



## *Public exchange offer*

*by*

**Compagnie Générale des Etablissements Michelin**  
Clermont-Ferrand, France

*for all publicly held bearer shares in*

**Compagnie Financière Michelin**  
Granges-Paccot, Switzerland

*with a nominal value of CHF 200 each*

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**Exchange ratio:** 13 registered shares in Compagnie Générale des Etablissements Michelin with a nominal value of € 2 each for each bearer share in Compagnie Financière Michelin with a nominal value of CHF 200 each.

**Offer period:** 17 October 2002 to 30 October 2002, 4 p.m., Central European Time (CET) (subject to extensions).

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CFM bearer shares  
CGEM registered shares

Security number: 164300  
Euroclear code: 12126

ISIN : CH0001643003  
ISIN : FR0000121261

Offering Prospectus of 17 October 2002

## SALES RESTRICTIONS

### United States of America

The offer described herein is not being, and will not be made, directly or indirectly, in or into, or by the use of the mails or by any other means or instrumentality (including, without limitation, facsimile transmission, telex, telephone or internet) of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States, and the offer may not be accepted by any such use, means, instrumentality or facilities or from within the United States. The offer is not being made to US persons. This prospectus and other documents related to the offer may not be electronically accessed by US persons or from the United States. Copies of this prospectus, and of any other documents related to the offer, are not being and must not be mailed or otherwise distributed or sent in or into or from the United States. Persons receiving this prospectus (including custodians, nominees and trustees) or other documents related to the offer must not distribute or send it in, into or from the United States. Any purported acceptance that is post-marked in or otherwise dispatched from or evidences use of any means or instrumentality of interstate or foreign commerce of the United States will be invalid.

The securities described herein have not been registered under the US security Act of 1933 (the "33 Act") and may not be offered or sold in the United States unless registered in accordance with the 33 Act or an exemption from such registration under the 33 Act is available.

### United Kingdom

The offering documents in connection with the offer are being distributed in the United Kingdom only to and are directed at (a) persons who have professional experience in matters relating to investments falling within Article 19 (1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 in the United Kingdom (the "Order") or (b) high net worth entities, and other persons to whom they may otherwise lawfully be communicated, falling within Article 49 (1) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this document or any of its contents.

### Other jurisdictions

The offer described herein is not being made directly or indirectly in, nor is it intended to extend to, a country or jurisdiction where such offer would be considered unlawful or in which it would otherwise breach any applicable law or regulation or which would require Compagnie Générale des Etablissements Michelin to amend any term or condition of the offer in any way or which would require Compagnie Générale des Etablissements Michelin to make any additional filing with, or take any additional action with regards to, any governmental, regulatory or legal authority. Offering materials relating to the offer may not be distributed in nor sent to such country or jurisdiction and may not be used for the purposes of soliciting the acquisition of any securities of Compagnie Financière Michelin from anyone in such country or jurisdiction.

*In case of divergence with the German and English versions of this offering prospectus,  
the French version shall prevail*

## I. THE TRANSACTION

Compagnie Financière Michelin ("CFM"), a partnership limited by shares, exercises a dual role within the Michelin Group: that of an intermediary holding company and that of a finance company to the Group. In this context, it appears that a reinforcement of CFM's equity base is necessary to make the company's financial structure adequate for the future needs of the Group in terms of financing, so as to respond better to the expectations of investors and rating agencies. Compagnie Générale des Etablissements Michelin ("CGEM"), the parent company of the Michelin Group, therefore intends to subscribe for a capital increase of CFM of an amount of approximately one and a half billion Swiss francs (issue premium included) and to participate to such capital increase pro-rata to its share in the capital of the company. Moreover, since only 459 593 bearer shares CFM out of the 1 175 000 existing shares are publicly held, the market liquidity for these securities is unsatisfactory. These elements are unlikely to improve in the future. Finally, CFM and CGEM are of very similar economic substance, in spite of their different financial structures, since almost all operational subsidiaries of the Michelin Group are held via CFM.

Taking all these elements into account and in an attempt to simplify the organisation of the Group and reduce the costs related to the listing of CFM, CGEM has decided to propose to the holders of bearer shares in CFM to exchange their securities against registered shares in CGEM on the basis of an exchange ratio of 13 registered shares in CGEM shares for each bearer share in CFM. The shareholders of CFM who exchange their shares will thus benefit from a much greater liquidity whilst conserving the increased potential inherent in their participation. Should CGEM hold more than 98 per cent. of the voting rights of CFM upon expiry of the offer, it would apply for the cancellation of the remaining publicly held bearer shares in CFM pursuant to article 33 of the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995; the delisting of the bearer shares in CFM will also be requested after expiry of the cancellation procedure. Furthermore, CFM has let it be known that it reserves the right to apply for the delisting of its bearer shares should the threshold of 98 per cent. of its voting rights not be reached as result of the offer.

## II. THE OFFER

### 1. Pre-announcement

The offer has been pre-announced in the electronic media on 3 October 2002 and in the press on 7 October 2002 pursuant to article 7 seq. of the Ordinance of the Swiss Takeover Board on Public Takeover Offers of 21 July 1997 (the "Takeover Ordinance").

### 2. Scope of the offer

As of 10 October 2002, the date of the report of the review body of the offer, the issued capital of CFM amounted to CHF 1 404 831 200, divided into 11 698 312 registered shares with a nominal value of CHF 100 each (the "CFM registered shares") and 1 175 000 bearer shares with a nominal value of CHF 200 each (the "CFM bearer shares"). The capital is fully paid-in.

The CFM bearer shares are listed on the main market of the SWX Swiss Exchange. The CFM registered shares are not listed.

The offer relates to all publicly held CFM bearer shares, the number of which is determined as of 3 October 2002 (date of the pre-announcement) as follows:

|  |                |
|--|----------------|
| • Number of CFM bearer shares issued:                            | 1 175 000      |
| • Less CFM bearer shares held directly<br>or indirectly by CGEM: | <u>715 407</u> |
| • Number of publicly held<br>CFM bearer shares                   | 459 593        |

### 3. Exchange ratio

For each CFM bearer share, CGEM offers 13 registered shares in CGEM having a nominal value of € 2 each (the "CGEM registered shares").

