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Horizons

No. 06
MARCH 2012

MICHELIN'S LETTER TO ITS SHAREHOLDERS

TOPICAL REVIEW

Innovation Built into every Michelin segment

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EDITORIAL



Dear Michelin Shareholder,

I think it can be said very clearly that your Company delivered a strong performance in 2011 – and one that fully confirmed the validity of its strategic choices.

Our business environment has become very unstable and last year, market conditions varied widely as the months went by, with a very buoyant first-half followed by sharp slowdown in the summer, especially in mature markets. However, thanks to the disciplined management of our operations, Michelin ended the year with remarkably high earnings. This good performance has helped to maintain our solid balance sheet, which is crucial for the future, in order to guarantee your Company's independence and to support its ambitious capital expenditure program.

Concerning Michelin's governance, I have announced that at the Annual Meeting next May 11, I will recommend that you accept that I leave office as Managing Partner and Chairman of the Group. As you know, at my recommendation, Jean-Dominique Senard was elected last May as Managing General Partner in order to succeed me. Since then, he's worked alongside me as the Group's future leader and the transition is now ensured. The time has come for me to pass him the reins.

Your Company is in fine shape, as attested by our recently released results, and is geared up to meet the many challenges that are sure to arise in our new phase of assertive growth.

I know that Jean-Dominique will be an excellent Chairman and that he will continue to proudly express Michelin's values and ambitions. He has my full and absolute confidence.

Thank you for your ongoing commitment and loyalty.

Michel Rollier
Managing Partner – Chairman



Marc Henry,
Chief Financial Officer

“ 2011: A year that fully validated Michelin’s strategic vision ”

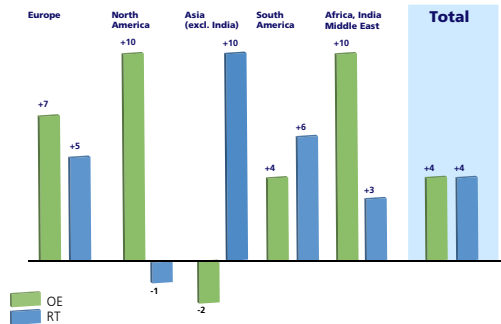


- Consolidated net sales amounted to €20,719 million, up 15.8% at current exchange rates compared with 2010.
- Sales volumes up 6.7% thanks to a very strong first half.
- Higher raw materials costs effectively offset.
- Robust operating income of €1,945 million, or 9.4% of net sales, and a 39% increase in net income.
- Sustained high margins in the Specialty businesses.
- Free cash flow at breakeven, given the faster deployment of the capital expenditure plan and despite the impact of higher raw materials costs on working capital.
- A solid balance sheet.
- Proposed dividend of €2.10 per share, subject to approval at the Annual Shareholders Meeting of May 11, 2012.

Main changes in Tire Markets in 2011 compared to 2010

► Passenger Car & Light Truck tires

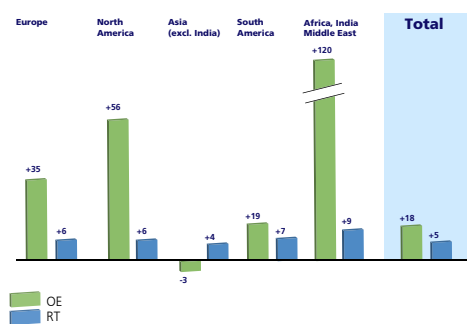
Market at December 31, 2011
(% change YoY, in number of tires)



Annual growth that moved back in line with long-term trends in H2

► Truck tires

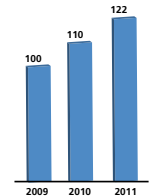
Radial Market at December 31, 2011
(% change YoY, in number of tires)



OE demand brisk all year long, steep fall-off in Replacement sales in H2

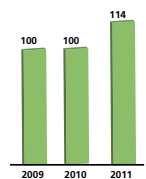
► Mining tire market

(in tonnes, base 100 = 2009)



► Agricultural tire market (Europe, North America)

(in number of tires, base 100 = 2009)



Sustained growth in specialty tires, with clear visibility

2012: Higher operating income target and positive free cash flow in more widely varying markets

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

As a result, Michelin confirms its ambition to drive at least 25% growth and generate positive free cash flow over the 2011-2015

period, and has raised its 2015 operating income target to €2.5 billion.

