

2012 ANNUAL AND SUSTAINABLE  
DEVELOPMENT REPORT

# WHAT MAKES US DIFFERENT MAKES US BETTER



MICHELIN PERFORMANCE AND RESPONSIBILITY





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The 2012 Registration Document, including the Annual Financial Report, is available upon request in French and English from the Michelin Investor Relations Department, or on [www.michelin.com/corporate](http://www.michelin.com/corporate).



WE SUPPORT  
THE GLOBAL COMPACT  
By pledging to support the United Nations Global Compact, Michelin has committed to upholding and applying ten universal principles in the areas of human rights, labor, the environment and anti-corruption.

## PROFILE AND STRATEGY

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WHETHER THEY COME FROM INDIA, CHINA, FRANCE  
OR SOMEWHERE ELSE, WHETHER THEY HAVE  
BEEN WITH MICHELIN FOR OVER 30 YEARS OR LESS  
THAN A YEAR, OUR EMPLOYEES ARE DISTINCTIVE  
IN THE DIVERSITY OF THEIR ORIGINS AND SKILLS, BUT UNITED  
AS MEMBERS OF THE GLOBAL MICHELIN COMMUNITY.

FIND OUT ABOUT THE PEOPLE WHO EMBODY  
OUR GROUP AROUND THE WORLD, AND SHARE  
WITH THEM THE "MICHELIN WAY OF LIFE."

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INDEPENDENCE





***I'M THE FIRST WOMAN  
IN MY VILLAGE TO GET  
MY DRIVING LICENSE.  
WORKING FOR MICHELIN  
HAS REALLY GIVEN ME  
CONFIDENCE.***

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 **\_ MUNIYAMMA RATHINAM,  
25 YEARS OLD, FORKLIFT OPERATOR**

Rathinam comes from a village close to Michelin's new plant under construction in India. To go to work every day, she drives her scooter along the new road being built.

"I love my new career," she says. "Working for Michelin has completely changed my life. With my first pay, I bought myself a "Scooty," which was the first big change for me.

"I'm training to be a forklift operator, which is why I was able to pass my driving test. Without the training, that would never have been possible. Today, I'm the first woman in my village who can drive a car."

BEFORE JOINING MICHELIN IN FEBRUARY 2012, MUNIYAMMA RATHINAM HAD NEVER EVEN HEARD OF US. IT WAS THE PANCHAYAT (VILLAGE COUNCIL) LEADER WHO ENCOURAGED HER TO APPLY FOR THE JOB.



#### A CLOSER LOOK

**Future employees of the Chennai plant like Rathinam are undergoing extensive training on-site to get ready for the start-up of production. The following pictures take us on a guided tour.**



— I live with my parents in the nearby village. From my house, I can see in the distance where the Michelin plant is being built. I can get there on the scooter I bought with my first pay.

2

— In 2012, more than 1,000 trainees attended courses at the Chennai training center, which was the first building to be completed. The Group offers training in all of its job families, but also gives small initiation courses to young people in the 31 nearby villages. This is where I took English lessons.

— Working at Michelin has raised my standard of living, and changed the way I dress. It has also made me a better communicator, and changed the way I interact with others.

3

4

— To be ready when the first truck tires roll off the line at the end of the year, I'm taking a 70-hour training program to learn how to drive a forklift truck. I practice every day to be ready to meet new challenges.





DETERMINATION





# ***JOINING MICHELIN HAS ENABLED ME TO GROW AND REALIZE MY POTENTIAL IN A COMPANY WHOSE CULTURE I SHARE.***

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 **— ZHANG GUOLU,  
33, QUALITY MANAGER**

January 2013. It's one meeting after another as Zhang Guolu prepares for the start-up in a few days of Truck tire production at the new Michelin plant in Shenyang, China. Wearing his hard hat, he oversees and inspects machine installations on the shopfloor.

"15 years ago, I was an operator in the first plant in Shenyang. Michelin's career development process helped me to give my own career path a clear direction and I am now more focused on my personal and professional goals.

"The corporate culture and values at Michelin have raised my confidence and made me want to steadily move up in the company. Today, I'm Quality Manager in the new plant. I'm really proud of how far I've come."

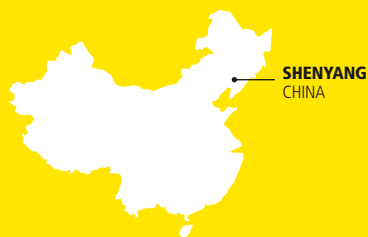
ZHANG GUOLU STARTED OUT AS A TRUCK TIRE PRODUCTION LINE OPERATOR IN SHENYANG. TO LEARN HIS NEW JOB, HE ATTENDED TECHNOLOGY AND MANAGEMENT COURSES IN OUR AMERICAN AND CANADIAN PLANTS.

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#### A CLOSER LOOK

**The new Shenyang 2 plant is now producing its first Truck tires. Zhang Guolu takes us around the new facility and talks about his new job.**



1

— I was born in Shenyang, a town of seven million people. Every weekend, I meet up with colleagues to play basketball, and it so happens that Michelin Shenyang organizes an annual basketball tournament. That's a great way to get to know your colleagues, and I've discovered that they're not bad at basketball either!

2

3

— I'm Quality Manager in the OPF workshop, a job that demands both technological and management skills. Now that production has started at Shenyang 2, it's my turn to meet the challenge of helping other young technicians to become professionals.