CGEM will request that the CGEM registered shares issued in connection with the exchange shall be listed and admitted to the Main Market of Euronext Paris S.A. as from the settlement date of the offer as defined under X.3 below. For further details on the listing of the CGEM registered shares, see section III.3 below.

The CGEM registered shares are not listed on the SWX Swiss Exchange. CGEM does not envisage requesting such a listing, even after settlement of the offer. The shareholders who will notify their CFM bearer shares for acceptance in the framework of the offer will be delivered securities which are not listed in Switzerland.

As from their issue, the new CGEM registered shares will confer to the holder the same rights as the existing CGEM registered shares.

A multicriteria analysis was performed to calculate the exchange ratio for CFM bearer shares and CGEM registered shares.

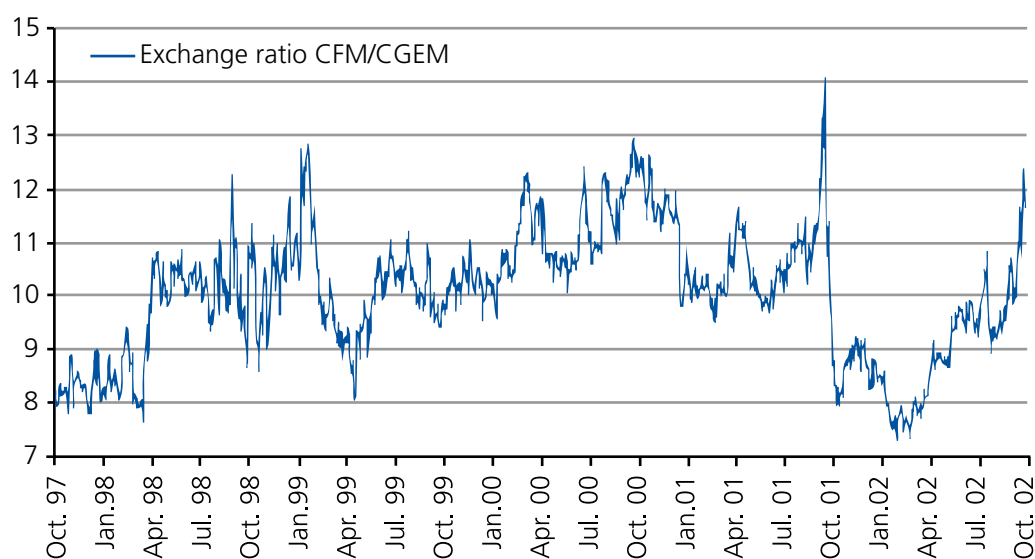
#### Share price

The exchange ratio compares as follows with ratios drawn from the last share prices before the pre-announcement of the offer on 3 October 2002, and ratios drawn from the volume-weighted averages over 1, 3, 6, 9 and 12 months prior to this date.

|                   | CGEM (€) | CFM (CHF) | Implied exchange ratio<br>CFM / CGEM | Offered<br>premium |
|-------------------|----------|-----------|--------------------------------------|--------------------|
| Last traded price | 30.12    | 510.00    | 11.6                                 | 12.1%              |
| 1 month           | 32.48    | 505.89    | 10.6                                 | 22.2%              |
| 3 months          | 36.44    | 544.33    | 10.2                                 | 27.4%              |
| 6 months          | 39.58    | 561.40    | 9.7                                  | 34.2%              |
| 9 months          | 40.17    | 516.10    | 8.8                                  | 48.4%              |
| 12 months         | 39.35    | 498.56    | 8.6                                  | 50.7%              |

Source : Fininfo

For information, the historical exchange ratios calculated on the basis of daily closing prices over the last five years were between 7.3 and 14.0.



### Restated net asset value per share

The restated net asset value is defined as the market value of assets net of the value of debts. The enterprise values of CGEM and CFM have been calculated by using a sum of the parts method.

Given that CFM sales account for 98.4 per cent. of CGEM sales, the value per share for CFM was determined by subtracting the value of assets other than CGEM's stake in CFM from the market value of CGEM, on the basis of average multiples (enterprise value / EBITDA, enterprise value / EBITA and enterprise value / EBIT) applied over the period to 30 June 2002 (trailing 12 months) and over 2002 (market consensus). The resulting value of CFM was compared with the market value of CGEM.

The market value for CGEM was determined on the basis of the average CGEM share price over the last month, as of 2 October 2002, amounting to € 32.48 per registered CGEM share.

The exchange ratio of restated net asset values per share falls within a range of 9.6 to 10.7 CGEM registered shares for each CFM bearer share. The exchange ratio offered thus includes a premium lying between 22 per cent. and 35 per cent.

### Market multiples of comparable companies

The per share values for CGEM and for CFM were calculated on the basis of multiples (enterprise value / EBITDA, enterprise value / EBITA and enterprise value / EBIT) of CGEM and of comparable companies. Given the differences, both in terms of activities and of geographic breakdown of activities, the Japanese companies and the conglomerates were not included in the sample. Goodyear was the only company that was seen to have similar characteristics. The market value for CGEM and for Goodyear was determined on the basis of their average share price of the last month, as of 2 October 2002, amounting to € 32.48 per CGEM share and the equivalent of € 11.3 per Goodyear share.

The multiples were looked over the years 2000, 2001, as of 30 June 2002 (trailing 12 months) and over the years 2002, 2003 and 2004 (market consensus).

On the basis of the multiples for CGEM and Goodyear, the exchange ratio falls within a range of 8.7 to 12 CGEM registered shares for one CFM bearer share. Accordingly, the exchange ratio offered gives a premium of between 9 per cent. and 50 per cent. for the multiples taken into account.

### Net earnings per share

The exchange ratio offered was compared to net earnings per share as published by the companies as of 31 December 2000 and 30 June 2002 (31 December 2001 not representative).

On the basis of reports of net earnings per share, the exchange ratio is between 10.5 and 12.6 CGEM registered shares for one CFM bearer share. The exchange ratio offered thus includes a premium of between 3 per cent. and 24 per cent.

### Summary of results

| Criteria considered       | Average exchange ratio | Average premium |
|---------------------------|------------------------|-----------------|
| Share price averages      | 9.6                    | 35.0%           |
| Restated net asset values | 10.2                   | 28.0%           |
| Market multiples          | 10.3                   | 25.9%           |
| Net earnings per share    | 11.5                   | 12.8%           |

#### 4. Offer period

The offer will be open from 17 October 2002 to 30 October 2002, 4 p.m. (CET).