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

In 2012, Michelin aims to hold volumes steady as global tire markets experience varying degrees of growth, in an environment that will

remain favorable in the new markets but be less buoyant in Europe.

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



Is Michelin perceived as an attractive employer?

► **François JOHNSTON, Hiring Manager, France** says: "Michelin is well known for its values, capacity for innovation, career opportunities, and training and development programs. However, the Group has suffered in recent years from the image of an automobile industry in crisis. To meet that challenge, we're going to study the expectations of applicants in ten key countries and leverage our "Moving Forward Together" program with the goal of expressing an aligned message and revitalizing our image."

► **Maggie ZHENG (photo), Personnel Department/Hiring in China:** "Michelin is widely respected for its corporate values and employee integration practices. In the market, it has the image of being a very good employer, thanks to its career management policies."



The challenges of hiring

To support its future growth prospects, Michelin has launched a major worldwide hiring program. In the global quest for talent, the Group must meet the challenges of hiring the best people.



MOVING FORWARD TOGETHER

The trademark of mutual commitment

The "Moving Forward Together" program reaffirms the core values shared by all Michelin employees and reflects the commitments that the Group has undertaken and expects of them. On the basis of these commitments, each country will adapt "Moving Forward Together" to its specific cultural and local conditions and promote it among job applicants and employees.

A message from the Managing Partners:

One of Michelin's core values is Respect for People. This means that your development, fulfillment and commitment are at the heart of our mission and our Company's performance.

Working for the Michelin Group is a personal choice that implies motivation and a sense of purpose. It calls for a mutual commitment between the employee and the company, which begins when the employee is first hired and continues throughout his or her career. The "Moving Forward Together" program reaffirms our core values and reflects the commitments we undertake and expect of our employees.

"Moving Forward Together" is the ability to attract and retain talent everywhere around the world and transmit our culture and expertise. It is the key to our future success.



PEOPLE,

One of the company's key assets

Jean-Michel GUILLON Executive Vice President, Personnel says: "We hire people more for their personality than for a specific area of expertise."

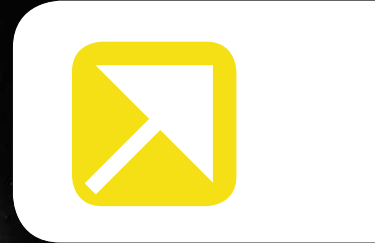
"Michelin offers numerous job opportunities in dozens of fields, ranging from sales and manufacturing to purchasing, finance and human resources. Our employees are also expected to possess the intellectual flexibility to transfer from one job or country to another so that we can move forward together."



MICHELIN GREEN X STUDENT DAYS

Objective: 500 new hires a year

Every year, Michelin invites nearly 400 students to attend the Michelin Green X Student Days event at the Technology Center in Clermont-Ferrand to see the Group's prototypes and learn about its job opportunities. Most hiring is done via the Web, which represents a critical communication vector for our job offerings. Young people also learn about the company through social networks, and that's one area in which "Moving Forward Together" provides a concrete solution. In 2011, we launched more than 200 initiatives for students, such as the Michelin Green X Student Days and job skills video forums on the Web. "Our objective is to hire 500 new employees a year", says Hiring Manager Philippe Tramond. "It's very important to raise our profile among recent graduates in France and other European countries to show them that we too are technology enthusiasts and that if our job opportunities match their expectations, we can move forward together."