— Every day, you have to move up in quality. My job demands discipline, organization and good communication skills. You also have to be able to express yourself clearly and have good analytical skills.

4

— This part of the new Shenyang 2 plant is where Truck tires are made. A big challenge lies ahead for my team in 2013, when we'll have to ensure full production without the presence of the Group's ramp-up experts.





RECOGNITION





# **IN MY 37-YEAR CAREER, MICHELIN HAS GIVEN ME THE OPPORTUNITY TO EXPERIENCE A TRULY UNIQUE PERSONAL ADVENTURE.**

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 **\_ MICHEL ROBERT,  
61, QUALITY DIRECTOR, ORIGINAL EQUIPMENT PASSENGER  
CAR AND LIGHT TRUCK TIRES**

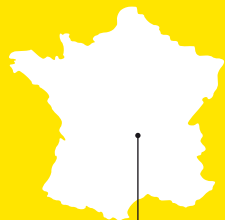
In his 37 years with Michelin, Michel Robert has worked in a wide variety of jobs and served in many international positions. Today, from his office in Clermont Ferrand, he and his teams around the world are helping to ensure the quality of Michelin car tires. "After graduating with a chemistry degree, I joined Michelin in March 1976 as a lab technician, and then went on to work in the Personnel Department as a recruiter. In 1990, I attended a lengthy education program for a change of career, and went off to Nigeria as a plant Quality Manager. That was the start of 15 years spent working abroad in different quality-related positions. I gradually understood that Michelin is a company committed to continuously offering new career opportunities so that people can develop their skills. I wouldn't say I'm out of the ordinary; that's just the way the Company works, by offering differentiated career paths, adapting the training curriculum to the person and the job to the talent. In other words, it really encourages personal development."

MICHEL ROBERT HAS BEEN SUPPORTING MICHELIN QUALITY FOR MORE THAN 20 YEARS. HE LIVED IN NIGERIA, JAPAN AND THE UNITED STATES, BEFORE RETURNING TO FRANCE, WHERE HE NOW WORKS IN CLOSE COLLABORATION WITH CARMAKERS AS WORLDWIDE QUALITY DIRECTOR FOR PASSENGER CAR AND LIGHT TRUCK TIRES.



#### A CLOSER LOOK

**What's a day in the life of Michel Robert? A day of understanding, analyzing and managing the quality demands of carmakers and constantly liaising with his teams to guarantee customer satisfaction and the quality of our Passenger Car and Light Truck tires.**



CLERMONT-FERRAND  
FRANCE



**1** — Jogging is a really important part of a balanced lifestyle for me. It clears the mind! In Japan, you often set yourself a personal or professional challenge using a Daruma doll, a Buddhist-inspired papier-mache head with blank eyes, which is supposed to bring good luck and perseverance. One of the characteristics of Japanese culture is not to rely solely on luck, but also to demonstrate courage and perseverance. The first eye is painted on the face when the challenge is set, and the second added when it is met. I used this approach when I prepared and then ran my first marathon in Tokyo in 2009.

**2 3** — Living and working abroad gives you a fresh new outlook on your country, your company, and your friends. You develop greater sensitivity in interpreting different personal and social behavior.

— Managers constantly take risks in developing people's skills. It's rewarding for both parties. I've seen it happen throughout my career, first to me when I was managed, and then by me when I managed others.

**4** — I am really passionate about Michelin Quality, which is at the heart of everything we do and, in many ways. When there's a problem with a tire, the solution might come from different places. So we have to collect and analyze the facts in order to build assumptions on solid observation and then test them. That's a very demanding value, but very virtuous as well.





# OUR AMBASSADORS

Throughout this report, you will find commentary and reports from our seven employee ambassadors. To watch their testimonials and examples of what they do, just activate the QR code next to their section.



## – CHALIN, VINCENT, PAOLA AND THE OTHERS

are all committed, each day, to embodying the PRM approach in their jobs and with their expertise.

> P. 14

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## – FRANÇOIS JOHNSTON, RECRUITMENT MANAGER IN FRANCE

takes us on a guided tour of the second edition of “Connecting Days”, when HR teams prepared 150 candidates for job interviews.

> P. 20

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## – PASCAL COUASNON, DIRECTOR, MOTORSPORTS DIVISION

gives us new insight into motorsports, Michelin's other laboratory.

> P. 25

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## – JÉRÔME HASLIN, TEST DRIVER

tells us about his job – testing sports car and racecar tires in real conditions.

> P. 27

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## – ODILE DUCHENY, KEY ACCOUNT MANAGER FOR MICHELIN FLEET SOLUTIONS

talks about her career, how her job is changing and opportunities for mobility.

> P. 45

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## – DOROTHÉE BURDIN, CAMPUS MANAGER

invited 30 international students to Michelin Challenge Bibendum for three days to develop road mobility solutions.

> P. 49



## – THE CSR TEAM/INDIA

In Chennai, Michelin is dedicated to improving healthcare for local communities. A look at the “Eye Camps” deployed since 2010.

> P. 61



## CORPORATE PROFILE

Since 1889, Michelin has constantly innovated to facilitate the mobility of people and goods. Today, it is setting the benchmark across every tire and travel-related services market, while leading a global strategy to drive sustainable, profitable growth.