CGEM reserves the right to extend the offer period once or several times. In such case the settlement date as defined in section X.3 below will be postponed. An extension of the offer period beyond 40 trading days requires the prior consent of the Swiss Takeover Board.

#### 5. Additional acceptance period

The acceptance period will be extended by 10 trading days after publication of the interim results of the offer in the press. Subject to an eventual extension of the offer period pursuant to section II.4 above, the additional acceptance period is expected to be open from 5 November 2002 to 18 November 2002, 4 p.m. (CET).

#### 6. Condition

The offer is conditional upon Euronext Paris S.A. having listed the CGEM registered shares issued within the framework of this offer and these shares having been admitted to trading at the settlement date of the offer as defined under X.3 below.

This condition shall be resolutive within the meaning of article 13, paragraph 4, of the Takeover Ordinance. In the event that this condition has not been fulfilled or waived by the settlement date of the offer, CGEM is entitled to postpone the settlement date until 20 December 2002. Should this condition still not have been fulfilled or waived on this date, CGEM shall be entitled to either apply for a new postponement of the settlement date, or to withdraw from the offer.

### III. INFORMATION ABOUT CGEM

#### 1. Name, legal form, registered office

CGEM is a partnership limited by shares ("société en commandite par actions") governed by articles L 226-1 to L 226-14 of the French Commercial Code. It is registered in the Commercial Registry of Companies of Clermont-Ferrand (Puy-de-Dôme) under the identification number 855 200 887. Its registered office is at 12, cours Sablon in Clermont-Ferrand (Puy-de-Dôme), in France. The company was formed on 15 July 1863 and commenced its activities on 23 July of the same year. According to the provisions of its articles of association, it will expire on 31 December 2050 in the absence of prior dissolution or extension.

#### 2. Principal activities of CGEM

CGEM is the parent company of one of the principal world-wide groups of manufacture and marketing of tyres.

Its objects are the following:

All transactions or enterprises relating directly or indirectly to the manufacture, production and sale of rubber, at all level of manufacture, in all forms and for all uses;

All industrial, commercial and financial transactions relating in particular:

- tyres, their components and spare parts and the manufacture of rubber in general,
- mechanical construction in all its application and particular industrial vehicles or motorcars, components, spare parts and accessories,
- the manufacture, sale and use of natural or synthetic chemical products and their derivatives in particular different varieties of elastomers, plastics, fibres and resins and in general all activities and all products of the chemical industry relating in particular to the products and transactions envisaged above,
- the deposit, purchase, exploitation, assignment and sale of all property rights in particular patents and ancillary rights, trademarks and manufacturing processes relating to its objects.

### 3. Capital, securities offered in exchange

#### Capital

##### *Issued capital*

As at 10 October 2002, the capital of CGEM amounted to € 272 016 032, divided into 136 008 016 registered shares with a nominal value of € 2 each, fully paid-in.

##### *Conditional capital*

As of 10 October 2002, taking into account the options to subscribe for the shares which have been attributed to the members of the management team and to executives, the number of shares which can be issued is 716 600 maximum, as a result of the exercise of the said options which can only take place after a time limit of 4 years expiring on 18 May 2006.

As of the same date, there exist no other securities or rights giving any direct or indirect access to the capital of CGEM.

*Authorisation of increase of share capital granted by the Extraordinary General Meeting of Shareholders of 12 June 1998 and by the Mixed Meeting of Shareholders of 18 May 2001:*

| SECURITIES  | EXPIRATION DATE                            |                                      | AMOUNT                      |   |
|---|--|--------------------------------------|-----------------------------|---|
|   | Maintenance of S.P.S.R. <sup>1</sup>       | Suppression of S.P.S.R. <sup>1</sup> | Of the issue                | Of the capital increase with maintenance or suppression of S.P.S.R. (nominal value) |
| 1) Increase of capital in cash  | 11 June 2003                               | —                                    | —                           | € 100 million   |
| 2) Increase of capital reserved to salaried employees   | —  | 17 May 2005                          | —                           | € 5 400 000   |
| 3) Increase of capital arising from the exercise of subscription options reserved for the members of the management team and for executives | —  | 17 July 2004                         | —                           | € 4 600 000   |
| 4) Increase of capital by public exchange offers  | —  | 17 May 2004                          | —                           | € 100 million   |
| 5) Attribution of free shares   | 11 June 2003                               |                                      | —                           | € 100 million   |
| 6) Convertible bonds  | 11 June 2003                               | 17 May 2004                          | € 1 billion                 | € 100 million   |
| 7) Bonds with share subscription rights   | 11 June 2003                               | 17 May 2003                          | € 1 billion                 | € 100 million   |
| 8) Compound securities  | 11 June 2003                               | 11 June 2003                         | € 1 billion (if bond issue) | € 100 million   |
| 9) Bonus subscription right<br>a) free<br>b) for consideration  | 11 June 2003<br>11 June 2003   17 May 2002 |                                      | € 100 million               | € 100 million   |

<sup>(1)</sup> S.P.S.R. : Shareholders preferential subscription right

*Note : The authorisations given by the preceding Extraordinary General Meetings have lapsed.*

*In addition to the capital increase that will result from the exercise of the options for subscription of shares mentioned above under the heading "Conditional capital", only the authorisation of capital increase reserved to the salaried employees has been used until today and gave rise on 28 June 2002 to a capital increase of a global amount of € 45 225 005, of which € 42 640 719 was issue premium and € 2 584 286 was nominal value corresponding to the issue of 1 292 143 CGEM registered shares at a price of € 35 each. These 1 292 143 CGEM registered share were included in the 136 008 016 CGEM registered shares mentioned above under the heading "Issued capital" of this section III.3.*

### Decision relating to the issue of new CGEM registered shares

Pursuant to the authorisation of the Mixed General Meeting of Shareholders of 18 May 2001, the Management of CGEM decided on 2 October 2002 to present the offer to the CFM shareholders and consequently to increase the capital of CGEM to a maximum nominal amount of € 11 949 418, by issue of a maximum of 5 974 709 new CGEM registered shares fully paid-in by contribution of CFM bearer shares notified for acceptance in accordance with the terms of the present offer, with an exchange ratio of 13 CGEM registered shares for each CFM bearer share notified for acceptance.

