Current	December 31, 2018 Non-current
Bonds issued by Michelin Luxembourg SCS ▶ nominal amount of €302 million ▶ issued in September 2015 and September 2016 and due in September 2045 ▶ nominal interest rate of 3.25% ▶ effective interest rate of 3.02%	-	315	-	315
Bonds issued by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2038 ▶ nominal interest rate of 2.50% ▶ effective interest rate of 2.56%	-	743	-	743
Bonds issued by Compagnie Générale des Établissements Michelin ▶ nominal amount of €1,000 million ▶ issued in August 2018 and due in September 2030 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.84% (2.00% after hedging)	-	991	-	990
Bonds issued by Michelin Luxembourg SCS ▶ nominal amount of €300 million ▶ issued in May 2015 and due in May 2027 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.86% (1.80% after hedging)	-	298	-	297
Bonds issued by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2025 ▶ nominal interest rate of 0.875% ▶ effective interest rate of 1.045% (1.169% after hedging)	-	743	-	742

(in € millions)	December 31, 2019 Current	December 31, 2019 Non-current	December 31, 2018 Current	December 31, 2018 Non-current
Debt component of zero-coupon convertible bonds issued by Compagnie Générale des Établissements Michelin				
▶ nominal amount of USD 600 million				
▶ issued in January 2018 and due in November 2023				
▶ nominal interest rate of 0%				
▶ effective interest rate of 2.50% (0.16% after hedging)				
▶ conversion price at December 31, 2019 of €166.25	-	487	-	464
Private placement loan notes issued by Fenner				
▶ nominal amount of USD 160 million				
▶ issued in 2011 and due in 2021 (USD 95 million) and 2023 (USD 65 million)				
▶ nominal and effective interest rate of 5.144% (2021) and 5.420% (2023)	-	143	-	140
Bonds issued by Michelin Luxembourg SCS				
▶ nominal amount of €300 million				
▶ issued in May 2015 and due in May 2022				
▶ nominal interest rate of 1.125%				
▶ effective interest rate of 1.17%	-	300	-	300
Debt component of zero-coupon convertible bonds issued by Compagnie Générale des Établissements Michelin				
▶ nominal amount of USD 600 million				
▶ issued in January 2017 (USD 500 million) and April 2017 (USD 100 million) and due in January 2022				
▶ nominal interest rate of 0%				
▶ effective interest rate of 1.98% (-0.38% after hedging)				
▶ conversion price at December 31, 2019 of €131.59	-	515	-	493
Bonds issued by Michelin Luxembourg SCS				
▶ nominal amount of €383 million				
▶ issued in June 2012 and due in June 2019				
▶ nominal interest rate of 2.75% (1.105% after hedging)				
▶ hedged through interest rate swaps on a notional amount of €383 million expiring in June 2019 (fair value hedge) (note 16)	-	-	386	-
Commercial paper issued by Compagnie Générale des Établissements Michelin				
▶ nominal amount in € equivalent: €250 million (2018: €181 million, GBP 13 million)				
▶ effective interest rate of -0.41% at December 31, 2019	250	-	194	-
Commercial paper issued by Michelin Luxembourg SCS				
▶ nominal amount of USD 50 million (2018: USD 0 million)				
▶ effective interest rate of 2.05% at December 31, 2019	45	-	-	-
TOTAL	**295**	**4,535**	**580**	**4,484**

At December 31, 2019, the weighted average nominal interest rate for bonds and commercial paper is 1.88% (1.46% after hedging).

26.1.1 Bond redemptions

The June 2012 bonds issued by Michelin Luxembourg SCS were redeemed at maturity at par in June 2019. The interest rate instruments hedging these bonds also matured in June 2019.

26.1.2 Convertible bond issue

In January 2018, the Group issued non-dilutive convertible bonds, redeemable for cash only, with a total face value of USD 600 million. The bonds were issued at 95.5% of their face value. They do not pay interest and are redeemable at par on November 10, 2023.

At the time of issue, cash-settled call options were purchased as a hedge of the Group's exposure to the exercise of the conversion rights embedded in the bonds.

The bonds and options have been swapped for euros, providing the Group with the equivalent of classic euro-denominated bond financing at an advantageous cost.

These operations have been accounted for in accordance with the accounting policies described in sections 3.4 to 3.6.

The conversion option embedded in the convertible bonds and the related hedges are recorded under "Non-current financial assets and other non-current assets" and "Non-current financial liabilities".

26.1.3 Bond issues

At the end of August 2018, the Group, through Compagnie Générale des Etablissements Michelin, issued three tranches of bonds, maturing in 7 years, 12 years and 20 years respectively, for a total of €2.5 billion.

The 7-year tranche amounts to €750 million and has a coupon of 0.875% per annum and was issued at 99.099% of the nominal amount.

The 12-year tranche of €1 billion has a coupon of 1.75% per annum and was issued at 99.262% of the nominal amount.

The 20-year tranche amounts to €750 million and has a coupon of 2.50% per annum and was issued at 99.363% of the nominal amount.

26.1.4 Private placement

Fenner's main credit facilities consist of dollar-denominated private placement loan notes issued in three tranches for a total of USD 160 million. The three tranches mature between 2021 and 2023 and pay interest at fixed rates averaging 5.26%.

26.2 Loans from financial institutions and other

Loans from financial institutions and other include mainly amounts drawn on credit lines, and borrowings secured by trade receivables as explained in note 32.3.3 "Trade receivables".

At December 31, 2019, loans from financial institutions totaled €934 million (2018: €991 million). Most of the loans were denominated in euros, USD and THB and were at variable interest rates.

The contractual re-pricing of the interest rates of these loans is generally less than six months.

NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

In accordance with the laws and regulations applicable in each country, as well as in application of its social responsibility policy, the Group takes part mainly in pension, healthcare, death and disability and end-of-service benefit plans, 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 with the help of 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, in some cases, to future accruals, in order to reduce the risk on the Group's consolidated statement of financial position. New defined contribution plans have correspondingly been put in place or existing ones improved.

In 2005, the Group set up a governance body, the Global Employee Benefits Committee, to monitor benefits granted to employees. Its role is to define Group policies on employee benefits and ensure that local benefit programs comply with them (approval of amendments, introduction of new benefits, etc.). At the same time, it monitors asset returns and benchmarks, as well as the de-risking policies put in place by local boards or committees, and proposes an audit plan. The Committee is assisted by two teams, the Global Benefits Policy Team composed of members from the accounting, finance and human resources departments and the Global Benefits Investment Team composed of the chairs of the investment committees or Chief Investment Officers of the main funded pension plans and Group experts. In countries with substantial benefit obligations similar organization exists.

27.1 Defined benefit plans

The Group's defined benefit plans are retirement plans and retiree healthcare plans, the vast majority of which are now closed to new entrants, and in some cases 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 with the assistance of the Group's actuary, based on the yield of investment-grade corporate bonds. The rates are applied for the duration of the corresponding liabilities. The discount rate in the United States is based on the local 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 that have several plans (but only one material plan), the discount rate calculated for the main plan is used for all plans. For countries with several plans of comparable size but quite different durations, several rates are used.

The inflation assumptions are set using different methods. For the Eurozone, the Group's actuarial model is used with reference to different sources of information, such as the target inflation rates set by central banks, the forecasts from Consensus Economics and inflation swap curves. In the United Kingdom, the market-implied inflation rate is also considered (corresponding to the differential between gilts and index-linked gilts, less a spread). In the United States and Canada, the cost-of-living increases for some pensions are set using historical averages, central bank targets and implied inflation (corresponding to the differential between indexed and non-indexed bonds).

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 tables used for the pension plans that are funded through insured contracts are the insurers' tables. For the other main post-employment plans, the following tables are used: (i) United States: Pri-2012 private retirement plans table with the MP-2019 projection scale; (ii) Canada: 105% of CPM 2014 Private – MI-2017; (iii) United Kingdom: Generational SPA CMI with a 1.5% floor and a weighting of 117% for men and 100% for women, and (iv) Germany: Heubeck RT 2018 G.

	December 31, 2019				December 31, 2018			
	United States	Canada	United Kingdom	Germany	United States	Canada	United Kingdom	Germany
Life expectancy for males at 65 at the end of the reporting period	19.0	21.6	21.1	20.2	18.7	21.6	21.1	20.2
Life expectancy for males at 65 (15 years after the end of the reporting period)	19.9	22.8	22.4	22.3	19.8	22.7	22.3	22.3
Life expectancy for females at 65 at the end of the reporting period	20.9	24.1	23.9	23.7	21.0	24.1	24.0	23.7
Life expectancy for females at 65 (15 years after the end of the reporting period)	21.9	25.2	25.2	25.4	22.1	25.1	25.4	25.4

The financial position of the main defined benefit plans is summarized below:

(in € millions)	Pension plans	Other plans	December 31, 2019	December 31, 2018[(1)]
Present value of fully or partly funded obligations	8,074	-	8,074	7,311
Fair value of plan assets	(7,341)	-	(7,341)	(6,294)
Funded status deficit/(surplus)	**733**	**-**	**733**	**1,017**
Present value of unfunded obligations	1,143	1,897	3,040	2,753
Unrecognized assets due to the effect of the asset ceiling	55	-	55	88
NET DEFINED BENEFIT OBLIGATION	**1,931**	**1,897**	**3,828**	**3,858**
Amounts recognized in the statement of financial position:				
▶ As assets under non-current financial assets and other non-current assets (note 15)			(45)	-
▶ As liabilities under employee benefit obligations			3,873	3,858
NET LIABILITY	**1,931**	**1,897**	**3,828**	**3,858**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

At December 31, 2019, the projected defined benefit obligation comprised €4,113 million for active members (current employees), €1,305 million for members who have deferred their vested benefits and €5,696 million for retired members (2018: respectively €3,840 million, €1,132 million and €5,084 million).

At December 31, 2019, the projected defined benefit obligation comprised €8,939 million for vested benefits and €2,175 million for unvested benefits (2018: respectively €7,921 million and €2,135 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 effect of the asset ceiling 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 € millions)	Pension plans	Other plans	2019	2018[1]
At January 1	**2,098**	**1,760**	**3,858**	**3,969**
Contributions paid to the funds	(192)	-	(192)	(189)
Benefits paid directly to the beneficiaries	(34)	(105)	(139)	(140)
Other movements	10	(2)	8	29
Items recognized in operating income				
Current service cost	44	67	111	107
Actuarial (gains) or losses recognized on other long-term benefit plans	-	5	5	(5)
Past service cost resulting from plan amendments	(68)	-	(68)	54
Effect of plan curtailments or settlements	(10)	-	(10)	-
Effect of plan curtailments recognized within reorganizations and adaptation of activities	(12)	(18)	(30)	(21)
Other items	13	-	13	13
Items recognized outside operating income				
Net interest on employee benefit obligations	48	49	97	89
Items recognized in other comprehensive income				
Translation adjustments	14	30	44	23
Actuarial (gains) or losses	63	111	174	(87)
Unrecognized assets due to the effect of the asset ceiling	(43)	-	(43)	16
AT DECEMBER 31	**1,931**	**1,897**	**3,828**	**3,858**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € millions)	Pension plans	Other plans	2019	2018
At January 1	**1,751**	**461**	**2,212**	**2,283**
Actuarial (gains) or losses recognized during the year due to changes in demographic assumptions:				
▶ due to change in actuarial assumptions	(77)	(15)	(92)	(22)
▶ due to experience adjustments	31	(30)	1	(2)
Actuarial (gains) or losses recognized during the year due to changes in financial assumptions:				
▶ due to change in actuarial assumptions	862	174	1,036	(324)
▶ due to experience adjustments	(753)	(18)	(771)	260
Unrecognized assets due to the effect of the asset ceiling	(43)	-	(43)	16
Change in scope of consolidation	-	-	-	1
AT DECEMBER 31	**1,771**	**572**	**2,343**	**2,212**
Of which actuarial gains or (losses)	*1,716*	*572*	*2,288*	*2,124*
Of which asset ceiling effect	*55*	*-*	*55*	*88*

In 2019, the net amount recognized in the consolidated income statement was an expense of €118 million (2018: expense of €237 million), broken down as follows:

(in € millions)	Pension plans	Other plans	2019	2018
Current service cost	44	67	111	107
Net interest on the defined benefit liability (asset)	48	49	97	89
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	5	5	(5)
Past service cost recognized during the year:				
▶ due to the introduction of or amendments to defined benefit plans	(68)	-	(68)	54
▶ due to curtailments of defined benefit plans	-	-	-	-
Effect of defined benefit plan settlements	(10)	-	(10)	-
Other items	13	-	13	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	(12)	(18)	(30)	(21)
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**15**	**103**	**118**	**237**

Annual costs are determined with the assistance of independent actuaries at the beginning of each financial year based on the following factors:

- cost corresponding to acquisition of an additional year of rights ("Current service cost");
- income/expense corresponding to the discounting adjustment made to reflect the impact of the passage of time ("Net interest");
- income/expense 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 plan amendments or the 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 the settlement of any benefit plans.

27.1.1 Pension plans

The Group offers its employees in some countries different pension plans that vary according to local laws and regulations and the collective bargaining agreements applicable in each subsidiary.

Under defined benefit plans, the future level of benefits is defined by the plan regulations. The valuation of such defined benefit plans is carried out with the assistance of independent actuaries using actuarial techniques. Defined benefit pension plans may be funded through payments to external funds or to insurers. In the case of unfunded plans, such as the German pension plans, a provision is recognized in the consolidated statement of financial position.

The main pension plans provided within the Group are as follows:

United States

The defined benefit plan in the United States is the Michelin Retirement Plan (MRP). The provisions applicable to the main population are described below.

The plan was closed to new entrants as of January 1, 2004. Accruals were frozen under the plan as of December 31, 2016. These participants have been enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached age 55 and have completed at least ten years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit may be granted to employees who have reached the age of 55 and completed 30 years of service, to bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity based on a set formula (with a lower accrual rate on the amount corresponding to the social security wage base) that takes into consideration the years of plan membership and average pensionable earnings. Only employees who have voluntarily joined the defined contribution plan (in 2004 or 2007) may receive a lump sum payment.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension and orphan's pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes a cost-of-living adjustment clause applicable to the pensions of employees hired before January 1, 1991.

The plan is fully funded by employer contributions.

Canada

There is one major defined benefit plan in Canada, the Pension Plan for the Employees of Michelin North America (Canada) Inc. and Participating Employers (MR Plan). Other minor defined benefit plans, which are closed to new entrants, are valued but not detailed further.

The MR Plan was closed to new entrants as from January 1, 2005. Since this date, new entrants have been enrolled in a defined contribution plan. Accruals for most of the participants were frozen under the plan as of December 31, 2015. All employees are enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached the age 55 or completed 30 years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit is granted to employees who have completed 30 years of service, to partially bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity at retirement based on a set formula that takes into consideration the years of plan membership and total pensionable earnings.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension or a beneficiary pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes an indexation clause applicable to the benefits, based on the increase in the Consumer Price Index less a deduction.

The plan is currently fully funded by employer contributions.

United Kingdom

The defined benefit retirement plan in the United Kingdom is the Michelin Pension and Life Assurance Plan.

This plan was closed to new entrants as from March 31, 2005. It was closed to all future accruals as of January 1, 2009 and has been replaced by a defined contribution plan.

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 the age of 55 are eligible for early retirement under the applicable provisions, with the Group's consent. In the case of early retirement, the accrued benefit is reduced by an actuarial reduction factor.

The amount of the annual pension is based on the employee's pensionable earnings. Most employees opt to receive the maximum amount allowed by tax legislation in the form of a lump sum.

The plan includes provisions for death-in-service benefits, a spouse reversionary pension and disability benefits.

The amount of the pension benefit is indexed to a capped inflation rate for members who did not choose the pension increase exchange option.

The plan is fully funded by employer contributions.

Germany

There is one major defined benefit retirement plan in Germany, the "Versorgungsordnung 1979" (VO 1979).

The plan was closed to new entrants as from January 1, 2000. Since this date, new entrants have been enrolled in defined contribution plans.

The plans set the normal retirement age at 65.

They provide for a lifetime monthly annuity which is based on the employee's pensionable earnings.

A flat rate applies to the amount of earnings exceeding the social security ceiling and an additional rate, calculated based on years of service, is applied to the total pensionable earnings.

The plan includes provisions for death-in-service benefits, a spouse reversionary pension, an orphan's pension and disability benefits.

There is a legal obligation to adjust the pension annuity every three years for inflation up to the average increase in the employees' salaries.

France

There is one major defined benefit pension plan in France, "Régime de retraite supplémentaire MFPM".

In order to be eligible, employees must have completed ten years of service and still be on the payroll at the retirement date.

This plan was set up in 1996 in order to provide additional retirement income to all employees in the event that their pension under the mandatory government-sponsored plans represents less than a certain replacement rate (top hat plan). The additional benefit is calculated based on years of service and pensionable earnings.

It is capped so that the sum of the pension paid under the mandatory government-sponsored plans and the additional benefit from this plan does not exceed the specified replacement rate. As the plan cannot be closed to new members, the historical replacement rate of 55% is gradually being reduced to 0% over the period until 2046. In return, employees participate in a mandatory defined contribution plan ("Article 83" plan) and can also participate in a voluntary defined contribution plan (PERCO pension savings plan).

In accordance with government order 201-697 dated July 3, 2019, this plan was closed to new members on July 3, 2019 and the vesting period was frozen at December 31, 2019.

The plan provides for the payment of a pension to the surviving spouse and a disability pension. It is funded by contributions to two insurance companies.

Pension benefits may be adjusted or increased if the plan has a surplus but this is not automatic.

The following table analyzes changes in the financial position of the Group's defined benefit pension plans:

	2019				2018			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	3,764	4,493	47	8,304	4,017	4,378	48	8,443
Translation adjustments	131	164	1	296	76	(46)	(6)	24
Change in scope of consolidation	-	9	-	9	8	270	-	278
Current service cost	4	39	1	44	2	44	1	47
Interest cost on the defined benefit obligation	156	99	3	258	143	96	3	242
Administrative costs	7	6	-	13	7	5	1	13
Plan reorganization costs generated during the year:								
▶ past service cost due to the introduction of or amendments to defined benefit plans	-	(68)	-	(68)	-	40	-	40
▶ past service cost due to curtailments of defined benefit plans	-	(12)	-	(12)	-	(13)	-	(13)
▶ (gains) or losses on settlement of defined benefit plans	-	(10)	-	(10)	-	-	-	-
Benefits paid during the year	(260)	(180)	(3)	(443)	(256)	(216)	(3)	(475)
Other items	-	35	1	36	-	-	-	-
Actuarial (gains) or losses generated during the year	403	375	12	790	(233)	(65)	3	(295)
Present value of the obligations at the end of the year	**4,205**	**4,950**	**62**	**9,217**	**3,764**	**4,493**	**47**	**8,304**
Fair value of plan assets at the beginning of the year	3,484	2,772	38	6,294	3,739	2,585	43	6,367
Translation adjustments	128	161	(1)	288	60	(45)	(4)	11
Change in scope of consolidation	-	-	-	-	9	242	-	251
Interest income on plan assets	143	66	4	213	132	66	4	202
Contributions paid to the funds	-	192	-	192	22	167	-	189
Benefits paid by the plans during the year	(259)	(148)	(2)	(409)	(257)	(183)	(2)	(442)
Other items	-	35	1	36	-	-	-	-
Actual return on plan assets excluding interest income	402	316	9	727	(221)	(60)	(3)	(284)
Fair value of plan assets at the end of the year	**3,898**	**3,394**	**49**	**7,341**	**3,484**	**2,772**	**38**	**6,294**
Deficit/(Surplus) at the end of the year	**307**	**1,556**	**13**	**1,876**	**280**	**1,721**	**9**	**2,010**
Deferred items at the beginning of the year	(86)	-	(2)	(88)	(66)	-	(7)	(73)
Translation adjustments	(6)	-	-	(6)	4	-	-	4
Unrecognized assets due to the effect of the asset ceiling	37	-	2	39	(24)	-	5	(19)
Deferred items at the end of the year	**(55)**	**-**	**-**	**(55)**	**(86)**	**-**	**(2)**	**(88)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**362**	**1,556**	**13**	**1,931**	**366**	**1,721**	**11**	**2,098**

France

The need to align supplementary pension plans with the requirements of government order 2019-697 dated July 3, 2019 led to the following measures:

- the plan has been closed to new participants with effect from July 4, 2019;
- participants' vested rights have been frozen at December 31, 2019;
- no further rights will vest in respect of future periods of service after January 1, 2020.

An assessment of the effects of these measures led to the recognition of negative past service costs (income) of €68 million.

For Canadian pension plans, the Group does not have any rights to a refund of the plan surplus. The available economic benefits are measured as the present value of the 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 other comprehensive income.

In 2019, the amount recognized resulting from the effect of the asset ceiling was -€43 million (2018: €16 million).

In 2019, the projected defined benefit pension obligation increased by €913 million due to:

(in € millions)	2019	2018
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	(296)	(24)
Actuarial gains or (losses) from changes in actuarial assumptions and the difference between assumptions and actual experience	(790)	296
Difference between the costs (service cost and interest cost) and the benefits paid during the year	128	173
Changes in plan rules	90	(27)
Changes in the scope of consolidation	(9)	(279)
Other items	(36)	-

The fair value of plan assets amounted to €7,341 million at December 31, 2019, representing an increase of €1,047 million compared to December 31, 2018 due to:

(in € millions)	2019	2018
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	288	11
Difference between the contributions paid to the funds and the benefits paid by the funds	(217)	(253)
Actual return on plan assets	940	(82)
Changes in the scope of consolidation	-	251
Other items	36	-

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 2019 and the previous four periods:

(in € millions)	2019	2018	2017	2016	2015
Defined benefit obligation	(9,217)	(8,304)	(8,443)	(9,216)	(8,852)
Plan assets	7,341	6,294	6,367	6,520	6,448
SURPLUS/(DEFICIT)	**(1,876)**	**(2,010)**	**(2,076)**	**(2,696)**	**(2,404)**
Experience adjustments to:					
▶ plan liabilities	(5)	15	32	38	75
▶ plan assets	727	(284)	415	315	(107)

The experience adjustments expressed as a percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

Experience adjustments to:	2019	2018	2017	2016	2015
▶ the plan liabilities as a percentage of the present value of the obligation (DBO)	0.05%	-0.18%	-0.38%	-0.41%	-0.85%
▶ the plan assets as a percentage of the fair value of the assets	9.90%	-4.51%	6.52%	4.83%	-1.66%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2019			December 31, 2018		
	North America	Europe	Other	North America	Europe	Other
Discount rate	3.15%	1.46%	7.10%	4.12%	2.18%	9.20%
Inflation rate	2.36%	2.43%	3.80%	2.37%	2.60%	4.00%
Rate of salary increases	2.75%	2.90%	4.64%	2.82%	2.76%	4.84%
Weighted average duration of the defined benefit obligation	12.2	15.6	11.2	11.6	15.4	12.1

The discount rates, salary increase rates and inflation rates are the main financial assumptions used in the measurement of the defined benefit obligation (DBO) and changes in these rates may have a significant effect on the amounts reported.

For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. In the case of a change in one of these assumptions, DBO and current service cost sensitivities are expressed as weighted average changes in these items.

Regarding the sensitivity of the fair market value of plan assets due to interest rate movements, it is considered that the entire yield curve moves up or down by 0.5 point and that only the values of the bonds are impacted, with the values of all other assets remaining unchanged. The level of sensitivity indicated corresponds to the change in the total value of the portfolio due to the change in interest rates.

A 0.5-point change in these rates compared with those used for 2019, all else being equal, would have the following effect:

	0.5-point increase	0.5-point decrease
Discount rate on the defined benefit obligation (DBO)	-6.70%	7.43%
Discount rate on the aggregate of current service cost and interest cost on the obligation	10.43%	-12.38%
Inflation rate on the defined benefit obligation (DBO)	3.82%	-3.53%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	3.69%	-3.44%
Salary increase rate on the defined benefit obligation (DBO)	0.87%	-0.80%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	1.49%	-1.37%
Interest rates on the fair market value of plan assets	-5.82%	6.41%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	2019				2018			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Current service cost	5	38	1	44	2	44	1	47
Interest cost on the defined benefit obligation	155	100	3	258	143	96	3	242
Interest income on plan assets	(141)	(66)	(3)	(210)	(130)	(66)	(3)	(199)
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 amendments to defined benefit plans	-	(68)	-	(68)	-	40	-	40
▶ due to curtailments of defined benefit plans	-	-	-	-	-	-	-	-
Effect of defined benefit plan settlements	-	(10)	-	(10)	-	-	-	-
Other items	7	6	-	13	7	5	1	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	(12)	-	(12)	-	(13)	-	(13)
TOTAL DEFINED PENSION BENEFIT COST	**26**	**(12)**	**1**	**15**	**22**	**106**	**2**	**130**
Actual return on plan assets	**545**	**382**	**13**	**940**	**(89)**	**6**	**1**	**(82)**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2019					December 31, 2018				
	Canada	United States	United Kingdom	Other	Total	Canada	United States	United Kingdom	Other	Total
Listed securities										
Local equities	2.0%	7.8%	0.0%	0.0%	3.2%	2.0%	6.7%	0.0%	0.0%	2.9%
Foreign and global equities	5.7%	6.4%	4.3%	0.0%	5.0%	5.7%	6.2%	3.7%	0.0%	4.8%
Alternative investments	0.7%	9.1%	3.5%	0.0%	5.0%	3.4%	10.9%	8.1%	0.0%	8.0%
Real estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Index-linked bonds	0.1%	0.2%	17.9%	9.4%	8.0%	0.1%	0.2%	11.7%	11.5%	5.3%
Government and government agency bonds	30.3%	20.3%	17.5%	0.0%	19.6%	35.3%	19.5%	12.6%	0.0%	18.4%
Corporate bonds	13.0%	27.7%	14.3%	0.0%	18.3%	11.8%	26.8%	13.9%	0.0%	17.8%
Other fixed income securities, multi-asset credit and emerging market bonds	39.8%	16.8%	25.9%	0.0%	23.3%	33.6%	18.2%	24.3%	0.0%	22.2%
Cash and cash equivalents	4.2%	2.5%	4.2%	2.5%	3.5%	1.3%	1.7%	10.1%	0.7%	4.9%
Total listed securities	**95.8%**	**90.7%**	**87.6%**	**11.9%**	**85.8%**	**93.4%**	**90.0%**	**84.5%**	**12.3%**	**84.4%**
Unlisted securities										
Funds managed by insurance companies	0.0%	0.0%	0.0%	88.1%	5.0%	0.0%	0.0%	0.0%	87.7%	4.5%
Private placements(1)	1.8%	1.0%	7.7%	0.0%	3.8%	2.9%	1.6%	8.2%	0.0%	4.3%
Real estate	2.4%	8.3%	4.7%	0.0%	5.4%	3.7%	8.4%	7.4%	0.0%	6.8%
Total unlisted securities	**4.2%**	**9.3%**	**12.4%**	**88.1%**	**14.2%**	**6.6%**	**10.0%**	**15.5%**	**87.7%**	**15.6%**
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 and cash equivalents and funds managed by insurance companies	**14.3**	**13.7**	**22.7**	**13.9**	**17.9**	**16.9**	**13.1**	**29.2**	**9.2**	**20.1**

(1) Private equity and private debt

In the above allocation, assets reported under "Listed securities" are assets that have a regularly quoted market value at which they can be sold and those reported under "Unlisted securities" are assets managed by insurance companies and less liquid assets that could be sold on short notice or in difficult markets, at a discount.

An internal group of experts, composed of the chairs or Chief Investment Officers of the main investment committees and Group specialists, has issued investment guidelines for the local investment committees presenting investment best practices. In particular, the guidelines state that direct investments should not be made in Michelin securities or properties used by the Group. Fund managers are not subject to such restrictions. The Group has not invested material amounts in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios. The Group is not in possession of comprehensive information on the underlying assets held in insurance funds or alternative investments.

Alternative investments are composed of hedge funds and multi-asset products such as diversified growth funds in the United Kingdom. These kinds of investments are expected to deliver absolute returns with lower volatility than equities.

Other fixed income securities include emerging market bonds, mutual funds, liability hedging portfolios for which the managers invest in government and corporate bonds or in derivatives, as well as, in the United Kingdom, in multi-asset funds allowing the managers to switch between the main credit products depending on market conditions. This kind of investment is expected to have a return similar to that of corporate bonds, but with lower volatility due to its diversified profile (including asset backed securities, loans and high-yield bonds as well as cash, government and corporate bonds).

Regarding the UK real estate portfolio, the Group has opted to invest in a limited price index property fund composed of long-term leases that is expected to hedge inflation risk.

In most countries, assets are managed by local independent boards, in accordance with local pension laws. The boards are required by their bylaws as well as by law to act in the best interest of the fund and all relevant stakeholders, *i.e.,* current and future beneficiaries as well as employers.

Asset allocation analyses 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, banks or investment management firms). The asset allocation takes into account the structure of employee-related liabilities and their terms. In the event of a sharp increase in the funding ratio, an asset allocation analysis should be performed to ensure the target allocation is still appropriate.

The largest pension plans have implemented a dynamic asset allocation policy, whereby the target asset allocations are based on the plan's funded status. An improvement in funded status results in the de-risking of the portfolios, allowing more funds to be allocated to liability hedging assets (LHA) and less to return seeking assets (RSA). In the event of a decrease in the funding ratio, the target allocation remains unchanged, as the re-risking of the portfolios is not permitted. These pension plans have also implemented an interest rate hedging policy and, in the United Kingdom, an inflation hedging policy. The hedging ratio increases as the funding level improves.

The RSA are diversified with the objective of targeting 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 less liquid asset classes that may complicate the de-risking process by creating concentrated positions or requiring transactions at discounted prices.

The LHA are used to hedge the duration risk as well as, in some cases, the credit spread and inflation risks. 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 rates in accordance with the policy set by each pension fund.

Foreign exchange risks may be hedged when the exposure to a foreign currency is considered to be non-negligible. For instance, the UK fund is exposed to many currencies and has a policy of hedging 75% of its exposure. In Canada, 50% of the US dollar exposure is hedged. 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 2019 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
Contributions paid and benefits paid directly by the Group				
2019	1	224	1	226
Estimates of contributions to be paid and benefits to be paid directly by the Group				
2020	2	155	-	157
2021	2	111	-	113
2022	2	75	-	77
2023	2	75	-	77
2024	21	86	-	107
2025-2029	142	469	-	611

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 United States, the following year's contribution is determined annually in accordance with Internal Revenue Service (IRS) rules, in particular as regards temporary funding relief provided for under the Bipartisan Budget Act of 2015 (BBA15).

In Canada, the contributions are determined on a triennial basis and the funding plan is spread over 15 years as required under local regulations.

In the United Kingdom, the contributions are determined based on triennial actuarial valuations as required by the Pension Act. In the event of a deficit, the employer must implement a recovery plan in agreement with the Trustees. The current recovery plan matures in 2021.

In 2019, in addition to the ordinary contributions, the decision was made to prepay contributions in the United Kingdom for an amount of €125 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 fund managers.

Future payments for unfunded plans are estimated based on data included in the calculation of the projected defined benefit obligation according to expected leaving dates each year. The same method is used for calculating the amount of the constitutive capital invested in partially funded plans with insurance companies.

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. Other post-employment benefits mainly include health insurance and end-of-service benefits. Other defined benefit plans are mainly found in the United States, Canada and France. Other long-term benefits include mainly long-service awards provided under local company-specific agreements. Such defined benefit plans chiefly concern the Group's European companies.

As in the case of the above-described defined benefit pension plans, other defined benefit plans are valued with the assistance of independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets and are recognized in full as liabilities.

The main plans provided within the Group are detailed below:

United States

The Group provides healthcare coverage to Pre-Medicare and Medicare-eligible retirees and their dependents.

Eligible retirees are mainly those who were employed prior to January 1, 2004 and who will have reached the age of 55 and completed at least ten years of service at the date of retirement.

For Medicare-eligible retirees, the healthcare coverage is provided in addition to Medicare.

Medical and prescription drug expenses are covered by the plan. The retirees contribute to the cost of the pre-Medicare post-retirement medical plan.

In 2016, the plan was amended to move non-union Medicare-eligible retirees from a company-sponsored retirement offering to private Medicare exchanges. For this population, the plan provides the following benefit improvements:

- Retiree Reimbursement Account (RRA): this account is funded in a fixed annual amount per retiree and eligible dependents through a Retiree Health Exchange program to either reimburse Medicare, Medicare supplement and/or prescription drug premiums;
- Catastrophic Retiree Reimbursement Account (CRRA): if the retiree or dependent reaches the eligibility threshold for catastrophic drug coverage, he or she can receive reimbursement for the 5% of the out-of-pocket cost not covered by Medicare Part D.

The Group pays a premium for the administrative services. This plan is not pre-funded.

Canada

The Group provides healthcare coverage to 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 division end-of-service benefit plan.

The plan provides for the payment of a lump sum to employees who are present at their retirement date. The normal retirement age is set at 65. The amount of the lump sum corresponds to a number of months of salary based on years of service at the time of retirement.

This plan is not pre-funded.

Changes in the financial position of other defined benefit plans are as follows:

	December 31, 2019				December 31, 2018[(1)]			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	**724**	**983**	**53**	**1,760**	**790**	**990**	**40**	**1,820**
Translation adjustments	28	-	2	**30**	14	-	-	**14**
Change in scope of consolidation	-	(10)	11	**1**	-	(6)	8	**2**
Current service cost	9	50	8	**67**	10	46	4	**60**
Interest cost on the defined benefit obligation	30	17	2	**49**	28	16	2	**46**
Administrative costs	-	-	-	**-**	-	-	-	**-**
Plan reorganization costs generated during the year:								
▶ past service cost due to the introduction of or amendments to defined benefit plans	(9)	-	9	**-**	11	3	-	**14**
▶ past service cost due to curtailments of defined benefit plans	-	(18)	-	**(18)**	-	(8)	-	**(8)**
▶ (gains) or losses on settlement of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Benefits paid during the year	(47)	(53)	(5)	**(105)**	(46)	(59)	(2)	**(107)**
Other items	(3)	-	-	**(3)**	-	-	-	**-**
Actuarial (gains) or losses generated during the year	27	78	11	**116**	(83)	1	1	**(81)**
Present value of the obligations at the end of the year	**759**	**1,047**	**91**	**1,897**	**724**	**983**	**53**	**1,760**
Fair value of plan assets at the beginning of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Translation adjustments	-	-	-	**-**	-	-	-	**-**
Change in scope of consolidation	-	-	-	**-**	-	-	-	**-**
Interest income on plan assets	-	-	-	**-**	-	-	-	**-**
Contributions paid to the funds	-	-	-	**-**	-	-	-	**-**
Benefits paid by the plans during the year	-	-	-	**-**	-	-	-	**-**
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	**759**	**1,047**	**91**	**1,897**	**724**	**983**	**53**	**1,760**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**759**	**1,047**	**91**	**1,897**	**724**	**983**	**53**	**1,760**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

United States

In 2019, the Group adjusted the eligibility conditions for participants in a disability pension plan. The change in the plan rules led to the recognition of negative past service costs (income) of €9 million.

Thailand

In May 2019, the rules of a plan for the payment of length-of-service awards to employees on retirement were amended following the adoption of new legislation. This rule change led to a significant increase in the amount of these awards and the recognition of positive past service costs (expense) of €9 million.

In 2019, the present value of other defined benefit plans increased by €137 million, due to:

	2019	2018
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	(30)	(14)
Actuarial gains or (losses) from changes in actuarial assumptions and the difference between assumptions and actual experience	(116)	81
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(11)	1
Changes in plan rules	18	(6)
Changes in the scope of consolidation	(1)	6
Other items	3	-

The present value of the defined benefit obligation and experience adjustments are as follows for 2019 and the previous four periods:

(in € millions)	2019	2018	2017	2016	2015
Defined benefit obligation	(1,897)	(1,760)	(1,820)	(2,021)	(2,271)
Experience adjustments to plan liabilities	48	14	46	16	25
Experience adjustments to plan liabilities (as a % of the present value of the obligation – DBO)	-2.53%	-0.80%	-2.53%	-0.79%	-1.10%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	December 31, 2019			December 31, 2018		
	North America	Europe	Other	North America	Europe	Other
Discount rate	3.07%	0.85%	2.82%	4.12%	1.76%	5.28%
Weighted average duration of the defined benefit obligation	11.9	15.1	12.1	10.8	14.1	10.8

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2019		December 31, 2018	
	United States	Canada	United States	Canada
Expected growth in healthcare costs in the first year	7.49%	3.83%	7.89%	6.10%
Minimum long-term rate of annual growth in healthcare costs	4.95%	4.05%	4.93%	4.25%
Year in which the minimum growth rate will be achieved	2026	2040	2026	2028

The discount rate is one of the main assumptions used in the measurement of the defined benefit obligation and changes in this rate may have a significant effect on the amounts reported. For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. The sensitivities of the DBO and cost (meaning in this case the aggregate of the current service cost and interest cost on the obligation) correspond to the weighted average change in the DBO and the cost, respectively, when one of these assumptions changes.