113,443 EMPLOYEES  
€21.5 BILLION IN NET SALES  
€2.42 BILLION IN OPERATING INCOME<sup>(1)</sup>

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166 MILLION TIRES PRODUCED  
IN 69 PLANTS IN 18 COUNTRIES

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3,418 DISTRIBUTION AND SERVICE  
CENTERS IN 29 COUNTRIES

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MARKETING OPERATIONS IN 170 COUNTRIES  
14.6% SHARE OF THE GLOBAL TIRE MARKET<sup>(2)</sup>

### LEADING THE WAY IN RESPONSIBLE, SUSTAINABLE MOBILITY

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Improving safety, increasing energy efficiency, using fewer raw materials and reducing emissions and noise levels all represent opportunities for Michelin to create competitive advantage and meet the expectations of modern society. Today, we are enhancing mobility in every aspect of sustainable development by leveraging our capacity for innovation and the power of the Michelin Performance and Responsibility approach.

<sup>(1)</sup> Before non-recurring items.

<sup>(2)</sup> By value according to Tire Business - 2012 Global Tire Company Rankings.

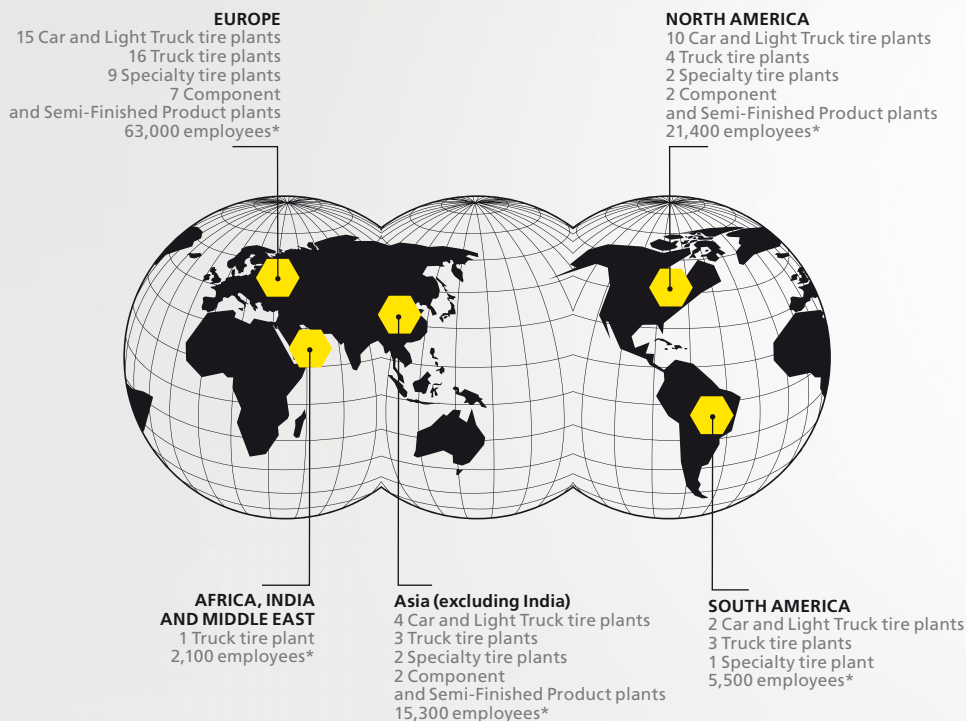


## A GLOBAL FORCE

Around the world and for every purpose, Michelin equips everything on wheels – cars, vans, trucks, farm machinery, earthmovers, mining and handling equipment, tramways, metros, aircraft, motorcycles, scooters and bicycles.

Our ability to deliver effective solutions in response to widely varying expectations and usage patterns, depending on the country or region, has positioned us at the forefront of every one of these segments.

## A GLOBAL PRESENCE



\* Full-time equivalent employees at December 31, 2012  
NB: Truck tire plants also include retreading facilities.

## A COMPREHENSIVE BRAND PORTFOLIO

MICHELIN OFFERS EACH CUSTOMER THE RIGHT PERFORMANCE  
AT THE RIGHT PRICE TO MEET EVERY NEED WITH:

A GLOBAL PREMIUM BRAND: MICHELIN;

A PRIMARY BRAND FOR SPORTS CARS AND SUVs: BFGOODRICH;

POWERFUL REGIONAL BRANDS: UNIROYAL IN NORTH AMERICA,  
KLEBER IN EUROPE AND WARRIOR IN CHINA;

MARKET-LEADING NATIONAL BRANDS: KORMORAN, RIKEN, TAURUS AND TIGAR.



## UNRIVALLED SERVICES

THE PORTFOLIO OF TIRE SOLUTIONS IS BEING ENHANCED AND EXTENDED  
BY HIGH-QUALITY SERVICES AND MICHELIN-BRAND PRODUCTS.

TIRE AND SERVICE DEALER NETWORKS, EITHER PROPRIETARY  
(EUROMASTER IN EUROPE AND TCI IN THE UNITED STATES).

FRANCHISE NETWORKS OR BRAND PARTNERSHIPS (TYREPLUS FOR CARS AND THE MICHELIN COMMERCIAL  
SERVICE NETWORK AND MICHELIN TRUCK SERVICE CENTERS FOR TRUCKS).

RETREAD SOLUTIONS: MICHELIN REMIX, RECAMIC,  
MICHELIN RETREAD TECHNOLOGIES, PNEU LAURENT AND ENCORE.

TRUCKING COMPANY SUPPORT SERVICES: MICHELIN EURO ASSIST.