Upon expiry of the offer period, the Management of CGEM, after noting the number of CGEM registered shares to be issued as a consideration for the CFM bearer shares notified for exchange:

- will proceed to the issue of the said shares, fully paid-in, and
- will note the completion of the capital increase corresponding to the issue and modify in consequence the provision of the articles of association relating to the amount and composition of the share capital.

The listing on the Main Market ("Premier Marché") of Euronext Paris S.A. and the admission to the operations of Euroclear France S.A. of the shares so issued shall be requested immediately after the issue.

### Listing of the CGEM registered shares

The CGEM registered shares are listed on the Main Market of Euronext Paris S.A. with the Service of Deferred Settlement. They form part of the CAC 40 index and of the Euronext 100 index, with a weighting as of 2 October 2002 of 0.63, respectively 0.39 per cent.

Since 1 January 1999, the market price of the CGEM registered shares has evolved in the following manner (in €):

|           | 1999  | 2000  | 2001  | 2002* |
|-----------|-------|-------|-------|-------|
| highest : | 49.49 | 41.90 | 43.50 | 45.05 |
| lowest :  | 30.30 | 30.10 | 23.84 | 27.90 |

\* From 1 January to 2 October 2002

Source : Fininfo

### Financial rights attached to the CGEM registered shares

The CGEM registered shares give their holder the following financial rights:

#### *Right to a potential dividend*

Each CGEM registered share gives to its holder the right to receive payment of dividend, in cash or in shares, the distribution of which, in application of the relevant statutory provisions and of the provisions of the articles of association, is decided by the Annual General Meeting of Shareholders.

The CGEM registered shares offered in exchange will be eligible for a dividend as from 1 January 2002 and will give right, in consequence, to any dividend which might be paid for the financial year 2002; they shall be assimilated to the existing CGEM registered shares.

During the last five financial years, CGEM distributed the following dividends to its shareholders:

| GLOBAL INCOME PER "A" AND "B" SHARES |                                 |                            |            |               |                                      |            |               |
|--------------------------------------|---------------------------------|----------------------------|------------|---------------|--------------------------------------|------------|---------------|
| Financial year                       | Dividends distributed<br>(in €) | "A" CAPITAL <sup>(1)</sup> |            |               | "A" JOUISSANCE et "B" <sup>(1)</sup> |            |               |
|                                      |                                 | Dividend                   | Tax credit | Global income | Dividend                             | Tax credit | Global income |
| 1997                                 | 79 308 670.90                   | 0.59                       | 0.30       | 0.89          | 0.58                                 | 0.29       | 0.87          |
| 1998                                 | 88 145 658.72                   | 0.66                       | 0.33       | 0.99          | 0.64                                 | 0.32       | 0.96          |
| 1999 <sup>(2)</sup>                  | 95 648 269.83                   |                            |            |               | 0.71                                 | 0.36       | 1.07          |
| 2000                                 | 107 772 698.40                  |                            |            |               | 0.80                                 | 0.40       | 1.20          |
| 2001                                 | 114 508 492.05                  |                            |            |               | 0.85                                 | 0.43       | 1.28          |

(1) Shares regrouped into a single category on 15 June 1999

(2) After cancellation of 3 million shares

NB: see section X.5 below for a description of the tax system applicable to the dividends paid to shareholders who are non-resident of France.



*Right to eventual proceeds of liquidation*

At the expiry of the company's existence or in case of prior dissolution, the net assets of the company after payment of liabilities will be used to repay to the shareholders the paid up and unredeemed amount of the capital.

The surplus, subject to special reserves that may have been constituted for special purposes, shall be considered as the company profit and divided as to 12 per cent. to the Partners, managing and non-managing, and 88 per cent. to the holders of shares.

*Preferential right of subscription*

In application of the legal provisions, the shareholders of CGEM have a preferential subscription right proportional to their participation in the capital (i) to the shares issued for cash in order to realise an increase in capital and (ii) to securities giving rights either by conversion, exchange, reimbursement, presentation of a coupon or in any other manner to the attribution from time to time, or at a fixed date, of securities, which for this purpose are or shall be issued as a share of capital.

Throughout the subscription period, this right is transferable.

The General Meeting of Shareholders which resolves upon or authorises a capital increase may suppress the preferential right of subscription of the shareholders in respect to the whole capital increase or for one or several tranches of this increase.

The Meeting of Shareholders 18 May 2001 previously referred to resolved that in case of suppression of the preferential right of subscription of shareholders (see n° 6 to 8 and 9b in the table of financial authorisations reproduced under the heading "Conditional capital" of this section III.3), such persons would benefit in proportion to the shares which they hold, from a non-transferable priority of subscription on the French market or, if applicable, on the single European market and, as far as possible, on any other markets.

**Corporate rights attached to the CGEM registered shares**

CGEM registered shares give to their holders the following corporate rights:

*Right to participate in the General Meetings of Shareholders and right to vote*

Each shareholder, whatever the number of his/her/its shares, may participate in the General Meetings of Shareholders on condition (i) to have been registered as a shareholder in the register of the company at least 5 days prior to the date of the meeting and (ii) that his/her/its shares have been fully paid-in to the extent requested by the company.

Subject to the cases provided for by French law, each shareholder has one vote for each share owned or represented, without limitation.

The owners or the representatives of all fully paid-in shares registered for more than four years at least in the name of the same shareholder have two votes per share provided that he/she/it possesses French nationality or is a citizen of a member State of the European Union.

*Summon of the General Meeting of Shareholders*

The General Meetings are summoned by the Managers. Calling of a meeting shall give rise to a notice of meeting and to a notice of summon published in France in the Bulletin of Mandatory Legal Publications ("Bulletin des Annonces Légales Obligatoires") respectively thirty days and fifteen days prior to the meeting.

Furthermore, since the CGEM shares are registered, the notice of summon, accompanied by the documents issued for the meeting, shall be addressed to each shareholder at least fifteen days prior to the meeting.

*Right to include points on the agenda for the General Meeting of Shareholders*

The agenda for the General Meetings of Shareholders shall be decided by the person convening the meeting.