A 0.5-point change in these rates compared with those used for 2019, all else being equal, would have the following effect:

	0.5-point increase	0.5-point decrease
Discount rate on the defined benefit obligation (DBO)	-6.44%	7.15%
Discount rate on the aggregate of the current service cost and interest cost on the obligation	0.17%	-0.33%
Healthcare cost trend rate on the healthcare defined benefit obligation	1.76%	-1.61%
Healthcare cost trend rate on the aggregate of the current service cost and interest cost on the healthcare plan obligation	1.35%	-1.22%

Net income and expenses recognized in the income statement are as follows:

(in € millions)	2019 North America	2019 Europe	2019 Other	2019 Total	2018 North America	2018 Europe	2018 Other	2018 Total
Current service cost	9	50	8	**67**	10	46	4	**60**
Interest cost on the defined benefit obligation	30	17	2	**49**	28	16	2	**46**
Interest income on plan assets	-	-	-	**-**	-	-	-	**-**
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	4	1	**5**	(1)	(3)	(1)	**(5)**
Past service cost recognized during the year:								
▶ due to the introduction of or amendments to defined benefit plans	(9)	-	9	**-**	11	3	-	**14**
▶ due to curtailments of defined benefit plans	-	-	-	**-**	-	-	-	**-**
Effect of defined benefit plan settlements	-	-	-	**-**	-	-	-	**-**
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	(18)	-	**(18)**	-	(8)	-	**(8)**
TOTAL OTHER DEFINED BENEFIT EXPENSES	**30**	**53**	**20**	**103**	**48**	**54**	**5**	**107**

Benefit payments made under other defined benefit plans in 2019 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
Benefit payments made				
2019	47	53	5	105
Estimates of benefit payments to be made				
2020	45	41	1	87
2021	45	48	1	94
2022	46	45	2	93
2023	46	49	2	97
2024	45	51	2	98
2025-2029	218	229	19	466

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 2019, the contributions paid to defined contribution plans and expensed amounted to €226 million (2018: €223 million).

These plans are mainly found in the United States, Canada, the United Kingdom and France.

United States

The defined contribution plans in the United States include 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 include 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 the United Kingdom is the Michelin Pension and Life Assurance plan DC section (for Michelin and ATS employees). It has been implemented as of December 1, 2004 for new entrants and as of January 1, 2009 for all employees who did not opt out.

For Michelin employees, there are employee and employer contributions to this plan. The contributions 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 level of contribution is chosen by the employee and matched by the employer. Contributions are a flat-rate amount 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 plans in France: the "Article 83" plan and the "PERCO" plan.

The defined contribution "Article 83" retirement savings plan has been implemented as of January 1, 2012 in order to replace the defined benefit plan which will be gradually terminated. Article 83 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 based on the capped gross annual salary. An individual account is opened in the name of each employee. Employees can claim an additional benefit when they become entitled to their pension under a compulsory retirement plan.

The PERCO was implemented on June 1, 2007 and revised on January 1, 2012. It is a voluntary retirement savings plan. Each employee can contribute to the plan and the Group will match the voluntary contributions made by the employee up to a cap.

NOTE 28 SHARE-BASED PAYMENTS

28.1 Employee stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2019		2018	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**56.87**	**111,409**	**53.81**	**360,951**
Granted	-	-	-	-
Forfeited	52.05	(10,046)	51.17	(47,596)
Exercised	58.00	(64,178)	52.73	(201,946)
AT DECEMBER 31	**56.23**	**37,185**	**56.87**	**111,409**

All of the 37,185 options outstanding at December 31, 2019 were exercisable at that date (2018: 111,409 exercisable out of a total of 111,409).

Stock option plans have the following exercise prices and expiration dates:

			December 31, 2019		December 31, 2018	
Grant date	**Vesting date**	**Expiration date**	**Exercise price** *(in € per option)*	**Number of stock options outstanding**	**Exercise price** *(in € per option)*	**Number of stock options outstanding**
November 2009	November 2013	November 2018	-	-	51.16	-
May 2010	May 2014	May 2019	52.13	-	52.13	34,304
May 2011	May 2015	May 2020	66.00	12,696	66.00	40,637
June 2012	June 2016	June 2021	51.16	24,489	51.16	36,468
NUMBER OF OPTIONS OUTSTANDING				**37,185**		**111,409**

28.2 Performance share plans

Changes in the number of performance share rights are as follows:

	2019	2018
	Number of performance share rights outstanding	Number of performance share rights outstanding
At January 1	**623,239**	**883,512**
Granted	377,292	129,270
Forfeited	(68,160)	(195,252)
Shares delivered	(61,566)	(194,291)
AT DECEMBER 31	**870,805**	**623,239**

In November 2019, 377,292 rights to performance shares were granted to Group employees. The rights are subject to a vesting period of four years ending in November 2023 and the vested shares are not subject to any lock-up period. The shares will vest providing that the performance conditions (stock market performance, environmental performance of the Group's manufacturing operations, employee engagement level and growth in operating income) are met. The fair value of each performance share right is estimated at €62.01.

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 estimated value of the stock market performance condition is deducted from the grant-date fair value of the performance share rights based on the probability of this condition being met. The total cost for the plans set up in 2019 is estimated at €16 million.

The performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		Fair value at grant date		December 31, 2019 Number of performance share rights outstanding	December 31, 2018 Number of performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2015	2019	2019	None	None	82.24	82.24	-	83,464
2016	2020	2020	None	None	66.41	66.41	81,518	119,540
2017	2021	2021	None	None	66.84	66.84	283,965	290,965
2018	2022	2022	None	None	47.91	47.91	128,030	129,270
2019	2023	2023	None	None	62.01	62.01	377,292	-
NUMBER OF PERFORMANCE SHARE RIGHTS OUTSTANDING							**870,805**	**623,239**

The expense recognized in 2019 for performance share plans amounts to €7 million (2018: €9 million) and is included in "Segment other income and expenses".

28.3 Employee share ownership plans

No new employee share ownership plans were carried out in 2019.

In 2018, the Group launched a share offer for all its employees located in countries where the legal and tax requirements were met. This share ownership plan (Bib'Action), carried out under the Company savings plan *(Plan d'Épargne Groupe),* is a standard plan allowing employees to invest in Michelin shares at a discounted price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

The purchase price was set at €82.31 per share, representing a 20% discount on the reference price of €102.89 corresponding to the average of the opening prices for Michelin shares over the 20 trading days preceding the pricing date. Employees were granted one free share for each share purchased up to four shares.

578,639 shares were purchased during this share offer.

The total expense recognized in the income statement by the Group in 2019 in relation to this plan amounted to €13 million, after deducting the effect of the five-year lock-up.

The main features of the plan and the assumptions used to determine the final cost were as follows:

Maturity of the plan	5 years
Number of shares purchased	578,639
Reference price *(in €)*	102.89
Purchase price for employees *(in €)*	82.31
Five-year risk-free interest rate[1]	0.20%
Five-year market participant rate[2]	5.85%
Dividend yield	3.45%
Cost of the lock-up period *(as a % of the reference price)*	23.99%
Recognized cost *(in € per share)*	22.68

(1) The risk-free interest rate is based on the yield on French government bonds with an equivalent maturity.
(2) The five-year market participant rate is the average cost for market participants of a five-year loan for general corporate purposes.

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €1,104 million (2018: €1,319 million) and include provisions for reorganizations and adaptation of activities, provisions for litigation and for warranties, contract liabilities as described in note 3.8 "Revenue recognition", as well as other provisions and non-current liabilities.

29.1 Charge in provisions (current and non current)

Changes in provisions during the period are presented below:

(in € millions)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2019[1]	**374**	**455**	**829**
Additional provisions	239	137	376
Provisions utilized during the year	(169)	(134)	(303)
Unused provisions reversed during the year	(39)	(20)	(59)
Translation adjustments	6	3	9
Other effects	3	(5)	(2)
AT DECEMBER 31, 2019	**414**	**436**	**850**
Of which short-term portion (note 30)	233	68	301

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

The €436 million balance for litigation, warranties and other provisions mainly includes amounts arising from social security disputes (URSSAF in France), as well as civil liability claims in North America and obligations arising from warranties given to customers, in particular in the United States.

29.2 Reorganizations and adaptation of activities

At December 31, the remaining provisions for reorganizations and adaptation of activities relate to following countries:

(in € millions)	December 31, 2019	December 31, 2018[1]
France[2]	183	187
Germany[3]	123	37
United Kingdom	86	122
Italy	11	21
Other countries	11	7
TOTAL	**414**	**374**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).
(2) Consisting mainly of the provision for reorganization of the La Roche-sur-Yon plant (note 9.2).
(3) Consisting mainly of the provision for the closure of the Bamberg plant (note 9.2).

NOTE 30 OTHER CURRENT LIABILITIES

The carrying amount of other current liabilities is presented in the table below:

(in € millions)	December 31, 2019	December 31, 2018[(1)]
Deferred customer rebates	879	848
Employee benefit obligations	613	598
Payroll tax liabilities	302	325
Provisions for reorganizations and adaptation of activities	233	168
Income tax payable	145	203
Other taxes	237	227
Other	429	400
OTHER CURRENT LIABILITIES	**2,838**	**2,769**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

NOTE 31 DETAIL OF THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	2019	2018
Investment grants recognized in profit or loss	(13)	(12)
Change in employee benefit obligations	(217)	(218)
Change in litigation and other provisions	(23)	(24)
Costs related to reorganizations and adaptation of activities	(172)	(172)
Other	26	13
Other operating income and expenses (cash) and change in provisions	**(399)**	**(413)**
Interest and other financial expenses paid	(371)	(216)
Interest and other financial income received	34	21
Dividends received	12	13
Interest and other financial income and expenses received and paid, net	**(325)**	**(182)**
Change in inventories	147	4
Change in trade receivables and advances	(81)	(52)
Change in trade payables and advances	(140)	(47)
Change in trade payables under reverse factoring agreements	5	(77)
Change in other receivables and payables	(30)	(24)
Change in working capital, net of impairment	**(99)**	**(196)**
Purchases of intangible assets (note 13)	(207)	(201)
Purchases of PP&E (note 14)	(1,594)	(1,467)
Government grants received	8	20
Change in capital expenditure payables	11	(68)
Purchases of intangible assets and PP&E	**(1,782)**	**(1,716)**
Increase in other non-current financial assets	(34)	(209)
Decrease in other non-current financial assets	19	9
Net cash flows from cash management financial assets	-	-
Net cash flows from borrowing collaterals	(68)	7
Net cash flows from other current financial assets	(26)	(31)
Cash flows from other financial assets	**(109)**	**(224)**
Increase in non-current financial liabilities	184	2,974
Decrease in non-current financial liabilities	(378)	(80)
Repayment of lease liabilities	(238)	(19)
Net cash flows from current financial liabilities	(486)	191
Derivatives	48	(46)
Cash flows relating to financial liabilities, net	**(870)**	**3,020**
Details of non-cash transactions:		
▶ new leases (note 14)	217	65
▶ new emission rights	9	7

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

32.1.1 Capital expenditure commitments

Capital expenditure for the main extension projects that was contracted but not delivered before December 31, 2029, amounts to €230 million (of which €73 million is expected to be delivered as from 2021).

32.1.2 Other commitments

The Group has many purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2020. They are entered into on arm's length terms in the normal course of business.

32.2 Contingencies

32.2.1 Michelin Pension Trust Ltd UK

Following adoption of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension fund (the "Recovery Plan") was established between Michelin Pension Trust Ltd UK and Michelin UK. In order to limit the amount of the contributions and potentially spread them over more than ten years, the Group has given a guarantee to the pension fund covering the contributions which its subsidiary will have to make.

A similar guarantee was given to the trustees of the Fenner Pension Scheme UK following the acquisition of Fenner.

The Recovery Plan liability is recalculated every three years. The last recalculation was carried out as of March 31, 2017. The actuarial assumptions used to measure the Recovery Plan liability are generally more conservative than the ones used to measure defined benefit obligations under IAS 19.

The amount of the Group's guarantee is equal to the difference, if positive, between the present value of future contributions and the amount of the provision booked in the accounts. At December 31, 2019, the present value of future contributions in excess of the provision booked in the consolidated financial statements was €75 million, including €68 million for the guarantee given to the trustees of the Michelin Pension Trust Ltd UK and €7 million for the guarantee given to the Fenner Pension Scheme UK trustees.

32.2.2 Tax audit in Germany

Following a tax audit covering the years 2005 to 2009, a German subsidiary was notified in 2015 of certain proposed reassessments. The tax inspectors' final report was received in 2018 along with the final tax reassessment notice.

In these documents, the subsidiary was notified of a €382 million reassessment of its corporate income tax base, determined by estimating its taxable income for the audited period by reference to the Group's average margin. The reassessment includes an amount of €298 million corresponding to the effects on the subsidiary of the Group's transfer pricing policy, which was challenged by the tax administration. The transfer pricing issue had previously been raised in the notification of proposed reassessments received in 2015. The tax administration considered in its final report that the subsidiary had not provided all the requested information justifying the transfer prices paid by the subsidiary.

The Group has challenged all of the German tax administration's arguments.

On July 17, 2018, the Group initiated the following procedures with the German tax administration:

- an application to defer payment of the tax deficiency and late interest while the dispute procedure was in progress; as a result of this application, the payments made were not material;
- a procedure challenging the methodology used by the tax administration and based on the Group's average margin.

The Group filed on December 16, 2019, a Mutual Agreement Procedure (MAP) under the EU Arbitration Convention or the respective Double Tax Treaties, for the total reassessment amounting to €382 million.

The Group considers that it has strong arguments in support of its position and that it is more likely than not that it will be successful in each of the actions initiated or about to be initiated.

On that basis, the Group considers that the estimated financial risk is not material.

In 2016, a new tax audit covering the years 2010 to 2014 was launched but no conclusion could be drawn in its respect at the date of these consolidated financial statements were published. The Group considers that there was no evidence of a risk of reassessment at December 31, 2019 in connection with this audit.

32.2.3 Legal claims in Brazil

In 2010, a Brazilian subsidiary of the Group was awarded a tax benefit in connection with an investment project at its Resende plant (State of Rio de Janeiro). The benefit, which was confirmed in a decree issued by the State governor, consisted of the right to defer tax payments on imports of machines and raw materials, as well as access to a BRL 1,029 million (around €227 million at the 2019 year-end exchange rate) credit line.

In 2013, legal proceedings were initiated against the subsidiary, on the grounds that the decree granting the benefit was unconstitutional and that the State had incurred a financial loss by not collecting the deferred tax payments. These proceedings are still in progress.

A favorable initial ruling handed down in April 2015 was followed by an unfavorable appeal ruling in October 2016. The judgment only concerned the deferred tax payments on imports of industrial machines for the Resende plant. In June 2017, the Group filed two appeals to bring the matter before the Superior Court of Justice and the Supreme Court, which will first have to decide whether these appeals are admissible before the case is decided on its merits. The Group estimates that the financial risk related to this dispute is in the region of BRL 32 million.

In November 2016, the Prosecutor of the State of Rio de Janeiro initiated new legal proceedings against the subsidiary based on the October 2016 appeal ruling and called on the subsidiary to return the total amount represented by the benefits granted under the decree. The subsidiary launched a procedure to have the legal proceedings suspended, but its request was rejected by the judge who ordered the sequestration of the subsidiary's assets for an amount equal to the credit line granted by the State of Rio de Janeiro. The subsidiary, which has never made use of the credit line, entered an appeal for an immediate suspension and cancellation of the decision. The request for a suspension was rejected but as of December 31, 2017, the preliminary decision to freeze the Company's assets had not been executed.

On June 4, 2018, the judge hearing the charges brought in November 2016 by the Prosecutor of the State of Rio de Janeiro, decided to dismiss the charges, as they were no longer admissible following the adoption of a new law enacted in 2017. In his ruling, the Judge also revoked the legal order to freeze the subsidiary's assets. The State Prosecutor has appealed this decision.

The Federal Prosecutor has also lodged an appeal, on the grounds that States could legally approve the type of benefits granted to the subsidiary only if certain mandatory conditions were met. Citing the absence of evidence that the mandatory conditions had been met, the Federal Prosecutor called for the Judge's ruling to be set aside. Michelin defended its position by providing evidence that all the conditions stipulated in the new legislation (Act No. 160/2017) had been met by the State of Rio Janeiro, meaning that the Federal Prosecutor's appeal was inadmissible.

Before ruling on these various appeals, the Court asked the Prosecutor to provide a legal opinion on the merits of the case. In his opinion, the Prosecutor maintained his arguments and added a further one, *i.e.,* that the new law is unconstitutional. Each party has presented its arguments concerning this latter point, and the matter is ready to be heard by a panel of three appeal judges.

The Group contests all of the positions expressed by the Brazilian legal authorities in the legal proceedings and considers that it is more likely than not that its arguments will prevail.

32.2.4 Other contingencies

In the normal course of business, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and an outflow of financial resources is probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of Group management, there are no other governmental, judicial or arbitration proceedings likely to have a material impact on the Group's financial position or cash position.

32.3 Assets pledged as collateral

32.3.1 Property, plant and equipment (PP&E)

PP&E pledged as collateral for debt amounted to €33 million (2018: €35 million).

32.3.2 Financial assets

Loans and deposits amounting to €103 million (2018: €34 million) are pledged as collateral for debt (note 16 "Derivative instruments").

32.3.3 Trade receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in portfolios of eligible trade receivables. The maximum financing that can be raised from these programs amounts to €479 million (2018: €474 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 at December 31, 2019 (2018: €15 million), has been accounted for as secured debt (note 26.2 "Loans from financial institutions and other").

NOTE 33 FINANCIAL RISK MANAGEMENT

33.1 Financial risk management policy

33.1.1 Organization of financial risk management

Financial risk control, measurement and supervision are carried out under the responsibility of the Corporate Financing Department, at subsidiary and geographic region level as well as at Group level. The Corporate Financing Department reports directly to the Group Finance 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. Regional (Geographic Zone) finance directors oversee implementation of the Group's financial risk management policies by the finance managers of the companies in their region. Compliance with financial risk policies is assessed through internal audit reviews to evaluate risk control efficiency and identify areas of improvement.

All strategic decisions regarding Group financial risk hedging policy are made by the Group Finance 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 is responsible for establishing and validating financial risk management policies, identifying and measuring these risks and validating and monitoring hedging programs. The Financial Risks Committee, which is chaired by a Manager, meets on a monthly basis and includes members of the Group Finance Department and the Corporate Financing Department.

33.1.2 Liquidity risk

33.1.2.1 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 confirmed lines of credit on a continuous basis.

33.1.2.2 Risk management response

The Corporate Financing Department is responsible for ensuring that the Group has access to adequate financing and liquidity at the lowest cost. The Group raises financing through long-term debt issues (bonds) on the capital markets, as well as through bank facilities (loans and credit lines), commercial paper programs and receivables securitization programs. The Group has also negotiated confirmed back-up credit lines and maintains cash reserves that are calibrated in order to ensure the refinancing of short-term debt. Long-term financing and confirmed back-up credit lines are essentially concentrated at the level of the Group financial holding companies.

Except in the case of particular restrictions due to the specific features of local financial markets, the Group companies are financed in accordance with the following model:

- 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.

For subsidiaries that do not participate in the cash pool, short-term financing is the responsibility of the local treasurer.

The management of liquidity risk is supported by a system that forecasts 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 hard covenants or material adverse change clauses that could affect its ability to draw down credit lines or the facilities' term. At December 31, 2019, none of the Group's loan agreements included any clauses of this type. Concerning default and acceleration clauses included in the Group's loan agreements, the probability of trigger events occurring is low and the possible impact on the Group's financial position would not be material.

33.1.3 Currency risk

33.1.3.1 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.

33.1.3.2 Risk management response

Foreign currency transaction risk

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

Each Group company continually calculates its accounting exposure in relation to its functional currency and hedges it systematically. Temporary exemptions can, however, be approved by the Group Finance Department when it is not possible to hedge a currency on the market or when an exemption is justified due to 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 exposure is hedged using long-term instruments (with a life of up to eight years) and the operational exposure is hedged using short-term instruments (generally expiring within three months). Currency risk monitoring and hedging is based on Group internal standards and procedures. A system to closely monitor foreign currency transaction risk is implemented throughout the Group under the responsibility of the Corporate Financing Department. Gains and losses on foreign currency transactions are tracked on a monthly basis in 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.

33.1.4 Interest rate risk

33.1.4.1 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 its debt that is at variable rates. 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.

33.1.4.2 Risk management response

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

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

The interest rate position is centralized by currency by the Corporate Financing Department, which is the only department permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risks Committee sets hedging limits by currency, taking into consideration the Group's gearing as hedging needs change in line with this ratio.

33.1.5 Equity risk

33.1.5.1 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.

33.1.5.2 Risk management response

The Group Investment Committee, which includes representatives of the Finance, Legal and Corporate Finance Departments, is responsible for the application of investment management and monitoring rules. To this end, it reviews investments at annual intervals to assess the risk level and actual results compared to defined targets.

33.1.6 Counterparty risk

33.1.6.1 Risk factors

Counterparty risk is the risk of a debtor refusing or being unable to fulfill 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 confirmed lines of credit.

33.1.6.2 Risk management response

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the industrial and commercial risks that are associated with its operations, the Group gives priority to the security and the liquidity of 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.

The Group is also exposed to counterparty risk on derivative instruments used for hedging purposes that have a positive fair value. These hedging instruments and the level of concentration by bank are tracked weekly by Group Treasury and monitored monthly by the Financial Risks Committee.

In order to mitigate counterparty risk on its derivatives instruments, the Group exchanges collateral with its main banks.

33.1.7 Credit risk

33.1.7.1 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.

33.1.7.2 Risk management response

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

33.2 Financial risk data

33.2.1 Liquidity risk

At December 31, 2019, the debt repayment schedule (principal and interest) and the maturities of undrawn confirmed credit lines are as follows:

(in € millions)	2020	2021	2022	2023	2024	2025	2026 and beyond
Bonds	367	156	882	611	62	803	2,875
Loans from financial institutions and other	637	140	7	76	35	35	36
Lease liabilities	257	230	181	149	130	108	231
Derivative instruments	-	31	2	3	2	2	6
DEBT REPAYMENT SCHEDULE	**1,261**	**557**	**1,072**	**839**	**229**	**948**	**3,148**
LONG-TERM UNDRAWN CONFIRMED CREDIT LINES	**-**	**1,500**	**-**	**-**	**-**	**-**	**-**

This table analyzes principal and interest payments on debt by payment date, as projected using available market data at the reporting date (interest is calculated in each currency on the basis of market rates, and converted into euros at period-end rates). The amounts shown are not discounted.

The short-term debt refinancing risk is covered by undrawn confirmed credit lines (€1,500 million), cash and cash equivalents (€1,466 million) and cash management financial assets (€180 million).

In 2014, the Group rolled over its five-year syndicated credit line. In 2015 and 2016, the Group exercised its two extension options, extending the maturity from 2019 to 2021.

33.2.2 Currency risk

Foreign currency transaction risk

The following table presents the Group's exposure to foreign currency transaction risk (*i.e.,* the risk arising when a recognized monetary asset or liability is denominated in a currency other than the functional currency), before and after hedging:

	December 31, 2019				December 31, 2018(1)			
(in € millions)	EUR	CNY	USD	Other	EUR	CNY	USD	Other
Monetary assets	549	571	5,278	2,459	691	605	5,367	2,482
Monetary liabilities	(1,435)	(111)	(5,015)	(1,333)	(1,536)	(85)	(4,188)	(1,488)
Net position before hedging	**(886)**	**460**	**263**	**1,126**	**(845)**	**520**	**1,179**	**994**
Hedges	863	(479)	(354)	(1,122)	874	(521)	(1,293)	(1,040)
NET POSITION AFTER HEDGING	**(23)**	**(19)**	**(91)**	**4**	**29**	**(1)**	**(114)**	**(46)**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

An unfavorable change in each of the foreign currencies mentioned in the table above against the functional currencies of the companies exposed to foreign currency transaction risk would have an aggregate negative impact, after hedging, of €1 million (2018: €1 million) on the consolidated income statement for every cent change. A favorable change would have a symmetrical positive impact. This relatively low sensitivity to foreign currency transaction risk is consistent with the objective described in section 33.1.3 "Currency risk".

Because of the low volume of cash flow hedges (note 16 "Derivative instruments"), the sensitivity of equity to currency risk is not material.

Most of the open positions at December 31, 2019 were hedged in early January 2020.

Currency translation risk

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

(in € millions)	December 31, 2019	December 31, 2018(1)
EUR	4,449	5,141
USD	4,142	2,806
BRL	1,104	1,088
THB	586	525
CNY	540	562
CAD	335	457
INR	177	211
GBP	1,394	1,137
Other	502	254
TOTAL	**13,229**	**12,181**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

33.2.3 Interest rate risk

Net debt at December 31, 2019 breaks down as follows by type of hedge and by currency:

	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
(in € millions)	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
USD	1,406	447	**1,853**	(275)	334	1,244	**1,578**	688	(688)	1,022	556	**1,578**
EUR	3,740	(935)	**2,805**	(2,035)	4,812	(4,042)	**770**	(9)	9	4,803	(4,033)	**770**
CNY	21	(14)	**7**	693	21	679	**700**	250	(250)	271	429	**700**
THB	168	125	**293**	281	168	406	**574**	200	(200)	368	206	**574**
MXN	1	1	**2**	447	1	448	**449**	215	(215)	216	233	**449**
GBP	61	(10)	**51**	359	61	349	**410**	82	(82)	143	267	**410**
Other currencies	138	(11)	**127**	530	138	519	**657**	207	(207)	345	312	**657**
Total before derivatives	**5,535**	**(397)**	**5,138**	**-**	**5,535**	**(397)**	**5,138**	**1,633**	**(1,633)**	**7,168**	**(2,030)**	**5,138**
Fair value of derivatives included in net debt			**46**				**46**					**46**
NET DEBT (NOTE 26)			**5,184**				**5,184**					**5,184**

A 1-point parallel shift in the yield curves applied to the net debt components would have the following impact at December 31, 2019:

		Fair value impact			
(in € millions)	Annualized cash impact recognized in the income statement	Recognized in the income statement(1)	Recognized in other comprehensive income(2)	Not recognized(3)	Total
1-point decrease	(20)	(35)	1	(424)	(458)
1-point increase	20	34	(1)	424	457

(1) The Group's interest rate management policy aims at hedging perfectly identified future cash flows. However, some derivative instruments do not qualify for hedge accounting under IFRS 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 because the underlying net debt component is not measured at fair value but at amortized cost.

33.2.4 Equity risk

Equity risk is the risk of a 10% unfavorable change in the price of equities held by the Group.

(in € millions)	December 31, 2019	December 31, 2018
Carrying amount (note 15.1)	237	233
IMPACT ON EQUITY OF A 10% UNFAVORABLE CHANGE IN THE PRICE OF EQUITIES HELD BY THE GROUP	**(19)**	**(18)**

33.2.5 Counterparty risk

At December 31, 2019, 42% of cash and cash equivalents (including cash management financial assets) was invested in money market or short-term bond funds to allow for a maximum diversification of counterparty risk. The balance is invested directly with international banks that meet the counterparty risk management criteria defined by the Group.

Furthermore, most derivatives are contracted with the same banks.

33.2.6 Credit risk

At December 31, 2019, net receivable balances from the ten largest customers amounted to €451 million (2018: €449 million). Six of these customers are located in Europe, two in North America and two in Asia. At the same date, 67 customers (2018: 72) had been granted credit limits in excess of €10 million. Out of these, 26 are located in Europe, 25 in North America, one in Central America, one in South America, five in Asia and nine in Africa, India and the Middle East. No material collateral has been received to limit the related credit risk. In 2019, credit losses represented 0.11% of sales (2018: 0.13%).

33.2.7 Commodities derivatives

In 2019, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

33.3 Capital risk management

The Group's objectives when managing its capital are to protect 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 main indicator used for capital management purposes is gearing. Gearing corresponds to the ratio of net debt to equity.

(in € millions)	December 31, 2019	December 31, 2018(1)
Net debt (note 26)	5,184	4,056
Total equity	13,229	12,181
GEARING	**0.39**	**0.33**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

33.4 Classification of financial assets

Group financial assets break down as follows between the categories "at fair value through profit or loss (FVPL)", "at fair value through other comprehensive income (FVOCI)" and "at amortized cost" at December 31, 2019:

(in € millions)	FVPL	FVOCI	Amortized cost	Total 2019
Trade receivables	-	-	3,532	3,532
Current financial assets	18	3	375	396
Cash and cash equivalents	973	-	493	1,466
Non-current financial assets	144	274	378	796
TOTAL FINANCIAL ASSETS	**1,135**	**277**	**4,778**	**6,190**

33.5 Fair value measurement hierarchy

The following tables present Group assets and liabilities measured at fair value at December 31, 2019 and 2018 by level in the fair value measurement hierarchy:

(in € millions)	Level 1	Level 2	Level 3	Total 2019
Cash and cash equivalents	973	-	-	973
Borrowing collaterals	103	-	-	103
Derivative instruments (note 16.1)	-	148	-	148
Equity investments (note 15.1)	21	-	216	237
TOTAL ASSETS	**1,097**	**148**	**216**	**1,461**
Derivative instruments (note 16.2)	-	194	-	194
TOTAL LIABILITIES	**-**	**194**	**-**	**194**

(in € millions)	Level 1	Level 2	Level 3	2018 Total[1]
Cash and cash equivalents	1,695	-	-	1,695
Borrowing collaterals	34	-	1	35
Derivative instruments (note 16.1)	-	125	-	125
Equity investments (note 15.1)	38	-	195	233
TOTAL ASSETS	**1,767**	**125**	**196**	**2,088**
Derivative instruments (note 16.2)	-	153	-	153
TOTAL LIABILITIES	**-**	**153**	**-**	**153**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

There were no material transfers between level 1 and level 2 in 2019 or 2018.

The following table presents the changes in level 3 instruments for the year ended December 31, 2019:

(in € millions)	
At January 1, 2019[1]	**195**
Additions	14
Disposals	(17)
Changes in the scope of consolidation	1
Transfers from level 1 or 2 to level 3	-
Transfers from level 3 to level 1 or 2	-
Gains or losses for the year recognized in net income	-
Gains or losses for the year recognized in other comprehensive income	20
Other	3
AT DECEMBER 31, 2019	**216**

(1) The 2018 figures have been restated for comparison purposes (see note 2.5 to the consolidated financial statements).

NOTE 34 RELATED-PARTY TRANSACTIONS

Management and Supervisory Bodies

The Annual Shareholders Meeting of May 18, 2018 approved the appointment of Florent Menegaux as Managing General Partner of Compagnie Générale des Établissements Michelin. In May 2019, he was appointed Managing Chairman of Compagnie Générale des Etablissements Michelin.

Florent Menegaux did not receive any statutory distribution in 2018 based on 2017 net income. The statutory distribution allocated to Florent Menegaux, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin, in 2019 based on 2018 net income amounted to €0.7 million.

He was entitled to compensation of €1.2 million (payroll taxes included) as General Manager of Manufacture Française des Pneumatiques Michelin (2018: €0.8 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.5 million (2018: €0.7 million).

The statutory distribution allocated to Jean-Dominique Senard, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin (until May 2019), in 2019 based on 2018 net income amounted to €3.0 million (2018 based on 2017 net income: €2.7 million).

He was entitled to compensation of €0.5 million (payroll taxes included) as General Manager of Manufacture Française des Pneumatiques Michelin (2018: €1.5 million) for the period until he stepped down from this position in May 2019. The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.3 million (2018: €0.6 million).

Yves Chapot was entitled to compensation of €1.1 million (payroll taxes included) as General Manager of Compagnie Générale des Établissements Michelin (2018: €0.5 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2018: €0.3 million). A provision of €1.0 million (payroll taxes included) has been recognized based on the present value of the vested rights in a long-term incentive bonus program and a variable compensation program.

At December 31, 2019, the Group Executive Committee had eight members (2018: 10* members). Employee benefits costs for members of the Group Executive Committee amounted to €11 million in 2019 (2018: €20 million). This amount breaks down as follows:

(in € millions)	2019	2018
Short-term benefits	7.2	14.6
Post-employment benefits	2.3	3.0
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1.5	2.5
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	**11.0**	**20.1**

* *membres du Comité Exécutif du Groupe au 31 décembre.*

The attendance fees paid in 2019 to the Supervisory Board members for 2018 meetings were €0.7 million (2018 for 2017: €0.5 million).

NOTE 35 SUBSEQUENT EVENTS

Share buyback program

On January 7, 2020, the Group called on the assistance of an investment services provider for the implementation of its share buyback program as authorized by the Annual Shareholders Meeting of May 17, 2019. The investment services provider has agreed to sell to CGEM, and CGEM has agreed to purchase, between January 8, 2020 and November 19, 2020, a certain quantity of CGEM shares for a maximum consideration of €100 million. All of the acquired shares will be canceled.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

NOTE 36 LIST OF CONSOLIDATED COMPANIES

Countries are presented based on the Michelin geographical regions and are listed within each region according to the alphabetical order of the French names.