FLEET TIRE MANAGEMENT SERVICES: MICHELIN SOLUTIONS.

MICHELIN MAPS AND GUIDES, THE MICHELIN RESTAURANTS WEBSITE  
AND VIAMICHELIN ELECTRONIC MOBILITY ASSISTANCE SERVICES.

MICHELIN LICENSED PRODUCTS: CAR AND BIKE ACCESSORIES,  
WORK, SPORT AND LEISURE GEAR, AND COLLECTIBLES.

# INTERVIEW

WITH **JEAN-DOMINIQUE SENARD**

CEO

*"To make Michelin the undisputed leader in sustainable mobility and one of the world's most innovative, responsible and top-performing companies."*

**YOU TOOK OVER FOR MICHEL ROLLIER IN MAY 2012, WHICH REPRESENTED THE BEGINNING OF A CRITICAL NEW PHASE IN MICHELIN'S HISTORY. HOW DID THE TRANSITION GO?**

**JDS:** Jean-Dominique Senard:

It went very well because Michel Rollier had thoroughly prepared his succession. I worked with him closely for eight years, including five as Managing Partner. Michel Rollier announced he was stepping down in February 2011 and we managed the Group together for a year, so the transition went smoothly. Thanks to the outstanding accomplishments made since the crisis in 2008-2009 and the successful share issue in 2010, Michel Rollier built a solid foundation on which Michelin launched a New Era of Dynamic Growth, with major spending projects in Brazil, China and India. Today, we are stronger than ever before and I am proud to have shared this adventure with him.

**LONG-TERM VISION IS ONE OF MICHELIN'S KEY STRENGTHS. WILL YOU BE ABLE TO DEPLOY SUCH A STRATEGY WITH A FOUR-YEAR TERM?**

**JDS:** Yes, I firmly believe so. It's only natural for corporate executives to have their performance regularly monitored and assessed. It's the Supervisory Board's responsibility to evaluate the quality of corporate governance, to decide whether or not my term will be renewed, and to ensure that my decisions are in the Group's lasting interest. I think this approach is solid, balanced and focused on responsibility over the long term.

**HOW WOULD YOU SUM UP 2012?**

**JDS:** Michelin teams once again demonstrated their ability to honor commitments. Despite an unstable international environment that saw a clear decline in demand in Europe and considerable volatility in most regions, we deployed the road map for our New Phase of Dynamic Growth in line with expectations.





Our revenue rose even though sales volumes were lower. Our operating income rose by 25% to €2.4 billion, which represents more than 11% of sales, and our net income surpassed €1.5 billion.

We invested a record total of €2 billion, of which two-thirds were growth investments. This required a considerable effort, but Michelin generated substantial free cash flow in 2012. As a result, our balance sheet is more robust than ever, with debt-to-equity at a record-low 12%. In today's environment, this represents a precious asset.

Backed by these very solid results, we will recommend that shareholders approve the payment of a dividend of €2.40 per share, an increase of 14% over last year.

#### **HOW DO YOU EXPLAIN THESE VERY GOOD RESULTS?**

**JDS:** We are reaping the rewards of our strategic focus on innovation, international growth, competitiveness and continuous improvement in corporate management that we deployed consistently and successfully thanks to the expertise, professionalism and commitment of our teams. Our diversified product portfolio allows us to smooth over the ups and downs of the business cycle while our international presence, with sales evenly divided between Western Europe, North America and the rest of the world, enabled us to withstand declining demand in Europe. We introduced new tires whose superior technical performance sets them apart from the competition. Their remarkable success in new markets is due in large part to their robustness and outstanding longevity.

>>>



Thanks to our premium positioning and effective pricing policy, we stabilized operating margin for our car tires at a high level despite a decline in unit sales. Our priority focus on turning around the truck tire business led to a sharp improvement in operating margin even though sales volumes have dropped by more than 10%. This represents an outstanding performance on the part of our teams, who have made a truly remarkable effort. We also benefited from the substantial contribution of our specialty tire businesses, which generate structurally high margins. Lastly, we continued to enhance our productivity and competitiveness through the 2012-2016 Efficiency plan.

#### **YOU'RE PURSUING MAJOR INVESTMENT PROGRAMS IN BRAZIL, CHINA, INDIA AND THE UNITED STATES. HOW ARE THEY COMING ALONG?**

**JDS:** 2013 will open an important new era in our global development. The ramp-up of our new car and light truck tire in Itatiaia, Brazil is proceeding very nicely. In China, the Shenyang 2 plant launched production of truck tires in late January and will begin manufacturing car tires in May. The truck tire plant in Chennai, India will be brought on stream in the second half. In the United States, the new earthmover tire plant in Anderson and the new line to increase capacity at the Lexington plant will be operational at the end of the year. At the same time, we're investing in our European plants to make them more competitive and increase their production capacity for large-size tires. We're developing our networks of franchised dealers around the world to provide our customers with high-quality service and advice that enables them

to get the most out of our products. We expect to increase the number of sales outlets from 2,000 to 5,000 in five years. And we're of course investing in innovative technologies, Michelin's number one growth driver, as well as in management tools to improve our agility and efficiency. Overall, we will invest an average of €2 billion a year over the 2013-2015 period.