Furthermore, the agenda shall include the drafts of any resolution presented by a shareholder or by an association of shareholders who fulfils the conditions for holding shares of capital provided for under article L 2245-1045, paragraph 2, of the French Commercial Code, in accordance with a request to be sent to the registered office of the company by registered letter with acknowledgement of receipt within ten days from the publication in the Bulletin of Mandatory Legal Publications of the notice of meeting accompanied by the text of the draft resolutions and, where applicable, a brief summary of the grounds.

#### *Right to obtain business information*

The shareholder's right to information shall consist of the right:

- prior to all General Meetings of Shareholders:
  - to receive documents issued for the meeting annexed to the notice of summon and to the proxy form
  - to request to the company to send him/her/it, or to consult at the registered office, the documents and additional information provided for by French law
  - to address written questions to the company to which a reply will be given during the meeting
- and, at any time in a permanent fashion: to consult, at the registered office of the company, the corporate documents of the three preceding financial years.

#### **Transferability of CGEM registered shares**

The CGEM registered shares are freely transferable. The articles of association of CGEM provide for no restriction on the assignment of shares.

#### **Obligation to announce large shareholdings**

French law provides that all individuals or legal persons, acting alone or in concert, who possess more than a twentieth, a tenth, a fifth or a third, a half or two thirds of the capital or voting rights of a company whose shares are listed on the stock exchange must inform the company of the total number of shares owned by him/her/it; they must also inform the Council of Financial Markets (le "Conseil des Marchés Financiers").

The articles of association of CGEM do not provide for any duty to notify the company on the matching of particular thresholds.

#### **Obligation to present a public takeover offer**

French law provides for the obligatory deposit of a public offer in case of change of control, in particular where a person, alone or acting in concert with third parties, directly or indirectly, becomes the owner of more than a third of the capital or voting rights of a French company which shares are admitted to trading on a regulated market, or where a person owning between one third and one half of the capital and of the voting rights increases its participation in the capital or the voting rights by more than 2 per cent. within a time limit of 12 consecutive months. The public offer must cover the entire share capital or securities giving rights to share capital. The application of these rules and, in particular, the approval of the price offered by the offeror is subject to the competence of the Council of Financial Markets, an independent authority. This authority may grant exemptions from the obligation to deposit a public offer, in particular in the case of the reclassification of securities within a group or in the case of a merger, a spin-off or a contribution subject to the approval of the general meeting of shareholders. The non-respect of these rules will be sanctioned by the suppression of the voting rights belonging to the person in breach of the obligation.

### **4. Management report and annual accounts**

The statutory and consolidated accounts of CGEM as of 31 December 1999, 2000 and 2001, approved and accompanied by the reports of the Auditors as well as the interim statutory and consolidated accounts as of 30 June 2002, with the report of the Auditors, can be obtained without cost from BNP Paribas Securities Services, Zurich branch, Limmatquai 4, P.O. Box 823, CH-8024 Zurich, attn. Mr. Marc

Aubert (telephone: +41 1 267 94 68; telefax: +41 1 267 93 94). The annual report for the financial year 2001 as well as the Document of Reference of CGEM can be consulted on the internet: [www.michelin.com](http://www.michelin.com).

The Auditors of CGEM are:

- Dominique PAUL, Partner, Pricewaterhouse Coopers
- Stephane MARIE, Partner, Corevise.

The assets and liabilities, the financial position, the earnings and prospects of CGEM have not significantly changed between 30 June 2002 and the date of the report of the review body of 10 October 2002.

## 5. Shareholders owning more than 5 per cent of the voting rights

As of 7 October 2002, no shareholder held, to the knowledge of CGEM, more than 5 per cent. of the voting rights of the company.

## 6. Persons acting in concert with CGEM

In the framework of the offer, all the companies controlled by CGEM, including its 100 per cent. subsidiary "Spika S.A.", Clermont-Ferrand (Puy-de-Dôme), France, which holds 70 161 CFM registered shares and 89 856 CFM bearer shares (representing 1.78 per cent of the capital and 1.24 per cent of the voting rights of the company) as well as CFM and its subsidiaries, are deemed to be acting in concert with CGEM.

## 7. Purchase and sale of equity securities of CFM

In the twelve months preceding the pre-announcement of the offer, i.e. from 4 October 2001 to 3 October 2002, CGEM and the persons acting in concert with it have not purchased or sold any CFM shares. They have not purchased or sold conversion or acquisition rights relating to the registered or bearer shares of CFM either.

## 8. Participation of CGEM in CFM

As of 3 October 2002, CGEM and the persons acting in concert with it held in total, directly or indirectly, 11 697 530 CFM registered shares and 715 407 CFM bearer shares, representing 93.45 per cent of the capital and 96.42 per cent of the voting rights of the company.

CGEM and the persons acting in concert with it held no conversion or acquisition rights relating to the registered or bearer shares of CFM.

# IV. FINANCING

The CGEM registered shares necessary for the financing of the offer shall be created by an increase of capital of CGEM. The Management of CGEM shall take all necessary steps for this purpose.

# V. INFORMATION ABOUT THE COMPANY

## 1. Intentions of CGEM as regards CFM

### Cancellation of the remaining CFM bearer shares

In the event that it holds more than 98 per cent. of the voting rights of CFM after the settlement date, CGEM intends to apply for the cancellation of the CFM bearer shares remaining with the public pursuant to article 33 of the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995.

### Increase of capital

After the settlement date, CGEM intends to subscribe for a capital increase of CFM of a maximum amount of CHF 702 415 600, by the issue of a maximum of 3 512 078 new CFM bearer shares to be fully paid-in at the time of subscription in accordance with the authorised share capital provision appearing in article 4 § 1bis of the articles of association of CFM. Issue premium included, the amount of this

capital increase will be approximately one and a half billion Swiss francs. The object of this transaction is to improve the capitalisation of CFM and to thus permit it to intervene on the capital markets under more favourable conditions. Pursuant to article 4 § 1bis of the articles of association of CFM, the determination of the issue price for new shares, the date of issue and that as from which the new shares will give right to dividends as well as the nature of the contribution shall be determined by the Management of CFM. The non exercised preferential rights of subscription shall be at the disposal of the Management.

#### **Delisting of the CFM bearer shares**

Upon expiry of the offer, if CGEM holds more than 98 per cent of the voting rights of CFM, it will apply for the cancellation of the CFM bearer shares remaining with the public pursuant to article 33 of the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995; the delisting of the CFM bearer shares will be requested after the cancellation procedure. Moreover, CFM has declared that it reserves the right to apply for the delisting of the bearer shares in the event that the 98 per cent. threshold is not attained. Any shareholder who has not presented his/her/its CFM bearer shares for acceptance as at the expiry of the additional acceptance period may therefore hold shares in respect of which the liquidity will be reduced.