Companies	Consolidation method	Registered office	Type	% interest
EUROPE				
Germany				
Michelin Reifenwerke AG & Co. Kommanditgesellschaft auf Aktien	Full consolidation method	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Reifenservice Deutschland GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Immobilien GmbH	Full consolidation method	Mannheim	Commercial	100.00
Advantico GmbH	Full consolidation method	Mannheim	Commercial	60.00
Michelin Deutschland GmbH	Full consolidation method	Karlsruhe	Financial	100.00
PTG Reifendruckregelsysteme GmbH	Full consolidation method	Neuss	Commercial	100.00
Michelin Finanz Gesellschaft für Beteiligungen AG & Co. OHG	Full consolidation method	Karlsruhe	Financial	100.00
Ihle Tires GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Tirecorp GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Ihle International GmbH	Full consolidation method	Muggensturm	Commercial	100.00
ProServ Produktionsservice und Personaldienste GmbH	Equity method	Karlsruhe	Miscellaneous	49.00
Dichtelemente Hallite GmbH	Full consolidation method	Hamburg	Manufacturing & commercial	100.00
Camso Deutschland GmbH	Full consolidation method	Duisbourg	Commercial	100.00
Masternaut GmbH	Full consolidation method	Munich	Commercial	100.00
Austria				
Michelin Reifenverkaufsgesellschaft m.b.H.	Full consolidation method	Vienna	Miscellaneous	100.00
Euromaster Reifenservice GmbH	Full consolidation method	Vienna	Commercial	100.00
Camso Austria GmbH	Full consolidation method	Korneubourg	Commercial	100.00
Belgium				
Michelin Belux S.A.	Full consolidation method	Zellik	Commercial	100.00
Michelin Travel Partner Belgium BVBA	Full consolidation method	Zellik	Commercial	100.00
Camsotech European R&D Centre NV	Full consolidation method	Ghent	Financial	100.00
Eurowheel BVBA	Full consolidation method	Herenthout	Manufacturing	100.00
ITC International Tire NV	Full consolidation method	Wommelgem	Commercial	85.00
Industrial International Tire Company NV	Full consolidation method	Wommelgem	Commercial	85.00
Bulgaria				
Michelin Bulgaria EOOD	Full consolidation method	Sofia	Miscellaneous	100.00
Croatia				
Michelin Hrvatska d.o.o.	Full consolidation method	Zagreb	Commercial	100.00
Denmark				
Euromaster Danmark A/S	Full consolidation method	Skanderborg	Commercial	100.00
Michelin Gummi Compagni A/S	Full consolidation method	Frederiksberg	Miscellaneous	100.00
Euromaster Ejendomme A/S	Full consolidation method	Skanderborg	Commercial	100.00
Viborg Direct A/S	Full consolidation method	Skanderborg	Commercial	100.00
Ihle Skandinavien ApS	Full consolidation method	Copenhagen	Commercial	100.00
Spain				
Michelin España Portugal, S.A.	Full consolidation method	Tres Cantos	Manufacturing & commercial	99.81
Euromaster Automoción y Servicios, S.A.	Full consolidation method	Madrid	Commercial	100.00
Nex Tyres, S.L.	Full consolidation method	Lleida	Commercial	50.00
Michelin Travel Partner España Portugal SrL	Full consolidation method	Tres Cantos	Commercial	99.81
Lehigh Spain S.L.	Full consolidation method	Barcelona	Miscellaneous	79.90
Servicios y Asistencia OK24, S.L.	Full consolidation method	Madrid	Commercial	60.80

Companies	Consolidation method	Registered office	Type	% interest
Fundación Michelin Desarrollo	Full consolidation method	Valladolid	Miscellaneous	99.81
Rodi Metro, S.L.	Equity method	Lleida	Miscellaneous	20.00
Fenner Dunlop S.L.	Full consolidation method	Esparreguera	Manufacturing & commercial	100.00
Camso Spain, S.L.	Full consolidation method	Saragossa	Commercial	100.00
Masternaut Iberica S.L.	Full consolidation method	Madrid	Commercial	100.00
Estonia				
Michelin Rehvide OÜ	Full consolidation method	Tallinn	Miscellaneous	100.00
Finland				
Oy Suomen Michelin Ab	Full consolidation method	Espoo	Miscellaneous	100.00
Suomen Euromaster Oy	Full consolidation method	Pori	Commercial	100.00
France				
Compagnie Générale des Établissements Michelin	Full consolidation method	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Full consolidation method	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Full consolidation method	Avallon	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Full consolidation method	Bassens	Manufacturing	100.00
Euromaster France	Full consolidation method	Montbonnot-Saint-Martin	Commercial	98.61
Michelin Aircraft Tyre	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Transityre France	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Alliance Réseaux	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
One Shot Pay	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	60.00
Michelin Travel Partner	Full consolidation method	Boulogne-Billancourt	Commercial	100.00
Spika	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Full consolidation method	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Établissements Piot Pneu	Full consolidation method	Montbonnot-Saint-Martin	Commercial	96.81
Tyredating	Full consolidation method	Lyon	Commercial	100.00
Ihle France	Full consolidation method	Schiltigheim	Commercial	100.00
Euromaster Services et Management	Full consolidation method	Clermont-Ferrand	Commercial	100.00
GIE Michelin Placements	Full consolidation method	Clermont-Ferrand	Financial	100.00
Simp	Full consolidation method	Clermont-Ferrand	Financial	51.00
Société d'Investissements et de Mécanique	Full consolidation method	Montagny	Miscellaneous	100.00
Michelin Ventures SAS	Full consolidation method	Clermont-Ferrand	Financial	100.00
Mon Tour en France	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	59.85
Oxymore	Full consolidation method	Montbonnot-Saint-Martin	Commercial	96.15
Jean Estager et Cie	Full consolidation method	Montbonnot-Saint-Martin	Commercial	96.81
Teleflow SAS	Full consolidation method	Mably	Miscellaneous	100.00
V Data Services	Full consolidation method	Nantes	Miscellaneous	100.00
Adaran	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Michelin Middle East	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Europe (EEIG)	Full consolidation method	Clermont-Ferrand	Miscellaneous	99.96
AddUp.	Equity method	Cébazat	Manufacturing	50.00
MMM !	Equity method	Paris	Miscellaneous	42.11
Allopneus	Equity method	Aix-en-Provence	Commercial	39.99
Société Internationale de Plantations d'Hévéas	Equity method	Courbevoie	Miscellaneous	44.41

Companies	Consolidation method	Registered office	Type	% interest
Symbio SAS	Equity method	Fontaine	Miscellaneous	50.00
Taquipneu	Equity method	Montauban	Miscellaneous	22.92
Fenner Dunlop SARL	Full consolidation method	Elancourt	Manufacturing & commercial	100.00
Camso France SAS	Full consolidation method	Le Malesherbois	Commercial	100.00
Masternaut SAS	Full consolidation method	Puteaux (Paris)	Commercial	100.00
Masternaut International SAS	Full consolidation method	Louviers	Financial	100.00
Runa	Equity method	Lyon	Miscellaneous	48.99
Resicare	Full consolidation method	Clermont-Ferrand	Manufacturing	100.00
Greece				
Elastika Michelin A.E.	Full consolidation method	Halandri	Commercial	100.00
Hungary				
Michelin Hungaria Tyre Manufacture Ltd	Full consolidation method	Nyíregyháza	Manufacturing & commercial	100.00
Ihle Magyarország Kft.	Full consolidation method	Komárom	Commercial	100.00
Camso Industrielle Hungary Kft.	Full consolidation method	Budapest	Financial	100.00
Ireland				
Miripro Insurance Company DAC	Full consolidation method	Dublin	Miscellaneous	100.00
Async Technologies Limited	Equity method	Ennis	Miscellaneous	25.00
Italy				
Società per Azioni Michelin Italiana	Full consolidation method	Turin	Manufacturing & commercial	100.00
Fondazione Michelin Sviluppo	Full consolidation method	Turin	Miscellaneous	100.00
Euromaster Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
Michelin Travel Partner Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
Hallite Italia S.r.l.	Full consolidation method	Collesalvetti	Manufacturing & commercial	100.00
Fenner Dunlop Italia S.r.l.	Full consolidation method	Milan	Manufacturing & commercial	100.00
Camso Manufacturing Italy S.r.l.	Full consolidation method	Milan	Manufacturing	100.00
Camso Italy S.p.A.	Full consolidation method	Ozzero	Commercial	100.00
Webraska Italia Srl	Full consolidation method	Milan	Miscellaneous	100.00
Latvia				
Michelin Riepas SIA	Full consolidation method	Riga	Miscellaneous	100.00
Lithuania				
UAB Michelin Padangos	Full consolidation method	Vilnius	Miscellaneous	100.00
Luxembourg				
Michelin Luxembourg SCS	Full consolidation method	Luxembourg	Financial	100.00
Michelin Finance (Luxembourg) S.àr.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso International S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso Holding S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Artic Investments S.A.	Full consolidation method	Luxembourg	Financial	100.00
Norway				
Norsk Michelin Gummi AS	Full consolidation method	Oslo	Miscellaneous	100.00
Fenner Mandals AS	Full consolidation method	Mandal	Manufacturing & commercial	100.00
The Netherlands				
Euromaster Bandenservice B.V.	Full consolidation method	Deventer	Commercial	100.00
Michelin Nederland N.V.	Full consolidation method	Drunen	Commercial	100.00
Transityre B.V.	Full consolidation method	Breda	Commercial	100.00
Michelin Distribution B.V.	Full consolidation method	Breda	Commercial	100.00
Actor B.V.	Full consolidation method	Deventer	Commercial	100.00
Euromaster Vastgoed B.V.	Full consolidation method	Deventer	Commercial	100.00
MC Projects B.V.	Equity method	Maastricht	Miscellaneous	50.00

Companies	Consolidation method	Registered office	Type	% interest
Dunlop Service B.V.	Full consolidation method	Klazienaveen	Manufacturing & commercial	100.00
Fenner Dunlop B.V.	Full consolidation method	Drachten	Manufacturing & commercial	100.00
De Bruin&Berends B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Assets B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Enerka Netherlands B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Enerka Netherlands Holding B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Industrielle Holdings B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Service International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Conveyor Belting International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Sales & Marketing B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Fenner Dunlop Steelcord B.V.	Full consolidation method	Drachten	Financial	100.00
Camso Nederland B.V.	Full consolidation method	Nieuwegein	Commercial	100.00
Masternaut B.V.	Full consolidation method	Breda	Commercial	100.00
Portugal				
Michelin-Companhia Luso-Pneu, Limitada	Full consolidation method	Lisbon	Miscellaneous	100.00
Euromaster Portugal – Sociedade Unipessoal, LDA	Full consolidation method	Lisbon	Commercial	100.00
Poland				
Michelin Polska S.A.	Full consolidation method	Olsztyn	Manufacturing & commercial	100.00
Euromaster Polska sp. z.o.o.	Full consolidation method	Olsztyn	Commercial	100.00
Michelin Development Foundation (Fundacja Rozwoju Michelin)	Full consolidation method	Olsztyn	Miscellaneous	100.00
Dunlop Conveyor Belting Polska sp.zo.o	Full consolidation method	Mikołów	Manufacturing & commercial	100.00
Camso Polska S.A.	Full consolidation method	Warsaw	Commercial	100.00
Czech Republic				
Euromaster Česká republika s.r.o. (Euromaster Ceska republika s.r.o.)	Full consolidation method	Prague	Commercial	100.00
Michelin Česká republika s.r.o. (Michelin Ceska republika s.r.o.)	Full consolidation method	Prague	Miscellaneous	100.00
Ihle Czech, s.r.o.	Full consolidation method	Plzen	Commercial	100.00
Romania				
Michelin Romania S.A.	Full consolidation method	Voluntari	Manufacturing & commercial	99.86
Euromaster Tyre & Services Romania S.A.	Full consolidation method	Voluntari	Commercial	100.00
Ihle Anvelope SRL	Full consolidation method	Pitesti	Commercial	100.00
United Kingdom				
Michelin Tyre Public Limited Company	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Full consolidation method	Birmingham	Commercial	100.00
Associated Tyre Specialists (Investment) Limited	Full consolidation method	Birmingham	Commercial	100.00
ATS Property and Real Estate Limited	Full consolidation method	Birmingham	Commercial	100.00
Blackcircles.com Limited	Full consolidation method	Edinburg	Commercial	100.00
Black Circles Holdings Limited	Full consolidation method	Edinburg	Miscellaneous	100.00
LB Central Limited	Full consolidation method	London	Commercial	100.00
Michelin Finance (U.K.) Limited	Full consolidation method	London	Financial	100.00
Michelin Lifestyle Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Michelin Development Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
TFM Holdings Limited	Full consolidation method	Eastleigh	Commercial	100.00
Michelin Travel Partner UK Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Fenner Group Holdings Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner International Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Hallite Seals International Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
James Dawson & Son Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
Dunlop Conveyor Belting Investments Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner N.A. Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Hall & Hall Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (Advanced Engineering Products) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (India) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
James Dawson (China) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner Pension Scheme Trustee Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
Fenner International Australia Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
CDI Energy Products UK Limited	Full consolidation method	Hull	Manufacturing & commercial	100.00
BTL Limited	Full consolidation method	Hull	Financial	100.00
Fenner Advanced Sealing Investments Limited	Full consolidation method	Hull	Financial	100.00
Fenner Advanced Sealing Technologies Limited	Full consolidation method	Hull	Financial	100.00
Fenner Drives Limited	Full consolidation method	Hull	Financial	100.00
Fenner Dunlop Limited	Full consolidation method	Hull	Financial	100.00
Fenner Dynamics Limited	Full consolidation method	Hull	Financial	100.00
Hallite (France) Limited	Full consolidation method	Hull	Financial	100.00
Hallite Limited	Full consolidation method	Hull	Financial	100.00
Hallite Polytek Limited	Full consolidation method	Hull	Financial	100.00
Indico (Europe) Limited	Full consolidation method	Hull	Financial	100.00
J.H. Fenner & Co. (Fenaplast) Limited	Full consolidation method	Hull	Financial	100.00
J.H. Fenner & Co. (Special Belting) Limited	Full consolidation method	Hull	Financial	100.00
Norwegian Seals UK Limited	Full consolidation method	Hull	Financial	100.00
Turner Belting Limited	Full consolidation method	Hull	Financial	100.00
Vulcanisers International Limited	Full consolidation method	Hull	Financial	100.00
Camso UK Limited	Full consolidation method	Cowbridge	Commercial	100.00
Masternaut Group Holdings Limited	Full consolidation method	Marlow	Financial	100.00
Masternaut Limited	Full consolidation method	Aberford	Commercial	100.00
Masternaut Bidco Limited	Full consolidation method	London	Financial	100.00
Masternaut Holdings Limited	Full consolidation method	Marlow	Commercial	100.00
Masternaut ITS Limited	Full consolidation method	Aberford	Commercial	100.00
Masternaut Risk Solutions Limited	Full consolidation method	Marlow	Commercial	100.00
Old World Limited	Full consolidation method	London	Miscellaneous	100.00
Telefleet Limited	Full consolidation method	London	Miscellaneous	100.00
Easy Sailing Limited	Full consolidation method	Aberford	Miscellaneous	100.00
Serbia				
Tigar Tyres d.o.o.	Full consolidation method	Pirot	Manufacturing & commercial	100.00
Slovakia				
Michelin Slovensko, s.r.o.	Full consolidation method	Bratislava	Miscellaneous	100.00
Ihle Slovakia s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
Ihle Slovakia Logistic a Servis s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
Slovenia				
Michelin Slovenija, pnevmatike, d.o.o.	Full consolidation method	Ljubljana	Miscellaneous	100.00
Ihle pnevmatike, d.o.o.	Full consolidation method	Maribor	Commercial	100.00
Sweden				
Euromaster AB	Full consolidation method	Varberg	Commercial	100.00
Michelin Nordic AB	Full consolidation method	Stockholm	Commercial	100.00
Masternaut AB	Full consolidation method	Stockholm	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Switzerland				
Euromaster (Suisse) S.A.	Full consolidation method	Givisiez	Commercial	100.00
Nitor S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Suisse S.A.	Full consolidation method	Givisiez	Commercial	100.00
Compagnie Financial Michelin SCmA	Full consolidation method	Granges-Paccot	Financial	100.00
Compagnie Financière Michelin Suisse S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Mexico Properties Sàrl	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Inter Assistance S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Finanz Gesellschaft fuer Beteiligungen S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Invest S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Trésorerie Europe de l'Est S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Trésorerie Europe S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Ihle Service & Logistik Schweiz AG	Full consolidation method	Bülach	Commercial	100.00
Swissco Project S.A.	Equity method	Neuchâtel	Miscellaneous	20.00
Camso Schweiz AG	Full consolidation method	Schaffhouse	Commercial	100.00
Turkey				
Michelin Lastikleri Ticaret A.S.	Full consolidation method	Istanbul	Commercial	100.00
Euromaster Lastik Ve Servis Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
Camso Lastik Ticaret Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
AFRICA/INDIA/MIDDLE EAST				
South Africa				
Michelin Tyre Company South Africa Proprietary Limited	Full consolidation method	Boksburg	Commercial	100.00
Fenner (South Africa) (Pty) Limited	Full consolidation method	Isando	Financial	100.00
Fenner Conveyor Belting (South Africa) (Pty) Limited	Full consolidation method	Isando	Manufacturing & commercial	71.00
Camso Africa (Pty) Ltd	Full consolidation method	Centurion	Commercial	100.00
Algeria				
Michelin Algérie SPA	Full consolidation method	Algiers	Commercial	100.00
Société d'Applications Techniques Manufacturings	Full consolidation method	Algiers	Commercial	100.00
Cameroon				
Société Moderne du Pneumatique Camerounais	Full consolidation method	Douala	Commercial	100.00
Ghana				
Dunlop Conveyor Belting Ghana Limited	Full consolidation method	Accra	Manufacturing & commercial	100.00
Morocco				
Fenner Dunlop Maroc SARL	Full consolidation method	Casablanca	Manufacturing & commercial	100.00
Nigeria				
Michelin Tyre Services Company Ltd	Full consolidation method	Lagos	Commercial	95.48
India				
Michelin India Private Limited	Full consolidation method	Chennai	Manufacturing	100.00
Michelin India Technology Center Limited	Full consolidation method	Gurgaon	Miscellaneous	100.00
Fenner Conveyor Belting Private Limited	Full consolidation method	Madurai	Manufacturing & commercial	100.00
Hallite Sealing Solutions India Private Limited	Full consolidation method	Bangalore	Manufacturing & commercial	100.00
Camso India LLP	Full consolidation method	Gurgaon	Commercial	100.00
Saudi Arabia				
E.A. Juffali & Brothers for Tyres	Equity method	Jeddah	Commercial	50.00
United Arab Emirates				
Michelin AIM FZE	Full consolidation method	Jafza (Dubai)	Miscellaneous	100.00
Michelin AIM FZCO	Full consolidation method	Dubai	Miscellaneous	100.00
Dunlop Conveyor Belting Distribution FZE	Full consolidation method	Dubai	Manufacturing & commercial	100.00
Dunlop Service Middle East, LLC	Full consolidation method	Dubai	Manufacturing & commercial	49.00

Companies	Consolidation method	Registered office	Type	% interest
Sri Lanka				
Camso Loadstar (Private) Limited	Full consolidation method	Ja-Ela	Manufacturing	100.00
Camso Trading (Private) Limited	Full consolidation method	Ja-Ela	Commercial	100.00
Camso Global Business Services (Private) Limited	Full consolidation method	Colombo	Financial	100.00
Kenya				
Tyre Distribution Africa Limited	Equity method	Nairobi	Miscellaneous	49.00
NORTH AMERICA				
Canada				
Michelin North America (Canada) Inc.	Full consolidation method	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	Full consolidation method	New Glasgow	Commercial	100.00
Michelin Development (Canada) Inc.	Full consolidation method	New Glasgow	Miscellaneous	100.00
Oliver Rubber Canada Limited	Full consolidation method	Granton, Nova Scotia	Commercial	100.00
Fenner Dunlop (Bracebridge), Inc.	Full consolidation method	Bracebridge	Manufacturing & commercial	100.00
Hallite Seals (Canada) Ltd	Full consolidation method	Mississauga	Manufacturing & commercial	100.00
Camso Inc.	Full consolidation method	Magog	Financial	100.00
Camso Distribution Canada Inc.	Full consolidation method	Mississauga	Commercial	100.00
Klinge Tire Management Consultants CA Ltd	Full consolidation method	Toronto	Miscellaneous	100.00
United States of America				
Michelin North America, Inc.	Full consolidation method	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
CR Funding Corporation	Full consolidation method	Wilmington	Financial	100.00
Michelin Corporation	Full consolidation method	New York	Financial	100.00
Oliver Rubber Company, LLC	Full consolidation method	Wilmington	Manufacturing	100.00
NexTraq LLC	Full consolidation method	Wilmington	Commercial	100.00
Tire Centers West, LLC	Full consolidation method	Wilmington	Commercial	100.00
Pelham 2 Corp.	Full consolidation method	Wilmington	Financial	100.00
Lehigh Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
ViaMichelin North America LLC	Full consolidation method	Greenville	Commercial	100.00
TBC Corporation	Equity method	Palm Beach Gardens	Commercial	50.00
Padfield Inc.	Equity method	Salt Lake City	Commercial	20.47
T & W Tire, LLC	Equity method	Oklahoma City	Commercial	25.00
Snider Tire, Inc.	Equity method	Greensboro	Commercial	31.03
Fenner Inc.	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner America, Inc.	Full consolidation method	Wilmington	Financial	100.00
Fenner Advanced Sealing Technologies, LLC	Full consolidation method	Wilmington	Financial	100.00
Fenner U.S., Inc.	Full consolidation method	Wilmington	Financial	100.00
American Industrial Plastics, LLC	Full consolidation method	Plantation	Manufacturing & commercial	100.00
CDI Energy Products, LLC	Full consolidation method	Dallas	Manufacturing & commercial	100.00
Hallite Seals Americas, LLC	Full consolidation method	Plymouth	Manufacturing & commercial	100.00
Solesis, Inc.	Full consolidation method	Harrisburg	Financial	100.00
Charter Medical, Limited	Full consolidation method	Raleigh	Manufacturing & commercial	100.00
SanaVita Medical, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
The Secant Group, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop Conveyor Systems and Services, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Fenner Dunlop Americas, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop (Port Clinton), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Fenner Dunlop (Toledo), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Camso Holding USA, LLC	Full consolidation method	Wilmington	Financial	100.00
Camso Industrielle USA, Ltd	Full consolidation method	Wilmington	Manufacturing	100.00
Camso USA Inc.	Full consolidation method	Tallahassee	Commercial	100.00
Industrial Tire/DFW, LLC	Full consolidation method	Irving	Commercial	67.00
Blacksmith OTR, LLC	Equity method	Rome	Miscellaneous	50.00
Airflash, Inc.	Full consolidation method	Saratoga	Miscellaneous	100.00
Achilles Tires USA, Inc.	Full consolidation method	Irvine	Commercial	99.64
The Wine Advocate, Inc.	Full consolidation method	Parkton	Miscellaneous	100.00
Tablet, Inc.	Full consolidation method	New York	Miscellaneous	100.00
Klinge Tire Management Consultants, Inc.	Full consolidation method	Carson City	Miscellaneous	100.00
Mexico				
Michelin Mexico Holding, S.A. de C.V.	Full consolidation method	Querétaro	Financial	100.00
Industrias Michelin, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
AutopartesInternacionales de Guanajuato León, S.A. de C.V.	Full consolidation method	Ciudad de León	Miscellaneous	100.00
Michelin Sascar Mexico S.A. de C.V.	Full consolidation method	Querétaro	Commercial	100.00
Michelin Mexico Services, S.A. de C.V.	Full consolidation method	Querétaro	Miscellaneous	100.00
AutopartesInternacionales de Queretaro, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
Camso Distribución México, S.A. de C.V.	Full consolidation method	Tultitlan	Commercial	100.00
Panama				
Michelin Panama Corp.	Full consolidation method	Panama	Miscellaneous	100.00
SOUTH AMERICA				
Argentina				
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Full consolidation method	Buenos Aires	Commercial	100.00
Rodaco Argentina S.A.U.	Full consolidation method	Buenos Aires	Commercial	100.00
Brazil				
Sociedade Michelin de Participações, Indústria e Comércio Ltda	Full consolidation method	Rio de Janeiro	Manufacturing & commercial	100.00
Sociedade Tyreplus Brasil Ltda	Full consolidation method	Rio de Janeiro	Commercial	100.00
Plantações Michelin da Bahia Ltda	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Michelin Espírito Santo – Comércio, Importações e Exportações Ltda	Full consolidation method	Vila Velha	Commercial	100.00
Plantações E. Michelin Ltda	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Sascar Tecnologia e Segurança Automotiva S.A.	Full consolidation method	Barueri	Miscellaneous	100.00
Industrial Levorin S.A.	Full consolidation method	Guarulhos	Manufacturing & commercial	100.00
Neotec Indústria e Comércio de Pneus Ltda	Full consolidation method	Manaus	Manufacturing & commercial	100.00
LevNeo Participações Ltda	Full consolidation method	Guarulhos	Miscellaneous	100.00
Seva Engenharia Eletrônica S.A.	Full consolidation method	Contagem	Miscellaneous	100.00
Camso Holding Brasil Ltda	Full consolidation method	São Paulo	Financial	100.00
CamsoIndústria de Produtos de Borracha Ltda	Full consolidation method	Alvorada	Commercial	100.00
Chile				
Michelin Chile Ltda	Full consolidation method	Santiago	Commercial	100.00
Conveyor Services S.A.	Full consolidation method	Antofagasta	Manufacturing & commercial	100.00
Fenner International Chile Limitada	Full consolidation method	Las Condes	Financial	100.00
Fenner Dunlop Chile SpA	Full consolidation method	Las Condes	Financial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Colombia				
Industria Colombiana de Llantas S.A.	Full consolidation method	Bogotá	Commercial	99.96
Ecuador				
Michelin del Ecuador S.A.	Full consolidation method	Quito	Commercial	100.00
Peru				
Michelin del Perú S.A.	Full consolidation method	Lima	Commercial	100.00
Venezuela				
Michelin Venezuela, S.A.	Equity method	Valencia	Commercial	100.00
SOUTHEAST ASIA/AUSTRALIA				
Australia				
Michelin Australia Pty Ltd	Full consolidation method	Melbourne	Commercial	100.00
Klinge Holdings Pty Ltd	Full consolidation method	Brisbane	Miscellaneous	100.00
Hallite Seals Australia Pty Limited	Full consolidation method	Wetherill Park	Manufacturing & commercial	100.00
Transeals Pty Limited	Full consolidation method	Welshpool	Financial	100.00
Fenner Dunlop Australia Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Fenner (Pacific) Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Australia Financing Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Australian Conveyor Engineering Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Fenner Dunlop Conveyor Services Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Investments Australia Limited Partnership	Full consolidation method	West Footscray	Financial	100.00
BBV Partnership	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Belle Banne Conveyor Services Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Bearcat Tyres Pty Ltd	Full consolidation method	Girraween	Commercial	100.00
Indonesia				
PT Michelin Indonesia	Full consolidation method	Jakarta	Commercial	100.00
PT Synthetic Rubber Indonesia	Full consolidation method	Jakarta	Manufacturing	55.00
PT Royal Lestari Utama	Equity method	Jakarta	Miscellaneous	49.07
PT Lestari Asri Jaya	Equity method	Jambi	Miscellaneous	29.80
PT Multi Kusuma Cemerlang	Equity method	Jakarta	Miscellaneous	29.33
PT Wanamukti Wisasa	Equity method	Jambi	Miscellaneous	23.22
PT Multistrada Arah Sarana Tbk	Full consolidation method	Bekasi	Manufacturing & commercial	99.64
PT Kawasan Industri Multistrada	Full consolidation method	Bekasi	Miscellaneous	99.60
PT Penta Artha Impressi	Equity method	Jakarta	Commercial	19.93
Malaysia				
Michelin Malaysia Sdn. Bhd.	Full consolidation method	Petaling Jaya	Commercial	100.00
Michelin Services (S.E.A.) Sdn. Bhd.	Full consolidation method	Petaling Jaya	Miscellaneous	100.00
New Zealand				
Tyreline Distributors Limited	Equity method	Hamilton	Commercial	25.00
Beau Ideal Limited	Equity method	Te Awamutu	Commercial	25.01
Camso New Zealand Limited	Full consolidation method	Auckland	Commercial	100.00
Singapore				
Michelin Asia (Singapore) Co. Pte. Ltd	Full consolidation method	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import (SG) Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Export (SG) Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import-Export (SG) Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Wine Advocate Pte. Ltd	Full consolidation method	Singapore	Miscellaneous	100.00
Fenner Singapore Pte. Ltd	Full consolidation method	Singapore	Financial	100.00
CDI Multiseals Pte. Ltd	Full consolidation method	Singapore	Manufacturing & commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Thailand				
Michelin Siam Company Limited	Full consolidation method	Bangkok	Manufacturing & commercial	100.00
Michelin Experience (E2A) Co., Ltd	Full consolidation method	Bangkok	Commercial	49.00
Michelin Roh Co., Ltd	Full consolidation method	Bangkok	Miscellaneous	100.00
NTeq Polymer Co., Ltd	Equity method	Surat Thani	Miscellaneous	45.00
Vietnam				
Michelin Vietnam Company Limited	Full consolidation method	Ho Chi Minh City	Commercial	100.00
Camso Vietnam Co., Ltd	Full consolidation method	Tan Uyen	Manufacturing	100.00
CHINA				
China				
Michelin Shenyang Tire Co., Ltd	Full consolidation method	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd	Full consolidation method	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Full consolidation method	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd	Full consolidation method	Shanghai	Commercial	100.00
Shanghai Suisheng Information Technology Co., Ltd	Full consolidation method	Shanghai	Commercial	100.00
Michelin Tire Research and Development Center (Shanghai) Co., Ltd	Full consolidation method	Shanghai	Miscellaneous	100.00
Tyre Plus (Shanghai) Auto Accessories Trading Co., Ltd	Full consolidation method	Shanghai	Commercial	100.00
Michelin (Shanghai) Aircraft Tires Trading Co., Ltd	Full consolidation method	Shanghai	Commercial	100.00
DT Asia Holding Co., Limited	Equity method	Hong Kong	Commercial	40.00
Dawson Polymer Products (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Hallite Shanghai Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Dunlop Conveyor Belting (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Shanghai Fenner Conveyor Belting Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	85.00
Fenner Management (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Camso Rubber Products (Qingdao) Co., Ltd	Full consolidation method	Qingdao	Manufacturing	100.00
Camso Enterprise Management (China) Co., Ltd	Full consolidation method	Shanghai	Commercial	100.00
Wine Advocate (HK) Ltd	Full consolidation method	Hong Kong	Miscellaneous	100.00
Taiwan				
Michelin Tire Taiwan Co., Ltd	Full consolidation method	Taipei	Commercial	100.00
EASTERN EUROPE				
Russia				
Michelin Russian Tyre Manufacturing Company LLC	Full consolidation method	Davydovo	Manufacturing & commercial	100.00
Camso Cis LLC	Full consolidation method	Moscow	Commercial	100.00
Ukraine				
Michelin Ukraine LLC	Full consolidation method	Kiev	Commercial	100.00
JAPAN/KOREA				
Japan				
Nihon Michelin Tire Co., Ltd	Full consolidation method	Tokyo	Commercial	100.00
Camso Japan Co., Ltd	Full consolidation method	Yokohama	Commercial	100.00
South Korea				
Michelin Korea Co., Ltd	Full consolidation method	Seoul	Commercial	100.00
Camso Taeryuk Ltd	Full consolidation method	Busan	Financial	100.00

NOTE 37 STATUTORY AUDITORS' FEES

	Deloitte				PricewaterhouseCoopers			
	Issuer's auditor (Deloitte & Associés)		Network		Issuer's auditor (PricewaterhouseCoopers Audit)		Network	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit and half-year review of the individual and consolidated financial statements								
▶ Issuer	572	38%	-	-	619	39%	-	-
▶ Fully consolidated subsidiaries	948	62%	3,156	100%	975	61%	4,220	100%
Sub-total	1,520	100%	3,156	100%	1,593	100%	4,220	100%
Non-audit services								
▶ Issuer(1)	18	31%	-	-	90	61%	-	-
▶ Fully consolidated subsidiaries(2)	40	69%	110	100%	58	39%	1,171	100%
Sub-total	**58**	**100%**	**110**	**100%**	**148**	**100%**	**1,171**	**100%**
TOTAL	**1,578**		**3,266**		**1,741**		**5,391**	

(1) These services include an independent third-party body engagement by the audit firm PricewaterhouseCoopers.
(2) These services include due diligences related to acquisition operations or acquisitions projects and to tax reviews.

5.2.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

/ Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders Meeting, we have audited the accompanying consolidated financial statements of Compagnie Générale des Établissements Michelin for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

/ Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5-(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics *(Code de déontologie)* for Statutory Auditors.

/ Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2.3.1 "IFRS 16 – Leases" to the consolidated financial statements, which describes the impacts of the first-time application of IFRS 16 as from January 1, 2019.

/ Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment of non-financial assets

Risk identified

At December 31, 2019, the net value of goodwill, intangible assets and property, plant and equipment included in non-financial assets amounted to €17,837 million, for total assets on the statement of financial position of €31,677 million. The Group's non-financial assets primarily comprise property, plant and equipment in the amount of €13,169 million, the major portion of which relates to the Group's production sites. The remainder mainly comprises goodwill (€2,388 million) and intangible assets (in particular, trademarks and customer relationships).

For the purpose of impairment testing in accordance with IAS 36, the assets are allocated to cash-generating units (CGUs) or – in the case of goodwill– to groups of CGUs. Notes 2.6.1 and 3.17 to the consolidated financial statements describe the methods used by the Group to ensure that the carrying amount of non-current non-financial assets allocated to CGUs does not exceed their recoverable amount. For the majority of the assets, the recoverable amount is assessed based on discounted cash flows, using the forecasts set out in the Group's five-year business plan. For the Distribution CGUs, the recoverable amount is measured based on the fair value of land and buildings, which represent most of their assets, less costs of disposal.

We considered the value of non-financial assets to be a key audit matter due to their materiality in the consolidated statement of financial position and because the determination of their recoverable amount requires judgment, notably for the cash flow projections.

How our audit addressed this risk

With the assistance of our valuation experts, we performed the following procedures with respect to impairment tests:

- examined the compliance of the method applied by the Group with the provisions of IAS 36 "Impairment of Assets", in particular to define the CGUs or groups of CGUs to which the assets of recently acquired companies (Fenner, Camso, Multistrada and Masternaut) are allocated;
- performed a critical assessment of the analyses conducted by the Group to identify the assets carrying a risk of impairment;
- reconciled the value of the assets subject to the impairment tests with the consolidated financial statements to ensure that the CGUs cover all of the Group's assets;
- verified that the cash flow projections used are consistent with the forecasts validated by Management;
- assessed the reasonableness of the forecasts with respect to revenue, EBITDA and investments in renewals – which are the main assumptions underlying the cash flow amounts – with the finance managers of the relevant businesses, in particular with respect to past performance and by performing sensitivity analyses on the various inputs;
- assessed the reasonableness of the discount rates and long-term growth rates used to perform the impairment tests, based on comparable market data;
- verified the appropriateness of the disclosures provided in Notes 2.5.2, 2.6.1, 3.17 and 13.2 to the consolidated financial statements.

Recognition of the Camso and Multistrada acquisitions

Risk identified

The Group obtained control of several entities during the year, the most significant being the Indonesian company Multistrada, which was acquired for a total amount of €417 million on March 6, 2019. Multistrada has been fully consolidated since that date. The Group also completed the recognition of the Camso acquisition, whose entire purchase price of €1,174 million had been provisionally accounted for as goodwill at December 31, 2018.

These business combinations have been recognized in accordance with IFRS 3, which requires that the identifiable assets acquired and liabilities assumed through the acquisitions be measured and recognized at fair value at the takeover date.

Following the provisional recognition of the Multistrada acquisition at the takeover date (March 6, 2019), material real estate assets in the consolidated statement of financial position were remeasured for a total amount of €131 million. The residual goodwill amounts to €164 million.

The Camso purchase price allocation led to the recognition of material intangible assets, including customer relationships for €267 million and technology for €52 million, which will be amortized over a residual period of 15 years, and a trademark portfolio valued at €33 million, which will be amortized over 10 years. The residual goodwill amounts to €646 million. The statement of financial position published in 2018 has been restated to reflect these allocations.

These measurements were carried out with the assistance of an external expert, using methods generally used for these types of assets.

These methods are complex and based on numerous assumptions that require judgment, such as forecast data or market comparisons. We considered the recognition and presentation of the Multistrada and Camso acquisitions to be a key audit matter given the material amount of the assets acquired and liabilities assumed and the judgment required to identify and measure these assets and liabilities in accordance with IFRS 3.

Information about the business combinations and their recognition is provided in Notes 2.5.2, 4.1.1 and 4.2.1 to the consolidated financial statements.

How our audit addressed this risk

We gained an understanding of the terms of the acquisition agreements and the processes implemented by Management to analyze and recognize the Camso and Multistrada acquisitions.

With the assistance of our valuation experts, our procedures consisted in:

- verifying the appropriateness of the recognition methods used by Management;
- examining the calculation of the fair value of the consideration transferred based on the acquisition prices;
- analyzing the work performed by Management to identify and measure the assets and liabilities of the acquired companies;
- assessing the relevance of the measurement methods used for the main asset categories with regard to commonly used practices (relief from royalty method for trademarks and excess earning method for customer relationships, market value for land and replacement value for other non-current assets) and verifying the consistency of the measurement inputs with the documentation obtained from Camso and Multistrada's management teams or external data from comparable companies;
- assessing the reasonableness of the amortization periods used in light of the estimated useful lives of the identified assets;
- verifying the purchase price allocation to the assets acquired and liabilities assumed based on the results of the measurements performed and the determination of the residual goodwill;
- analyzing the work performed by Management to determine the appropriate cash-generating units (CGUs) for the activities of the two acquisitions;
- verifying the appropriateness of the disclosures provided in Notes 2.5.2, 4.1.1 and 4.2.1 to the consolidated financial statements.

Employee benefit obligations under defined benefit plans

Risk identified

The Group has set up several post-employment defined contribution and benefit plans, mainly pension and health insurance plans and end-of service benefits.

A significant portion is comprised of defined benefit plans for which the Group undertakes to pay the agreed benefits to current or retired employees, mainly in North America and in certain European countries (mainly the United Kingdom, Germany and France). The actuarial value of the Group's cumulative employee benefit obligations amounted to €11,114 million at December 31, 2019. Given that some of these liabilities are covered by dedicated assets (plan assets) with a fair value (after the application of the asset ceiling) of €7,286 million, mainly in North America and the United Kingdom, the net obligation recognized in the consolidated statement of financial position at December 31, 2019 amounted to €3,828 million.

In order to measure the Group's obligations under the defined benefit plans and the expense to be recognized during the period, Management must exercise significant judgment to determine, for each of the relevant countries and plans, the appropriate assumptions to be used, the main ones being the discount and inflation rates and demographic assumptions such as the long-term rate of change in salaries and mortality tables.

Changes in any of the key assumptions underlying the measurements can have a material impact on the measurement of the recognized net liability and on the Group's results. Accordingly, Management calls upon external actuaries to assist in determining these assumptions.

We considered the measurement of the benefit obligations resulting from the defined benefit plans to be a key audit matter given their amounts, the significant judgment exercised by Management to determine the main actuarial or demographic assumptions and the resulting sensitivity.

How our audit addressed this risk

We made inquiries about the process implemented by Management to measure the Group's obligations under post-employment defined benefit plans as well as the related plan assets, for the main plans in North America, the United Kingdom, Germany and France.

With the assistance of our experts, our procedures mainly consisted in:

- assessing the reasonableness of the main assumptions used, in particular the discount and inflation rates, with regard to market conditions;
- assessing the consistency of the assumptions relating to changes in salaries and demographic data (mortality tables, inflation rates for medical costs, etc.) with the details of the plans.