#### **DOES THE AUTO INDUSTRY SITUATION IN FRANCE AND ELSEWHERE IN EUROPE CONSTITUTE A THREAT?**

**JDS:** If we want to maintain a solid, sustainable industry, we need to ensure that manufacturing resources in France and the rest of Europe are competitive, and this means they must be flexible. We should view the necessary adjustments as both normal and natural. The key is to be able to anticipate these adjustments and to implement them in the best conditions with regard to employee issues. Our German plants are among the most efficient in Europe because mutual understanding is inherent in the country's employee relations and endows the industry with a remarkable ability to change. In this respect, the agreement recently signed in France with employee representatives represents an improvement. If it becomes law and is applied pragmatically by all parties, it could give us peace of mind regarding the future, both for companies and for their employees, for whom it delivers real benefits. I am convinced that de-industrialization in mature countries is not inevitable provided that decisions are made to ensure long-term competitiveness and stability in the regulatory and tax environment. One good example is the United States. Following a period of deep-seated, difficult adjustments, the automobile industry there has rebounded superbly. Too often competitiveness is analyzed solely from the point of view of labor costs. While we mustn't neglect this aspect, it's more important to create an environment of trust, stability and calm, constructive employee relations.

Like my predecessors, I deeply believe that the Company's performance is directly linked to the well-being and development of its people. We must do everything possible to ensure that the mutual contract that binds Michelin and its employees is understood

by all to be the expression of reciprocal rights and responsibilities. That's why we are deploying our Moving Forward Together program. It's also why I'm committed to developing high-quality social dialogue throughout the organization, especially in France.

## WHAT IS YOUR OUTLOOK FOR 2013 AND BEYOND?

**JDS:** In an environment shaped by growth in new markets but uncertainty in mature markets, we're aiming for stable sales volumes in 2013 and operating income on a par with 2012. Growth should pick up again in 2014 and we're confirming our objective of approximately €2.9 billion in operating income in 2015, while generating positive free cash flow every year. Our objectives are ambitious in today's demanding environment but I have full confidence in our assets and in our ability to innovate and improve. Michelin is the world leader in premium tires, for which demand is growing faster than for the market as a whole, everywhere. The increase in mobility is being accompanied by heightened demand for tires that are safe, robust, long-lasting, environmentally friendly and energy efficient. The solutions to these challenges are first and foremost technological. We have a greater capacity for innovation than any other tire company in the world. We're going to increase and accelerate this powerful ability to innovate by setting up new organizational structures. More broadly, we will encourage our employees even more to express their creativity and to ensure that all good ideas are shared and deployed. We already gather nearly 50,000 innovation and progress ideas each year. They have led to very significant improvements in workplace safety, workstation ergonomics, environmental protection, energy and raw material savings, quality and productivity. We're aiming for 100,000 ideas a year in 2020.

We will continue to reduce our cost base while becoming more agile and efficient. To achieve these goals, we're extending the continuous improvement process developed in our plants to our support functions and research activities. We're deploying our OPE management program to develop shared solutions for reducing inventory, preventing supply disruptions, improving customer satisfaction, making

*"Our objectives are ambitious in today's demanding environment but I have full confidence in our assets and in our ability to innovate and improve."*

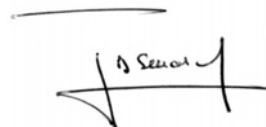
our support functions more efficient, lowering production costs and more effectively managing our margins. China will be the first country to fully deploy all components of this new program, in second-half 2013.

## 2012 WAS THE TENTH ANNIVERSARY OF THE SUSTAINABLE DEVELOPMENT APPROACH INTRODUCED BY EDOUARD MICHELIN. WHAT IS THE ROLE OF SUSTAINABLE DEVELOPMENT IN YOUR STRATEGY?

**JDS:** The Michelin Performance and Responsibility approach plays a key role because it gives meaning to our action. The strength of our strategy is that it is channeled by a mission that has always guided us and that commits us to improving mobility while responding to the challenges of lasting economic, environmental and social development. Every passing year provides additional proof of the power and relevance of our Michelin Performance and Responsibility approach. Throughout 2012, we pursued a major project to update our priorities and set our objectives for 2020, which were finalized in February 2013.

My ambition now is to go even further and make Michelin the undisputed leader in sustainable mobility and one of the world's most innovative, responsible and top-performing companies.

JEAN-DOMINIQUE SENARD





# SENIOR MANAGEMENT

**Michelin is led by Jean-Dominique Senard, Chief Executive Officer and Managing General Partner.**

He is assisted by the Group Executive Committee, which is comprised of 11 executives responsible for the Geographic Zones, Product Lines, Corporate Departments and Performance Divisions.

## EXECUTIVE COMMITTEE



### FRANÇOIS CORBIN

- President, Geographic Zones.



### ÉRIC DE CROMIÈRES

- Executive Vice President, Sales and Marketing Performance.
- Supervises the Euromaster, TCi and TyrePlus dealership networks, Michelin solutions and the Supply Chain and Logistics Performance Division.



### JEAN-CHRISTOPHE GUÉRIN

- President, Materials Product Line.
- Supervises the Group Purchasing Department.



### JEAN-MICHEL GUILLON

- Executive Vice President, Personnel.
- Supervises the Group Quality and Security Departments.



### FLORENT MENEGAUX

- President, Passenger Car and Light Truck Product Line.
- Supervises Motorsports and operations managed by Jean-Christophe Guérin.



### LAURENT NOUAL

- Executive Vice President, Corporate Development.
- Supervises the Group Information Systems and Group Standards and Regulations Departments.