#### **Impact of the offer on the dividend policy of CFM**

Since CGEM intends to improve the capitalisation of CFM in order to permit it to intervene on the capital markets under more favourable conditions, the dividend policy of CFM may be reconsidered after the offer. In the future, the dividends distributed by CFM may be considerably lower than those which have been paid to date.

#### **Consequences of the offer for the managing bodies and for the personnel of CFM**

The offer has the object of facilitating the recapitalisation of CFM. A new orientation of the activities of the company is not presently under consideration.

Consequently, at the moment, no modification to the Management of CFM is envisaged. Furthermore, at present, there is no restructuring in view which might have negative consequences on the number of employees of the company.

## **2. Agreements with CGEM, CFM and its bodies and shareholders**

No agreements in relation to the present offer have been concluded between CGEM and the persons acting in concert with it, on the one hand, and CFM, its bodies and shareholders, on the other hand.

However, it should be noted that two members out of three of the Management of CFM are also managing partners of CGEM. The steps taken by the Management of CFM to deal with this particular situation are set out in the report of the Management of CFM of 9 October 2002, reproduced under section VIII. below.

## **3. Confidential information**

CGEM confirms that neither it nor persons acting in concert with it have in their possession any confidential information relating to activities of CFM or of the companies which it controls which could have a decisive influence on the decision of the recipients of the offer.

## **VI. PUBLICATIONS**

A summary of this offering prospectus shall be published in German in the "Neue Zürcher Zeitung" and in French in "Le Temps" and in "L'Agefi". It shall be communicated to Bloomberg, Reuters and Telekurs.

## VII. REPORT OF THE REVIEW BODY WITHIN THE MEANING OF ARTICLE 25 OF THE FEDERAL ACT ON STOCK EXCHANGES AND SECURITIES TRADING

As review body recognised under the Stock Exchange Act for the review of public takeover offers, we have reviewed the offering prospectus of CGEM and its summary.

The offering prospectus and of its summary are the responsibility of CGEM whilst our responsibility is to verify these documents and express an opinion thereon.

Our review was conducted in accordance with the standards promulgated by the Swiss profession. These require that a review be planned and performed to verify that the offering prospectus and its summary are free from material misstatement. We have checked the information contained in the offering prospectus and the summary, partially on a sample basis. Furthermore, we have verified the compliance with the Stock Exchange Act and its implementing ordinances. We believe that our review provides a reasonable basis for our opinion.

In our opinion:

- the offering prospectus and its summary comply with the Stock Exchange Act and its implementing ordinances, taking into account the exemptions granted by the Swiss Takeover Board;
- the offering prospectus is complete and accurate and its summary reproduces the essential information of the offer;
- the recipients of the offer are treated equally; and
- CGEM has taken all the necessary measures for the CGEM registered shares needed for the exchange to be at disposition on settlement date.

Zurich, 10 October 2002

The Review Body within the meaning of  
Art. 25 of the Stock Exchange Act

KPMG Fides Peat

St. Gard      B. Doerig

An auditor recognised by the  
Federal Banking Commission

PricewaterhouseCoopers Ltd

D. Ehret      Ph. Amrein

## VIII. REPORT OF THE MANAGEMENT OF CFM

### Recommendation

The Management of CFM has taken note of the offer of CGEM. After a careful examination, it has unanimously resolved to recommend to the shareholders to accept the offer.

### Explanation

#### *Fairness of the exchange ratio offered*

The management considers that the exchange ratio of the offer takes into account the financial situation of CFM. This exchange ratio is attractive for the shareholders of CFM insofar as it includes a significant premium by reference to different average market prices and is higher than the ratio of net reevaluated assets of CGEM and CFM.

The recommendation of the Management is also based on the opinion of Associés en Finance, 223 rue Saint-Honoré, Paris (1<sup>er</sup>), which the Management nominated as independent expert to verify the financial adequacy of the offer. After careful examination, Associés en Finance arrived at the conclusion that the offer was fair.

### *Illiquidity of the market for CFM bearer shares*

Currently, the number of publicly held CFM bearer shares is not more than 459 593, which represents a free float of less than 40 per cent. Thus, the CFM bearer shares cannot be sold except in small amounts in an often illiquid market. Shareholders who intend to dispose of their CFM bearer shares have no guarantee of doing so at all times at a fair price. This unsatisfactory situation would not improve in the future.

### **Position of the management**

No modification concerning the composition of the Management or the conditions of the mandate of its members is presently foreseen.

Two of the members of the Management of CFM, i.e. Mr. Edouard Michelin and Mr. René Zingraff, are also managing partners of CGEM. The third member, Mr. François Michelin, has occupied the same function until recently. Taking this situation into account, the Management requested Associés en Finance to verify the financial adequacy of the offer. According to Associés en Finance, the examination of the exchange ratio proposed should be carried out in two stages, a parity between the economic assets in the context of a quasi-merger and a parity between the financial assets, since the two shares do not have the same attributes. Associés en Finance gave preference, when carrying out its analysis, to factual criteria of actual assets and results, with the exclusion of exceptional elements, as published on 30 June 2002, since CGEM did not present detailed forecasts for each of the two entities. Associés en Finance did not take account of financial analyst forecasts due to a quasi-absence of cover for the CFM shares. The calculation of the re-evaluated assets was carried out with a view of perfectly equal treatment between the two companies and resulted in a range of parity of 10.6 to 11.6 or 12 when adapted in favour of the shareholders of CFM. The proposed parity of 13 thus gives rise to a premium by reference to the parity of assets. This supplement may be analysed as the compensation either for the delay in completing the transaction, in the event that the shareholders of CFM wished to liquidate their investments, or for the yield differential should they retain their CFM shares. As a result of this review, Associés en Finance concludes that the exchange ratio causes almost no dilution for the present and future shareholders of CGEM, and makes the structure of the Group easier to follow. Associés en Finance concludes therefore that the offer made to the shareholders of CFM is fair.

The complete text of the fairness opinion given by Associés en Finance will be annexed to the offer prospectus of CGEM.