Our other procedures consisted in:

- examining the impact of the main amendments made to certain plans and verifying their correct recognition;
- regarding plan assets, making inquiries about the process implemented by Management to document the existence and measurement of these assets and, using sampling techniques, verifying their existence and the consistency of their measurement with the confirmations from third parties;
- using sampling techniques, confirming that individual data and the actuarial and demographic assumptions used by Management have been correctly transcribed by the external actuaries in their calculation of the Group's benefit obligations;
- verifying the appropriateness of the disclosures provided in Notes 9.4 and 27.1 to the consolidated financial statements.

Tax dispute in Germany

Risk identified

The Group carries out its business activities in different and sometimes uncertain and volatile legal and regulatory environments, particularly as regards tax rules. In the ordinary course of business, the tax and social security authorities in the countries in which the Group operates have questions relating to its activities. Such audits can result in tax adjustments or disputes with the relevant local authorities.

The estimated risk relating to each dispute is reviewed regularly by the management team of the relevant subsidiary and at Group level, with the assistance of outside counsel for the most material or complex disputes. More specifically, the Group is involved in a dispute with the local authorities in Germany, following a tax audit covering the years 2005 to 2009. The resulting tax adjustment, which primarily concerns transfer pricing, amounts to €382 million.

Relying on internal analyses and the advice of its outside counsel, Management does not accept the local authorities' position and does not consider the residual risk to be material.

The matter is described in Note 32.2.2 to the consolidated financial statements.

We considered the tax dispute in Germany to be a key audit matter given the potential amounts at stake, the complexity of the related tax regulations and the significant level of judgment required to determine the accounting positions relating to this dispute.

How our audit addressed this risk

With the assistance of our experts, we performed the following procedures:

- conducted interviews with the local management teams of the relevant entities and with Group Management to assess the status of the proceedings and to quantify the potential impact on the consolidated financial statements of the adjustments notified or in the process of being notified by the tax authorities and of the disputes underway with the local authorities;
- consulted the decisions of the local legal and tax authorities as well as the relevant Group entities' correspondence with those authorities and with their outside counsel;
- verified that the accounting treatment of the risk relating to the dispute in Germany complies with the provisions of IAS 12 and IFRIC 23 "Uncertainty Over Income Tax Treatments".

We also assessed the appropriateness of the disclosures provided in Note 32.2.2 to the consolidated financial statements on contingent liabilities.

/ Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

/ Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Compagnie Générale des Établissements Michelin by the Annual Shareholders Meetings of May 14, 2004 for PricewaterhouseCoopers Audit and May 7, 2010 for Deloitte & Associés.

At December 31, 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the sixteenth and tenth consecutive year of their engagement, respectively.

/ Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Managing Chairman.

/ Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, February 10, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

5.3 FINANCIAL STATEMENTS

5.3.1 REVIEW OF THE FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

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

- Manufacture Française des Pneumatiques Michelin (MFPM), a 99.99%-owned subsidiary that coordinates all of the manufacturing, sales and research operations based in France;
- Compagnie Financière Michelin SCmA (CFM), a wholly-owned subsidiary that owns most of the Group's manufacturing, sales and research companies outside of France and coordinates their operations.

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

They are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment and facilities, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

5.3.1 a) Income statement

CGEM reported net income of €672.1 million in 2019, versus €813.2 million in 2018.

/ 5.3.1.1 a) Net operating income

Net operating income amounted to €463.1 million in 2019, compared with €322.8 million in 2018. Royalty revenue increased by 15.6% during the year, while operating expenses fell by €25.3 million to €590.2 million, versus €615.5 million in 2018.

/ 5.3.1.1 b) Net financial income

Net financial income amounted to €236.5 million in 2019, compared with €538.3 million the previous year, reflecting a reduction in dividend income.

5.3.1 b) Balance sheet

Equity amounted to €7,346 million at December 31, 2019, versus €7,486 million a year earlier. The net decrease was mainly due to the €141 million in share buybacks carried out during the year.

5.3.2 FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (PARENT)

Balance sheet

Assets *(in € thousands)*	Note	December 31, 2019 Cost	December 31, 2019 Depreciation, amortization & provisions	December 31, 2019 Net	December 31, 2018 Net
Intangible assets	5	421,386	(157,001)	264,385	327,993
Property and equipment	6	2,285	(2,183)	102	102
Investments	7	10,145,018	(203,132)	9,941,886	9,078,409
Non-current assets		**10,568,689**	**(362,316)**	**10,206,373**	**9,406,504**
Receivables	8	861,468		861,468	727,190
Derivative instruments	9.1	161,361	(48,189)	113,172	103,044
Cash		847,984		847,984	1,417,144
Prepaid expenses		76		76	87
Current assets		**1,870,889**	**(48,189)**	**1,822,700**	**2,247,465**
Deferred charges and bond call premiums		41,198	(2,921)	38,277	46,108
Conversion losses		1,701		1,701	1,693
TOTAL ASSETS		**12,482,477**	**(413,426)**	**12,069,051**	**11,701,770**

Equity and liabilities *(in € thousands)*	Note	December 31, 2019	December 31, 2018
Share capital	10	357,255	359,695
Paid-in capital in excess of par	10	2,789,210	2,923,472
Revaluation reserve	11	624,772	624,772
Other reserves	11	1,283,743	1,283,866
Retained earnings	11	1,557,602	1,419,799
Net income	11	672,105	813,150
Untaxed reserves	11	61,598	61,598
Equity		**7,346,285**	**7,486,352**
Convertible bonds	9.1	1,073,455	1,049,125
Ordinary bonds and other borrowings	9.2	2,764,042	2,707,845
Other financial liabilities	12	422,343	9,494
Accrued taxes and payroll costs	12	29,448	7,092
Other liabilities	12	429,550	417,720
Derivative instruments			20,215
Liabilities		**4,718,838**	**4,211,491**
Conversion gains		3,928	3,927
TOTAL EQUITY AND LIABILITIES		**12,069,051**	**11,701,770**

Income statement

(in € thousands)	Note	2019	2018
Royalties	14	1,034,805	895,113
Other revenue		509	10,901
Exchange gains		17,993	32,239
Revenue		**1,053,307**	**938,253**
External charges	15	(512,577)	(520,786)
Taxes other than on income		(8,924)	(12,299)
Payroll costs		(1,047)	(1,246)
Depreciation and amortization	5	(49,089)	(48,696)
Other expenses		(717)	(537)
Exchange losses		(17,840)	(31,896)
Operating expenses		**(590,194)**	**(615,460)**
NET OPERATING INCOME		**463,113**	**322,793**
Dividends from subsidiaries and affiliates	21	306,359	626,854
Interest income		51,105	41,914
Exchange gains		184	22,184
Financial income		**357,648**	**690,952**
Amortization and provision expense		(65,770)	(118,677)
Interest expense		(55,345)	(30,585)
Exchange losses		(1)	(3,403)
Financial expense		**(121,116)**	**(152,665)**
NET FINANCIAL INCOME		**236,532**	**538,287**
INCOME BEFORE NON-RECURRING ITEMS AND TAX		**699,645**	**861,080**
NET NON-RECURRING INCOME	**5**	**3,063**	**0**
Income tax expense	16	(30,603)	(47,930)
NET INCOME		**672,105**	**813,150**

NOTES TO THE FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The Company's financial year covers the 12 months from January 1 to December 31.

The following notes and tables form an integral part of the financial statements.

The financial statements were approved for publication by the Managing Chairman on February 7, 2020 after being reviewed by the Supervisory Board.

Unless otherwise specified, all amounts are presented in thousands of euros.

NOTE 2 SIGNIFICANT EVENTS OF THE YEAR

2.1 On January 22, 2019, Compagnie Générale des Établissements Michelin ("the Company") announced the signing of an agreement to acquire 80% of PT Multistrada Arah Sarana Tbk ("Multistrada"), a tire manufacturer based in Indonesia.

After obtaining antitrust clearance, the transaction was completed on March 6, 2019 with the acquisition of 87.59% of the share capital.

As **Multistrada** is a listed company, and in accordance with Indonesian regulations, the Company launched a mandatory tender offer (MTO) just after the takeover on March 6, 2019 to acquire the remaining 12.41% interest at the same price per share offered to acquire the initial 87.59% stake. The MTO ended on May 22, 2019, resulting in the acquisition of 12.05% in additional shares, bringing the total ownership interest to 99.64%.

A total of €473 million was invested in this transaction.

2.2 A **dividend** of €306 million was paid in April 2019 by Compagnie Financière Michelin SCmA.

2.3 On May 22, 2019, the Company completed the acquisition of the entire share capital of Masternaut Bidco Limited ("Masternaut"), one of the largest European telematics providers. **Masternaut** operates primarily in France and the United Kingdom. It provides a technical platform equipped with the latest technology and offers on-board telematics solutions to optimize vehicle fleet management and monitoring. The price paid to shareholders was €11 million.

On October 31, 2019, the Company carried out a €75 million share issue.

2.4 During the year, the Camso Group acquired in 2018 through Canada Inc. underwent a legal restructuring, as follows:

a) On January 17, 2019, Canada Inc. was merged with its subsidiary, (old) Camso Inc., to create (new) **Camso Inc.**.

b) On January 31, 2019, the Company acquired **Camso International S.à.r.l.,** based in Luxembourg, from its subsidiary Camso Inc. for €224 million.

c) On May 28, 2019, the Company acquired **Rodaco Argentina S.A.U.,** which was previously owned by Camso Inc. and Camso Holding S.à.r.l. The acquisition price was €4 million.

d) On May 31, 2019, the Company underwrote a €74 million **share issue** by Camso Inc..

e) On November 20, 2019, the Company acquired the interest in **Camso Vietnam Co., Ltd** previously held by Camso Holding S.à.r.l. for €27 million.

2.5 Under the **share buyback program** authorized at the May 19, 2018 Annual Shareholders Meeting, two agreements were signed in February 2019 and August 2019 with an investment services provider, under which the Company undertook to buy back a variable number of shares for a maximum total amount of €140 million. Under the first agreement, capped at €70 million, the Company bought back 665,642 shares at an average price per share of €105.16 during the first half of 2019. Under the second agreement, also capped at €70 million, the Company bought back 680,044 shares at an average price per share of €102.93. All of these shares had been canceled as of November 29, 2019.

2.6 On November 21, 2019, Michelin and Faurecia announced the creation of a joint venture combining all their hydrogen fuel cell dedicated activities, with the aim of becoming a world leader in hydrogen mobility. The joint venture, named **Symbio** – A Faurecia Michelin Hydrogen Company, will develop, produce and market hydrogen fuel cell systems for light vehicles, commercial vehicles, trucks and other applications. The Company simultaneously sold its hydrogen fuel cell systems licenses to the joint venture for €28 million.

2.7 On December 10, 2019, the Company underwrote a €170 million share issue by its subsidiary Spika.

NOTE 3 BASIS OF PREPARATION

The financial statements of Compagnie Générale des Établissements Michelin have been prepared and presented in accordance with French generally accepted accounting principles, including regulation ANC 2016-07 dated November 4, 2016 and the guidance and recommendations issued since that date by the French Accounting Standards Board (ANC). These principles have been applied consistently in all periods presented unless otherwise specified.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Intangible assets

"Brands, patents and other rights" are stated at historical cost. Brands have an indefinite life and are not amortized. Patents and other rights are amortized on a straight-line basis over seven years. If there is any indication that the value of brands, patents or other rights may be impaired, a provision for impairment is recorded. Expenses incurred for the creation and protection of brands are recognized as expenses for the year.

4.2 Property and equipment

Property and equipment are stated at historical cost, except for assets held at the time of the 1976/1978 legal revaluation, which are stated at valuation.

Property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- Buildings: 30 years;
- Equipment: 10 years, except for computer hardware, which is depreciated over 5 years.

4.3 Investments

4.3.1 Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at historical cost, except for investments held at the time of the 1976/1978 legal revaluation, which are stated at valuation.

At each annual closing, the value in use of shares in subsidiaries and affiliates is estimated, based on the investee's net assets (stated at valuation if applicable), profitability and outlook, and its value in use for the investor company. Shares in subsidiaries and affiliates are written down in the event of a lasting decline in value in use to below cost.

Investment acquisition costs are recorded as an expense on the transaction date.

4.3.2 Loans and advances to subsidiaries and affiliates

Loans and advances to subsidiaries and affiliates are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.4 Receivables

Accounts receivable are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.5 Paid-in capital in excess of par

This item corresponds to premiums on shares issued for cash or on conversion of bonds, after deducting issuance costs net of tax. When shares are cancelled, the difference between their purchase cost and par value is recorded as a deduction from paid-in capital in excess of par.

4.6 Untaxed reserves

Substantially all untaxed reserves correspond to reinvested capital gains qualifying for rollover relief under the former Article 40 of the French General Tax Code *(Code général des impôts).*

4.7 Conversion of foreign currencies

Revenues and expenses in foreign currencies are converted at the transaction date exchange rate.

Foreign currency receivables and payables are converted at the year-end exchange rate.

In accordance with regulation ANC 2015-05 dated September 1, 2017, separate accounting treatments are applied to commercial transactions in foreign currencies and financial transactions in foreign currencies:

- exchange gains and losses on commercial transactions are included in operating income and expenses;
- exchange gains and losses on financial transactions are included in financial income and expenses.

4.8 Derivative instruments

4.8.1 Currency derivatives at fair value through profit or loss

Forward foreign exchange contracts that are outstanding at the balance sheet date are marked to market in the balance sheet.

4.8.2 Currency derivatives qualifying for hedge accounting

Losses and gains arising from remeasurement at fair value of currency derivatives qualified as hedges are recorded in the balance sheet under conversion losses or conversion gains, to offset the gain or loss on the hedged item.

4.8.3 Options on treasury stock qualifying for hedge accounting

The Company has purchased cash-settled call options to hedge its economic exposure to the potential exercise of the conversion rights embedded in non-dilutive cash-settled convertible bonds.

Pursuant to regulation ANC 2015-05, Article 628-12, the premium on the purchased options was initially recorded in the balance sheet and is being amortized through financial expense over the hedging period (five years).

4.9 Income taxes

Income tax in the income statement includes current taxes due by the tax group and tax credits.

4.10 Other financial liabilities

Other financial liabilities are stated at their nominal value.

Debt issuance costs are recorded in deferred charges.

NOTE 5 INTANGIBLE ASSETS

(in € thousands)	December 31, 2018	Additions/ increases	Disposals/ decreases	December 31, 2019
Brands, licenses and other rights	449,349		(28,024)	421,325
Other intangible assets	61			61
Total cost	**449,410**		**(28,024)**	**421,386**
Brands, licenses and other rights	(121,356)	(47,594)	12,010	(156,940)
Other intangible assets	(61)			(61)
Amortization	**(121,417)**	**(47,594)**	**12,010**	**(157,001)**
TOTAL	**327,993**	**(47,594)**	**(16,014)**	**264,385**

On November 21, 2019, the Company sold its hydrogen fuel cell systems licenses for €28 million. The capital gain on the licenses' carrying amount of €16 million was shared contractually between the Company (€3 million) and Michelin Recherche et Technique SA (€9 million). See note 2.6 for information about the transaction.

NOTE 6 PROPERTY AND EQUIPMENT

(in € thousands)	December 31, 2018	Additions/ increases	Disposals/ decreases	December 31, 2019
Land	102			102
Buildings	1,837			1,837
Other	346			346
Total cost	**2,285**			**2,285**
Buildings	(1,837)			(1,837)
Other	(346)			(346)
Amortization	**(2,183)**			**(2,183)**
TOTAL	**102**			**102**

NOTE 7 INVESTMENTS

(in € thousands)	December 31, 2018	Additions/ increases	Disposals/ decreases	December 31, 2019
Shares in subsidiaries and affiliates	7,823,631	1,057,701		8,881,332
Loans and advances to subsidiaries and affiliates (note 8)	1,151,179	345,416	(490,039)	1,006,556
Loans (note 8)	263,543	585	(10,000)	254,128
Other equity interests	2,920	140,630	(140,548)	3,002
Total cost	**9,241,273**	**1,544,332**	**(640,587)**	**10,145,018**
Shares in subsidiaries and affiliates	(161,939)	(40,123)		(202,062)
Other loans (note 8)	(925)	(145)		(1,070)
Impairment	**(162,864)**	**(40,268)**		**(203,132)**
TOTAL	**9,078,409**	**1,504,064**	**(640,587)**	**9,941,886**

The increase in shares in subsidiaries and affiliates corresponds to the acquisitions of PT Multistrada Arah Sarana Tbk, Masternaut Bidco Limited, Camso International S.à.r.l., Rodaco Argentina S.A.U. and Camso Vietnam Co., Ltd, and the share issues by Masternaut Bidco Limited, Camso Inc. and Spika. See notes 2.1, 2.3, 2.4 and 2.7 for details of these transactions.

Changes in other equity interests correspond mainly to the buyback and cancellation of treasury shares. See note 2.5 for details.

The increase in provisions for impairment of shares in subsidiaries and affiliates concerns Spika.

NOTE 8 MATURITIES OF LOANS AND RECEIVABLES

(in € thousands)	Due within one year	Due in more than one year	Cost	Impairment	Net
Non-current assets (note 7)					
Loans and advances to subsidiaries and affiliates	381,556	625,000	1,006,556		1,006,556
Loans	254,128		254,128	(1,070)	253,058
Current assets					
Receivables	861,468		861,468		861,468
TOTAL	**1,497,152**	**625,000**	**2,122,152**	**(1,070)**	**2,121,082**

NOTE 9 BONDS

9.1 Convertible bonds

(in € thousands)	December 31, 2019	December 31, 2018
Convertible bonds (note 12)		
2017-2022 convertible bond issue	537,477	525,633
2018-2023 convertible bond issue	535,978	523,492
TOTAL	**1,073,455**	**1,049,125**

USD 600 million 2017-2022 non-dilutive cash-settled convertible zero-coupon bonds.

USD 600 million 2018-2023 non-dilutive cash-settled convertible zero-coupon bonds.

At December 31, 2019, the cash-settled call options purchased to hedge the Company's economic exposure to the potential exercise of the conversion rights embedded in the bonds had a net book value of €48 million.

(in € thousands)	Cost	Depreciation	Net
Derivatives instruments (assets)			
Conversion risk hedges (options) – 2017-2022 bonds	52,925	(31,027)	21,898
Conversion risk hedges (options) – 2018-2023 bonds	42,906	(17,162)	25,744
Forward foreign exchange contracts – Bonds	64,308		64,308
Forward foreign exchange contracts – Other	1,222		1,222
TOTAL	**161,361**	**(48,189)**	**113,172**

9.2 Ordinary bonds and other borrowings

(in € thousands)	December 31, 2019	December 31, 2018
Ordinary bonds and other borrowings (note 12)		
2018-2025 bond issue	750,000	750,000
2018-2030 bond issue	1,000,000	1,000,000
2018-2038 bond issue	750,000	750,000
Accrued interest on ordinary bonds and other borrowings	14,042	14,081
Commercial paper	250,000	193,764
TOTAL	**2,764,042**	**2,707,845**

€2.5 billion ordinary bond issue in three tranches:

- 2018-2025 tranche at 0.875%, nominal amount €750 million;
- 2018-2030 tranche at 1.75%, nominal amount €1 billion;
- 2018-2038 tranche at 2.50%, nominal amount €750 million.

The commercial paper program totals €2.5 billions.

NOTE 10 SHARE CAPITAL AND PAID-IN CAPITAL IN EXCESS OF PAR

Share capital and paid-in capital in excess of par break down as follows:

(in € thousands)	Share capital	Share premiums	Total
At January 1, 2019: 179,847,632 shares	**359,695**	**2,923,472**	**3,283,167**
Issuance of 37,792 shares (note 13) on exercise of stock options	76	1,995	2,071
Issuance of 61,566 shares (note 13) in exchange for vested performance share rights	123		123
Cancellation of 1,345,821 shares (note 2.5) acquired under the buyback program	(2,692)	(137,856)	(140,548)
Issuance of 26,386 shares (note 13) on exercise of stock options	53	1,599	1,652
AT DECEMBER 31, 2019: 178,627,555 SHARES	**357,255**	**2,789,210**	**3,146,465**

The shares have a par value of €2.
All outstanding shares are registered and fully paid.

NOTE 11 OTHER EQUITY

(in € thousands)	Revaluation reserve	Other reserves	Retained earnings	Net income	Untaxed reserves	Total
At January 1, 2019	**624,772**	**1,283,866**	**1,419,799**	**813,150**	**61,598**	**4,203,185**
Appropriation of 2018 net income			137,756	(813,150)		(675,394)
Dividends on treasury stock			47			47
Deduction for performance share issuance		(123)				(123)
2019 net income				672,105		672,105
AT DECEMBER 31, 2019	**624,772**	**1,283,743**	**1,557,602**	**672,105**	**61,598**	**4,199,820**
The revaluation reserve concerns:						
▶ Land	32					
▶ Shares in subsidiaries and affiliates	624,740					
Other reserves break down as follows:						
▶ Legal reserve, including €26,943 thousand corresponding to long-term capital gains		37,158				
▶ Special long-term capital gains reserve		881,419				
▶ Other reserves		365,166				

At the Annual Shareholders Meeting, shareholders approved the payment of a dividend of €3.70 per share, representing a total payout of €665 million after deducting the €10 million share of profits attributed to the General Partners in accordance with the Bylaws.

NOTE 12 MATURITIES OF PAYABLES AND LONG AND SHORT-TERM DEBT

(in € thousands)	Total	Due within one year	Due in one to five years	Due in more than five years
Convertible bonds (note 9.1)	1,073,455		1,073,455	
Ordinary bonds and other borrowings (note 9.2)	2,764,042	264,042		2,500,000
Other financial liabilities	422,343	422,343		
Accrued taxes and payroll costs	29,448	29,048	400	
Other liabilities	429,550	429,550		
TOTAL	**4,718,838**	**1,144,983**	**1,073,855**	**2,500,000**

NOTE 13 RELATED PARTIES

13.1 Related-party assets and liabilities

Balance sheet items (net book value) *(in € thousands)*	Note	Transactions involving related companies	Transactions involving other companies in which the Company holds an equity interest	Other	Total
Shares in subsidiaries and affiliates	7	8,679,270			8,679,270
Loans and advances to subsidiaries and affiliates	7	1,006,556			1,006,556
Loans	7	253,058			253,058
Other equity interests	7		3,002		3,002
Receivables	8	587,568		273,900	861,468
Other financial liabilities	12	422,343			422,343
Other liabilities	12	425,068		4,482	429,550

13.2 Related-party transactions

There are no related-party transactions not entered into on arm's length terms.

NOTE 14 REVENUE

Revenue consists entirely of royalties received from related companies, as follows:

(in € thousands)	2019	2018
Companies in France	70,140	61,967
Companies outside France	964,665	833,146
TOTAL	**1,034,805**	**895,113**

Royalties received in 2019 include a €56 million adjustment to the amounts receivable in respect of 2018.

NOTE 15 EXTERNAL CHARGES

(in € thousands)	2019	2018
Outsourcing expenses	(191,379)	(186,268)
Research and development expenses	(297,065)	(287,727)
Miscellaneous	(24,133)	(46,791)
TOTAL	**(512,577)**	**(520,786)**

NOTE 16 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises 15 French subsidiaries that are at least 95%-owned directly or indirectly.

Under the terms of the group relief agreement, each subsidiary in the tax group continues to record the income tax expense that it would have paid if it had been taxed on a stand-alone basis and any group relief is recorded at the level of Compagnie Générale des Établissements Michelin.

The income tax that would be payable by the 15 subsidiaries if they were taxed on a stand-alone basis amounted to €6 million for 2019, before taking into account tax credits of €49 million.

Income tax recognized in the CGEM financial statements corresponds to current taxes.

(in € thousands)	2019	2018
Current tax due from CGEM alone	(47,068)	(59,131)
Group relief	9,156	8,023
Other	7,309	3,178
TOTAL	**(30,603)**	**(47,930)**

NOTE 17 SHARE-BASED PAYMENTS

Stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2019		2018	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**56.87**	**111,409**	**53.81**	**360,951**
Granted				
Cancelled	52.05	(10,046)	51.17	(47,596)
Exercised	58.00	(64,178)	52.73	(201,946)
AT DECEMBER 31	**56.23**	**37,185**	**56.87**	**111,409**

All of the 37,185 options outstanding at December 31, 2019 were exercisable at that date (December 31, 2018: 111,409 exercisable out of a total of 111,409).

Stock option plans have the following exercise prices and expiration dates:

			December 31, 2019		December 31, 2018	
Grant date	**Vesting date**	**Expiration date**	Exercise price *(in € per option)*	Number of stock options outstanding	Exercise price *(in € per option)*	Number of stock options outstanding
November 2009	November 2013	November 2018			51.16	
May 2010	May 2014	May 2019	52.13		52.13	34,304
May 2011	May 2015	May 2020	66.00	12,696	66.00	40,637
June 2012	June 2016	June 2021	51.16	24,489	51.16	36,468
NUMBER OF OPTIONS OUTSTANDING				**37,185**		**111,409**

Performance share plans

Changes in the number of performance share rights are as follows:

	2019 Number of performance share rights outstanding	2018 Number of performance share rights outstanding
At January 1	**623,239**	**883,512**
Granted	377,292	129,270
Cancelled	(68,160)	(195,252)
Shares delivered	(61,566)	(194,291)
AT DECEMBER 31	**870,805**	**623,239**

In November 2019, 377,292 rights to performance shares were granted to Group employees. The rights are subject to a four-year vesting period ending in November 2023 without any lock-up period. The shares will vest at the end of this period if the performance objectives concerning growth in the share price and operating income, the environmental performance of manufacturing operations and the employee engagement level have been met. The fair value of each performance share right is estimated at €62.01. 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 estimated value of the stock market performance condition is deducted from the grant-date fair value of the performance share rights based on the probability of this condition being met.

The performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		Fair value at grant date		December 31, 2019 Number of performance share rights outstanding	December 31, 2018 Number of performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2015	2019	2019	None	None	82.24	82.24		83,464
2016	2020	2020	None	None	66.41	66.41	81,518	119,540
2017	2021	2021	None	None	66.84	66.84	283,965	290,965
2018	2022	2022	None	None	47.91	47.91	128,030	129,270
2019	2023	2023	None	None	62.01	62.01	377,292	
NUMBER OF PERFORMANCE SHARE RIGHTS OUTSTANDING							**870,805**	**623,239**

Employee share ownership plans

No new employee share ownership plans were carried out in 2019.

In 2018, the Group launched a share offer for all its employees located in countries where the plan was authorized under local legal and tax rules. This share ownership plan (Bib'Action), carried out under the Company savings plan *(Plan d'Épargne Groupe),* is a standard plan allowing employees to invest in Michelin shares at a discounted price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

The purchase price was set at €82.31 per share, representing a 20% discount on the reference price of €102.89 corresponding to the average of the opening prices for Michelin shares over the twenty trading days preceding the pricing date. Employees were granted one free share for each share purchased up to four shares.

578,639 shares were purchased during this share offer.

The following table presents the main features of the plan and the key assumptions used to determine the plan costs:

Life of the plan	5 years
Number of shares purchased	578,639
Reference price *(in €)*	102.89
Purchase price for employees *(in €)*	82.31

NOTE 18 MARKET RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

18.1 Interest rate risk

The Company does not hold any interest rate instruments.

18.2 Currency risk

At December 31, 2019, the Company had receivables corresponding to royalties with a net book value of €397 million. These receivables have been converted into euros at the year-end exchange rate. The policy is to hedge currency risk through forward foreign currency contracts. The forwards are measured at fair value through profit or loss.

During 2018, the Company issued convertible bonds denominated in US dollars. The related currency risk has been fully hedged by means of forward purchases of foreign currency with the same maturity as the bonds. Currency derivatives qualify for hedge accounting.

18.3 Equity risk

The Company holds shares in subsidiaries and affiliates and other equity interests that are measured at value in use.

The Company is exposed to the risk of a change in value of its own shares, in connection with its non-dilutive cash-settled convertible bond issues. This risk has been fully hedged through the purchase of options (note 9.1).

NOTE 19 MANAGEMENT COMPENSATION

As per its Bylaws, the Company is administered by one or several Managers.

Managers who are General Partners are entitled to a share of the income distributed among all the General Partners in accordance with the provisions of the Bylaws.

Manager(s) who are not General Partners are paid fixed and variable compensation and may also receive a long-term incentive bonus (“ILT”).

The statutory share of 2018 profit allocated by the Company to Florent Menegaux, General Partner since May 18, 2018 and Managing Chairman since May 17, 2019, in 2019 (following his appointment by the Annual Shareholders Meeting of May 18, 2018) amounted to €668 thousand.

The statutory share of 2018 profit allocated in 2019 to Jean-Dominique Senard, General Partner and Managing Chairman until May 17, 2019, amounted to €3 million (2018 for 2017: €2.6 million).

The total compensation (fixed compensation and 2018 variable compensation payable in 2019) paid by the Company to Yves Chapot, General Manager, amounted to €1,147 thousand (including payroll taxes) in 2019. In addition, a €979 thousand accrual (including payroll taxes) was recorded at December 31, 2019 to cover his 2019 bonus payable in 2020 and his conditional entitlement to a long-term incentive bonus payable in 2021 and 2022 after the Annual Shareholders Meetings. Benefits in kind amounted to €6 thousand.

NOTE 20 FEES PAID TO THE STATUTORY AUDITORS

(in € thousands)	**Deloitte & Associés**	**PricewaterhouseCoopers Audit**
Audit services	572	619
Non-audit services(1)	18	90

(1) These services include an independent third-party body engagement by the audit firm PricewaterhouseCoopers.

NOTE 21 LIST OF SUBSIDIARIES AND AFFILIATES

(in € thousands unless otherwise specified)	Share capital(1)(2)	Other equity excl. income(1)(2)	% interest	Book value of shares		Outstanding loans and advances	Last published revenue(2)	Last published profit/(loss)(1)(2)	Dividends received during the year
				Cost	Net				
A. Subsidiaries (over 50%-owned)									
Camso Inc. Toronto (Canada)	269,000 *(USD)*		100.0%	307,702	307,702			(7,354) *(USD)*	
Camso International S.à r.l. Luxemburg (Luxembourg)	33,700 *(USD)*	92,151 *(USD)*	100.0%	223,620	223,620		9,329 *(USD)*	(1,124) *(USD)*	
Camso Vietnam Co., Ltd Tan Uyen (Vietnam)	29,000 *(USD)*	(11,146) *(USD)*	100.0%	26,898	26,898		38,600 *(USD)*	2,074 *(USD)*	
Compagnie Financière Michelin SCmA Granges-Paccot (Switzerland)	2,502,355 *(CHF)*	9,457,100 *(CHF)*	100.0%	4,325,679	4,325,679	253,443		416,348 *(CHF)*	306,235
Fenner Group Holdings Limited Stoke-on-Trent (United Kingdom)	48,751 *(GBP)*	151,928 *(GBP)*	100.0%	1,365,554	1,365,554			(6,077) *(GBP)*	
Masternaut Bidco Limited London (United Kingdom)	9,662	(82,769)	100.0%	85,975	85,975			(3,331)	
Rodaco Argentina S.A.U. Buenos Aires (Argentina)	170,873 *(ARS)*	24,935 *(ARS)*	100.0%	4,104	4,104		215,473 *(ARS)*	(42,116) *(ARS)*	
Spika Clermont-Ferrand (France)	183,000	(803)	100.0%	453,915	251,944	54,119		(77,166)	
Manufacture Française des Pneumatiques Michelin Clermont-Ferrand (France)	504,000	1,097,335	99.99%	1,614,309	1,614,309	690,607	5,492,426	126,038	
PT Multistrada Arah Sarana Tbk Bekasi (Indonesia)	137,343 *(USD)*	200,864 *(USD)*(3)	99.64%	473,423	473,423		301,848 *(USD)*(3)	(20,310) *(USD)*(3)	
B. Other subsidiaries and affiliates									
1. Subsidiaries not listed under A:									
▶ French companies				25	25	8,387			
▶ Foreign companies				128	37				
2. Affiliates not listed under A									
▶ French companies				3,002	3,002				124
▶ Foreign companies									
TOTAL SHARES IN SUBSIDIARIES AND AFFILIATES AND OTHER EQUITY INTERESTS				**8,884,334**	**8,682,272**	**1,006,556**			**306,359**

(1) In thousands of local currency units.
(2) Most recent fiscal year.
(3) Last published consolidated financial statements.

Guarantees given by the Company: please refer to note 22.3.

NOTE 22 FINANCIAL COMMITMENTS

22.1 Lines of credit

	2019	2018
Lines of credit granted by the Company to related companies	641,300	640,900
Drawdowns	(476,050)	(176,900)
AVAILABLE AT DECEMBER 31	**165,250**	**464,000**

These lines of credit expire in 2020 (€191.3 million) and 2021 (€450 million).

22.2 Forward foreign exchange contracts

At December 31, 2019, the value in euros of the forward foreign exchange contracts was as follows:

- currency to be received €1,271 million;
- currency to be delivered €1,140 million.

22.3 Guarantees

The Company has issued a guarantee to the Fenner Pension Scheme Trustee Limited covering the future pension contributions to be paid by its subsidiary Fenner Group Holdings Limited. The contingent liability amounted to €14 million at December 31, 2019.

NOTE 23 SUBSEQUENT EVENTS

On January 7, 2020, the Group called on the assistance of an investment services provider for the implementation of its share buyback program as authorized by the Annual Shareholders Meeting of May 17, 2019.

The investment services provider has agreed to sell to the Company, and the Company has agreed to purchase, between January 8, 2020 and November 19, 2020, a certain quantity of Compagnie Générale des Établissements Michelin shares for a maximum consideration of €100 million. All of the acquired shares will be canceled.

5.3.3 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

For the year ended December 31, 2019

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

/ Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders Meeting, we have audited the accompanying annual financial statements of Compagnie Générale des Établissements Michelin for the year ended December 31, 2019.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

/ Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the annual financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5-(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics *(Code de déontologie)* for Statutory Auditors.

/ Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the annual financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the annual financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the annual financial statements.

Valuation of shares in subsidiaries and affiliates

Risk identified

At December 31, 2019, the carrying amount of shares in subsidiaries and affiliates was €8,679 million, representing 72% of total assets on the balance sheet. The securities are recognized at historical cost, increased by the impact of value adjustments made in accordance with the law where applicable.

At the end of each reporting year, the Company estimates the value in use of shares in subsidiaries and affiliates, based either on the net assets (adjusted if necessary) or on the profitability and outlook of the investee as well as its usefulness for the investor company. In the event of a lasting decline in value in use to below the carrying amount, an impairment loss is recognized.

To estimate the value in use of the securities, Management exercises judgment when choosing the items to be taken into consideration, depending on the relevant subsidiary or affiliate.

Accordingly, we deemed the measurement of the value in use of shares in subsidiaries and affiliates to be a key audit matter due to the materiality of these assets in the balance sheet, the degree of judgment required by Management and the uncertainties inherent in determining the cash flow assumptions (particularly as regards the probability of achieving the forecasts used by Management).

Note 4.3.1 to the annual financial statements describes the methods used to measure shares in subsidiaries and affiliates.

How our audit addressed this risk

Concerning shares with a material value or which carry a specific risk of impairment, our audit work consisted in:

- for valuations based on historical data: verifying that the net asset figures used are consistent with the relevant entities' annual financial statements and that any adjustments made were based on probative documentation;
- for valuations based on forecast data: obtaining the cash flow and cash flow from operations projections prepared by Management for the relevant entities' operations and assessing the consistency of the assumptions with business trends (mainly net sales, margin rates and general expenses).

Our work also consisted in assessing, with the help of our financial valuation experts, the reasonableness of the perpetual growth rates and discount rates used by Management.

/ Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the annual financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report prepared by the Managing Chairman and in the other documents provided to the shareholders with respect to the Company's financial position and the annual financial statements.

We attest to the fair presentation and the consistency with the annual financial statements of the information about payment terms referred to in Article D. 441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to compensation and benefits paid or awarded to the Managers and any other commitments made in their favor, we have verified its consistency with the annual financial statements or with the underlying information used to prepare these annual financial statements, and, where applicable, with the information obtained by the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

/ Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Compagnie Générale des Établissements Michelin by the Annual Shareholders Meeting of May 14, 2004 for PricewaterhouseCoopers Audit and May 7, 2010 for Deloitte & Associés.

At December 31, 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the sixteenth and tenth consecutive year of their engagement, respectively.

/ Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for preparing annual financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of annual financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The annual financial statements were approved by the Managing Chairman.

/ Responsibilities of the Statutory Auditors relating to the audit of the annual financial statements

Objective and audit approach

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these annual financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- identify and assess the risks of material misstatement in the annual financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the annual financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the annual financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the annual financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, February 10, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

5.3.4 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

Annual Shareholders Meeting for the approval of the financial statements for the year ended December 31, 2019

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements Michelin, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 226-2 of the French Commercial Code *(Code de commerce),* it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 226-2 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual Shareholders Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

/ Agreements to be submitted for the approval of the Annual Shareholders Meeting

We were not informed of any agreement authorized and entered into during the year to be submitted for the approval of the Annual General Meeting pursuant to the provisions of Article L. 226-10 of the French Commercial Code.