## CHIEF EXECUTIVE OFFICER

**⌚ JEAN-DOMINIQUE SENARD**



**⌚ CLAIRE DORLAND-CLAUZEL**

- Executive Vice President, Communication and Brands.
- Supervises the Group Public Affairs Department, Michelin Travel Partner and Michelin Lifestyle Limited.



**⌚ TERRY GETTYS**

- Executive Vice President, Research and Development.



**⌚ MARC HENRY**

- Chief Financial Officer.



**⌚ SERGE LAFON**

- President, Truck Product Line.



**⌚ BERNARD VASDEBONCOEUR**

- President, Specialty Product Lines: Agricultural, Two-Wheel, Earthmover, Aircraft.
- Supervises the Prevention and Industrial Performance Division and operations managed by Serge Lafon.

# SUPERVISORY BOARD



**The Supervisory Board exercises permanent oversight of Michelin's management** and assesses its quality on behalf of the shareholders, presenting a report on its findings at each Annual Shareholders Meeting. It has eight members, all qualified as independent and elected for four-year terms. The Supervisory Board as a whole performs the duties generally assigned to a Compensation Committee. It has created an Audit Committee made up of four members.





#### 1 BENOÎT POTIER

- Member of the Board
- Member of the Audit Committee
- Chairman and Chief Executive Officer of Air Liquide

#### 2 PAT COX

- Member of the Board
- Former President of the European Parliament

#### 3 BARBARA DALIBARD

- Member of the Board
- Chief Executive Officer of SNCF Voyages

#### 4 FRANÇOIS GRAPPOTTE

- Member of the Board
- Chairman of the Audit Committee
- Honorary Chairman of Legrand

#### 5 ÉRIC BOURDAIS DE CHARBONNIÈRE

- Chairman of the Supervisory Board since 2000
- Chairman of the Compensation Committee
- Member of the Audit Committee

#### 6 PIERRE MICHELIN

- Member of the Board
- Member of the Audit Committee
- Division head at Groupe Bull

#### 7 LAURENCE PARISOT

- Member of the Board
- Chief Executive Officer of Institut Français de l'Opinion Publique (Ifop)
- President of the French employers federation (MEDEF)

#### 8 LOUIS GALLOIS

- Member of the Board
- Chief Investment Commissioner
- Former Chief Executive Officer of EADS

➔ MORE INFORMATION about Supervisory Board members may be found on [www.michelin.com](http://www.michelin.com) and in the Registration Document, p. 83

### STATUTORY AUDITORS

#### PRICEWATERHOUSECOOPERS AUDIT

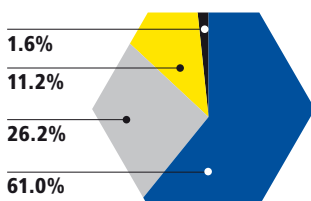
Represented by Eric Bulle, Partner, and his substitute Pierre Coll

#### DELOITTE & ASSOCIÉS

Represented by Dominique Descours, Partner, and his substitute, BEAS.

#### CAPITAL STRUCTURE

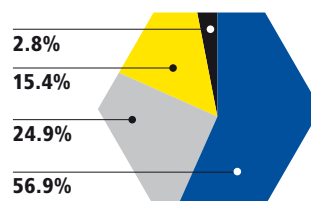
At December 31, 2012



NUMBER OF SHARES: 182,556,713

#### VOTING RIGHTS STRUCTURE

At December 31, 2012



NUMBER OF VOTING RIGHTS: 229,872,141

- Non-resident institutional investors
- French institutional investors
- Individual shareholders
- Employee Shareholder Plan

# HORIZON 2015

## A NEW PHASE OF DYNAMIC GROWTH

Michelin is pursuing its “new phase of dynamic growth” strategy launched in 2011, designed to drive profitable, sustainable growth in every market, supported by an unprecedented capital expenditure program.

Underpinning the **strategy** is a commitment to supporting the vibrant growth in new markets and the expected increase in demand for safer, longer-lasting, energy-efficient tires, a segment in which the Group is the world leader.

## MARKET ENVIRONMENT

### A VERY BUOYANT MARKET

Population growth and economic development are spurring a substantial increase in travel and trade around the world. Today, there are more than one billion motor vehicles on the road worldwide, a number that is expected to rise to over 1.6 billion by 2030. As a result, global automobile production will increase by 35% between 2012 and 2018 to 108 million units a year. This represents an average annual increase of 5.6%, with emerging markets accounting for more than 80% of the gain.<sup>(1)</sup>

### THE CHALLENGE OF SUSTAINABLE MOBILITY

Around the world, safety, fuel efficiency and emissions standards are being tightened in response to the growing scarcity of fossil fuels, climate change, the increasing number of traffic accidents and the need to protect the environment, especially in urban areas where the UN forecasts 4.9 billion people will live in 2030. To meet these challenges, the automobile industry is undergoing a profound mutation towards road mobility that is safer, more cost-effective, cleaner and more connected – the same mobility that constitutes the core of Michelin's offering.

### COMMITMENT AND RESPONSIBILITY

**At the heart of Michelin's performance are its people.**

Our **Moving Forward Together** program of reciprocal commitments is playing a critical role in our ambitious growth strategy, by enabling us to integrate thousands of new arrivals, instill our core values and encourage every employee to embrace our **Michelin Performance and Responsibility** sustainable development approach, which is fostering greater alignment and pride among our teams.

<sup>(1)</sup> According to a 2012 study by Autofacts, the automotive analyst group of PricewaterhouseCoopers.