Innovation built into every Michelin segment

The Group's strategy is and will continue to be based on leveraging technology and innovation to create differentiated products. The goal is to maintain its leadership position and respond more effectively to tire user needs.

This approach involves being close to the frontline and understanding the different issues associated with each region and each type of tire use. In addition, R&D and sales teams work closely together to devise the solution that is most appropriate and which delivers the best performance balance.

This focus on the best performance balance is not just a marketing concept. It's the direct result of the Group's capacity for innovation and the hard work of its 6,000 researchers. Performance is never enhanced in one area if it involves sacrifices in another. The role of technology is to enable simultaneous improvements in sometimes contradictory areas of tire performance, namely grip, longevity and fuel-efficiency.

This is clearly seen in the many products brought to market by Michelin in recent months across all Product Lines.

In the **Passenger Car and Light Truck** Product Line, the renewal of the sports tire range continued with the launch of the **MICHELIN Pilot Super Sport** tire. The Group's commitment to transferring technology from the track to the road is fully reflected in the use of materials developed

especially for the 24 Hours of Le Mans. More specifically, the tread on this new tire for sports models contains the same carbon black used in tires fitted on the winning cars in the celebrated endurance race.

In **Truck** tires, Michelin Durable Technologies were integrated into the **MICHELIN X Multiway 3D** tire, enabling it to continue delivering excellent grip – 25% better than the previous-generation tire – even when the tread is two-thirds worn. In addition, the tread pattern has been specially worked to optimize water dispersal throughout the full life of the tire.

All Product Lines are driven by innovation

In the **Motorcycle** segment, Michelin introduced the **MICHELIN Pilot Road 3** tire – the first siped motorcycle tire – which is setting the standard in terms of safety. The extensive know-how that Michelin has gathered over the years (in car tires, for example) has been successfully transferred to motorcycle tires with the goal of improving grip on wet roads. The Two-Wheel Product Line has also been very active in bicycle tires with the release of the **MICHELIN PRO4** tire, which meets the widely differing expectations of amateur and professional bikers alike.

150 That's the number of technical certifications granted by leading automobile manufacturers to the MICHELIN Energy™ Saver tires in nearly three years.

In **Agriculture** tires, new tire lines continued to integrate **UltraFlex** technology, which reduces soil compaction, thereby protecting crops. This revolutionary tire design technique enables farm equipment to operate safely at very low inflation pressure.

Earthmover tires are not only the biggest tires; they also play a key role in keeping mines operating smoothly. Previously considered to be the market benchmark, the **MICHELIN XDR** tire has been replaced by a new generation – the **XDR2** tire – which is even more efficient than its predecessor, thus helping customers to keep their businesses profitable.

Lastly, in the **Aircraft** segment, Michelin continued to increase market share thanks to its **Near Zero Growth (NZG)** radial tires. This innovative technology generates considerable weight savings compared with non-radial competitors while doubling the number of landings a set of tires can make and ensuring total reliability.

Regardless of the type of tire and its usage, Michelin's capacity for innovation guarantees that its products will maintain the competitive edge that that has always been the brand's key asset.



Motorcycle



Bike



Aircraft



Truck



Passenger Car and Light Truck



Earthmover



Agriculture



Since 1992, Michelin has developed four generations of energy-efficient tires for cars and three for trucks.

Together, they have reduced fuel consumption by more than 14 billion liters and CO₂ emissions by over 36 million tonnes worldwide.



N. Shorrock
Director of the Michelin Motorsports Division

“ Racing is a fantastic technological laboratory, that enables us to test tomorrow's street tires under extreme conditions.”



CAPITAL PROJECTS

Key strategic projects in China, India and Brazil

The Group's three largest projects to increase production capacity are all underway. Shenyang 2 in China will produce passenger car and light truck tires, Chennai in India will make truck and earthmover tires and Pau Brazil will manufacture passenger car tires. Representing a total investment of \$2.9 billion, the three plants are scheduled to begin producing their first tires as of 2012.