/ Agreements already approved by the Annual Shareholders Meeting

We were not informed of any agreement that had already been approved by the Annual Shareholders Meeting which remained in force during the year.

Neuilly-sur-Seine and Paris-La Défense, February 10, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

5.3.5 STATEMENT OF CHANGES IN EQUITY

(in € thousands and € per share)	2019	2018
Net income		
Accounting profit		
Total: Net income/(loss)	672,105	813,150
Per share: Net income/(loss)	3.76	4.52
RECOMMENDED TOTAL DIVIDEND PAYOUT	**687,716(1)**	**665,436**
Recommended dividend per share	3.85(1)	3.70

Statement of changes in equity

(in € thousands)	2019	2018
A) 1. Equity at prior year-end before dividends	7,486,352	7,337,896
2. Dividend approved by the Annual Shareholders Meeting	(675,394)	(647,457)
B) Equity at January 1, 2019 after dividends	**6,810,958**	**6,690,439**
C) Movements for the year:		
1. Change in capital	(2,440)	653
2. Increase in paid-in capital in excess of par	(134,262)	(18,109)
3. Change in reserves and retained earnings(2)	(76)	219
4. Net income	672,105	813,150
D) Equity at December 31, 2019 before dividends	**7,346,285**	**7,486,352**
E) TOTAL CHANGES IN EQUITY DURING THE YEAR	**535,327**	**795,913**
F) of which changes due to changes in Group structure	*0*	*0*
G) TOTAL CHANGES IN EQUITY DURING THE YEAR EXCLUDING CHANGES IN GROUP STRUCTURE	**535,327**	**795,913**
Notes:		
C3 Dividends on treasury shares credited to retained earnings	*47*	*608*

(1) Subject to approval by shareholders at the Annual Meeting on May 15, 2020 (proposal reviewed at 2€ on April 1, 2020, see section 5.1.11).
(2) Excluding appropriation of 2018 net income.

5.3.6 APPROPRIATION OF 2019 NET INCOME

(in € thousands)		
Amount to be appropriated		
Retained earnings brought forward from prior year		1,557,602
Net income		672,105
Recommended appropriations		
Dividend	687,716(1)	
Statutory share of income attributed to the General Partners	10,380	
Retained earnings	1,531,611	
AVAILABLE AT DECEMBER 31	**2,229,707**	**2,229,707**

(1) Subject to approval by shareholders at the Annual Meeting on May 15, 2020.

5.3.7 FIVE-YEAR FINANCIAL SUMMARY

(in € thousands and in € per share, unless otherwise specified)	2015	2016	2017	2018	2019
I. Capital at December 31					
a) Share capital	363,804	360,132	359,042	359,695	357,255
b) Number of common shares outstanding	181,902,182	180,066,121	179,520,987	179,847,632	178,627,555
II. Results of operations					
a) Net revenue	564,550	537,617	681,188	895,113	1,034,805
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	653,701	1,430,254	1,058,933	1,028,453	817,567
c) Income tax	40,511	24,284	(16,054)	47,930	30,603
d) Net income	589,684	1,415,894	1,029,300	813,150	672,105
III. Per share data					
a) Earnings per share after tax, before depreciation, amortization and provision expenses (EBDA)	3.37	7.80	5.99	5.45	4.41
b) Basic earnings per share	3.24	7.86	5.73	4.52	3.76
c) Dividend per share	2.80	3.25	3.55	3.70	3.85(1)
IV. Employee data					
a) Average number of employees	7	0	0	0	0
b) Total payroll	670	34	28	877	1,123
c) Total benefits	199	(4)	95	369	(76)

(1) Subject to approval by shareholders at the Annual Meeting on May 15, 2020 (proposal reviewed at 2€ on April 1, 2020, see section 5.1.11).

5.4 ADDITIONAL INFORMATION

5.4.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Person Responsible for the Universal Registration Document and the Annual Financial Report

Florent Menegaux, Managing Chairman

Statement by the person responsible for the Universal Registration Document and the Annual Financial Report

I hereby declare that, to the best of my knowledge and having taken all reasonable precautions, the information contained in the Universal Registration Document is in accordance with the facts and no information has been omitted that would be likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation, and that the information included in this Universal Registration Document within the Report of the Managers and listed in the table of concordance on page 412 of this Universal Registration Document gives a true and fair view of the business, profit and financial position of the Company and the undertakings included in the consolidation, as well as a description of the main risks and uncertainties they face.

Clermont-Ferrand, April 17, 2020.

Florent Menegaux,
Managing Chairman

5.4.2 STATUTORY AUDITORS

5.4.2 a) Statutory Auditors

Under French law, the accounts of listed companies are required to be audited by two independent Statutory Auditors. The purpose of this requirement is to provide assurance that the financial statements have been properly prepared and comply with the true and fair view principle.

The Statutory Auditors are appointed by the Annual Shareholders Meeting for a six-year term, based on a recommendation made by the Supervisory Board following a selection process overseen by the Audit Committee. They may be re-appointed for successive terms. They test the fairness of financial statements and carry out all of the statutory audit work required by law. Michelin does not ask them to perform any other engagements that might impair their independence.

The Statutory Auditors of Compagnie Générale des Établissements Michelin, Michelin's holding Company are:

/ PricewaterhouseCoopers Audit

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

63, rue de Villiers

92208 Neuilly-sur-Seine

Represented by Jean-Christophe Georghiou, Partner

Substitute Statutory Auditor, Jean-Baptiste Deschryver, Partner, PricewaterhouseCoopers Audit

/ Deloitte & Associés

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

6, place de la Pyramide

92908 Paris La Défense

Represented by Pascale Chastaing-Doblin, Partner

Substitute Statutory Auditor, BEAS

6, place de la Pyramide

92908 Paris La Défense

There are no legal or financial ties of any sort between the two accounting firms or the lead partners.

The Statutory Auditors' term of office will expire at the end of the Annual Shareholders Meeting to be held in 2022 to approve the 2021 financial statements.

5.4.2 b) Fees paid to the Statutory Auditors of Compagnie Générale des Établissements Michelin (CGEM)

The following table sets out the details of the fees charged by the Statutory Auditors in respect of 2019:

	Deloitte				PricewaterhouseCoopers			
	Issuer's Auditor (Deloitte & Associés)		Network		Issuer's Auditor (PricewaterhouseCoopers Audit)		Network	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit and half-year review of the individual and consolidated financial statements								
▶ Issuer	572	38%	-	-	619	39%	-	-
▶ Fully consolidated subsidiaries	948	62%	3,156	100%	975	61%	4,220	100%
Sub-total	**1,520**	**100%**	**3,156**	**100%**	**1,593**	**100%**	**4,220**	**100%**
Non-audit services								
▶ Issuer(1)	18	31%	-	-	90	61%	-	-
▶ Fully consolidated subsidiaries(2)	40	69%	110	100%	58	39%	1,171	100%
Sub-total	**58**	**100%**	**110**	**100%**	**148**	**100%**	**1,171**	**100%**
TOTAL	**1,578**		**3,266**		**1,741**		**5,391**	

(1) These services include an independent third-party body engagement by the audit firm PricewaterhouseCoopers.
(2) These services include due diligences related to acquisition operations or acquisition projects and to tax reviews.

5.4.3 2017 AND 2018 FINANCIAL STATEMENTS INCORPORATED BY REFERENCE

The following information is incorporated by reference in this Universal Registration Document:

- consolidated financial statements for the year ended December 31, 2017 as well as the relevant Statutory Auditors' reports contained in the Registration Document filed with the AMF on March 9, 2018 (D.18-0114) respectively on pages 231 to 303 and 304;
- financial statements for the year ended December 31, 2018 as well as the relevant Statutory Auditors' reports contained in the Registration Document filed with the AMF on March 19, 2019 (D.19-0170) respectively on pages 281 to 363 and 364.

06. INVESTOR RELATIONS

6.1 INFORMATION ABOUT THE COMPANY[1]

Legal and commercial name of the Company

- Compagnie Générale des Établissements Michelin.

Place of registration and registration number

- The Company is registered in the Clermont-Ferrand Trade and Companies Register under number 855 200 887.

Date of incorporation and term

- The Company was incorporated on July 15, 1863. Its term will end on December 31, 2050, unless it is wound up before that date or its term is extended.

Registered office

- The Company's registered office is located at 23, place des Carmes Déchaux – Clermont-Ferrand (Puy-de-Dôme), France.
- Phone: +33 (0)4 73 98 59 00.

Legal form and governing law

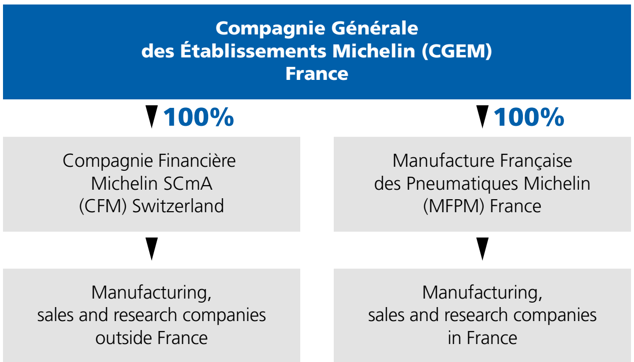
- The Company is a *société en commandite par actions* (partnership limited by shares) governed by Articles L. 226-1 to L. 226-14 of the French Commercial Code.

Main business

- Managing subsidiaries and other interests held in any and all countries.

Summary organization chart

(at December 31, 2019)



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

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

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

They are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

(1) See also section 3.1 for information on the Company's Bylaws.

6.2 SHARE INFORMATION

6.2.1 THE MICHELIN SHARE

Traded on the Euronext Paris stock exchange

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

Market capitalization

- €19,488 million at December 31, 2019.

Average daily trading volume

- 577,545 shares since January 1, 2019.

Indices

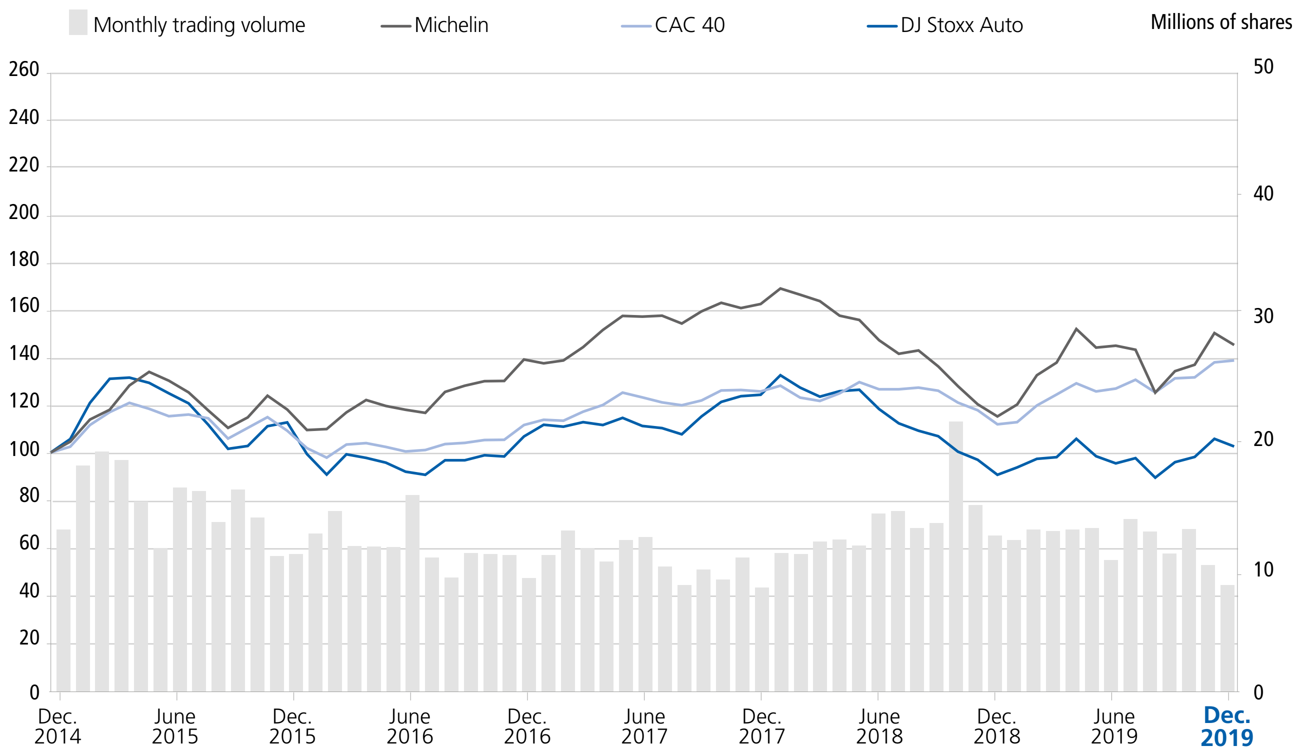
The Michelin share is included in two leading stock market indices:

- CAC 40: 1.47% of the index at December 31, 2019;
- Euronext 100: 0.64% of the index at December 31, 2019;

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

- FTSE4Good;
- Ethibel Sustainability Index (ESI) Europe;

MICHELIN SHARE PERFORMANCE



6.2.2 DETAILED SHARE DATA

Share price *(in €)*	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Session high	119.50	130.85	128.40	106.80	103.90	94.33
Session low	83.74	82.68	98.93	77.40	71.60	65.10
High/Low ratio	1.43	1.58	1.30	1.38	1.45	1.45
Closing price, end of period	109.10	86.70	119.55	105.70	87.90	75.27
Average closing price over the period	104.36	109.40	115.65	91.97	90.26	82.10
Change in the Michelin share price over the period	25.84%	-27.48%	13.10%	20.25%	16.78%	-2.56%
Change in the CAC 40 index over the period	*26.37%*	*-10.95%*	*9.26%*	*4.86%*	*8.53%*	*-0.54%*
Market value *(at end of period, in € billions)*	**19.49**	**15.59**	**21.45**	**19.03**	**15.98**	**13.98**
Average daily trading volume over the period	577,545	649,347	503,534	554,262	719,709	662,063
Average shares outstanding	179,669,608	179,384,513	182,212,806	182,122,667	185,960,394	185,954,390
Volume of shares traded over the period	147,273,882	165,583,378	128,401,095	142,445,218	184,245,619	168,826,055
Share turnover rate	**82%**	**92%**	**71%**	**78%**	**99%**	**91%**

6.2.3 PER SHARE DATA

(in € per share, except ratios)	**2019**	**2018**	**2017**	**2016**	**2015**
Net assets per share	74.1	67.8	62.7	59.1	52.5
Basic earnings per share	9.69	9.30	9.39	9.21	6.28
Diluted earnings per share[(1)]	9.66	9.25	9.34	9.03	6.19
Price-earnings ratio	**11.3**	**9.3**	**12.7**	**11.5**	**14.0**
Dividend per share[(2)]	3.85	3.70	3.55	3.25	2.85
Payout ratio (without non-recurring items)	19.5%	36.4%	36.0%	36.5%	37.0%
Yield[(3)]	1.8%	4.3%	3.0%	3.1%	3.2%

(1) Earnings per share adjusted for the impact on net income and the average number of shares of the exercise of outstanding dilutive instruments.
(2) Subject to approval at the Annual Shareholders Meeting on June 23, 2020.
(3) Dividend/share price at December 31.

6.2.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2019, Michelin's share capital amounted to €357,255,110.

	At December 31, 2019			**At December 31, 2018**		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**	**Number of shareholders**	**Shares outstanding**	**Voting rights outstanding**
French institutional investors	3,735	27.4	29.1	3,793	26.5	28.7
Non-resident institutional investors		61.3	57.1		59.4	58.2
Individual shareholders[(1)]	141,628	9.5	11.8	126,622	11.8	10.1
Employee share ownership plan[(2)]	58,079	1.8	2.0	83,437	2.3	3.0
TOTAL	**203,442**	**178,627,555 SHARES[(3)]**	**240,861,826 VOTING RIGHTS**	**213,852**	**179,847,632 SHARES[(3)]**	**246,076,593 VOTING RIGHTS**

(1) The change compared to the previous year is due to the reclassification of non-resident individual shareholders from Individual shareholders to non-resident institutional investors.
(2) Group ex-employees and retirees are now registered in the Individual shareholders category.
(3) All fully paid up.

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

6.3 INVESTOR RELATIONS

Every shareholder has access to clear, comprehensive, transparent information, tailored to his or her individual needs.

In particular, extensive information about our business operations, strategy and financial performance may be found in a wide variety of regulatory filings, such as press releases, the Universal Registration Document, the Interim Financial Report and the Company Bylaws. All of these publications are readily available in French and English at www.michelin.com in the Finance section and on request from the Investor Relations Department.

In addition, in 2019 four shareholder information meetings were organized in France, in Dijon, Lille, Nancy and Reims, as well as a meeting with shareholders in Paris led by the Managing Chairman.

Created in 2003 to forge closer ties between Michelin and its individual shareholders, the Shareholder Consultative Committee meets twice a year for workshops and actively participates in the Annual Shareholders Meeting. The Committee is led by the Investor Relations team.

In parallel to these workshops, the Shareholder Consultative Committee participates in Michelin site visits whereby its members meet the operational teams and deepen their understanding of the Group.

In 2019, the Committee was made up of nine individual Michelin shareholders from across France and with a wide variety of professional backgrounds. Among its various responsibilities, the Committee provides recommendations to help improve the quality of Michelin's communication with individual shareholders. Its recommendations are assessed and regularly implemented by the Group.

During the year, more than 1,565 institutional investors and financial analysts were contacted. Also, an Investor Day has been held early spring 2019 in Almeria (Spain).

Each year, all shareholders and proxy solicitors are notified of the date of the Annual Shareholders Meeting and of the voting procedures.

In accordance with the Company Bylaws, shares held in the same name for at least four years carry double voting rights.

6.4 DOCUMENTS ON DISPLAY

Historical financial information, Universal Registration Documents (Registration Documents), Notices and Minutes of Shareholders Meetings, the Company Bylaws, and all of the regulatory filings within the meaning of Article 221-1 of the AMF General Regulations (particularly press releases, quarterly reports and the Interim and Annual Reports), also available on the French website of record, www.info-financiere.fr, can be viewed in French or English at www.michelin.com or at the Company's registered office.

6.5 SHARE INFORMATION

6.5.1 CHANGES IN SHARE CAPITAL

Year	Transaction	Change in capital		
		Number of shares	**Par value** *(in €)*	**Share premium** *(in €)*
	At December 31, 2013	**185,789,643**	**371,579,286**	
2014	**Conversion of OCEANE bonds**	**2**	**4**	**185**
	Exercise of stock options	866,320	1,732,640	44,398,643
	Vesting of performance shares	80,571	161,142	0
	Cancellation of shares	(1,010,336)	(2,020,672)	(84,643,593)
	At December 31, 2014	**185,726,200**	**371,452,400**	
2015	**Conversion of OCEANE bonds**	**28**	**56**	**2,718**
	Exercise of stock options	909,999	1,819,998	64,070,030
	Vesting of performance shares	227,489	454,978	0
	Cancellation of shares	(4,961,534)	(9,923,068)	(441,024,693)
	At December 31, 2015	**181,902,182**	**363,804,364**	
2016	**Employee share issue**	**657,366**	**1,314,732**	**48,894,883**
	Conversion of OCEANE bonds	7,230	14,460	709,379
	Exercise of stock options	723,420	1,446,840	47,219,717
	Vesting of performance shares	122,963	245,926	0
	Cancellation of shares	(3,347,040)	(6,694,080)	(293,905,884)
	At December 31, 2016	**180,066,121**	**360,132,242**	
2017	**Exercise of stock options**	**308,979**	**617,958**	**16,376,110**
	Vesting of performance shares	39,084	78,168	0
	Cancellation of shares	(893,197)	(1,786,394)	(98,790,498)
	At December 31, 2017	**179,520,987**	**359,041,974**	
2018	**Employee share issue**	**578,639**	**1,157,278**	**46,470,498**
	Exercise of stock options	201,946	403,892	10,245,710
	Vesting of performance shares	194,291	388,582	0
	Cancellation of shares	(648,231)	(1,296,462)	(73,928,476)
	At December 31, 2018	**179,847,632**	**359,695,264**	
2019	**Exercise of stock options**	**64,178**	**128,356**	**3,594,008**
	Vesting of performance shares	61,566	123,132	0
	Cancellation of shares	(1,345,821)	(2,691,642)	(137,856,194)
	AT DECEMBER 31, 2019	**178,627,555**	**357,255,110**	

6.5.2 POTENTIAL SHARES

6.5.2 a) Outstanding securities convertible, exchangeable, redeemable or otherwise exercisable for shares

/ Options to purchase new shares of common stock

Please refer to the detailed information in section 6.5.3.

/ Performance shares

Please refer to the detailed information in section 6.5.4.

6.5.2 b) Estimated maximum number of potential new shares at December 31, 2019

(in number of shares with a par value of €2)	Maximum number of potential new shares	Issued capital *(in €)*
ISSUED CAPITAL AT DECEMBER 31, 2019		**357,255,110**

/ Stock options outstanding at December 31, 2019

Grant date	Adjusted exercise price *(in €)*	Vesting date	Expiration date	Number of options outstanding	
May 19, 2011	66.00	May 19, 2015	May 18, 2020	12,696	
June 25, 2012	51.16	June 25, 2016	June 24, 2021	24,489	
TOTAL STOCK OPTIONS OUTSTANDING				**37,185**	**74,370**

/ Performance shares outstanding at December 31, 2019

Grant date	Vesting period ends	Performance shares outstanding	
November 25, 2016 *(Excellence Management)*	November 25, 2020	81,518	
November 14, 2017 *(Excellence)*	November 14, 2021	283,965	
November 22, 2018 *(Excellence Management)*	November 22, 2022	128,030	
November 15, 2019 *(Excellence)*	November 15, 2023	377,292	
TOTAL PERFORMANCE SHARES OUTSTANDING		**870,805**	**1,741,610**
MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2019 (+0.51% VS. ISSUED CAPITAL)			**359,071,090**

6.5.3 STOCK OPTIONS

6.5.3 a) Stock option plans in effect at December 31, 2019(1) (Table 8 of the AFEP/MEDEF Corporate Governance Code)

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Date of the shareholder authorization	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/14/2004	05/14/2004	05/12/2006	05/12/2006	05/12/2006	05/15/2009	05/15/2009	05/15/2009	05/15/2009
Date granted by the Managers	05/19/2002	05/19/2003	11/24/2003	05/17/2004	07/05/2004	05/23/2005	11/07/2005	05/15/2006	05/14/2007	05/19/2008	11/23/2009	05/12/2010	05/19/2011	06/25/2012
Total number of new or existing shares that may be purchased upon exercise of the options	722,635	245,047	230,386	184,088	132,772	226,057	942,215	141,463	1,230,323	321,095	1,447,372	260,138	252,900	143,276
Of which options granted to:														
▸ Jean-Dominique Senard(2) (Managing Chairman)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▸ Florent Menegaux(2) (Managing General Partner)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▸ Yves Chapot(2) (General Manager)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▸ Michel Rollier(3) (Chairman of the Supervisory Board)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vesting date	05/19/2006	05/19/2007	11/24/2007	05/17/2008	07/05/2008	05/23/2009	11/07/2009	05/15/2010	05/14/2011	05/19/2012	11/23/2013	05/12/2014	05/19/2015	06/25/2016
Expiration date	05/18/2011	05/18/2012	11/23/2012	05/16/2013	07/04/2013	05/22/2014	11/06/2014	05/14/2015	05/13/2016	05/18/2017	11/22/2018	05/11/2019	05/18/2020	06/24/2021
Exercise price	€42.47	€31.13	€32.82	€38.61	€42.96	€46.34	€46.34	€55.99	€87.85	€59.85	€51.16	€52.13	€66.00	€51.16
Number of options exercised at December 31, 2019	647,332	239,847	207,064	182,088	117,189	223,557	864,725	138,663	798,635	317,539	1,346,155	250,305	146,420	106,262
Number of options cancelled or expired	75,303	5,200	23,322	2,000	15,583	2,500	77,490	2,800	431,688	3,556	101,217	9,833	93,784	12,525
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31,2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**12,696**	**24,489**

(1) In compliance with stock option plan rules and prevailing legislation (notably Articles L. 225-181 and R. 225-140 of the French Commercial Code), the number of shares to be issued on exercise of these options and the option exercise price, for all plans in effect as of October 25, 2010, have been adjusted to maintain grantee rights following the share issue with pre-emptive subscription rights placed on record on October 25, 2010.

(2) Granted in his capacity as Manager.

(3) Granted in his capacity as Chairman of the Supervisory Board.

6.5.3 b) Stock options granted and exercised during the year

Stock options granted by CGEM(1) to the ten grantees other than Managers who received the greatest number of options and options exercised by the ten grantees other than Managers who exercised the greatest number of options	Number of options granted/exercised	Exercise price *(in €)*	End of exercise period	Grant date
Options granted	0	-	-	-
Options exercised (new shares issued)	34,569	52.13 66.00	05/11/2019 05/18/2020	05/12/2010 05/19/2011

(1) No options have been granted by any qualifying company apart from CGEM.

6.5.3 c) Special report of the Managing Chairman

No stock options were granted during the year.

The ten employees other than Managers who exercised the greatest number of options exercised 34,569 options at a unit price of €52.13 for options granted on May 12, 2010, and €66.00 for options granted on May 19, 2011.

No Manager holds non-exercisable stock options.

Clermont-Ferrand, February 10, 2020

Florent Menegaux

Managing Chairman

6.5.4 PERFORMANCE SHARES

6.5.4 a) Performance share plans in effect at December 31, 2019 (Table 9 of the AFEP/MEDEF Corporate Governance Code)

COMPLETED PLANS

	Plan 1	Plan 2	Plan 3	Plan 4 *(Excellence)*	Plan 5 *(Excellence Management)*	Plan 6 *(Excellence Management)*
Date of the shareholder authorization	May 13, 2011	May 13, 2011	May 13, 2011	May 16, 2014	May 16, 2014	May 16, 2014
Date granted by the Managers	November 28, 2011	November 28, 2012	November 29, 2013	November 27, 2014	November 27, 2014	November 25, 2015
Number of rights granted	287,944	371,936	81,400	288,426	108,292	84,892
O/w to:						
▶ Jean-Dominique Senard (Managing Chairman)	0	0	0	0	0	-
▶ Florent Menegaux[1] (Managing General Partner)	-	-	-	-	-	-
▶ Yves Chapot[1] (General Manager)	-	-	-	-	-	-
Vesting date *(in years)*	November 28, 2014 (France) (3 years) November 28, 2015 (other countries) (4 years)	November 28, 2015 (France) (3 years) November 28, 2016 (other countries) (4 years)	November 29, 2017 (4 years)	November 27, 2018 (4 years)	November 27, 2018 (4 years)	November 25, 2019 (4 years)
End of lock-up period *(in years)*	November 28, 2016 (France) (2 years)	November 28, 2017 (France) (2 years)	N/A	N/A	N/A	N/A
Performance conditions[2] (period over which criteria are applied: 3 years)	▶ Average annual sales volume growth of at least 3% over the 2011-2013 period ▶ Average annual consolidated operating income of at least €1.4 billion over the 2011-2013 period	▶ Average annual growth in sales value of at least 3% over the 2012-2014 period ▶ Average annual consolidated operating income of at least €2 billion over the 2012-2014 period	▶ Average annual growth in sales value of at least 3% over the 2013-2015 period ▶ Average annual consolidated operating income of at least €2.4 billion over the 2013-2015 period	▶ Average annual growth in sales value of at least 2% over the 2014-2016 period ▶ Average annual growth in consolidated operating income of €150 million over the 2014-2016 period ▶ Average employee engagement rate of at least 72% over the 2014-2016 period	▶ Average annual growth in sales value of at least 2% over the 2014-2016 period ▶ Average annual growth in consolidated operating income of €150 million over the 2014-2016 period ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% over the 2014-2016 period ▶ Average employee engagement rate of at least 72% over the 2014-2016 period	▶ Average annual growth in sales value of at least 2% over the 2015-2017 period ▶ Average annual growth in consolidated operating income of €150 million over the 2015-2017 period ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% over the 2015-2017 period ▶ Average employee engagement rate of at least 73% over the 2015-2017 period
Number of vested shares at December 31, 2019	195,068	237,243	39,084	166,786	26,749	61,942
Number of canceled or voided rights for share	92,876	134,693	42,316	121,640	81,543	22,950
NUMBER OF PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2019	**0**	**0**	**0**	**0**	**0**	**0**

(1) In his capacity as Manager.
(2) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.

PLANS IN EFFECT

	Plan 7 *(Excellence Management)*	Plan 8 *(Excellence)*	Plan 9 *(Excellence Management)*	Plan 10 *(Excellence)*
Date of the shareholder authorization	May 13, 2016	May 13, 2016	May 13, 2016	May 17, 2019
Date granted by the Managers	November 25, 2016	November 14, 2017	November 22, 2018	November 15, 2019
Number of rights granted	120,520	296,440	129,270	377,292
O/w to:				
▶ Jean-Dominique Senard (Managing Chairman)	-	-	-	-
▶ Florent Menegaux[(1)] (Managing General Partner)	-	-	-	-
▶ Yves Chapot[(1)] (General Manager)	-	-	-	-
Vesting date *(in years)*	November 25, 2020 (4 years)	November 14, 2021 (4 years)	November 22, 2022 (4 years)	November 15, 2023 (4 years)
End of lock-up period *(in years)*	N/A	N/A	N/A	N/A
Performance conditions[(2)] (period over which criteria are applied: 3 years)	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2015 and the second half of 2018 ▶ Corporate social responsibility objective: – average MEF[(3)] of less than 60 over the 2016-2018 period – and average employee engagement rate of at least 80% over the 2016-2018 period ▶ Average annual growth in consolidated operating income of €150 million over the 2016-2018 period	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2016 and the second half of 2019 ▶ Corporate social responsibility objective: – average MEF[(3)] of less than 60 over the 2017-2019 period – and average employee engagement rate of at least 80% over the 2017-2019 period ▶ Average annual growth in consolidated operating income of €150 million over the 2017-2019 period	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2017 and the second half of 2020 ▶ Corporate social responsibility objective: – average MEF[(3)] of 51 or less over the 2018-2020 period – and average employee engagement rate of at least 80% over the 2018-2020 period ▶ Average annual growth in consolidated operating income of €150 million over the 2018-2020 period	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2018 and the second half of 2021 ▶ Corporate social responsibility objective: – average change in MEF[(3)] of less than -1.5 points in 2019, 2020 and 2021 – and average change in employee engagement rate of at least 1.5 points over the 2019-2021 period ▶ Average annual growth in consolidated operating income of €200 million over the 2019-2021 period
Number of vested shares at December 31, 2019	380	0	0	0
Number of canceled or voided rights for share	38,622	12,475	1,240	0
NUMBER OF PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2019	**81,518**	**283,965**	**128,030**	**377,292**

(1) In his capacity as Manager.
(2) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.
(3) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

6.5.4 b) Performance shares granted during the year

Rights to 377,292 performance shares were granted during the year.

	Number of shares granted	Grant date
Performance shares granted by CGEM to the ten grantees other than Managers who received the greatest number of shares	61,240	November 15, 2019

6.5.4 c) Special Report of the Managing Chairman

/ November 15, 2019 Plan

The Annual Shareholders Meeting of May 17, 2019 authorized the grant of shares without consideration to employees of the Company (except Managers) and of related companies within the meaning of Articles L. 225-197-1 *et seq.* of the French Commercial Code, with the number of shares that may be granted limited to 0.7% of issued capital.

This authorization was used in 2019 to grant 377,292 rights to one new share of common stock to 1,010 grantees.

Performance shares will vest based on the fulfillment of performance criteria set out under the Michelin Performance and Responsibility Ambitions for 2020.

Fulfillment of three performance criteria is required for all grantees, as set out in the report detailing the related resolution of the May 17, 2019[1] Shareholders Meeting.

The criteria are as follows:

- Michelin's share performance compared with that of the CAC 40 index: based on the average closing price, the Michelin share price must outperform the CAC 40 by at least 15 points between the second half of 2018 and the second half of 2021;
- Corporate social responsibility objective: employee engagement and the environmental performance of manufacturing operations. This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement.
  - Since 2005, Michelin has measured and published these operations' energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled, using the Michelin Environmental Footprint (MEF) indicator. The change in the average MEF over three years (2019-2021 period) must be less than -1.5 point.
  - Since 2013, the annual "Moving Forward Together: Your Voice for Action" survey has measured the employee engagement rate. The change in the average engagement rate over three years (2019-2021 period) must exceed 1.5 point;
- Average annual growth in segment operating income (on a like-for-like basis and at current exchange rates), must exceed €200 million a year over the 2019-2021 period.

For all criteria except MEF, fulfillment is calculated as follows:

- if the minimum performance condition is not met, no shares will vest;
- if the minimum performance condition is met or exceeded, shares will vest on a gradual and proportional basis up to a certain ceiling.

For MEF, fulfillment is calculated per threshold as follows:

- if the average reduction in the MEF over three years is less than 0.5 point, 0% of the performance shares for this objective will vest;
- if the average reduction in the MEF over three years is between 0.5 point and 1.0 point, 5% of the performance shares for this objective will vest;
- if the average reduction in the MEF over three years is between 1.1 point and 1.5 point, 10% of the performance shares for this objective will vest;
- if the average reduction in the MEF over three years is greater than 1.5 point, the full 15% of the performance shares for this objective will vest.

Provided that the grantee is still employed by the Group at the end of the vesting period (or qualifies for an exemption from this requirement under French law or in exceptional cases at the discretion of the Managing Chairman), if the achievement rate for all of the above criteria is 100% then 100% of the performance shares will vest, with the first and third criteria accounting for 35% and the second criterion for 30% (15% per indicator).

(1) *Please refer to pages 417 to 419 of the 2018 Registration Document.*

/ Fulfillment of performance conditions under performance share plans in effect in 2019

FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 25, 2015 PERFORMANCE SHARE PLAN

Criteria		Weighting	Results 2015	2016	2017	Average	Achievement of criteria
Growth in sales	Like-for-like growth in consolidated net sales value of **at least an average 2%** a year over the 2015-2017 period	25%	+1.0%	+0.4%	+6.3%	**+2.6%**	**Yes**
Operating income	Like-for-like growth in consolidated operating income, before non-recurring income and expenses, of **€150 million** a year over the 2015-2017 period	25%	(30)	243	138	**117**	**No**
			2015	**2016**	**2017**	**Average**	
Return on capital employed	Arithmetic average annual return on capital employed (ROCE) of **at least 12%** on a like-for-like consolidated basis over the 2015-2017 period	25%	12.2%	12.1%	11.9%	**12.1%**	**Yes**
			2015	**2016**	**2017**	**Average**	
Engagement rate of employees	Average employee engagement rate: **at least 72%** a year on a like-for-like consolidated basis over the 2015-2017 period	25%	77%	80%	80%	**79%**	**Yes**

Given that one of the performance conditions was not met, not all of the performance shares will vest.

Note that the vesting period will end in November 2019 (with no lock-up period) for all grantees.

FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 25, 2016 PERFORMANCE SHARE PLAN CRITERIA

Criteria		Weighting	Results				Achievement of criteria
			2018 vs. 2015				
Share price performance	Michelin share price outperforms the CAC 40 by **at least 15 points** for the 2015-2018 period (average closing price for the second half of the two years)	35%	1.5 pt				**4%**
			2016	**2017**	**2018**	**Average**	
Corporate social responsibility	Michelin Environmental Footprint – **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2016-2018 period) must be **less than 60**	15%	57	53	49	**53**	**15%**
	Average **employee engagement rate:** must be **at least 80%** a year on a like-for-like consolidated basis over the 2016-2018 period	15%	80%	80%	80%	**80%**	**15%**
Operating income	Like-for-like growth in consolidated operating income from recurring activities, of **€150 million** a year over the 2016-2018 period	35%	243	138	289	**223**	**35%**
TOTAL							**69%**

Given that one of the performance conditions was partially met, no more than 69% of the performance shares will vest.

Note that the vesting period will end in November 2020 (with no lock-up period) for all grantees.

FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 14, 2017 PERFORMANCE SHARE PLAN

Criteria		Weighting	Results				Achievement of criteria
				2019 vs 2016			
Share price performance	Michelin share price outperforms the CAC 40 by **at least 15 points** for the 2016-2019 period (average closing price for the second half of the two years)	35%		-17,5 pts			**0%**
			2017	**2018**	**2019**	**Average**	
Corporate social responsibility	Michelin Environmental Footprint – **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2017-2019 period) must be **less than 60**	15%	53	49	49	**50**	**15%**
	Average **employee engagement rate:** must be **at least 80%** a year on a like-for-like consolidated basis over the 2017-2019 period	15%	80%	80%	81%	**80%**	**15%**
Operating income	Like-for-like growth in consolidated operating income from recurring activities[(1)], of **€150 million** a year over the 2017-2019 period	35%	145	265	111	**174**	**35%**
TOTAL							**65%**

(1) Indicator replacing operating income before non-recurring income and expenses.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 22, 2018 PERFORMANCE SHARE PLAN

Criteria		Weighting	Interim results		
				2019 vs 2017	
Évolution relative du cours de l'action	Michelin share price outperforms the CAC 40 by **at least 15 points** for the 2017-2020 period (average closing price for the second half of the two years)	35%		-20,0 pts	
			2018	**2019**	**2020**
Corporate social responsibility	Michelin Environmental Footprint – **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2018-2020 period) must be **less than 51**	15%	49	**49**	-
	Average **employee engagement rate:** must be **at least 80%** a year on a like-for-like consolidated basis over the 2018-2020 period	15%	80%	**81%**	-
Operating income	Like-for-like growth in consolidated operating income from recurring activities[(1)], of **€150 million** a year over the 2018-2020 period	35%	265	**111**	-

(1) Indicator replacing operating income before non-recurring income and expenses.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 15, 2019 PERFORMANCE SHARE PLAN

Criteria		Weighting	Interim results		
				2019 vs 2018	
Share price performance	Michelin share price outperforms the CAC 40 by **at least 15 points** for the 2018-2021 period (average closing price for the second half of the two years)	35%		- 2.4pts	
			2019	2020	2021
Corporate social responsibility	Michelin Environmental Footprint – **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2019-2021 period) must be **less than -1.5**	15%	-0.5 point	-	-
	Change in average **employee engagement rate:** must **exceed 1.5 points** a year on a like-for-like consolidated basis over the 2019-2021 period	15%	+1.0 point	-	-
Operating income	**Growth** of **€200 million** a year over the 2019-2021 period in **Segment Operating Income (SOI)** based on current business scope and comparable accounting methods, excluding changes in exchange rates [1].	35%	163	-	-

1) Indicator replacing operating income from recurring activities

/ Performance shares vested and delivered

Note that during 2019:

- no Manager of the Company received any rights to performance shares;
- the two Managers received 6,441 fully vested performance shares (one received 4,140 and the other received 2,301);
- the 10 employees other than Managers who were granted the greatest number of share rights:
  - received 61,240 rights to one performance share (two grantees received 7,140, two received 6,840, one received 6,430, one received 6,080, one received 5,930, one received 5,720 and two received 4,560),
  - received 24,381 performance shares (five grantees received 2,760, three received 2,301 and two received 1,839).

Clermont-Ferrand, February 10, 2020

Florent Menegaux

Managing Chairman

6.5.5 EMPLOYEE SHARE OWNERSHIP

Following completion of the six employee savings plans set up in 2002, 2003, 2008, 2013, 2016 and 2018, 58,079 Group employees (excluding retired employees) in almost 50 countries around the world were shareholders. At December 31, 2019, they held 1.8% of the capital.

6.5.6 INFORMATION CONCERNING A SHARE BUYBACK PROGRAM CURRENTLY IN EFFECT

The following information includes the disclosures reported in the Managing Chairman's Report in compliance with Article L. 225-211 of the French Commercial Code.

6.5.6 a) Authorizations granted to the Managing Chairman

At the Annual Shareholders Meeting of May 18, 2018, shareholders granted the Managing Chairman an 18-month authorization to buy or sell shares of Company stock, as part of a new share buyback program. The Company was authorized to buy back up to 10% of the total shares outstanding, at a maximum purchase price of €180 per share, with the requirement that it not hold more than 10% of its own share capital at any time.

The authorization was used in 2018 (please refer to section 5.5.6 a of the 2018 Registration Document) and in 2019 (please refer to section 6.5.6 b) below).

At the May 17, 2019 Annual Shareholders Meeting, shareholders granted the Managing Chairman a new authorization, valid for 18 months or until replaced, to buy or sell shares of Company stock, under the same terms and conditions as the previous authorization, at a maximum purchase price of €180. From its entry into force this authorization has replaced the previous authorization.

The Company signed a share buyback agreement with CACIB that was implemented between April 2019 and July 2019, and another that was implemented between September 2019 and November 2019.

At the Annual Shareholders Meeting on June 23, 2020, shareholders will be asked to authorize the Managing Chairman to buy or sell shares of Company stock as part of a new buyback program, the terms and conditions of which are described below in section 6.5.7 "Description of the share buyback program submitted for shareholder approval at the Annual Shareholders Meeting of June 23, 2020".

6.5.6 b) Transactions in the Company's shares in 2019

The following transactions were carried out under the share buyback programs authorized by shareholders at the May 18, 2018 and May 17, 2019 Annual Shareholders Meetings, for 12,833 and 1,332,988 shares respectively.

The Company no longer held any shares in treasury at December 31, 2019, as was the case at January 1, 2019. A total of 1,345,821 shares were bought back by the Company during the year, all of which were purchased for cancellation.

6.5.6 c) Purpose of shares held in treasury at December 31, 2019

The Company held no shares in treasury at December 31, 2019.

6.5.6 d) Market value of treasury shares at December 31, 2019

No shares were held at December 31, 2019.

	Treasury shares bought back and sold during the year	
	Buybacks	Sales/transfers
Number of shares	1,345,821	0
Average transaction price per share *(in €)*	104.03(1)	0
Average exercise price	N/A	N/A
Total cost of transactions *(in €)*	140,000,000(1)	0

(1) Before transaction costs.

Derivative instruments were not used to buy back shares. The Company did not have any open buy or open sell positions in its own stock at December 31, 2019.

6.5.7 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL SHAREHOLDERS MEETING OF JUNE 23, 2020

The following description has been prepared in accordance with Articles 241-1 et seq. of the General Regulations of the French securities regulator (AMF) and with European Commission regulations.

/ Date of the Annual Shareholders Meeting at which the share buyback program is submitted for approval

June 23, 2020.

/ Purposes of the new share buyback program

The objectives of the share buyback program are as follows:

- to purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) by way of transfer and/or employer matching contributions, indirectly or indirectly, in connection with employee rights issues;
- to maintain a liquid market for the Company's shares through a liquidity contract complying with the Code of Ethics approved by the AMF;
- to purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions. The maximum number of shares purchased for the purpose of being held and subsequently sold or exchanged in connection with a merger, de-merger or asset contribution shall not exceed 5% (five percent) of the Company's share capital;
- to implement any other market practices that may be authorized in the future;
- to acquire shares for cancellation under a shareholder-approved capital reduction.

/ Maximum percentage of issued capital, maximum number and characteristics of the shares the Company proposes to buy back and maximum purchase price

The Company would be authorized to buy back up to 10% of the total shares outstanding, i.e., 17,862,755 shares at the date of this report. Based on the maximum purchase price of €180 per share, this would correspond to a maximum theoretical amount of €3,215,295,900.

In accordance with the law, when shares are bought back for the second purpose listed above, the number of shares used to calculate the 10% limit is the number bought back less the number sold during the course of the program.

Pursuant to Article L. 225-210 of the French Commercial Code, the total value of shares held in treasury may not exceed the amount of available reserves (other than the legal reserve) recorded in the Company's balance sheet at December 31, 2019.

/ Duration of the share buyback program

Subject to shareholder approval, the shares may be bought back at any time during the 18 months from the June 23, 2020 Annual Shareholders Meeting, *i.e.,* until the close of trading on December 23, 2021.

Effective as from the Annual Shareholders Meeting of June 23, 2020, this authorization would replace the similar authorization granted by shareholders at the Annual Shareholders Meeting of May 17, 2019.

07. ANNUAL SHAREHOLDERS MEETING OF JUNE 23, 2020

7.1 REPORT OF THE MANAGING CHAIRMAN AND PROPOSED RESOLUTIONS

Introduction

Ongoing dialogue between shareholders and issuers, both before and after Annual Shareholders Meetings, is essential to enable shareholders to effectively exercise their role, and for companies to enhance their communications.

One of the ways that companies can ensure the effectiveness of such dialogue is by making additional efforts to clearly explain the content, rationale and import of the resolutions submitted for shareholder approval.

In its "Final Report on General Meetings of Shareholders of Listed Companies" published on July 2, 2012, a working group set up by the French securities regulator (the AMF) proposed, *inter alia,* that the titles of resolutions put forward at Shareholders Meetings should be more understandable and that the wording of the statement of reasons for each proposed resolution should be improved in order to clarify what is to be voted on and what is at stake in shareholders' decisions. Following this proposal, the AMF called on the trade associations concerned to draft a guide that explains the objectives and procedures for each type of resolution.

For each financial authorization submitted for approval at the Annual Shareholders Meeting, this report therefore refers to the corresponding information sheet in the guide entitled "Proposed resolutions submitted to the vote of shareholders of listed companies". Prepared by MEDEF in 2013 and updated in January 2016(1), the guide is available at www.medef.com/.

The resolutions set in blue type below are the resolutions proposed by the Company that will be included in the Notice of Meeting published in the *Bulletin des annonces légales obligatoires.* Each shareholder will also be sent a copy of the Notice of Meeting within the period prescribed by law.

7.1.1 ORDINARY RESOLUTIONS (1ST TO 15TH RESOLUTIONS)

1st and 2nd resolutions

/ Approval of the Company financial statements for the year ended December 31, 2019

/ Appropriation of net income for the year ended December 31, 2019 and approval of the recommended dividend

The 1st and 2nd resolutions concern approval of the Company's 2019 financial statements and appropriation of net income for the year.

Shareholders are invited to approve the transactions reflected in the Company's income statement and balance sheet, as presented, and to appropriate net income for the year which amounts to €672,105,325.84.

After deducting €10,380,258.65 attributable to the General Partners in accordance with the Bylaws, the balance of €661,725,067.19 plus €1,557,602,285.22 in retained earnings brought forward from prior years represents a total of €2,219,327,352.41 available for distribution to shareholders.

In light of the current global health crisis, and in a commitment to optimally balance the interests of all its stakeholders, the Group has decided to reduce the amount of the proposed 2019 dividend to €2, compared with the initially announced €3.85.

In order to qualify for the dividend payment, beneficiaries must be shareholders of record at midnight (CET) on July 2, 2020 (the record date).

The ex-dividend date will be July 1, 2020.

The dividend will be paid as from July 3, 2020.

The amount of the dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

First resolution
(Approval of the Company financial statements for the year ended December 31, 2019)

Having considered the reports of the Managing Chairman, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the Company financial statements for the year ended December 31, 2019, which show net income for the period of €672,105,325.84.

The Ordinary Shareholders Meeting also approves the transactions reflected in these financial statements and referred to in these reports, including those relating to the various provision accounts.

Second resolution
(Appropriation of net income for the year ended December 31, 2019 and approval of the recommended dividend)

On the recommendation of the Managing Chairman (as approved by the Supervisory Board), the Ordinary Shareholders Meeting notes that the total amount available for distribution is as follows:

- net income for the year: €672,105,325.84;
- share of profits attributed to the General Partners in accordance with the Bylaws: €10,380,258.65;
- balance: €661,725,067.19;
- plus retained earnings brought forward from prior years: €1,557,602,285.22;
- total amount available for distribution: €2,219,327,352.41.

And resolves:

- to pay an aggregate dividend of: €357,255,110.00;
- representing €2.00 per share;
- to appropriate the balance of: €1,862,072,242.41 to retained earnings.

The dividend will be paid as from July 3, 2020.

The amount of the dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

(1) In French only.

For individual shareholders domiciled in France for tax purposes, the tax treatment of the dividend will be as follows:

- in application of Article 200-A of the French General Tax Code *(Code général des impôts),* dividends paid to individual shareholders domiciled in France for tax purposes are subject to a 30% flat tax (12.8% in respect of income tax and 17.2% for social security contributions). This flat tax does not discharge the individual from other tax liabilities;
- the 12.8% flat tax will be applied automatically unless the taxpayer makes an irrevocable election to pay income tax at the graduated rate on all dividend income. The election must be made each year, when the taxpayer's personal income tax return is filed;
- the two-step method of paying tax on dividends is maintained.

In accordance with Article 119 *bis* of the French General Tax Code *(Code général des impôts),* dividends paid to shareholders not domiciled in France for tax purposes are subject to withholding tax at the rate applicable to the country in which the shareholder is domiciled.

As required under Article 243 *bis* of the French General Tax Code, shareholders note that dividends paid for the past three years were as follows:

Year	Total dividend payout *(in €)*	Dividend per share(1) *(in €)*
2016	585,214,893.25	3.25
2017	637,299,503.85	3.55
2018	665,436,238.40	3.70

(1) The full amount of the dividend was eligible for the 40% tax allowance provided for in Article 158-3-2° of the French General Tax Code.

3rd resolution

/ Approval of the consolidated financial statements for the year ended December 31, 2019

The purpose of the 3rd resolution is to approve the consolidated financial statements for the year ended December 31, 2019, which show net income for the period of €1,730,043 thousand.

The 2019 Universal Registration Document, which can be downloaded from Michelin's website (www.michelin.com), contains an analysis of the consolidated financial statements and year-on-year changes.

Third resolution
(Approval of the consolidated financial statements for the year ended December 31, 2019)

Having considered the reports of the Managing Chairman, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the consolidated financial statements for the year ended December 31, 2019, which show net income for the period of €1,730,043 thousand.

4th resolution

/ Related-party agreements

As no related-party agreements were entered into during 2019, shareholders are invited to place on record that there are no such agreements to approve.

In addition, no related-party agreements entered into in previous years remained in force during 2019.

Fourth resolution
(Related-party agreements)

Having considered the Statutory Auditors' special report on related-party agreements governed by Article L. 226-10 of the French Commercial Code *(Code de commerce),* the Ordinary Shareholders Meeting approves said report and places on record that no such agreements requiring shareholder approval were entered into or were in force in 2019.

5th resolution

/ Authorization for the Managers to put in place a share buyback program, except during a public offer period, based on a maximum purchase price per share of €180

In the 5th resolution, shareholders are invited to renew the authorization for the Company to buy back its own shares over a period of 18 months on the same terms as the previous authorization. The maximum purchase price per share under this authorization would be €180 and the maximum number of shares purchased would represent less than 10% (ten percent) of the total shares outstanding at the time of the transaction(s).

This new resolution renews the authorization granted for the same purpose at the Annual Shareholders Meeting of May 17, 2019.

During 2019, the Company used the previous authorization to buy back and cancel 1.345.821 shares, resulting in a corresponding capital reduction. For details of the buybacks, see section 6.5.6 b) of the 2019 Universal Registration Document.

The proposed authorization would not be able to be used during a public offer period.

This type of proposed resolution is explained in detail in Information Sheet 4, "Share Buybacks", on page 36 of the MEDEF Guide, "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) at www.medef.com/.

Fifth resolution
(Authorization for the Managers or any one of them to put in place a share buyback program, except during a public offer period, based on a maximum purchase price per share of €180)

Having considered the reports of the Managing Chairman and the Supervisory Board, as well as the description of the share buyback program drawn up in accordance with the requirements of the General Regulations of the AMF, the Ordinary Shareholders Meeting authorizes the Managers or any one of them, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, to put in place a program for the Company to buy back its own shares at a maximum purchase price per share of €180 (one hundred eighty euros).

In the event of any corporate actions, such as a bonus share issue paid up by capitalizing reserves or a stock split or reverse stock split, the above maximum purchase price will be adjusted accordingly.

The number of shares that may be bought back under this authorization may not represent more than 10% (ten percent) of the total shares outstanding at the time of each transaction. The total number of shares that may be purchased for the purpose of maintaining a liquid market, as set out below, will be calculated after deducting the number of shares sold over the duration of the share buyback program. In addition, the Company may not hold more than 10% (ten percent) of its own share capital at any time.

Based on the share capital at December 31, 2019, the maximum amount invested in the program would not exceed €3,215,295,900 (three billion, two hundred and fifteen million, two hundred and ninety-five thousand, nine hundred euros), corresponding to 10% (ten percent) of the Company's share capital, or 17,862,755 (seventeen million, eight hundred and sixty-two thousand, seven hundred and fifty-five) shares purchased at the maximum price of €180 (one hundred and eighty euros) per share.

The objectives of the share buyback program are as follows:

- to purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) by way of transfer and/or employer matching contributions, indirectly or indirectly, in connection with employee rights issues;
- to maintain a liquid market for the Company's shares through a liquidity contract complying with the Code of Ethics approved by the AMF;
- to purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions. The maximum number of shares purchased for the purpose of being held and subsequently sold or exchanged in connection with a merger, de-merger or asset contribution shall not exceed 5% (five percent) of the Company's share capital;
- to implement any other market practices that may be authorized in the future;
- to acquire shares for cancellation under a shareholder-approved capital reduction.
- The purchase, sale or transfer of shares may be effected at any time, except during a public offer period, and by any method, on the basis and within the limits prescribed by the laws and regulations in force on the transaction date(s), *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, including through (i) block purchases or sales, (ii) public offers of purchase or exchange, (iii) the use of options or other forward financial instruments traded *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, or (iv) the allocation of shares on conversion, redemption, exchange or exercise of securities carrying rights to the Company's shares or by any other means, either directly or *via* an investment services provider. The entire buyback program may be implemented through a block trade.
- The Managers, or either of them, shall have full powers – which may be delegated – to (i) place buy and sell orders, (ii) enter into any and all agreements, (iii) make any and all filings, (iv) carry out all other formalities, (v) allocate or reallocate the purchased shares to any of the various purposes of the program and (vi) generally, do everything necessary to carry out the share buyback program.

This authorization shall be valid for a period of 18 months from the date of this Meeting.

6th and 7th resolutions

/ Compensation Policy for the Managers and the Supervisory Board members

Since 2014, the compensation awarded to the Managers and the Chairman of the Supervisory Board has been submitted to the shareholders at the Annual Meeting.

In addition, since 2018, the Supervisory Board prepares each year, with the General Partners for the part concerning the Managers, the Compensation Policy applicable to the Managers and the Chairman of the Supervisory Board. The 2019 policy is included in the Corporate Governance Report presented in section 4.4.1 of the 2018 Registration Document.

The policy and the components of the compensation packages were presented to the corresponding Annual Shareholders Meetings by the Chair of the Compensation and Appointments Committee.

In application of Directive (EU) No. 2017/828 dated May 17, 2017 (the "Directive"), French Act No. 2019-486 dated May 22, 2019 (the "PACTE Act"), Government Order 2019-1234 dated November 27, 2019 for the application of the Directive and the PACTE Act, and Decree No. 2019-1235 dated November 27, 2019 transposing the Directive into French law, the General Partners and the Supervisory Board are asking shareholders to vote on the 2020 Compensation Policy applicable to (i) the Managers (6th resolution) and (ii) the Supervisory Board (7th resolution).

The 2020 Compensation Policy and its main terms are described in the Corporate Governance Report presented in section 3.4 of the 2019 Universal Registration Document.

Sixth resolution
(Approval of the Compensation Policy applicable to the Managers)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-1-II of the French Commercial Code, approves the Compensation Policy applicable to the Managers as presented in the Corporate Governance Report set out in sections 3.4.1 and 3.4.2 of the Company's 2019 Universal Registration Document.

Seventh resolution
(Approval of the Compensation Policy applicable to members of the Supervisory Board)

Having noted the agreement of the General Partners, the Annual Shareholders Meeting, in application of Article L. 226-8-1-II of the French Commercial Code, approves the Compensation Policy applicable to the members of the Supervisory Board, as presented in the Corporate Governance Report set out in sections 3.4.1 and 3.4.3 of the Company's 2019 Universal Registration Document.

8th, 9th, 10th, 11th and 12th resolutions

/ Information about the compensation packages of the corporate officers and about the individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board in 2019

Since 2014, the General Partners and the Supervisory Board have submitted to the Annual Shareholders Meeting several proposed resolutions concerning the compensation paid or awarded to the Managers and the Chairman of the Supervisory Board.

In 2020, in application of the Directive, the PACTE Act and the regulations for their application, the General Partners and the Supervisory Board are submitting to the Annual Shareholders Meeting for approval:

- information about the components of the compensation paid or awarded to the corporate officers for 2019 (8th resolution);
- components of the individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board in 2019, in respect of their service during the year, i.e., to:
  - Florent Menegaux, Managing General Partner and Managing Chairman (9th resolution),
  - Yves Chapot, General Manager (10th resolution),
  - Jean-Dominique Senard, Managing General Partner and Managing Chairman until May 17, 2019 (11th resolution),
  - Michel Rollier, Chairman of the Supervisory Board (12th resolution).

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2019 for that year in the Corporate Governance Report set out in section 4.4.1 of the 2018 Registration Document.

Eighth resolution
(Approval of the disclosures concerning the compensation packages of the corporate officers)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-I of the French Commercial Code, approves the disclosures mentioned in Article L. 225-37-3 of said Code, as presented in the Corporate Governance Report set out in sections 3.5.1 to 3.5.6 of the Company's 2019 Universal Registration Document.

Ninth resolution
(Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2019)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Florent Menegaux, Managing General Partner and, since May 17, 2019, Managing Chairman, as presented in the Corporate Governance Report set out in section 3.6.2 of the Company's 2019 Universal Registration Document.

Tenth resolution
(Approval of the components of the compensation paid or awarded to Yves Chapot for the year ended December 31, 2019)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Yves Chapot, General Manager, as set out in section 3.6.3 of the Company's 2019 Universal Registration Document.

Eleventh resolution
(Approval of the components of the compensation paid or awarded to Jean-Dominique Senard for the year ended December 31, 2019)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Jean-Dominique Senard, Managing Chairman and Managing General Partner until May 17, 2019, as set out in section 3.6.4 of the Company's 2019 Universal Registration Document.

Twelfth resolution
(Approval of the components of the compensation paid or awarded to Michel Rollier for the year ended December 31, 2019)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 226-8-2-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2019 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board, as set out in section 3.6.1 of the Company's 2019 Universal Registration Document.

13th, 14th and 15th resolutions: election and re-election of Supervisory Board members

The 13th to 15th resolutions concern the election and re-election of Supervisory Board members.

/ Michelin's Supervisory Board plays a vital role for the Group

The current members of Michelin's Supervisory Board are Barbara Dalibard, Anne-Sophie de La Bigne, Aruna Jayanthi, Monique Leroux, Olivier Bazil, Jean-Pierre Duprieu, Thierry Le Hénaff, Cyrille Poughon and Michel Rollier.

All of them have very solid business experience acquired through working with leading corporations, as well as a good knowledge of the Michelin Group. They actively participate in and contribute to the work of both the Board and its Committees, as illustrated by the 97.5% overall attendance rate for meetings held in 2019.

The Supervisory Board members perform their duties independently and have total freedom of judgment.

A summary of the work carried out by the Supervisory Board in 2019 is included in the Corporate Governance Report, set out in section 3.2.2 of the 2019 Universal Registration Document.

/ Michelin's General Partners do not take part in the election or re-election of Supervisory Board members

Michelin is a partnership limited by shares *(société en commandite par actions)* and as such its Supervisory Board is entirely made up of non-executive members (nearly 78% of whom are independent) who represent the shareholders.

With a view to clearly separating management and supervisory powers, neither the Managers (who together form the Company's executive body) nor the Non-Managing General Partner, SAGES (which is responsible for ensuring the Company's continuity of leadership), may play a role in the nomination process.

The General Partners may not be involved in decisions to recommend candidates for election to the Supervisory Board at Shareholders Meetings.

Likewise, in accordance with the law and the Company's Bylaws, the General Partners may not take part in any votes cast at Shareholders Meetings concerning the election or re-election of Supervisory Board members and their shares are not included in the quorum for the related resolutions.

/ The Supervisory Board is recommending that shareholders re-elect two Supervisory Board members and elect one new member

The terms of office of Anne-Sophie de La Bigne and Jean-Pierre Duprieu are due to expire at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ended December 31, 2019.

The candidate review and selection process, the criteria applied by the Compensation and Appointments Committee and a presentation of the candidates are set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2020 Annual Shareholders Meeting and section 7.2 of the 2019 Universal Registration Document).

Following this process the Board decided by a unanimous vote (with the candidates for re-election abstaining) to ask the Managing Chairman to recommend at the Annual Meeting that the shareholders:

- re-elect Anne-Sophie de La Bigne, who did not take part in the Supervisory Board vote on her nomination for re-election;
- re-elect Jean-Pierre Duprieu, who did not take part in the Supervisory Board vote on his nomination for re-election;
- elect a new member, Patrick de La Chevardière.

These Supervisory Board members would be elected/re-elected for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2024.

Thirteenth resolution
(Re-election of Anne-Sophie de La Bigne as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Anne-Sophie de La Bigne as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2024.

Fourteenth resolution
(Re-election of Jean-Pierre Duprieu as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Jean-Pierre Duprieu as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2024.

Fifteenth resolution
(Election of Patrick de La Chevardière as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting elects Patrick de La Chevardière as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2024.

7.1.2 EXTRAORDINARY RESOLUTIONS (16TH TO 27TH RESOLUTIONS)

16th resolution

/ Authorization for the Managers to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders

In the 16th resolution, shareholders are invited to authorize the Managers to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders. Note that the authorization could not be used during a public offer period.

The aggregate par value of shares issued under this authorization would not exceed €126,000,000 (one hundred and twenty-six million euros), representing close to 35% (thirty-five percent) of the Company's current share capital, and the aggregate nominal value of debt securities issued with immediate or deferred rights to shares would be capped at €2,500,000,000 (two billion five hundred million euros).

This new resolution renews the authorization given at the Annual Shareholders Meeting of May 18, 2018 (14th resolution), which has not been used.

The blanket ceiling on issues, with or without pre-emptive subscription rights, of securities with rights to shares is set in the 23rd resolution.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.1, "Authorizations to carry out capital increases with pre-emptive subscription rights for existing shareholders", on page 41 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) on the MEDEF's website at www.medef.com/.

Sixteenth resolution
(Authorization for the Managers or either of them to issue shares and/or securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Article L. 225-129-2 and Articles L. 228-91 *et seq.*:

- to authorize the Managers or either of them to carry out one or several issues of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares, except during a public offer period. The issue(s) may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies;
- that:
  - the aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €126,000,000 (one hundred and twenty-six million euros), representing around 35% (thirty-five percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the securities carrying rights to shares issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares,
  - the aggregate nominal amount of debt securities carrying rights to shares issued under this authorization shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent at the issue date in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - shareholders shall have a pre-emptive right to subscribe the shares and/or debt securities issued under this authorization, pro rata to their existing shareholdings. The Managers or either of them may also give shareholders a pre-emptive right to subscribe any shares and/or debt securities not taken up by other shareholders. In this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned,
  - if the entire issue is not taken up by shareholders exercising their pre-emptive rights, the Managers or either of them may take one or more of the following courses of action, in the order of their choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up, (ii) freely allocate all or some of the unsubscribed securities among the investors of its choice, or (iii) offer them for subscription by the public in the French market and/or a foreign market and/or the international market,
  - equity warrants may be offered for subscription on the above basis or allocated among holders of existing shares without consideration, in which case the Managers or either of them shall be authorized to decide that rights to fractions of shares shall be non-transferable and non-tradable and that the corresponding shares shall be sold,
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

17th resolution

/ Authorization for the Managers to issue shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights for existing shareholders

The 17th resolution concerns the issuance of ordinary shares and/or securities carrying rights to shares without pre-emptive subscription rights for existing shareholders. Note that the authorization could also not be used during a public offer period.

The issue price of the new shares would be at least equal to the average of the opening prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 10% (ten percent).

The aggregate par value of shares issued under this authorization would not exceed €35,000,000 (thirty-five million euros), representing less than 10% (ten percent) of the current share capital, and the aggregate nominal value of securities carrying immediate or deferred rights to shares would be capped at €2,500,000,000 (two billion five hundred million euros).

This resolution renews the authorization given at the Annual Shareholders Meeting of May 18, 2018 (15th resolution), which has not been used.

The cap on issues of debt securities with immediate or deferred rights to shares placed through a public offer without pre-emptive subscription rights has been aligned with the blanket ceiling on the issuance of debt securities carrying rights to shares set in the 21st resolution.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.2, "Authorizations to carry out capital increases without pre-emptive subscription rights for existing shareholders" on page 45 of the MEDEF Guide, "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) on the MEDEF's website at www.medef.com.

Seventeenth resolution
(Authorization for the Managers or either of them to issue shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135, L. 225-136 and L. 228-91 *et seq.*:

- to authorize the Managers or either of them to carry out, except during a public offer period, one or several issues of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares, through a public offer. The issue(s) may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies;
- that:
  - the aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €35,000,000 (thirty-five million euros), representing less than 10% (ten percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the securities carrying rights to shares issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares,
  - the aggregate nominal amount of debt securities carrying rights to shares issued under this authorization shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization,
  - (i) in accordance with articles L.225-136 and R.225-119 of the French Commercial Code the issue price of the shares shall be at least equal to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the issue pricing date, less a discount of no more than 10% (ten percent), and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of securities carrying rights to shares shall be, for each share issued, at least equal to the issue price defined in point (i) above,
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s) (within the above limits), timing, price(s) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

18th resolution

/ Authorization for the Managers to issue shares and/or securities carrying rights to shares through an offer governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders

Following adoption of the 17th resolution, the purpose of the 18th resolution is to submit to a separate vote by shareholders a proposed authorization for the Managers or either of them to issue shares and/or securities carrying rights to shares through offers governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)*. This authorization could not be used during a public offer period.

This authorization would give the Company the necessary flexibility to rapidly raise funds from qualified investors.

The securities would be placed exclusively with the categories of investors specified in paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code, i.e., (i) professional investment portfolio managers and (ii) qualified investors or restricted groups of investors, provided that they are investing on their own behalf.

Any share issues carried out under this authorization would be included in the ceiling for issues without pre-emptive subscription rights for existing shareholders set in the 17th resolution.

This resolution renews the authorization given at the Annual Shareholders Meeting of May 18, 2018 (16th resolution), which has not been used.

This type of proposed resolution is explained in detail in Information Sheet 5.3 on page 47 of the MEDEF Guide, "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) at www.medef.com/.

Eighteenth resolution
(Authorization for the Managers or either of them to issue shares and/or securities carrying rights to shares through an offer governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135, L. 225-136 and L. 228-91 *et seq.* – and paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code:

- to authorize the Managers or either of them to carry out one or several issues of shares and/or securities carrying immediate and/or deferred rights to the Company's new or existing shares through an offer governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code, except during a public offer period. The issue(s) may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies;
- that:
  - the aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €35,000,000 (thirty-five million euros), representing less than 10% (ten percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the securities carrying rights to shares issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares,
  - the aggregate nominal amount of debt securities issued under this authorization shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent at the issue date in a foreign currency or a monetary unit determined by reference to a basket of currencies,
  - issues of shares and debt securities carried out pursuant to this authorization shall be included in the ceilings for such issues set in the 16th resolution of this Meeting,
  - shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization,
  - (i) in accordance with articles L.225-136 and R.225-119 of the French Commercial Code the issue price of the shares shall be at least equal to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the issue pricing date, less a discount of no more than 10% (ten percent), and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of securities carrying rights to shares shall be, for each share issued, at least equal to the issue price defined in point (i) above,
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s) (within the above limits), timing, price(s) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

19th resolution

/ Authorization for the Managers to increase the number of securities to be issued in the event that an issue (with or without pre-emptive subscription rights) is oversubscribed

The purpose of the 19th resolution is to authorize the Managers or either of them to increase the number of securities to be issued in the event that an issue carried out under the 16th, 17th or 18th resolutions is oversubscribed. It could not be used during a public offer period.

The additional securities would not exceed 15% (fifteen percent) of the original issue and would be offered at the same price as for the original issue. They would be included in the ceilings set in the resolution concerned.

This authorization would replace the one granted for the same purpose at the Annual Shareholders Meeting of May 18, 2018 (17th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.6, "Authorizations to increase the amount of an issue carried out either with or without pre-emptive subscription rights in the event that the issue is oversubscribed (greenshoe option)", on page 53 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) at www.medef.com/.

Nineteenth resolution
(Authorization for the Managers or either of them to increase the number of securities to be issued in the event that an issue, with or without pre-emptive subscription rights, is oversubscribed)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Article L. 225-135-1 of the French Commercial Code:

- to authorize the Managers or either of them to increase the number of shares and/or other securities carrying rights to shares issued with or without pre-emptive subscription rights under the 16th, 17th and 18th resolutions. Any such additional shares and/or other securities (i) shall be issued within 30 days of the end of the subscription period for the original issue, (ii) shall not represent more than 15% (fifteen percent) of the original issue, (iii) shall be offered at the same price as for the original issue, and (iv) shall be included in the respective ceilings set in the 16th, 17th and 18th resolutions.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

20th resolution

/ Authorization for the Managers to increase the Company's capital by capitalizing reserves, income or additional paid-in capital

The purpose of the 20th resolution is to seek an authorization to increase the Company's capital by up to €80,000,000 (eighty million euros) by capitalizing reserves, income or additional paid-in capital. Note that the authorization could not be used during a public offer period.

It would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 18, 2018 (18th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.7, "Authorizations to increase capital by capitalizing reserves", on page 55 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com/.

Twentieth resolution
(Authorization for the Managers or either of them to increase the Company's capital by capitalizing reserves, income or additional paid-in capital)

Having considered the reports of the Managing Chairman and the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 and L. 225-130 of the French Commercial Code:

- to authorize the Managers or either of them to increase the Company's capital, on one or more occasions except during a public offer period, by a maximum of €80,000,000 (eighty million euros) by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalizing reserves, income or additional paid-in capital. This amount shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations and contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares;
- that if new shares are issued, the Managers or either of them shall be authorized to decide that rights to fractions of shares shall be non-transferable and non-tradable and that the corresponding shares shall be sold in accordance with Article L. 225-130 of the French Commercial Code. In such a case, the sale proceeds shall be allocated among the rights holders within 30 days of the date when the whole number of shares allotted to them is recorded in their securities account;
- that the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) apply for the listing of the new shares on any market chosen by them, (iv) place on record the amount of the capital increase(s) resulting from the issue of shares, (v) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

21st resolution

/ Authorization for the Managers to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets

The 21st resolution concerns issues of shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets.

Shares issued in payment of contributed assets would be limited to the equivalent of 10% (ten percent) of the Company's capital and would be included in the ceiling specified in the 17th resolution.

This authorization would replace the one granted for the same purpose at the Annual Shareholders Meeting of May 18, 2018 (19th resolution), which has not been used.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.5 ("Authorizations to increase capital in payment for contributed assets") on page 51 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com/.

Twenty-first resolution
(Authorization for the Managers or either of them to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either of them to issue ordinary shares:
  - in connection with a stock-for-stock offer carried out in accordance with Article L. 225-148 of the French Commercial Code, or
  - as payment for shares or securities carrying rights to shares of another company contributed to the Company in transactions not governed by Article L. 225-148 of the French Commercial Code, in which case the number of shares issued shall be based on the report of the Expert Appraiser of Capital Contributions *(Commissaire aux apports)* and shall not exceed 10% (ten percent) of the Company's capital.

  The aggregate par value of shares issued under this authorization shall be included in the ceiling specified in the 17th resolution of this Meeting;
- that the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up shares, (iii) approve the value attributed to the acquired stock, (iv) apply for the listing of the new shares on any market chosen by them, (v) place on record the amount of the capital increase(s) resulting from the issue of shares, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

22nd resolution

/ Authorization for the Managers to carry out a rights issue for members of a Group employee shareholder plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders

The 22nd resolution concerns rights issues for employees who are members of a Group employee shareholder plan. The issues would be limited to an aggregate par value of €7,000,000 (seven million euros), representing around 2% (two percent) of the Company's current share capital.

This authorization would replace, with the same ceiling, the authorization granted for the same purpose at the Annual Shareholders Meeting of May 18, 2018 (20th resolution), which was used to launch an employee shareholder plan in 2018.

By the end of the offer period, 52.34% of eligible employees in 43 countries worldwide on five continents had invested in this sixth plan.

Note that the participation rate was remarkably high (over 80%) in Asia (China, Thailand and India).

Michelin is very pleased that the plan proved so popular. Its success attests to employees' confidence in the Group's strength and growth prospects.

See page 199 of the 2018 Registration Document for details.

To boost employee engagement, Michelin decided to launch a new employee shareholder plan every two years.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 6.3, "Authorizations to carry out employee rights issues", on page 67 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com/.