### **Intention to the shareholders holding more than 5 per cent. of the voting rights**

Apart from CGEM, no shareholder holds more than 5 per cent. of the voting rights of CFM.

The present report has been submitted to the Controllers of CFM, who expressed a positive view to CGEM's proposed offer.

Granges-Paccot, 9 October 2002

For Compagnie Financière Michelin

François Michelin  
Manager

## IX. RECOMMENDATION OF THE SWISS TAKEOVER BOARD

The offering prospectus of CGEM and the report of the Management of CFM were submitted to the Swiss Takeover Board prior to publication. On 11 October 2002, the Swiss Takeover Board adopted the following recommendation:

- The public offer of Compagnie Générale des Etablissements Michelin complies with the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995.
- The Swiss Takeover Board grants the following exemptions from the Takeover Ordinance (art. 4): submission of the offer to a resolutive condition (art. 13 para. 4), waiver of the cooling-off period (art. 14 para. 2); reduction of the offer period to 10 trading days (art. 14 para. 3), and postponement of the settlement date (art. 14 para. 6) in accordance with the paragraph below.
- Should the CGEM registered shares issued within the framework of the offer not have been listed and admitted to trading on the Main Market of Euronext Paris S.A. by 2 December 2002, the settlement date within the meaning of art. 14 para. 6 TOO shall be postponed:
  - a) until such shares are listed and admitted to trading, and
  - b) until 20 December 2002 at the latest.

## X. EXECUTION OF THE OFFER

### 1. Information / Announcement

#### Shareholders holding their CFM bearer shares in deposits accounts

Shareholders holding CFM bearer shares in bank deposits shall be notified of the offer by the custodian bank and are requested to comply with the instructions thereof.

#### Shareholders holding their CFM bearer shares at home or in a bank safe

Shareholders who keep their CFM bearer shares at home or in a bank safe may obtain the offering prospectus as well as the formula "Declaration of acceptance and assignment" with BNP Paribas Securities Services, Zurich branch, Limmatquai 4, P.O. Box 823, CH-8024 Zurich, attn. Mr. Marc Aubert (telephone: +41 1 267 94 68; telefax: +41 1 267 93 94). They are requested to complete and sign the form "Declaration of acceptance and assignment" and to deliver it directly to their bank, accompanied by the information relating to the deposit and by the corresponding share certificate(s), not invalidated, by 30 October 2002, 4 p.m. CET at the latest.

### 2. Shares notified for acceptance

CFM bearer shares notified for acceptance in the framework of the offer will be blocked by the custodian banks and will no longer be eligible for trading until the settlement date of the offer as defined in section X.3 below.

### 3. Settlement of the offer

Subject to an eventual extension of the offer period as provided for in section II.4 above or to an eventual postponement of the settlement date as provided for in section II.6 above, the CGEM registered shares offered in exchange shall be delivered on 2 December 2002 to shareholders who have notified their CFM bearer shares for acceptance during the offer period or during the additional acceptance period.

### 4. Right to dividends

The newly issued CGEM registered shares resulting from the increase in capital realised in order to carry out the offer give right to a dividend which shall be distributed in 2003 in respect of the financial year concluded on 31 December 2002.



## 5. Expenses and taxes

Information contained in this section X.5 has only an indicative nature. The holders of CFM bearer shares are requested to take advice on the tax consequences of notifying their CFM bearer shares for acceptance in the framework of the offer.

### Bank charges

The exchange of CFM bearer shares deposited with banks in Switzerland is free of bank charges during the offer period and the additional acceptance period.

### Stamp duties / Stock exchange fee / FBC surcharge

The Swiss stamp duty levied at the time of exchange as well as the stock exchange fees, including the surcharge of the Federal Banking Commission, shall be borne by CGEM. After the settlement of the offer, negotiation of the CGEM registered shares shall be subject to Swiss stamp duty if one of the parties to the contract or one of the intermediaries is a Swiss broker. The submission of such transaction to other taxes in France, in the country in which the relevant stock exchange is located or in which the shareholder has his fiscal domicile or registered office shall be governed by the relevant laws and other applicable regulations.

### Taxation of income or profits

The exchange of CFM bearer shares which form part of the private fortune of a person whose fiscal domicile is in Switzerland is, in accordance with the practice of the Swiss federal and cantonal tax administrations, free of tax.

For the individuals resident in Switzerland and holding the shares as commercial assets, it has been confirmed by the Federal Tax Administration that the exchange of CFM bearer shares against CGEM registered shares will not give rise to taxation, so far as no hidden reserve is realised in an accounting view point. Amortisation of the participation would be considered as a deductible charge against taxable income if this is justified by commercial usage. At the cantonal level, it is recommended to take separate advice.

For legal entities, at the federal level, the exchange of CFM bearer shares against CGEM registered shares will give rise to no tax consequences in so far as the hidden reserves are not realised from an accounting view point. This has been confirmed by the Federal Tax Administration. At a cantonal level, it is recommended that each person examines its own situation.

The taxation on the exchange of CFM bearer shares held by individuals and legal entities whose residence or registered office is abroad will be subject to the foreign tax regulations in force. These persons are recommended to have the tax consequences of the notification of their CFM bearer shares for acceptance reviewed by a competent person.

### Taxation of CGEM dividends

Dividends paid by French companies are entitled to a tax credit, called "avoir fiscal", aimed at eliminating double taxation of company income. This tax credit equals 50 percent of the dividend paid to individuals and legal entities that benefit from the parent-subsidiary relief provisions and 15 percent of the dividend paid to shareholders who are legal entities. The draft Finance bill for 2003 provides for a reduction of the avoir fiscal to 10 per cent. for entities that do not benefit from the parent-subsidiary relief. The avoir fiscal can be offset, under certain conditions, against the tax borne by French tax residents. Some of the tax treaties entered into by France provide for a refund, under certain conditions, of this tax credit by the French Treasury to non-resident shareholders.

Dividends paid by companies, whose registered office is located in France are subject to a 25 per cent. withholding tax if paid to a person whose tax domicile or registered office is outside France. However, under certain conditions, pursuant to international tax treaties or to article 119ter of the Code Général



des Impôts, this withholding tax can be reduced or cancelled and the avoir fiscal can be refunded net of applicable withholding tax.