## THE 3 PILLARS OF OUR STRATEGY

### INNOVATING TO CREATE DIFFERENTIATION AND BUILD CUSTOMER LOYALTY

Thanks to its technological leadership, Michelin has set the industry standard for more than a century and is today widening its lead to maintain its competitive advance. The Group is committed to delivering innovations that are clearly recognized as such and appreciated by tire users. New organizational structures and working methods have been introduced to innovate more quickly and more effectively, enhance cross-functional collaboration and design better, more affordable solutions.

### DRIVING FASTER GROWTH

Michelin is increasing its growth potential by upgrading its offer in mature markets and by developing powerful, efficient production capacity in leading growth markets, in line with the shift in global demand. Alongside the premium MICHELIN brand, more affordable lines are also on offer, while dealership and service networks are being expanded to broaden our market access. More than 3,300 proprietary and partner service centers enable customers to enjoy the full benefit of our tires by providing the right maintenance services.

### BECOMING INCREASINGLY COMPETITIVE

Michelin is improving productivity and reducing costs by focusing on simple, effective solutions and empowering teams at every level of the organization. In mature markets, the emphasis is on making plants bigger, more specialized, more flexible and more efficient, in order to securely establish a robust, profitable production base. In every aspect of the business, we are constantly improving standards, management processes and responsiveness.

## OUR STRENGTHS

- ✓ The **MICHELIN brand** and its extraordinary trust equity.
- ✓ A recognized **capacity for innovation**.
- ✓ **Investments** in raw materials technologies.

- ✓ A demonstrated ability to capture growth segments thanks to a **comprehensive range** of products and services and our **leadership in premium and specialty tires**.
- ✓ A **global market presence** and a **geographic mix** that is evolving in line with world demand.
- ✓ The ramp-up of production at **four new plants** based in growth markets.

- ✓ The new **OPE business management application** that is enhancing agility.
- ✓ A **competitiveness program** deployed in every aspect of our business.
- ✓ A solid **financial profile**.
- ✓ **Aligned, committed teams**.



# 2002-2012 HAPPY BIRTHDAY PRM!



Chalin, Vincent, Paola and the others are all committed, each day, to embodying the PRM approach in their jobs and with their expertise.

## A RECOGNIZED COMMITMENT

The Michelin share is included in the main socially responsible investment indices of companies with the highest sustainable development performance: the *Dow Jones Sustainability Index* (Europe and World) the *Ethibel Sustainability Index Europe* and the *Advanced Sustainable Performance Index Eurozone*.  
[www.ethibel.org](http://www.ethibel.org)  
[www.sam-group.com](http://www.sam-group.com)

**Performance and responsibility are the twin expressions of Michelin's sustainable development and social responsibility strategy.** Impelled by its founders' vision, Michelin is dedicated to improving mobility through innovation and the quality of its products and services. **In fulfilling this mission, we intend to act responsibly with regard to customers, employees and shareholders by addressing the challenges of sustainable economic, environmental and social development.**

Launched by Edouard Michelin in 2002, the **Michelin Performance and Responsibility (PRM)** approach federates and coordinates all of our initiatives that support sustainable, balanced, responsible growth. Integrated into every project and demonstrated at every level of the organization, PRM is supported by the *Michelin Performance and Responsibility Charter*, a widely distributed reference document that was updated in 2012. Priorities have been set, with improvement targets for each one. Action plans are underway, with progress and outcomes regularly measured with appropriate indicators.

PRM is helping to nurture the outstanding commitment of our teams and our improvement dynamic, at a time when we celebrated the 10<sup>th</sup> anniversary of this approach.

*"Much more so than our financial performance, which is naturally necessary for our viability, it's the success of this initiative that will constitute Michelin's value over the longer term"* says Jean-Dominique Senard. *"It will also provide everyone in our corporate community with the assurance that their work has true meaning and that they can be proud that they're helping to enhance the well-being of people around the world."*