Twenty-second resolution
(Authorization for the Managers or either of them to carry out a rights issue for members of a Group employee shareholder plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders)

Having considered the report of the Managing Chairman, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either of them, pursuant to Articles L. 3332-1 *et seq.* of the French Labor Code *(Code du travail)* and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, to carry out one or more rights issues for members of an employee shareholder plan of the Company or of French or foreign related companies within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;
- that:
  - existing shareholders shall waive their pre-emptive right to subscribe any shares to be issued under this authorization,
  - the aggregate par value of shares issued under this authorization shall not exceed €7,000,000 (seven million euros), representing around 2% (two percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the issue price of the shares offered under this authorization shall be set by the Managers or either of them in accordance with Article L. 3332-19 of the French Labor Code and shall not reflect a discount of more than 30% (thirty percent) on the average of the opening prices quoted for the Company's shares on Euronext Paris over the 20 trading days preceding the date on which the opening date of the subscription period is decided. The Managers or either of them may reduce or cancel this discount if appropriate, in order to take into account, *inter alia,* locally applicable tax, labor law or accounting restrictions,
  - the Managers or either of them may decide to give employees free shares in place of the discount, in accordance with Article L. 3332-21 of the French Labor Code,
  - the Managers or either of them may also decide that employer matching contributions will be made in the form of free shares or securities with rights to shares instead of cash, subject to the limits set out in Article L. 3332-21 of the French Labor Code,
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount, and terms and conditions of the issue(s), (ii) determine whether the shares will be purchased directly by employees or through a corporate mutual fund, (iii) set the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on any markets chosen by them, (v) set any length-of-service conditions to be met by beneficiaries, (vi) place on record the amount of the capital increase(s) resulting from the rights issues, (vii) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

In accordance with the applicable legal provisions, the authorization provided for in this resolution shall also cover sales of shares to members of a Group employee shareholder plan.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

23rd resolution

/ Blanket ceilings on issues of shares and securities and debt securities carrying rights to shares

The purpose of the 23rd resolution is to set a blanket ceiling representing a nominal amount of €126,000,000 (one hundred twenty-six million euros) – or the equivalent of close to 35% of the Company's current capital – on share issues carried out under the 16th, 17th, 18th, 19th and 21st resolutions. This authorization would replace, with a slightly lower ceiling, the authorization granted for the same purpose at the Annual Shareholders Meeting of May 18, 2018 (21st resolution).

It also sets at €2.5 billion the blanket ceiling on issues of debt securities carrying immediate or deferred rights to shares carried out pursuant to the 16th, 17th, 18th and 19th resolutions. An explanation of the ceilings set by shareholders for authorizations relating to corporate actions is provided in the Introductory Information Sheet, "Authorizations granted by shareholders for the Board of Directors to carry out capital increases", on page 38 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com/.

Twenty-third resolution
(Blanket ceilings on issues of shares, securities carrying rights to shares and debt securities)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- that:
  - the aggregate par value of shares issued under the 16th, 17th, 18th, 19th and 21st resolutions, either immediately or on conversion, exchange redemption or exercise of securities carrying rights to shares, shall not exceed €126,000,000 (one hundred and twenty-six million euros), representing less than 35% of the Company's capital as of the date of this Meeting. This ceiling shall not include either (i) the par value of any shares to be issued to protect the interests of holders of securities carrying rights to shares or of other rights to the Company's shares in accordance with the law, or (ii) any other adjustments made pursuant to any applicable contractual provisions,

- the aggregate nominal amount of debt securities carrying immediate or deferred rights to shares, issued under the 16th, 17th, 18th and 19th resolutions shall not exceed €2,500,000,000 (two billion five hundred million euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

24th resolution

/ Authorization for the Managers to reduce the Company's capital by canceling shares

In the 24th resolution, shareholders are invited to authorize the Managers, or either of them, for a period of 24 months, to reduce the Company's capital by canceling treasury shares purchased under shareholder-approved buyback programs.

This authorization would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of May 17, 2019 (14th resolution).

During 2019, the Company used the previous authorization to buy back and cancel just over 1,345,821 shares, resulting in a corresponding capital reduction. For details of the buybacks, see section 6.5.6 b) of the 2019 Universal Registration Document.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.9, "Authorizations to carry out capital reductions", on page 59 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com/.

Twenty-fourth resolution
(Authorization for the Managers or either of them to reduce the Company's capital by canceling shares)

Having considered the report of the Managing Chairman, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either one of them to:
  - cancel, at their sole discretion, on one or more occasions, all or some of the shares purchased under shareholder-approved buyback programs, provided that the number of shares canceled does not exceed 10% (ten percent) of the Company's capital,
  - charge the difference between the cost of the canceled shares and their par value against any available premium or reserve account;
- to grant the Managers, or either of them, full powers – which may be delegated in accordance with the law – to (i) carry out the capital reduction(s) following the cancellation(s) of shares authorized under this resolution, (ii) make the corresponding accounting entries, (iii) amend the Bylaws to reflect the new capital and (iv) generally, carry out all necessary formalities.

This authorization shall be valid for a period of 24 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

25th resolution

/ Authorization to grant new or existing shares without consideration to the employees and Managers of the Company and the employees of Group subsidiaries, without pre emptive subscription rights for existing shareholders

This resolution replaces the resolution for the same purpose adopted by the Annual Shareholders Meeting of May 17, 2019 (13th resolution adopted by a majority of 98.70% of the votes cast). The earlier authorization was used in 2019 to launch a performance share plan (for details of the plan and the intermediate achievement rates for the performance criteria, see section 6.5.4 of the 2019 Universal Registration Document).

Following on from the resolution approved in 2019, the purpose of this year's resolution would be to:

- propose new performance criteria taking into account the change in Michelin's business environment and strategy;
- expand the scope of the plan to include the Managers, who would receive free share rights in place of their previous cash-settled long-term incentive bonus in application of the 2020 Compensation Policy for the Managers (see section 3.4.2 of the 2019 Universal Registration Document for details).

This resolution would allow free shares (new or existing shares) to be granted to the employees and Managers of the Company and the employees of other French and foreign Group companies.

Concerning free share grants to employees, the Managing Chairman would draw up the list of recipients, the number of shares and the grant criteria, based on the favorable opinion of the Supervisory Board on the recommendation of the Compensation and Appointments Committee.

The free shares would be subject to a vesting period of four years and fulfillment of performance objectives measured over three years.

The performance criteria would be structured in a similar manner to those in the 2019 authorization and would be based on three objectives reflecting different aspects of Michelin's strategy, as follows:

- a financial performance objective: growth in the Michelin share price;
- a corporate social responsibility objective: improvements in the environmental performance of manufacturing operations and employee engagement rates;
- an operating performance objective: growth in revenue (excluding tires and distribution) and total return on capital employed (ROCE).

These criteria are presented in detail below.

The total number of free shares granted under this authorization would not exceed 0.9% of the Company's capital on the date of the Shareholders Meeting that approved the related resolution (1,607,647 shares based on the capital at December 31, 2019). The very limited increase in the maximum number of shares that could be awarded is due to the change in the scope of the plan.

In line with Company practice, any share issues that may be required upon delivery of free shares to employees would not have a dilutive impact on the capital because the issues would be offset by the implementation of programs to buy back and subsequently cancel a number of shares at least equal to the number of shares delivered to employees.

This authorization would be given for a period of 38 months.

As an exception to the foregoing, in line with the dynamic new variable compensation policy designed to increase employee engagement by giving them a greater stake in the Group's earnings performance, the Managers propose granting five shares each to the employees of the main French subsidiaries. Over 83% of these employees are production operators, technicians and members of middle management. The total number of shares would be capped at 0.06% of the Company's capital and the shares would be included in the 0.9% cap referred to above. The shares would be subject to a vesting period of at least two years.

This type of proposed resolution is explained in detail in Information Sheet 6.2 "Grants of free shares" of the MEDEF Guide, "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) at www.medef.com.

In application of the 2020 Compensation Policy, free share awards to the Managers would be subject to the principles described above, as well as the following specific rules:

- the awards are decided annually by the Managing Chairman on the recommendation of the General Partners, after the performance conditions and criteria have been determined by the Supervisory Board;
- the total free share rights awarded during the period of validity of the above resolution would be capped at 0.05% of the Company's share capital and included in the 0.9% cap referred to above;
- in addition, the value of each annual award would be capped at a percentage of the Manager's annual fixed compensation for the award year, set at 100% for the Managing Chairman and 100% for the General Manager;
- the Managers would be required to hold 40% of the vested shares for as long as they remained in office;
- concerning the Managing Chairman and General Partner:
  - the vested free shares would be delivered to him only if Profit Shares were distributed in respect of the year preceding the one in which the shares are issued;
  - the cost to the Company of the proposed free share plan for the Managing Chairman and General Partner, which would replace the long-term incentive plan, would be taken into account for the determination by the Supervisory Board of the portion of net income attributed to the General Partners in accordance with the Bylaws;
- if a Manager ceased to hold this position:
  - following his resignation or removal from office due to mismanagement, all the free share rights would be forfeited;
  - for any other reason, such as the expiration of his term or due to disability or death before the end of the reference period for determining the achievement rate for the performance criteria, he would retain a number of free share rights initially awarded to him prorated to the time served in office during the plan period (or the total number in the case of disability or death), and the reference three-year period would continue to run, during and beyond the end of his term.

Financial performance criterion: growth in the Michelin share price

This criterion concerns Michelin's share performance compared with that of the Stoxx Europe 600 index.

It falls under the third objective, "Secure our financial performance", of the Ambitions for 2020.

The Stoxx Europe 600 is an international index that is more representative of the market performance of manufacturing and service stocks than the CAC 40. It has been chosen due to the breakdown of the Group's operations between various product families (Truck tires, Passenger car and Light truck tires, Specialty businesses, High Technology Materials) and related services. These operations expose the Group to changes in consumer goods markets (around 41% of the Group's business), economic growth and industrial markets (around 27%), and raw materials markets (around 21%). For the Group's business scope, which now extends well beyond tires and directly related services, it would no longer be appropriate to refer solely to the automotive market (around 11%), especially the automotive equipment segment.

This criterion would have a 30% weighting.

If the gain in Michelin's share price was at least 15 points more than the gain in the Stoxx Europe 600, the achievement rate would be 100% and the maximum 30% of the free shares would vest.

If the gain in Michelin's share price was less than 15 points more than the gain in the Stoxx Europe 600, the result would be: 30% x (gain in the Michelin share price - gain in the Stoxx Europe 600 index)/15.

If the gain in Michelin's share price was less than the gain in the Stoxx Europe 600, the achievement rate would be 0% and none of the related free shares would vest.

This criterion would be assessed by comparing the annual average share price and index for the year preceding the reference three-year period and the same average for the last year of the three-year period (closing prices quoted on Euronext Paris for Michelin shares and on the Stoxx Europe 600).

For example, for a free share plan launched in 2020 with a three-year vesting period from 2020 to 2022, gains in the Michelin share price and the Stoxx Europe 600 would be calculated by comparing the average price for 2019 and that for 2022.

Corporate social responsibility criterion: improvements in the environmental performance of manufacturing operations and employee engagement rates

This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement.

As each of these indicators would have a 15% weighting, the criterion's total weighting would be 30%.

To adapt these indicators more easily to changes affecting the Group during the authorization's period of validity (38 months), they would be calculated based on the rate of progression.

The first indicator is still part of the second objective ("Set the industry standard for responsible manufacturing") and the fourth objective ("Work together to continuously improve employee well-being and personal growth") of the Ambitions for 2020.

Since 2005, Michelin has measured and published these operations' energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled, using the Michelin site Environmental Footprint (MEF) indicator. The Group's goal for 2020 is to reduce the MEF by 50% compared with 2005.

The action taken and gains made to date are presented in sections 1 (page 35) and 4.1.4.3 of the 2019 Universal Registration Document.

The environmental performance of the manufacturing indicator covers the Group's current business scope[1]. It has a weighting of 15% and would be taken into account as follows:

- if the average annual change in the MEF over three years was greater than -0.5 pt, the achievement rate would be 0% and none of the free shares for this objective would vest;
- if the average annual change in the MEF over three years was between -0.5 pt and -1.5 pt, free shares for this objective would vest proportionately to the achievement rate;
- if the average annual change in the MEF over three years was less than -1.5 pt, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a free share plan launched in 2020 with a three-year vesting period from 2020 to 2022, the average reduction in MEF would be calculated based on the annual reduction between the years 2019/2020, 2020/2021 and 2021/2022.

As an example of past performance, the average annual reduction in MEF for the last three years was 2.73 points, based on the observed changes in absolute values reported in the corresponding Registration Documents/Universal Registration Document; source: 2017 Registration Document (page 205), 2018 Registration Document (page 250) and 2019 Universal Registration Document (sections 1, page 35, and 4.1.4.3).

The second indicator, employee engagement, is more than ever an important driver of operational excellence and the Group's ability to meet its performance objectives.

Michelin has set the particularly ambitious objective of becoming a world-class leader in this area by reaching and maintaining an 85% employee engagement rate. Since 2013, the annual "Moving Forward Together: Your Voice for Action" survey has measured the engagement rate and employee opinions about their work.

The action taken, gains made to date and the detailed employee engagement calculation method are presented in sections 4.1.2.3 and 4.1.2.4 of the 2019 Universal Registration Document.

The employee engagement indicator covers the Group's current business scope[1]. It would have a weighting of 15% and would be taken into account as follows:

- if the average engagement rate improved by less than 0.1 pt, the achievement rate would be 0% and none of the related free shares would vest;
- if the average engagement rate improved by between 0.1 pt and 1.5 pt, the free shares for this objective would vest proportionately to the achievement rate;
- if the average engagement rate improved by more than 1.5 pt, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a free share plan launched in 2020 with a three-year vesting period from 2020 to 2022, the average improvement in the engagement rate would be calculated based on the annual improvement between the years 2019/2020, 2020/2021 and 2021/2022.

As an example of past performance, the average annual improvement in the engagement rate for the last three years was 0.3 pt; source: observed changes in absolute values reported in the 2019 Universal Registration Document (section 6.5.4 c), page 375).

Operating performance criterion: growth in revenue (excluding tires and distribution) and return on capital employed (ROCE)

This criterion is based on two indicators: revenue growth excluding tires and distribution, and total consolidated ROCE (i.e. including acquisitions and companies accounted for by the equity method).

As each of these indicators would have a 20% weighting, the criterion's total weighting would be 40%.

It falls under the third objective, "Secure our financial performance", of the Ambitions for 2020.

The choice of this criterion is part of the Group's value creation strategy aiming to guarantee a robust and sustainable financial position, the independence of the Group and the achievement of its growth ambitions.

Growth in revenue (like-for-like growth excluding tires and distribution: "new business revenue growth"): this indicator measures the Group's ability to grow its new businesses (as opposed to its historical core business). The final revenue indicator would have a weighting of 20% and would be taken into account as follows:

- if average annual new business revenue growth exceeded 8%, the achievement rate would be 100% and the maximum 20% of the maximum potential free shares would vest;
- if average annual new business revenue growth was between 3% and 8%, the free shares for this criterion would vest proportionately to the achievement rate;
- if average annual new business revenue growth was less than 3%, the achievement rate would be 0% and none of the related free shares would vest.

This criterion would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched. For example, for a free share plan launched in 2020 with a three-year vesting period from 2020 to 2022, the average would be calculated based on the annual growth rate between the years 2019/2020, 2020/2021 and 2021/2022.

Total consolidated ROCE (including acquisitions, related goodwill, and companies accounted for by the equity method) for the last year of the three-year period ("final ROCE"): this indicator measures the robustness of the Group's performance. It stands at 10% for the year 2019.

The final ROCE indicator would have a weighting of 20% and would be taken into account as follows:

- if the final ROCE exceeded 11%, the achievement rate would be 100% and the maximum 20% of the potential free shares would vest;
- if the final ROCE was between 10% and 11%, the free shares for this criterion would vest proportionately to the achievement rate;
- if the final ROCE was less than 10%, the achievement rate would be 0% and none of the related free shares would vest.

For example, for a free share plan launched in 2020 with a three-year vesting period from 2020 to 2022, the final ROCE would be the ROCE for 2022.

(1) *The companies acquired by Michelin would be taken into account in the indicators' rate of progression as from the fourth year in which they are included in the consolidated financial statements.*

Twenty-fifth resolution
(Authorization to grant new or existing shares without consideration to the employees and Managers of the Company and the employees of Group subsidiaries, without pre emptive subscription rights for existing shareholders)

Having considered the report of the Managing Chairman, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either of them, in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code, to grant new or existing shares without consideration to the Managers and selected employees of the Company and selected employees of related entities within the meaning of Article L. 225-197-2 of said Code, on the basis defined below;
- that any share grants to the Managers must be authorized by the Supervisory Board;
- that, for share grants to employees, the Managers, or either of them, shall draw up the list of grantees, and determine the number of shares to be granted and the grant conditions and criteria, including performance criteria, which shall be determined with the Supervisory Board's agreement, barring the exception provided below;
- that the shares shall be subject to a vesting period set by the Managers, or either of them, which shall be at least three years, barring the exception provided below, and may be followed by a lock-up period set by the Managers, or either of them, for certain grantees;
- that the shares shall vest before the end of the above vesting period and that all restrictions on their sale shall be lifted in the event of the grantee's death or if the grantee is affected by a category 2 or 3 disability as defined in Article L. 341-4 of the French Social Security Code (Code de la sécurité sociale);
- that, if the decision is made to deliver new free shares to grantees, the successive share issues carried out when the shares vest shall be paid up by capitalizing reserves, income or additional paid-in capital, and that existing shareholders shall waive their pre-emptive right to subscribe for said new shares;
- that:
  - the shares granted pursuant to this authorization shall not represent more than 0.9% (zero point nine percent) of the Company's capital at December 31, 2019;
  - the shares granted to the Managers pursuant to this authorization shall not represent more than 0.05% (zero point zero five percent) of said capital and shall be included in the 0.9% ceiling referred to above;
  - the shares granted pursuant to this authorization subject to the sole vesting condition of the grantee's continued presence within the Group on the vesting date (i) shall not represent more than 0.06% (zero point zero six percent) of said capital and shall be included in the 0.9% ceiling referred to above, (ii) shall only concern shares grants made to all employees of the Company or a direct or indirect French subsidiary of the Company, and (iii) shall be limited to a maximum of 5 (five) shares per grantee. As an exception to the foregoing, these share grants may be subject to a vesting period of at least two years;
- that the Managers, or either of them, shall have the broadest powers, within the above-defined limits and the limits resulting from the law, to:
  - provide for the possibility of temporarily suspending the share rights on the basis prescribed by the applicable laws and regulations,
  - place on record the dates on which the shares vest and the dates on which the restrictions on their sale are lifted, in accordance with this resolution and taking into account the legal restrictions,
  - record the shares in a registered share account in the grantee's name,
  - provide for the possibility of adjusting the number of shares during the vesting period in order to protect the rights of grantees following any corporate actions carried out by the Company, and
  - generally, do everything useful or necessary to implement this authorization, carry out any and all filing and other formalities, place on record the resulting capital increases and amend the Bylaws to reflect the new capital.

This authorization shall be given to the Managers for a period of 38 months from the date of this Meeting and shall supersede any authorization previously granted for the same purpose.

26th resolution

/ Amendments to the Bylaws: Supervisory Board members representing employees

The purpose of the 26th resolution is to amend Article 15 of the Company's Bylaws to provide for the appointment of employee representatives to the Supervisory Board, in accordance with the changes introduced in the PACTE Act (Act No. 2019-486).

In application of these provisions, the members representing employees are not elected by the Shareholders Meeting, but are either elected by employees or designated by employee representative bodies.

However, the Bylaws have to be amended by the Extraordinary Shareholders Meeting, with the agreement of the General Partners, to specify the conditions for electing and/or designating members representing employees, by one of the methods provided for by law.

Following consideration of the issue by the Supervisory Board's Compensation and Appointments Committee, the results of which were presented to the Board during 2019, the Supervisory Board and the Managers decided to organize an appropriate designation method aligned with the specific characteristics of the Company and the Group, taking into account the results of the recent elections of employee representatives and on a consistent basis with these results, without excessive complexity.

The resulting proposals are as follows:

- the first member representing employees would be designated by the trade union that obtained the most votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the Labor Code *(Code du travail)* held by the Company and its direct and indirect subsidiaries that have their registered office in France;
- a second member representing employees would be designated by the trade union that obtained the second highest number votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the Labor Code *(Code du travail)* held by the Company and its direct and indirect subsidiaries that have their registered office in France if, on the date of said designation, the Supervisory Board comprises at least eight members elected by the shareholders in General Meeting (a level more favorable than the trigger point of "more than eight members" provided for in PACTE).

In accordance with the law, the Group Committee on which the Company is represented has been informed and consulted about this proposal.

Twenty-sixth resolution
(Amendments to the Bylaws: Supervisory Board members representing employees)

Having considered the reports of the Managing Chairman and the Supervisory Board, and having noted the approval of the General Partners, the Extraordinary Shareholders Meeting resolves to amend Article 15 of the Bylaws as follows ***(amendments in bold and italics):***

Old wording:	New wording:
Article 15	Article 15
	15.1. – Supervisory Board members elected by the Shareholders Meeting
The Company shall have a Supervisory Board composed of a minimum of three members and of a maximum of ten members, chosen exclusively from among the Non-General Partners.	The Company shall have a Supervisory Board composed of a minimum of three members and of a maximum of ten members, chosen exclusively from among the Non-General Partners.
Those members who, during their office, cease to be Shareholders shall automatically be considered as having resigned.	Those members who, during their office, cease to be Shareholders shall automatically be considered as having resigned.
The members of the Supervisory Board shall be appointed by the Ordinary Shareholders Meeting for a renewable four-year term. However, on the express recommendation of the Supervisory Board, the Ordinary Shareholders Meeting may appoint Supervisory Board members for a term of less than four years. Appointments and re-appointments of Supervisory Board members shall be carried out subject to the provisions of the last three sub-paragraphs of this article.	The members of the Supervisory Board shall be appointed by the Ordinary Shareholders Meeting for a renewable four-year term. However, on the express recommendation of the Supervisory Board, the Ordinary Shareholders Meeting may appoint Supervisory Board members for a term of less than four years. Appointments and re-appointments of Supervisory Board members shall be carried out subject to the provisions of the last three sub-paragraphs of this article.
The functions of the members of the Supervisory Board shall terminate at the end of the Ordinary Shareholders Meeting having decided upon the financial statements for the last financial year of their term.	The functions of the members of the Supervisory Board shall terminate at the end of the Ordinary Shareholders Meeting having decided upon the financial statements for the last financial year of their term.
The Shareholders who are General Partners shall not, in the Shareholders Meetings, participate in the appointment of the members of the Supervisory Board.	The Shareholders who are General Partners shall not, in the Shareholders Meetings, participate in the appointment of the members of the Supervisory Board.
The members of the Supervisory Board may be revoked at any time by the Ordinary Shareholders Meeting.	The members of the Supervisory Board may be revoked at any time by the Ordinary Shareholders Meeting.
In the event of a vacancy for any reason whatsoever between two Ordinary Shareholders Meetings, the Supervisory Board may appoint new temporary members; the Board shall do so within fifteen days following the vacancy if the number of members has become less than three. These appointments shall be confirmed by the next Shareholders Meeting. The replacement member shall remain in office only until the end of his or her predecessor's term of office. If the Shareholders Meeting does not confirm the appointments, the decisions adopted by the Supervisory Board shall, however, remain valid.	In the event of a vacancy for any reason whatsoever between two Ordinary Shareholders Meetings, the Supervisory Board may appoint new temporary members; the Board shall do so within fifteen days following the vacancy if the number of members has become less than three. These appointments shall be confirmed by the next Shareholders Meeting. The replacement member shall remain in office only until the end of his or her predecessor's term of office. If the Shareholders Meeting does not confirm the appointments, the decisions adopted by the Supervisory Board shall, however, remain valid.
No one older than seventy-five may be appointed member of the Supervisory Board; said age limit is however not applicable to one third, rounded up to the next higher whole number, where applicable, of the total number of the members of the Board in office.	No one older than seventy-five may be appointed member of the Supervisory Board; said age limit is however not applicable to one third, rounded up to the next higher whole number, where applicable, of the total number of the members of the Board in office.
No one older than seventy-five may be appointed member of the Supervisory Board if this appointment increases the percentage of the members over seventy-five, rounded up as described above, to over one third of the total number of the members of the Board in office.	No one older than seventy-five may be appointed member of the Supervisory Board if this appointment increases the percentage of the members over seventy-five, rounded up as described above, to over one third of the total number of the members of the Board in office.
In the event that, for any reason whatsoever, the number of the members of the Board older than seventy-five exceeds the above-mentioned one-third limit of the total number of members in office, the oldest member(s) shall be considered as having resigned at the Ordinary Shareholders Meeting called to approve the financial statements of the financial year during which the proportion of members older than seventy-five has been exceeded, unless if in the meantime the required proportion has been restored.	In the event that, for any reason whatsoever, the number of the members of the Board older than seventy-five exceeds the above-mentioned one-third limit of the total number of members in office, the oldest member(s) shall be considered as having resigned at the Ordinary Shareholders Meeting called to approve the financial statements of the financial year during which the proportion of members older than seventy-five has been exceeded, unless if in the meantime the required proportion has been restored.

Old wording:	New wording:
	15.2. – Supervisory Board members representing employees
	In application of the law, the Supervisory Board also includes a member representing employees, who is designated by the trade union that obtained the most votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the Labor Code (Code du travail) held by the Company and its direct and indirect subsidiaries that have their registered office in France.
	In application of the law, the Supervisory Board also includes a member representing employees, who is designated by the trade union that obtained the most votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the Labor Code (Code du travail) held by the Company and its direct and indirect subsidiaries that have their registered office in France.
	As an exception to the stipulations of this Article, Supervisory Board members representing employees are not required to be shareholders and are not required to purchase and hold shares of the Company.
	Supervisory Board members representing employees are appointed for a term of four years ending at the close of the Annual Shareholders Meeting called to approve the financial statements for the last year of their term.
	If the number of Supervisory Board members elected by shareholders is reduced to less than eight, this will have no impact on the terms of the members representing employees, which will continue to run until their normal expiry date.
	If the conditions for applying Article L. 225-79-2 of the Commercial Code (Code de commerce), other than the above-mentioned condition concerning the number of members, are not fulfilled at the end of a fiscal year, the terms of the Supervisory Board members representing employees will end at the close of the Annual Shareholders Meeting at which the financial statements for that year are approved.
	The conditions concerning eligibility, training, exercise of the mandate, protection of the employment contract, replacement, removal from office and cases of early expiration of the terms of Supervisory Board members representing employees are set in accordance with the rules laid down in Articles L. 225-28 to L. 225-34 of the Commercial Code.
	If no member representing employees is appointed in application of the law and this Article, this will not affect the validity of the Supervisory Board's decisions.
	Subject to the provisions of this Article or the law, the members representing employees have the same rights and responsibilities as the other Supervisory Board members.

27th resolution

/ Powers to carry out formalities

The purpose of the 27th resolution is to give powers to carry out the formalities related to the Annual Shareholders Meeting.

Twenty-seventh resolution
(Powers to carry out formalities)

The shareholders give full powers to the bearer of an original, copy or extract of the minutes of this Ordinary and Extraordinary Shareholders Meeting to carry out all legal and administrative formalities and to make all filings and publish all notices required by the applicable laws.

7.1.3 SUMMARY OF FINANCIAL AUTHORIZATIONS SUBMITTED FOR SHAREHOLDER APPROVAL

Corporate action	Applicable ceilings *(nominal amount)*	Duration (expiration date)
Issuance of shares and/or securities carrying rights to shares, with pre-emptive subscription rights *(16th resolution)*	shares: €126 million (close to 35% of current capital) debt securities: €2.5 billion	26 months *(August 2022)*
Issuance of shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights *(17th resolution)*	shares: €35 million (less than 10% of current capital) debt securities: €2.5 billion	26 months *(August 2022)*
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code, without pre-emptive subscription rights *(18th resolution)*	shares: €35 million (less than 10% of current capital) (1) debt securities: €2.5 billion(1)	26 months *(August 2022)*
Increase in the number of securities to be issued under issues with or without pre-emptive subscription rights *(19th resolution)*	15%, subject to the ceilings applicable for the issues concerned	26 months *(August 2022)*
Issuance of new shares paid up by capitalizing reserves, income or additional paid-in capital *(20th resolution)*	€80 million	26 months *(August 2022)*
Issuance of shares for a stock-for-stock offer or in payment for contributed assets *(21st resolution)*	€35 million (less than 10% of current capital)(1)	26 months *(August 2022)*
Employee rights issue *(22nd resolution)*	€7 million (less than 2% of current capital)	26 months *(August 2022)*
Blanket ceilings on all the authorizations to issue shares and debt securities carrying rights to shares (except for share issues carried out under the 20th resolution) *(23rd resolution)*	shares: €126 million (close to 35% of current capital) debt securities: €2.5 billion	26 months *(August 2022)*
Capital reduction by canceling shares *(24th resolution)*	10% of the issued capital	24 months *(June 2022)*
Shares grant without consideration to employees and Managers of the Company and the employees of Group subsidiaries *(25th resolution)*	0.9% of the issued capital Subject to performance conditions	38 months *(August 2023)*
Share buyback program *(5th resolution)*	17.8 million shares at a maximum price of €180 per share	18 months *(December 2021)*

(1) Included in the ceiling set in the 17th resolution (issuance through a public offer without pre-emptive subscription rights).

7.2 REPORT OF THE SUPERVISORY BOARD: RECOMMENDATIONS CONCERNING THE VOTES ON THE PROPOSED RESOLUTIONS

7.2.1 ELECTION AND RE-ELECTION OF SUPERVISORY BOARD MEMBERS (13TH, 14TH AND 15TH RESOLUTIONS) AND AMENDMENT OF THE BYLAWS TO ALLOW THE APPOINTMENT OF MEMBERS REPRESENTING EMPLOYEES (26TH RESOLUTION)

7.2.1.1 Election and re-election of Supervisory Board members

Michelin is a partnership limited by shares *(société en commandite par actions)* and as such its Supervisory Board is entirely made up of non-executive members (nearly 78% of whom are independent) who represent the shareholders.

With a view to clearly separating management and supervisory powers, no General Partner may play a role in the nomination process – neither Florent Menegaux, Managing Chairman, nor SAGES, the Non-Managing General Partner, which is responsible for ensuring the Company's continuity of leadership.

The General Partners may not be involved in decisions to recommend candidates for election to the Supervisory Board at Shareholders Meetings.

In addition, French law and the Company's Bylaws prohibit the General Partners from taking part in the vote at Shareholders Meetings to elect members of the Supervisory Board and their shares are not included in the quorum for the related resolutions.

The terms of Anne-Sophie de La Bigne and Jean-Pierre Duprieu as Supervisory Board members are due to expire at the close of the Annual Shareholders Meeting on June 23, 2020.

Anne-Sophie de La Bigne and Jean-Pierre Duprieu have informed the other Supervisory Board members that they wish to stand for re-election, which is the purpose of the 13th and 14th resolutions.

When he was re-elected in 2017, Olivier Bazil stated that he did not wish to serve a full four-year term and intended to step down from the Supervisory Board in 2020.

The Supervisory Board unanimously thanks Olivier Bazil for his exceptional contribution to the Board's work during his seven years of membership and as Chairman of the Audit Committee.

The Compensation and Appointments Committee has decided to recommend Patrick de La Chevardière as new member of the Supervisory Board, which is the purpose of the 15th resolution.

/ Re-elections of Supervisory Board members

Anne-Sophie de La Bigne

Airbus Group – 12, rue Pasteur – BP 75 – 92152 Suresnes Cedex – France

Anne-Sophie de La Bigne was born in 1960 and is a French national. Since 2008, she has been Vice President in charge of Civil Affairs in the Public Affairs Division, France, at Airbus Group[1].

Anne-Sophie de La Bigne owns 903 Michelin shares.

She has served as an independent member of the Supervisory Board since 2013. She was a member of the Audit Committee between 2013 and July 2019, and has been a member of the Compensation and Appointments Committee since 2017.

The Supervisory Board considers that Anne-Sophie de La Bigne qualifies as an independent member[2] because:

- she does not have any close family ties with either the Managing Chairman or any member of the Supervisory Board;
- she is not currently and never has been an employee of Michelin or any of its subsidiaries;
- she has not been a member of the Supervisory Board for more than 12 years;
- she is not an executive officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board;
- she has not been an auditor of Michelin in any of the past five years;
- she is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners;
- she is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin;

The Board examined Anne-Sophie de La Bigne's candidature for re-election (for the second time) for a four-year term, taking into account:

- her excellent understanding of the challenges facing the Group and its strategy;
- her involvement in the work of the Supervisory Board and the Audit Committee, especially her contribution to ensuring smooth and constructive relations and discussions among the members;
- her engagement as a member of the Compensation and Appointments Committee;
- her knowledge of CSR and human resources issues;
- her availability and attendance rate at meetings of the Board and its Committees, as illustrated by her 100% attendance rate at meetings of the Board and the Committees of which she was a member in 2017, 2018 and 2019 (period chosen by the Board to review proposed re-elections);
- the fact that she is an independent member of the Board and has no conflicts of interest;
- her contribution to the Board's diversity.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that Anne-Sophie de La Bigne be re-elected for a further four-year term. She did not take part in the Board's discussion or vote.

(1) Listed company.

(2) A detailed discussion of Supervisory Board members' independence is provided in section 3.3.2.f.

Jean-Pierre Duprieu

Michelin – 27, cours de l'Île-Seguin – 92100 Boulogne-Billancourt – France

Jean-Pierre Duprieu was born in 1952 and is a French national. He is a director of Korian and Chairman of its Compensation and Appointments Committee, and a director of Groupe SEB[(1)].

Until 2016, he was Executive Vice President of the Air Liquide Group[(1)]. He was a member of Air Liquide's Executive Management team from 2010 to 2016, in charge of the Europe region and Healthcare operations as well as corporate functions, including information systems and Efficiency/Purchasing programs.

Jean-Pierre Duprieuowns 510 Michelin shares.

He has been a member of the Supervisory Board and its Audit Committee since 2013 and is considered by the Supervisory Board to be an independent member[(2)] because:

- he does not have any close family ties with either the Managing Chairman or any member of the Supervisory Board;
- he is not currently and never has been an employee of Michelin or any of its subsidiaries;
- he has not been a member of the Supervisory Board for more than 12 years;
- he is not an executive officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board;
- he has not been an auditor of Michelin in any of the past five years;
- he is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners;
- he is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

The Board examined Jean-Pierre Duprieu's candidature for re-election (for the second time) for a four-year term based on the above-mentioned criteria, taking into account:

- his excellent knowledge of the world of manufacturing;
- his managerial experience within a major international group;
- his contribution to the work of the Board and its Audit Committee, especially on issues related to risk audits and audits of industrial projects;
- the fact that he is an independent member of the Board and has no conflicts of interest;
- his availability and attendance rate at meetings of the Board and its Audit Committee, as illustrated by his 97% attendance rate at meetings of the Board and the Audit Committee in 2017, 2018 and 2019 (period chosen by the Board to review proposed re-elections).

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that Jean-Pierre Duprieu be re-elected for a further four-year term. He did not take part in the Board's discussion or vote.

/ Election of a new Supervisory Board member

When he was re-elected to the Board, Olivier Bazil informed the Supervisory Board that he did not wish to serve a full four-year term and intended to step down at the close of the Annual Shareholders Meeting to be called in 2020 to approve the 2019 financial statements.

To strengthen its membership, the Supervisory Board asked the Compensation and Appointments Committee to define a candidate search strategy based on best practices. The Committee assigned the initial selection process to a leading independent recruitment firm which shortlisted a certain number of potential candidates.

Following a detailed review of these potential candidates, the Committee decided to recommend that Patrick de La Chevardière be proposed for election at the Annual Shareholders Meeting to be called to approve the 2019 financial statements.

Patrick de La Chevardière was born in 1957 and is a French national. He is currently a director of Schlumberger[(1)] and until July 2019 was the Group's Chief Financial Officer and a member of the Executive Committee of the Total Group[(1)], where he spent his entire career.

Patrick de La Chevardière is a graduate of *École centrale.* He began his career as a drilling engineer in the Exploration and Production division (1982-1989), before joining the Finance Department (1989-1995). He subsequently served as head of the Operations and Subsidiaries Division (1995-2000), Asia Director in the Refining and Marketing division (2000-2003), deputy Chief Financial Officer (2003-2008) and member of the Management Committee (2005), and Chief Financial Officer and member of the Executive Committee (from 2008).