Under the tax treaty entered into by France and Switzerland, shareholders who have their tax domicile or their registered office in Switzerland within the meaning of the treaty and who, under the condition that they are legal entities, own less than 10 per cent. of the shares of a French company, are entitled to a reduced withholding tax rate of 15 per cent. on dividends stemming from France and are entitled, under certain conditions, to a refund of the avoir fiscal net of the reduced withholding tax. Measures designated to avoid double taxation of French dividends are also provided by the fore-mentioned tax treaty.

Shareholders who are domiciled outside Switzerland may, under certain conditions, obtain a refund of part of the tax pursuant to applicable law and tax treaties in force.

## 6. Cancellation of remaining shares and delisting

Upon expiry of the offer, it is envisaged to request cancellation and delisting of the CFM bearer shares remaining in public hands insofar as the legal requirements in this respect are satisfied. For further details, reference is made to section V. 1 above.

## 7. Governing law and jurisdiction

All rights and obligations arising from this offer are subject to Swiss law. The exclusive legal forum is the civil court of Sarine, in Fribourg, Switzerland.

## XI. TENTATIVE TIMETABLE

- Beginning of the offer period: 17 October 2002
- End of the offer period\*: 30 October 2002
- Beginning of the additional acceptance period\*: 5 November 2002
- End of the additional acceptance period\*: 18 November 2002
- Settlement date\* \*\*: 2 December 2002

\* CGEM reserves the right to extend the offer period on one or several occasions in accordance with section II. 4 above. Should such an extension take place, the offer timetable would be adapted consequently and newly communicated.

\*\* CGEM also reserves the right to postpone the settlement date, in accordance with section II. 6 above.

Zurich, 17 October 2002

The bank responsible for the technical performance:

BNP Paribas Securities Services, Zurich Branch

# Associés en Finance

## ATTESTATION D'EQUITE

### Contexte de la mission

*Le Gérant de la Compagnie Financière Michelin, ci-après dénommée CFM, agissant au nom de l'Administration de la Société, a mandaté Associés en Finance pour attester l'équité de l'offre d'échange en titres initiée par son actionnaire majoritaire à 93,45 %, la Compagnie Générale des Etablissements Michelin, ci-après désignée CGEM, proposée aux détenteurs d'actions au porteur de la CFM. Les deux sociétés ont des dirigeants communs.*

*Pour l'exercice de cette mission, Associés en Finance s'est appuyé sur les éléments publics d'information financière émanant des deux sociétés CGEM et CFM, ainsi que sur des entretiens avec les cadres dirigeants de ces sociétés. Associés en Finance a analysé de manière contradictoire les éléments d'appréciation de la parité proposée présentés par l'initiateur avec la collaboration de BNP Paribas, établissement présentateur de cette OPE, tant du point de vue de la pertinence des méthodes utilisées et de la vérification de leur mise en œuvre technique, que du point de vue de la cohérence des données et des hypothèses utilisées. Associés en Finance a procédé par ailleurs selon ses propres méthodes et en s'appuyant sur ses propres bases de données à une évaluation de la parité d'échange entre les titres CGEM et les titres CFM.*

*Cette opération doit s'analyser du point de vue des actionnaires minoritaires de CFM selon les termes suivants. La CFM est une sous-holding de la CGEM dont le chiffre d'affaires représente 98,4 % de celui de sa maison mère. Les actifs économiques sous-jacents aux deux sociétés sont très voisins, la CGEM possédant en outre des actifs spécifiques, comme notamment la marque Michelin, et présentant un niveau d'endettement inférieur à celui de sa filiale. Si CGEM venait à détenir plus de 98 % des droits de vote de CFM à l'issue de l'offre (ce qui impliquerait un taux de réussite de l'offre d'environ 44 %), une procédure d'échange obligatoire sera déclenchée, ce qui revient financièrement pour les actionnaires de CFM à une fusion même si celle-ci n'est pas juridiquement effectuée. Le calendrier des opérations conduit à constater un délai d'exécution incompressible de près de trois mois entre l'annonce de l'offre et la remise des titres CGEM en échange des actions CFM apportées. Les actionnaires de CFM se voient enfin proposer des titres qui, tout en présentant une liquidité boursière bien supérieure, sont des actions nominatives d'une société en commandite par actions de droit français et de moindre rendement en terme de dividende.*

*Du point de vue des actionnaires de la CGEM, l'opération ne présente pas de synergies significatives tout en concourant à une meilleure communication actionnariale, outre l'économie des coûts liés à une double cotation et la disparition de niveaux intermédiaires d'appréciation, et donc une meilleure efficacité globale.*

## Conclusion

*L'examen de la parité proposée doit s'articuler en deux étapes, parité entre actifs économiques du fait d'un contexte de quasi-fusion, et parité entre actifs financiers puisque les deux titres n'ont pas les mêmes attributs.*

*Associés en Finance a privilégié dans sa démarche les critères factuels d'actifs et de résultats, éventuellement retraités des éléments exceptionnels, tels qu'ils ont été publiés au 30 juin 2002, l'initiateur n'ayant pas présenté d'informations prévisionnelles détaillées pour chacune des deux entités. Il n'a pas été tenu compte de prévisions d'analystes financiers du fait de la quasi absence de couverture du titre CFM. Les calculs d'actifs réévalués ont été effectués avec un souci de parfaite homogénéité de traitement entre les deux sociétés et aboutissent à une fourchette de parité de 10,6 à 11,6, voire à 12 en adoptant une démarche favorable aux actionnaires de la CFM.*

*La parité proposée de 13 fait donc apparaître une prime par rapport à la parité d'actifs. Ce complément doit s'analyser comme la compensation soit du délai de réalisation de l'opération, au cas où les actionnaires de CFM souhaiteraient obtenir la liquidité de leur investissement, soit du différentiel de rendement s'ils conservent leurs titres CGEM. Nos travaux nous amènent à conclure que la parité proposée correspond bien à l'un ou à l'autre cas.*

*Cette parité se révèle enfin quasiment neutre en dilution pour les actionnaires, anciens et nouveaux, de la CGEM tout en offrant une meilleure lisibilité au Groupe.*

*L'ensemble de ces considérations nous permet donc de conclure au caractère équitable de l'offre proposée aux actionnaires de la Compagnie Financière Michelin.*

*Professeur Bertrand Jacquillat*

*Daniel Beaumont*