The new facilities will play a critical role in meeting Michelin's ambitious growth objectives by providing new capacity aligned with global demand and the ability to strengthen our positions in three key markets, which are expected to expand by 9% to 10% a year.

MICHELIN CHALLENGE BIBENDUM

Berlin 2011: a record turnout!

More than 16,000 visitors attended the 11th Michelin Challenge Bibendum in Berlin in 2011, with some 650 journalists covering the event.

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



MOTORCYCLE TIRES

Safer and more lasting

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



CAC 40 INDEX

Michelin enjoys the best reputation

Michelin was named as having the best reputation among companies listed on the CAC 40 stock market index.

The ranking was obtained from a survey of more than 3,500 people by the US-based Reputation Institute, which focused on the following criteria: products and services, governance, employee relations, innovation, corporate citizenship, economic and financial performance and leadership.

APP STORE REWIND 2011

App Store Rewind 2011: 3 Michelin applications among the year's best sellers



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



NEWS

A new tire especially designed for use in emerging markets

When developing the all-new MICHELIN Energy™ XM2 tire, Michelin engineers produced a tire capable of delivering superior safety at the lowest total cost of ownership for the largest number of motorists.

The MICHELIN Energy™ XM2 tire, which “lasts longer, with maximum safety”, focuses first and foremost on the need for a damage-resistant tire on roads in China, Southeast Asia, Russia, India, South America, Africa and the Middle East. The heavy traffic and uneven road quality in these countries definitely put automobile tires to the test.

COMPETITION



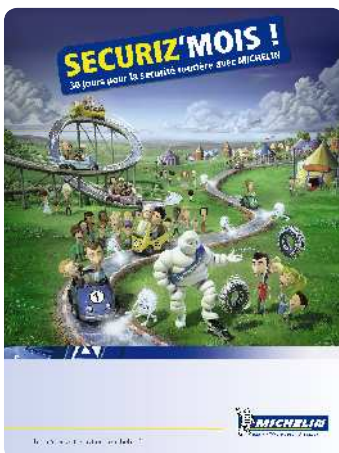
Michelin successfully returned to the WRC*

In 2011, after a five-year absence, Michelin Motorsports had every reason to be happy with the way its tires performed throughout the WRC season.

It was a particularly successful comeback, with Michelin and its partners (Sébastien Loeb and Citroën respectively) clinching both the Drivers’ and Manufacturers’ titles for the year.

*World Rally Championship

SAFETY



Strong involvement in promoting road safety

For many years, Michelin has been committed to sustainably improving road safety.

The Group is involved in a program called Road Safety for Young People in Europe (ROSYPE), which has already educated 500,000 young people in 15 countries in correct road user behavior.

In France, Michelin launched “Sécuriz’mois! 30 jours pour la sécurité routière avec Michelin,” an original 30-day, nationwide campaign aimed at building awareness of road safety issues.

PROTOTYPE

Taller, narrower, more fuel efficient

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

EARTHMOVER

The Panama Canal, a gigantic project for Michelin

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

Enotice and Evoting at the Annual Shareholders Meeting

Market Regulator has recently changed to make it easier for shareholders to receive their Notice of Meeting by email and to vote on the resolutions online (decree of November 9, 2011, which will take effect on March 1, 2012).

Last year, Michelin already took the innovative step of emailing the Notice of Meeting to shareholders who requested the service in writing, thereby guaranteeing timely delivery of proxy materials, without any risk of postal delays.

For online voting, however, the new legislation requires that the use of such systems be specifically authorized in the Company bylaws. This change was approved at last year's Annual Meeting, in the resolution enabling the use of secure online voting.

This means that we now have the legal and technical possibility of enabling you to

receive your Notice of Meeting by email and to vote on the resolutions online.

As part of the sustainable development strategy led by Michelin in recent years, this process will play an important role in reducing printing and postage costs, as well as saving paper and ink.