The Compensation and Appointments Committee considered that his profile would represent an ideal addition to the skills and expertise represented on the Board and that, in particular, he would contribute to the Supervisory Board:

- his managerial experience within a major international group;
- his knowledge of the industrial world;
- his expertise in economics, accounting and finance, allowing him to contribute actively to the work of the Audit Committee and, if applicable, to lead it;
- his desire to participate in a committed and engaged manner in the work of the Board and its Committees by ensuring that he is available as needed;
- an absence of conflicts of interest with the Company;

The Supervisory Board considers that Patrick de La Chevardière qualifies as an independent member because:

- he does not have any close family ties with either the Managing Chairman or any member of the Supervisory Board;
- he is not currently and never has been an employee of Michelin or any of its subsidiaries;
- he has not been a member of the Supervisory Board for more than 12 years;
- he is not an executive officer of a company in which Michelin directly or indirectly has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board;
- he has not been an auditor of Michelin in any of the past five years;
- he is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners;
- he is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board has decided to propose Patrick de La Chevardière for election to the Board for a four-year term.

(1) Listed company.

(2) A detailed discussion of Supervisory Board members' independence is provided in section 3.3.2. f.

If shareholders approve this proposal, the Supervisory Board members plan to appoint Patrick de La Chevardière as member and Chairman of the Audit Committee, to replace Oliver Bazil, who has announced his intention to step down from the Board when Patrick de La Chevardière is elected by the Annual Shareholders Meeting.

Patrick de La Chevardière has agreed to stand for election to the Supervisory Board and to serve as a member of the Audit Committee if asked to do so by the Board.

As of the date of publication of this report, he holds 400 Michelin shares, corresponding to the number of shares required for each member of the Supervisory Board's and as indicated in the internal rules.

/ Expiration dates of Supervisory Board members' terms of office

After the Annual Shareholders Meeting, assuming the shareholders elect and re-elect the members standing for election and re-election, the expiration dates of the Supervisory Board members' terms of office will be effectively staggered, as follows:

	2021 AGM	2022 AGM	2023 AGM	2024 AGM
Olivier Bazil	X			
Barbara Dalibard			X	
Jean-Pierre Duprieu				X
Aruna Jayanthi			X	
Anne-Sophie de La Bigne				X
Patrick de La Chevardière				X
Thierry Le Hénaff		X		
Monique Leroux		X		
Cyrille Poughon		X		
Michel Rollier	X			
NUMBER OF EXPIRATIONS BY YEAR	**2**	**3**	**2**	**3**

The above disclosures do not take into account:

- Olivier Bazil's decision to step down from the Supervisory Board after Patrick de La Chevardière's election by the Annual Shareholders Meeting of June 23, 2020;
- future appointments of members representing employees in application of the amendments to the Bylaws to be submitted to the Annual Shareholders Meeting of June 23, 2020, as indicated below.

7.2.1.2 Amendments to the Bylaws to permit the appointment to the Supervisory Board of members representing employees

The 26th resolution presented in the Managing Chairman's report proposes amending the Bylaws to include a mechanism for appointing employee representatives to serve on the Supervisory Board in application of the changes introduced in the PACTE Act.

Following consideration of the issue by the Supervisory Board's Compensation and Appointments Committee, the results of which were presented to the Board during 2019, the Supervisory Board and the Managers decided to organize an appropriate designation method aligned with the specific characteristics of the Company and the Group.

In accordance with the conclusions of the Compensation and Appointments Committee, we recommend that shareholders approve the said amendments to the Bylaws.

7.2.2 APPROVAL OF THE COMPENSATION OF THE CORPORATE OFFICERS, AUTHORIZATION TO GRANT FREE SHARES TO THE EMPLOYEES AND MANAGERS (6TH TO 12TH AND 25TH RESOLUTIONS)

Since 2014, the compensation of the Managers and the Chairman of the Supervisory Board has been submitted to the Annual Shareholders Meeting, and since 2018, the Supervisory Board prepares each year, with the General Partners for the part concerning the Managing Chairman and the General Manager, the Compensation Policy applicable to the Managers and the Chairman of the Supervisory Board. This policy is included in the Supervisory Board's report on corporate governance.

The policy and the components of the compensation packages were presented to the corresponding Annual Shareholders Meetings by the Chair of the Compensation and Appointments Committee.

In 2020, in application of the Directive, the PACTE Act, and their implementing legislation or legislation transposing the Directive into French law, the General Partners and the Supervisory Board are asking shareholders to approve:

- the 2020 Compensation Policy applicable to (i) the Managers (6th resolution) and (ii) the Supervisory Board (7th resolution)[(1)];
- the information about the compensation of the Managers and the Chairman of the Supervisory Board (8th resolution) and the individual compensation paid or awarded to them (9th to 12th resolutions) for 2019[(2)].

To permit implementation of the 2020 Compensation Policy for the Managers, shareholders are also asked to adopt a new resolution authorizing the granting of free shares not only to employees of Michelin Group companies but also to the Company's Managers in place of the Managers' previous cash-settled long-term incentive bonuses (25thresolution)[(3)].

These grants would be made:

- to the Managers, on the recommendation of the General Partners, after the performance conditions and criteria have been determined by the Supervisory Board;
- to employees, by decision of one of the Managers, based on the favorable opinion of the Supervisory Board on the recommendation of the Compensation and Appointments Committee.

We recommend that shareholders adopt the corresponding resolutions.

7.2.3 APPROVAL OF THE FINANCIAL STATEMENTS, REGULATED AGREEMENTS AND FINANCIAL AUTHORIZATIONS (1ST TO 5TH, AND 16TH TO 24TH RESOLUTIONS)

Concerning the other ordinary resolutions, the accounting and financial information communicated to shareholders and the Managing Chairman's report present the Group's operations and results for 2019 (for the purposes of the 1st, 2nd and 3rd ordinary resolutions).

We have no comments on the Statutory Auditors' reports on the financial statements.

As no new related-party agreements requiring shareholder approval were entered into in 2019, you are asked to place on record that there are no such agreements to approve (4th resolution).

Before asking shareholders to approve the financial statements of the Company, the consolidated financial statements and the proposed appropriation of net income, we would like to underscore last year's robust performance and the faster deployment of the Group's strategy through the recent acquisitions and partnerships.

These good performances lead us to reaffirm our confidence in the Managers.

They also lead us to support the Managing Chairman's recommendation to set the dividend at €2.00 per share (2nd resolution).

The Company wishes to renew its share buyback program on the same terms as for the previous program (5th resolution). An authorization to cancel shares bought back under the program is also being sought to replace the authorization granted at the 2019 Meeting, which was used by the Company during the year (24th extraordinary resolution).

We are also proposing a number of extraordinary resolutions (16th to 21st and 23rd resolutions) which renew – on the same or very similar terms – the financial authorizations granted at the May 18, 2018 Annual Shareholders Meeting, which are needed by the Group to support implementation of its strategy.

In addition, shareholders will be asked to renew the previous authorization to carry out rights issues for members of a Group employee shareholder plan (22nd resolution).

We recommend that shareholders adopt the proposals submitted by the Managing Chairman for their approval by voting in favor of the corresponding ordinary and extraordinary resolutions.

March 31, 2020

The Supervisory Board

(1) *Detailed policy described in the Supervisory Board's Corporate Governance Report, see section 3.4 of the 2019 Universal Registration Document.*

(2) *Detailed disclosures in the Supervisory Board's Corporate Governance Report, see sections 3.5 to 3.7 of the 2019 Universal Registration Document.*

(3) *See the detailed presentation of these proposed resolutions in section 7.1.2 of the 2019 Universal Registration Document.*

7.3 STATUTORY AUDITORS' REPORTS

7.3.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS SECURITIES, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

Annual Shareholders Meeting of June 23, 2020 (16th, 17th, 18th, 19th and 23rd resolutions)

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements Michelin, and pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code *(Code de commerce),* we hereby report to you on the proposed delegations of authority to the Managers, or either of them, to carry out various issues of shares and/or securities, which are submitted to you for approval.

On the basis of his report, the Managing Chairman invites the shareholders to delegate to the Managers, for a period of 26 months, from the date of this Annual Shareholders Meeting, the authority to carry out, except during a public offer period, the following transactions and to set the final terms and conditions thereof, and, where appropriate, to cancel shareholders' preemptive subscription rights:

- the issue, with pre-emptive subscription rights (16th resolution), of shares and/or securities, which may notably include equity securities and/or debt securities, carrying immediate or deferred rights to the Company's existing or new shares;
- the issue, without pre-emptive subscription rights through a public offer (17th resolution), of shares and/or securities, which may notably include equity securities and/or debt securities, carrying immediate or deferred rights to the Company's existing or new shares;
- the issue, without pre-emptive subscription rights, through an offer governed by paragraph II of Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)* and for up to 20% of the capital per year (18th resolution), of shares and/or securities, which may notably include equity securities and/or debt securities, carrying immediate or deferred rights to the Company's existing or new shares.

The aggregate nominal amount of the shares that may be issued under the 16th, 17th, 18th, 19th and 21st resolutions, immediately or on conversion, exchange, redemption or exercise of securities may not, under the 23rd resolution, exceed €126 million, it being specified that the nominal amount of the shares that may be issued, either immediately or on conversion, exchange, redemption or exercise of securities, may not exceed:

- €126 million under the 16th resolution;
- €35 million under either the 17th or 18th resolution or under all the 17th, 18th and 21st resolutions combined.

Under the 23rd resolution, the aggregate nominal amount of debt securities that may be issued under the 16th, 17th, 18th and 19th resolutions may not exceed €2.5 billion.

These ceilings take into account the additional securities to be issued under the delegations of authority sought in the 16th, 17th and 18th resolutions, in accordance with Article L. 225-135-1 of the French Commercial Code, in the event that the shareholders adopt the 19th resolution.

It is the responsibility of the Managing Chairman to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancellation of the shareholders' pre-emptive subscription rights, and on certain other information relating to these transactions, which is presented in this report.

We performed the procedures that we considered necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying the information provided in the Managing Chairman's report relating to this transaction and the methods used to set the issue price of the shares to be issued.

Subject to a subsequent examination of the terms and conditions of the issues, we have no matters to report as regards the information provided in the Managing Chairman's report on the methods used to set the issue price of the equity securities to be issued under the 17th and 18th resolutions.

In addition, as this report does not stipulate the methods used to set the issue price of the shares to be issued under the 16th resolution, we do not express an opinion on the basis used to calculate the issue price.

Since the final terms and conditions of the issues have not been set, we do not express an opinion in this respect, or, consequently, on the proposed cancellation of the shareholders' preemptive subscription rights under the 17th and 18th resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when the Managers, or either of them, use the delegations of authority to issue equity securities carrying rights to other equity securities or rights to the allocation of debt securities, securities carrying rights to equity securities to be issued or shares without preemptive subscription rights.

Neuilly-sur-Seine and Paris-La Défense, April 15, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

7.3.2 STATUTORY AUDITORS' REPORT ON THE RIGHTS ISSUE RESERVED FOR MEMBERS OF A GROUP EMPLOYEE SHAREHOLDER PLAN

Annual Shareholders Meeting of June 23, 2020 (22nd resolution)

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements Michelin, and pursuant to Articles L. 225-135 *et seq.* of the French Commercial Code *(Code de commerce),* we hereby report to you on the proposed delegation of authority to the Managers, or either of them, to increase the capital by issuing, without pre-emptive subscription rights, ordinary shares reserved for members of an employee shareholder plan of the Company or of French or foreign companies related to the Company within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code *(Code du travail),* for a maximum amount of €7 million, which is submitted to you for approval.

This rights issue is submitted to the shareholders for approval pursuant to the provisions of Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labor Code.

On the basis of his report, the Managing Chairman invites the shareholders to delegate to the Managers, or either of them, for a period of 26 months, the authority to increase the capital and cancel shareholders' pre-emptive subscription rights to the shares to be issued. Where applicable, the Managing Chairman will be responsible for setting the final terms and conditions of this transaction.

It is the responsibility of the Managing Chairman to prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the shareholders' pre-emptive subscription rights, and on certain other information relating to the issue, which is presented in this report.

We performed the procedures that we considered necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying the information provided in the Managing Chairman's report relating to this transaction and the methods used to set the issue price of the shares to be issued.

Subject to a subsequent examination of the terms and conditions of the proposed rights issue, we have no matters to report as regards the information provided in the Managing Chairman's report on the methods used to set the issue price of the ordinary shares to be issued.

Since the final terms and conditions of the rights issue have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancellation of shareholders' pre-emptive subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when the Managers use this delegation of authority.

Neuilly-sur-Seine and Paris-La Défense, April 15, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

7.3.3 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined Shareholders' Meeting of June 23, 2020 (24th resolution

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

To the Compagnie Générale des Établissements Michelin Shareholders' Meeting

In our capacity as Statutory Auditors of your Company and pursuant to Article L. 225-209 of the French Commercial Code *(Code de commerce)* concerning capital reductions carried out by canceling bought-back shares, we hereby present our report on our assessment of the reasons for and terms of the proposed capital reduction(s).

Your Managing Chairman has proposed that you delegate to the Managing Partners, or to one of them, for a period of 24 months as of the date of this Meeting, the authority to cancel, for up to 10% of the share capital, the bought-back shares of your Company, as authorized under the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des Commissaires aux Comptes),* for this type of engagement. Those procedures consisted of examining the fairness of the reasons for and whether the terms of the proposed capital reduction(s), which do not undermine shareholders' equality, were compliant.

We have nothing to report concerning the reasons for and the terms of the proposed capital reduction(s).

Neuilly-sur-Seine and Paris-La Défense, April 15, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

7.3.4 STATUTORY AUDITOR'S REPORT ON THE AUTHORIZATION TO GRANT EXISTING OR NEW FREE SHARES

Annual Shareholders Meeting of June 23, 2020 (25th resolution)

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements Michelin, and pursuant to Article L. 225-197-1 of the French Commercial Code *(Code de commerce),* we hereby report to you on the proposed authorization to grant existing or new free shares to beneficiaries to be determined by the Managing Chairman from among the employees and Managers of the Company and of entities related to the Company within the meaning of Article L. 225-197-2 of the French Commercial Code, which is submitted to you for approval.

The total number of shares that may be granted under this authorization may not exceed 0.9% of the Company's capital as of December 31, 2019. The total number of shares granted to the Managers, and the total number of shares granted under sole condition of presence under this authorization may not exceed 0.05% and 0.06%, respectively, of the Company's capital, and should be included in the aforementioned 0.9% limit.

On the basis of his report, the Managing Chairman invites the shareholders to authorize him, for a period of 38 months from the date of this Annual Shareholders' Meeting, to grant existing or new free shares.

It is the responsibility of the Managing Chairman to prepare a report on the proposed transaction. It is our responsibility to report to you on the information provided to you on the proposed transaction.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements.

These procedures consisted primarily in verifying that the methods proposed and described in the Managing Chairman's report comply with the applicable legal provisions.

We have no matters to report as regards the information provided in the Managing Chairman's report on the proposed authorization to grant free shares.

Neuilly-sur-Seine and Paris-La Défense, April 15, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Pascale Chastaing-Doblin

7.3.5 OTHER STATUTORY AUDITORS' REPORTS

The Statutory Auditors' reports to the Annual Shareholders Meeting of June 23, 2020 that are not presented below can be found in the following sections of this Universal Registration Document:

- Report on the Company financial statements: in section 5.3.3;
- Special report on regulated agreements and commitments with third parties: in section 5.3.4;
- Report on the consolidated financial statements: in section 5.2.2;
- Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report: in section 4.2.3.

08. TABLES OF CONCORDANCE

8.1 TABLE OF CONCORDANCE WITH THE FRENCH COMMERCIAL CODE

Information relating to Covid-19 did not appear in the Report of the Managers approved by the Managing Chairman on February 10, 2020, but was added in Chapter 2 Risk Management and in section 5.1.11 for the needs of this Universal Registration Document.

		Sections
I.	**REVIEW OF THE FINANCIAL STATEMENTS FOR THE YEAR**	
1.	Consolidated financial statements	5.2
2.	Company financial statements	5.3
3.	Dividends	6.2
II.	**SUBSEQUENT EVENTS, TRENDS AND OUTLOOK**	
1.	Significant subsequent events	5.1.7 c) ; 5.2 (note 35)
2.	Trend information	5.1.7
3.	Group markets: seasonal fluctuations in business	5.1.1
III.	**RISK FACTORS**	
1.	Operating risks	2.1
2.	Financial risks	5.2 (note 33)
3.	Legal risks	2.1
4.	Environmental, industrial and technological risks	2.1 ; 4.1
5.	Risk coverage – Insurance	1 (p. 33) ; 2.2.4
IV.	**MANAGERS AND SENIOR EXECUTIVES**	
1.	Terms of office and functions of the Managers	3.2
2.	Shares held by the Managers	3.2
3.	Managers' compensation and interests	3.4 ; 3.5 ; 3.6 ; 3.7
4.	Stock options and performance shares	3.4 ; 3.5 ; 3.6 ; 3.7
V.	**CORPORATE SOCIAL RESPONSIBILITY DATA**	
1.	Social responsibility	1 (p. 35) ; 4.1 ; 5.1.13
2.	Environment	1 (p. 35) ; 5.1.12 ; 5.1.13
3.	Customer and supplier relations	4.1 ; 5.1.10
4.	Report on social and environmental reporting methods	4
VI.	**COMPANY IDENTITY**	
1.	Company identity	6.1
2.	Relations between the Company and its subsidiaries	6.1
3.	Information on the Company's capital	6.5
4.	Information that may have a bearing in the event of a takeover bid	3.14
5.	Other information about the Company that is an integral part of the management report	None

8.2 GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

The following table cross-references sections in the report that are aligned with GRI indicators, according to the standards updated on December 31, 2019.

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 102 : Éléments généraux d'information				
1. Profil de l'organisation				
102-01	Name of the organization	6.1	Information about the company	366
102-02	Activities, brands, products, and services	1	Our growth and value creation model	14-15
			A better way forward for 130 years	12
			Four areas of growth	16-25
102-03	Location of headquarters	6.1	Information about the company	366
102-04	Location of operations	1	A global footprint	13
102-05	Ownership and legal form	1	The Michelin partnership limited by shares	29
102-06	Markets served	1	Four areas of growth	13
102-07	Scale of the organization	4.1.2.4	Supporting employee growth and development	156
		1	A global footprint	13
		3.11	Ownership structure and voting rights	123
		6.2.1	The Michelin share	367
		1	Financial performance	34
102-08	Information on employees and other workers	4.1.2	Human rights	147
		4.1.3	Employee health and safety	163
		4.1.5	Summary table of 2019 employee data	193
102-09	Supply chain	4.1.1.3	Demonstrating our social commitments through responsible procurement policies	140
102-10	Significant changes to the organization and its supply chain	5.1.11	Significant change in the issuer's financial or trading position	243
		4.1.2.3 c)	Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year	154
102-11	Precautionary principle or approach	2	Risk management	41
		4.3	Duty of care plan	203
102-12	External initiatives	4	Methodology	128
		4.1.1.2	Ensuring ethical business practices	139
		4.1.1.3	Demonstrating our social commitments through responsible procurement policies	140
		4.1.2.1 a)	Human rights//Employee relations standards and responsibilities	147
		4.1.2.2 b)	Programs and tools to attenuate the risk of discrimination	149
		4.1.2.2 d)	Promoting employment for people with disabilities and retaining employees who become disabled	150
		4.1.3	Employee health and safety/Health, safety and quality of worklife policies	163
		4.1.4.4	Supporting biodiversity	189
		4.3.1	Duty of care plan/Methodology	203
102-13	Adhésion à des associations	4.1.1.3 c)	A dedicated approach for natural rubber/The Global Platform for Sustainable Natural Rubber (GPSNR)	146
		4.1.2.1	Ensuring respect for human rights	147
		4.1.2.3	Promoting responsible social dialogue	151
		4.1.4.2 a)	The Michelin 4R strategy for a circular economy/Recycle	176
		4.1.4.2 b)	Actively improving energy performance in the transportation industry	178
		4.1.4.4 a	Michelin's individual commitments	190
			Main transparency registers in which Michelin is registered: (in French only) https://www.hatvp.fr/fiche-organisation/?organisation=855200507##	
			https://www.michelin.com/developpement-mobilite-durables/performance-transparence/lobbying-affaires-publiques/	

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
2. Strategy				
102-14	Statement from senior decision-maker		Interview with Florent Menegaux, Managing Chairman	6
102-15	Key impacts, risks, and opportunities	2	Risk management	41
		4.2.1	Identification of the main risks	195
		4.1	Introduction/The Materiality Matrix	132
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	1	Offering everyone a better way forward	2
		4.1.1.2	Ensuring ethical business practices	139
		4.1.2.1	Ensuring respect for human rights	147
		4.1.2.2	Instilling an inclusive culture of diversity and preventing discrimination	148
102-17	Mechanisms for advice and concerns about ethics	4.1.1.2	Ensuring ethical business practices	139
		4.1.1.2 a)	Establishing a global ethical framework/Whistleblowing controls and procedures	139
		4.1.1.3 b)	Risk identification and levers for action/Mediation with suppliers	143
4. Governance				
102-18	Governance structure	3.1	Administrative, management and supervisory bodies	54
102-19	Delegating authority	3.13	Financial authorizations	124
102-20	Executive-level responsibility for economic, environmental, and social topics	3.7.2	Long-term incentive bonuses awarded to the managers in respect of periods prior to 2019	117-121
102-21	Consulting stakeholders on economic, environmental, and social topics	4.1.2.5 a)	Stakeholder dialogue	159
102-22	Composition of the highest governance body and its committees	3.1	Administrative, management and supervisory bodies	54
102-23	Chair of the highest governance body	3.1	Administrative, management and supervisory bodies	54
102-26	Role of highest governance body in setting purpose, values, and strategy	3.1.1 b)	Role and responsibilities	54
102-29	Identifying and managing economic, environmental, and social impacts	2	Risk management	41
		4.2.1	Identification of the main risks	195
		4.1	Introduction/The Materiality Matrix	132
102-35	Remuneration policies	3.4	Management and Supervisory Board compensation policies for 2020	83
102-36	Process for determining remuneration	3.4	Management and Supervisory Board compensation policies for 2020	83
102-37	Stakeholders' involvement in remuneration	3.4	General Principles	83
		3.6	Individual compensation paid or awarded to managers and the chairman of the supervisory board for 2019	106
5. Stakeholder engagement				
102-40	List of stakeholder groups	4.1.2.5 a)	Stakeholder dialogue	159
102-41	Collective bargaining agreements	4.1.2.3 a)	An assertive social dialogue process	152
102-42	Identifying and selecting stakeholders	4.1.2.5 a)	Stakeholder dialogue	159
102-43	Approach to stakeholder engagement	4.1.2.5 a)	Stakeholder dialogue	159
102-44	Key topics and concerns raised	4.1.2.5 a)	Stakeholder dialogue	159
		4.1	Introduction/The Materiality Matrix	132

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
6. Reporting practice				
102-45	Entities included in the consolidated financial statements	5.2	Consolidated financial statements year ended december 31, 2019	247
102-46	Defining report content and topic boundaries	4	Methodology/Definition of content and scope of reporting	128
102-47	List of material topics	4.1	Introduction/Challenges and performance/The Materiality Matrix	132
102-48	Restatements of information	4	Methodology	128
102-49	Changes in reporting	4	Methodology/Indicators	128
102-50	Reporting period	4	Methodology/Reporting cycle and period	128
102-51	Date of most recent report	4	Methodology/Indicators	128
102-52	Reporting cycle	4	Methodology/Reporting cycle and period	128
102-53	Contact point for questions regarding the report			back cover
102-54	Claims of reporting in accordance with the GRI Standards	4	Methodology/Definition of content and scope of reporting	128
102-55	GRI content index	11.3	Global Reporting Initiative cross-reference table	413
102-56	External assurance	4.2.3	Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labor and social information presented in the management report	200
GRI 200: Economic				
GRI 201 – Economic performance				
GRI 201-1	Direct economic value generated and distributed	1	Financial performance	34
		1	The Michelin share	38
		4.1.2.3 b)	Offering fair compensation and benefits	153
		Note 11	Income tax	277
GRI 201-2	Financial implications and other risks and opportunities due to climate change	2.1	Risk factors specific to Michelin, description and related management systems	42
GRI 202 – Market presence				
GRI 202-2	Proportion of senior management hired from the local community	4.1.2.2 e)	Focusing on local management sensitive to host community cultures	151
GRI 203 – Indirect economic impacts				
GRI 203-1	Infrastructure investments and services supported	4.1.2.5 d)	The Michelin Foundation: demonstrating our corporate culture and value	162
		4.1.2.5 c)	Participating harmoniously in local community life through our employees	161
GRI 204 – Procurement practices				
GRI 204-1	Proportion of spending on local suppliers	4.1.1.3	Demonstrating our social commitments through responsible procurement policies/Diversifying the supplier base	143
Reason for omission of the figure: not applicable – Group procurement is managed globally. While operating globally and purchasing from major international suppliers who meet its exacting standards and embrace the principles of sustainable development, Michelin, in line with its Purchasing Principles, also strives to source locally, as well as from sheltered work centers and social enterprises. These local purchases are not tracked by a Group-wide KPI.				
GRI 205 – Anti-corruption				
GRI 205-1	Communication and training about anti-corruption policies and procedures	4.1.1.2 a)	Establishing a global ethical framework	139
		4.1.1.2 b)	Taking a firm stand against	140
Reason for omission of certain data: lack of information/confidentiality – All of the Group's host regions have been reviewed and assessed for corruption risks. The findings are not available at the site or facility level. For confidentiality reasons, Michelin does not publicly disclose the material risks of corruption identified during the assessments.				
GRI 205-2	Communication and training about anti-corruption policies and procedures	4.1.1.2 a)	Establishing a global ethical framework	139
		4.1.1.2 b)	Taking a firm stand against corruption	140
GRI 205-3	Confirmed incidents of corruption and actions taken		Reason for omission: confidentiality issues	
GRI 206 – Anti-competitive behavior				
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Reason for omission: confidentiality issues – the requested information is highly sensitive and its disclosure could be detrimental to trade secrets		

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 300: Environmental				
GRI 301 – Materials				
GRI 301-2	Recycled input materials used	4.1.4.2	Attenuating the environmental impact of our products and services/ Average Sustainable Materials Rate	176
GRI 302 – Energy				
GRI 302-1	Energy consumption within the organization	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
GRI 302-3	Energy intensity	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
GRI 302-4	Reduction of energy consumption	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
GRI 303 – Water				
GRI 303-1	Interactions with water as a shared resource	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
GRI 304 – Biodiversity				
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.4	Supporting Biodiversity	190
GRI 305 – Emissions				
GRI 305-1	Direct (Scope 1) GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	184
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	184
GRI 305-3	Other indirect (Scope 3) GHG emissions	4.1.4.1 b)	The Group's carbon footprint/ Inventory of Scope 1, 2 and 3 CO_2 Emissions/Inventory of Scope 3 CO_2 emissions by category	171-172
GRI 305-4	GHG emissions intensity	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	184
GRI 305-5	Reduction of GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	184
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 d)	Reducing harmful air emissions	186
GRI 306 – Effluents and waste				
GRI 306-2	Waste by type and disposal method	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
		4.1.4.3 e)	Reducing and managing waste	187
GRI 307 – Environmental compliance				
GRI 307-1	Non-compliance with environmental laws and regulations	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	183
GRI 308 – Supplier environmental assessment				
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	4.1.1.3 b)	Responsible procurement	141

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 400: Social				
GRI 401 – Employment				
GRI 401-1	New employee hires and employee turnover	4.1.2.4	Supporting employee growth and development	156
GRI 402 – Labor/Management relations				
GRI 402-1	Minimum notice periods regarding operational changes	4.1.2.2 a)	Managing diversity seamlessly around the world	152
GRI 403 – Occupational health and safety				
GRI 403-1	Occupational health and safety management system	4.1.3	Safeguarding employee health Quality of worklife: listening to needs and measuring performance/ Improvement plans to address employee needs	163
GRI 403-2	Hazard identification, risk assessment, and incident investigation	4.1.3.2 4.1.3.2 c) 4.1.5	Assessing and preventing workplace safety and security risks Measuring and tracking occupational accidents Summary table of 2019 employee data	165 166 193
GRI 404 – Training and education				
GRI 404-1	Average hours of training per year per employee	4.1.2.4 e) 4.1.5	Le développement des compétences via la formation Tableau récapitulatif des données sociales 2019	159 193
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1.2.4 c) 4.1.2.4 d)	Supporting employee growth and development A new division of roles to support the process	158 159
GRI 405 – Diversity and equal opportunity				
GRI 405-1	Diversity of governance bodies and employees	4.1.2.2 c)	Making all positions accessible to women and ensuring gender wage parity/	149
GRI 405-2	Ratio of basic salary and remuneration of women to men	4.1.2.2 c)	Making all positions accessible to women and ensuring gender wage parity/Ensuring wage equality worldwide	149
GRI 406 – Non-discrimination				
GRI 406-1	Incidents of discrimination and corrective actions taken	4.1.2.2 b) 4.1.1.2 a)	Programs and tools to attenuate the risk of discrimination Establishing a global ethical framework The system for consolidating the various ethics hotlines is now being revamped. Based on a single outside service provider, the new system will be able to manage and track all types of alerts in real time, while guaranteeing data confidentiality and respecting people's privacy	149 139
GRI 407 – Freedom of association and collective bargaining				
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.1.2.2 a) 4.1.1.3 b)	An assertive social dialogue process Demonstrating our social commitments through responsible procurement policies/Risk identification and levers for action/Supplier assessments	152 142
GRI 408 – Child labor				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	4.1.2.1 b) 4.1.1.3 b)	Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain Demonstrating our social commitments through responsible procurement policies/Risk identification and levers for action/Supplier assessments/Analysis by country of origin	148 142
GRI 409 – Forced or compulsory labor				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.1.2.1 b) 4.1.1.3 b)	Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain Demonstrating our social commitments through responsible procurement policies/Risk identification and levers for action/ Effective levers for action/Addressing CSR issues in appropriate purchasing processes	148 143
GRI 410 – Security practices				
GRI 410-1	Security personnel trained in human rights policies or procedures	4.1.2.1 b)	Risks and prevention measures	147
GRI 411 – Rights of indigenous peoples				
GRI 411-1	Incidents of violations involving rights of indigenous peoples	4.1.2.1 b)	Risks and prevention measures	147

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 412 – Human rights assessment				
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	4.1.2.1 a)	Employee relations standards and responsibilities	147
		4.1.2.1 b)	Risks and prevention measures	147
GRI 413 – Local communities				
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	4.1.2.5	Encouraging employee and corporate engagement in local communities	159
		4.1.2.5 a)	Stakeholder dialogue	159
		4.1.4.2 a)	The Michelin 4R strategy for a circular economy	176
GRI 414 – Supplier social assessment				
GRI 414-1	New suppliers that were screened using social criteria	4.1.1.3 b)	Risk identification and levers for action/Supplier assessments	142
GRI 414-2	Negative social impacts in the supply chain and actions taken	4.1.1.3 b)	Risk identification and levers for action/Supplier assessments	142
		4.1.4.3	Reducing the environmental footprint of our manufacturing and supply chain operations	180
GRI 415 – Public policy				
GRI 415-1	Political contributions	Code of ethics	*"The Michelin vocation is not to support a political candidate in order to hopefully obtain further advantages for the Company. The Michelin Group maintains a neutrality principle. However, in countries/jurisdictions where it is legal and commonly accepted, the Michelin Group can provide support to a candidate, who works for sustainable mobility. These donations and political contributions will be published, as required by law."*	
GRI 416 – Customer health and safety				
GRI 416-1	Assessment of the health and safety impacts of product and service categories	4.1.1.1	Guaranteeing the quality of our products and services	135
GRI 417 – Marketing and labeling				
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	4.1.1.1	Guaranteeing the quality of our products and services	137
GRI 418 – Customer privacy				
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.1.1.2	Ensuring ethical business practices	139
		4.1.1.2 d)	Protecting employee privacy and personal data	140
GRI 419 – Socioeconomic compliance				
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	4.1.1.2	Ensuring ethical business practices	139

8.3 TABLE OF CONCORDANCE FOR THE UNIVERSAL REGISTRATION DOCUMENT

In order to make the Universal Registration Document easier to read, the following thematic table identifies the main information required by European Regulation No. 809/2004 of the Commission of April 29, 2004.

			Sections	Pages
15.	**Board practices**			
	15.1	Date of expiration of current terms of office	3.2.2 b)	70
	15.2	Service contracts	3.2.3	73
	15.3	Audit and Compensation Committees	3.3.2 g) ; 3.3.2 i)	78 ; 80
	15.4	Statement of compliance with France's corporate governance regime	None	None
16.	**Employees**			
	16.1	Number of employees	4.1.2.4 ; 5.1.3 c)	156 ; 227
	16.2	Shareholdings and stock options	4.1.2.3 b) ; 6.5.3	153 ; 372
	16.3	Arrangements for involving the employees in the capital of the issuer	4.1.2.3 b) ; 6.5.5	153 ; 381
17.	**Major shareholders**			
	17.1	Provisions governing the ownership threshold above which shareholder ownership must be disclosed	3.12	123
	17.2	Voting rights	3.12 ; 6.2.4	123 ; 368
	17.3	Control	3.12 ; 123	123
	17.4	Change in control	3.14	126
18.	**Related party transactions**		5.2 (note 34)	325
19.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**			
	19.1	Historical financial information	5.2 ; 5.3	247 ; 342
	19.2	Pro forma financial information	5.2 ; 5.3	247 ; 342
	19.3	Financial statements	5.2 ; 5.3	247 ; 342
	19.4	Auditing of the historical annual financial statements	5.2.2 ; 5.3.3	337 ; 357
	19.5	Age of latest financial information	December 31, 2019	
	19.6	Interim and other financial information	None	None
	19.7	Dividend policy	6.2.3	368
	19.8	Legal and arbitration proceedings	5.2 (note 29)	314
	19.9	Significant change in the issuer's financial or trading position	5.1.11	243
20.	**Additional information**			
	20.1	Share capital	6.5	370
	20.1.1	Issued capital and share classes	3.12	123
	20.1.2	Shares not representing capital	None	None
	20.1.3	Shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	6.5.6	381
	20.1.4	Convertible securities, exchangeable securities or securities with warrants	6.5.2	371
	20.1.5	Authorized but unissued capital	None	None
	20.1.6	Stock options	6.5.3	372
	20.1.7	A history of share capital	6.5.1	370
	20.2	Articles of incorporation and bylaws	3.11	122
	20.2.1	Issuer's objects and purposes	3.11	122
	20.2.2	Provisions with respect to the members of the administrative, management and supervisory bodies	3.11	122
	20.2.3	Rights, preferences and restrictions attaching to each class of existing shares	3.11	122
	20.2.4	Change in the rights of shareholders	3.11	122
	20.2.5	Shareholders Meetings	3.11.6	123
	20.2.6	Provisions that would have an effect of delaying, deferring or preventing a change in control	None	None
	20.2.7	Statutory disclosure thresholds	None	None
	20.2.8	Changes in the capital	6.5.1	370
21.	**Material contracts**		5.1.9	242
22.	**Third party information and statements by experts and declarations of interests**		4.2.3	200
23.	**Documents on display**		6.4	369
24.	**Information on holdings**		5.2 (note 36) ; 5.3 (note 21)	326 ; 355

Design and production: côtécorp.

Editorial advice and copywriting: Michelin, Information et Conseil.

Photos: ©Michelin, ©Michelin/Jérôme Cambier, ©Michelin/Bruno Amsellem/Divergence, ©istock, ©Pressmaster/123 RF, ©Wladimir Bulgar/Science Photo Library, ©Gettyimages, ©Michelin/C.Berger, ©Michelin/Paulo Mana ; @DPPI- François Flamand, @Arthur de Tassigny.

COMPAGNIE GÉNÉRALE
DES ÉTABLISSEMENTS MICHELIN
+ 33 (0) 4 73 32 20 00 – 23, place des Carmes
63000 Clermont-Ferrand, France
www.michelin.com

INVESTOR RELATIONS
EDOUARD DE PEUFEILHOUX
HUMBERT DE FEYDEAU
PIERRE HASSAIRI
+ 33(0) 4 63 21 56 90 – 27, cours de l'Île Seguin
92100 Boulogne-Billancourt, France
23, place des Carmes – 63000 Clermont-Ferrand, France
investor-relations@michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS
EDOUARD DE PEUFEILHOUX
CLEMENCE RODRIGUEZ
ISABELLE MAIZAUD-AUCOUTURIER
+ 33 (0) 4 73 32 23 05 – 23, place des Carmes
63000 Clermont-Ferrand, France
Toll-free calls in France : 0 800 716 161
actionnaires-individuels@michelin.com

SUSTAINABLE DEVELOPMENT AND MOBILITY
NICOLAS BEAUMONT
+ 33 (0)4 73 32 20 00 – 23, place des Carmes
63000 Clermont-Ferrand, France

MEDIA RELATIONS
HERVE ERSCHLER
+ 33 (0) 1 45 66 22 22 – 27, cours de l'Île Seguin
92100 Boulogne-Billancourt, France

MICHELIN
A BETTER WAY FORWARD