If you want to vote online, instructions are posted on www.michelin.com/actionnaires. All shareholders will be eligible to vote online, regardless of whether their shares are directly registered, indirectly registered or held in your capacity as an employee shareholder.

If you opted for the Enotice of Meeting last year, you do not have to carry out any other formalities. You will automatically receive your proxy materials by email, along with the online voting kit.

2012 Investor Calendar

Investor events

- ▶ **April 23, 2012**
Quarterly information for the three months ended March 31, 2012 (after close of trading)
- ▶ **May 11, 2012**
Annual Shareholders Meeting at 9:00 am in Clermont-Ferrand
- ▶ **July 27, 2012**
First-half 2012 results (before start of trading)
- ▶ **October 22, 2012**
Quarterly information for the three months ended September 30, 2012 (after close of trading)

Meetings with shareholders in France

- March 22:** Lyon
- April 3:** Colmar
- May 29:** Biarritz
- June 18:** Grenoble
- September 18:** Rouen
- October 2:** Montpellier

The annual meeting with shareholders in Paris, led by the Managing Partners, will be held at the Actionaria investor fair, which takes place on **November 23 and 24, 2012**.

Michelin Exhibited at the Salon Actionaria Investor Fair last November 18 and 19 in Paris



Every year, the Shareholder Relations team takes advantage of every opportunity to reach out to shareholders in France, meeting with them, listening to their concerns and answering their questions.

On November 18 and 19, for example, the team was on hand at the Salon Actionaria investor fair to answer questions and queries regarding the Company and its operations and the management of directly registered shares.

Michelin's shareholder relations teams, together with members of the Shareholder Consultative Committee and the Michelin Consumer Services team were also available to provide advice to our shareholder customers and guide them through the vast array of Michelin products and services.

A team at your service

Shareholder Relations Department

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Compagnie Générale

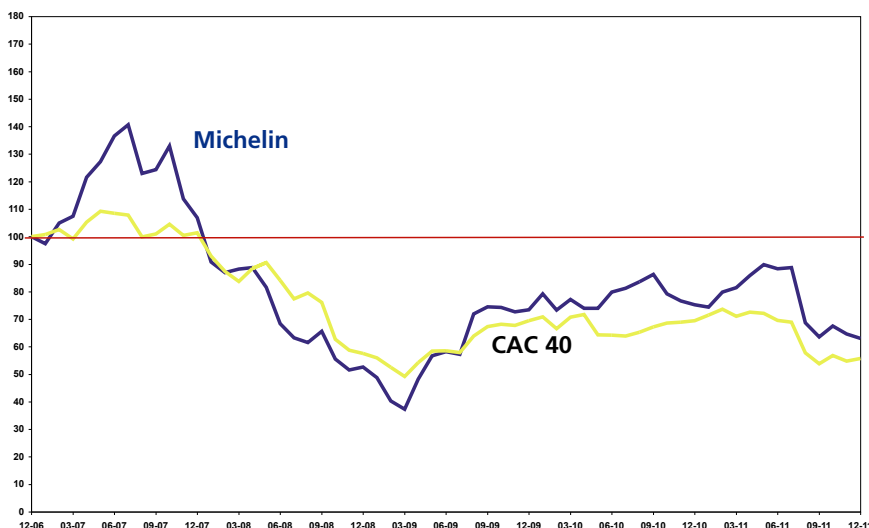
des Établissements Michelin

12 cours Sablon

63040 Clermont-Ferrand Cedex 9 – France

Share performance

(base 100: December 31, 2006)



www.michelin.com/actionnaires

Share information

At December 31, 2011

ISIN: FR0000121261

Shares outstanding: 180,018,897

Closing price: 45.68 euros

Change since Jan. 1, 2011: -14.93%

Market value: 8.2 billion

Ownership structure as of December 31, 2011:

- ▶ Employees **1.6%**
- ▶ Private shareholders **12.7%**
- ▶ Resident institutional investors **30.21%**
- ▶ Non-resident institutional investors **55.5%**