**JEAN-DOMINIQUE SENARD**





Brazil



Poland



France



Russia



Thailand



Algeria



Poland



France

**10 YEARS**  
2002-2012

MICHELIN  
PERFORMANCE AND  
RESPONSIBILITY

**93%**

OF EMPLOYEES KNOW THAT PRM IS THE GROUP'S  
SUSTAINABLE DEVELOPMENT POLICY

**88%**

OF EMPLOYEES FEEL THAT PRM HELPS  
TO ADVANCE SUSTAINABLE ROAD TRAVEL

**80%**

OF EMPLOYEES SAY THAT PRM MAKES THEM  
PROUD TO BE PART OF THE MICHELIN GROUP

**10,000**

NEARLY 10,000 PRM 2002-2012 REPORTS  
HAVE BEEN DISTRIBUTED TO EMPLOYEES

Survey of 10,000 Michelin employees conducted by IFOP in 2012



113,443 EMPLOYEES  
OF 120 NATIONALITIES  
COMMITTED TEAMS

✓ SHARED VALUES

✓ INNOVATIONS THAT MAKE A DIFFERENCE

✓ PREMIUM POSITIONING

✓ HIGHLY PROFITABLE SPECIALTY BUSINESSES

✓ A SOLID FINANCIAL POSITION

✓ A GLOBAL GROWTH DYNAMIC



1<sup>ST</sup>

WORLD'S LEADING  
GLOBAL BRAND

1<sup>ST</sup>

TIRE INDUSTRY'S LEADING  
SOURCE OF INNOVATION



32% OF SALES IN 2012  
GROWTH MARKETS  
45% OF SALES IN 2020



**MICHELIN**  
*Total Performance*

DELIVERING  
MORE PERFORMANCE  
IN THE SAME TIRE



MICHELIN STYLE

6

# STRENGTHS THAT MAKE A DIFFERENCE

*MICHELIN ENJOYS SOME OF THE TIRE INDUSTRY'S  
MOST POWERFUL COMPETITIVE ADVANTAGES:*

*ALIGNED, COMMITTED TEAMS*

*RECOGNIZED INNOVATION CAPABILITIES*

*LEADERSHIP IN PREMIUM AND SPECIALTY TIRES*

*A SOLID FINANCIAL PROFILE*

*A GLOBAL GROWTH DYNAMIC.*



1

# ALIGNED COMMITTED TEAMS



4,200

## PEOPLE TRAINED EVERY DAY

- 88% of employees attend a training session each year.
- Every employee is entitled to a Periodic Development Review every three years.
- The personal and career development of employees in growth regions is supported with special programs.
- 470 people are working as expatriates or on assignment for the plant construction projects in Brazil, China and India.



64,000

## EMPLOYEE SHAREHOLDERS

**United by shared values, of which the first is respect for people, our 113,443 employees of 120 different nationalities support and deploy Michelin's strategic vision every day. Their skills and commitment are our greatest asset.**

In 2012, Michelin hired a total of 6,224 people.

The challenges are not only to induct and train these new employees, while addressing the expectations of younger people who want to be up and running quickly. They also involve instilling Michelin's corporate values and enabling everyone to embrace a common vision of our mission, as well as our culture of continuous improvement and innovation. At a time of intense competition in leading growth markets to attract and retain the finest talent, these are key factors for enhancing our appeal as an employer, creating a sense of co-destiny and nurturing loyalty.

Michelin forges strong ties with its people by paying constant attention to effectively integrating new employees, providing extensive training opportunities, promoting career development

and personal fulfillment around the world, and consistently rewarding everyone's contribution.

## A PERSONALIZED INDUCTION PROGRAM

Michelin offers every new employee a personalized welcome and an induction program that enables them to learn about the Company, its values, strategy and organization, to become familiar with their work environment, and to build a relationship network. For Michelin, the program provides a special occasion to welcome new people and learn more about them, their experience, talent and personality.

Practically speaking, everyone who joins the Company is welcomed by their manager and a member of the Personnel Department, who walk them through their individual induction program and support them as they get started at Michelin. As part of this personal program, new employees move into their job position, attend an onsite initiation course and, during their first year with the Company, participate in an induction seminar. >>>



FOCUS

## TRAINING FOR SUCCESS

*Our mature regions are the locus of a vast skills-enhancement program, with 1,200 new Brazilian, Chinese and Indian engineers and technicians hired for our new plants attending courses in 30 sister facilities in Europe and the United States. The programs, which last several months, present Michelin's processes, methods and organizational structures, providing an enriching professional and personal experience for participants and trainers alike.*

*This is a critical challenge for Michelin, since instilling shared expertise and skills will enable employees in the new plants to quickly gain in proficiency and independence, while ensuring that our quality standards are consistently applied around the world.*





### **NURTURING GENDER DIVERSITY IN EVERY JOB**

Michelin is committed to having women hold 30% of managerial positions and administrative and technical employees and account for 15% of production operators by 2020. The D-Way program is helping to develop gender diversity in plants by enabling each facility to analyze their job opportunities for women, map accessible positions and define necessary adaptation measures, such as adjustments in working hours or improvements in workstation ergonomics. The Davydovo plant in Russia is the Group's diversity champion, with women accounting for 25% of production operators.

### **A VAST ARRAY OF CAREER OPPORTUNITIES**

At Michelin, people are hired for a career, not just a job. Supported by his or her line manager and career manager, each person can build a career path in a core profession. Michelin's size and global scope offers everyone a diverse array of opportunities to enjoy a fulfilling career in their home country or abroad, by enhancing their skills and earning certification, working in a new environment, moving up to a managerial position or switching to another profession.

### **RECOGNIZING EMPLOYEE CONTRIBUTIONS**

With the support of internal communication teams, management helps everyone to understand the importance of their jobs and their contribution to Michelin's performance.

Employees receive performance-based compensation that – depending on their profile and/or country – may include profit-sharing and bonus systems, as well as post-retirement benefits and health care and insurance coverage. Stock option or performance shares plans are also used to reward outstanding individual performance. A global employee stock ownership plan was introduced in 2008, with the latest round scheduled at the end of 2013.



🕒 François Johnston, Recruitment Manager in France takes us on a guided tour of the second edition of "Connecting Days", when HR teams prepared 150 candidates for job interviews.

**BECAUSE THEY ARE BASED ON RESPECT FOR PEOPLE, CUSTOMERS, SHAREHOLDERS, THE ENVIRONMENT AND FACTS, MICHELIN'S VALUES RESONATE WITH EVERY CULTURE AND ARE ENTHUSIASTICALLY EMBRACED IN ALL OF OUR HOST COUNTRIES.**

**NEW TRAINING CENTERS HAVE BEEN OPENED IN GERMANY, POLAND AND THAILAND.**

**PEOPLE HIRED FOR THE SHENYANG 2 PLANT IN CHINA ARE BEING TRAINED ON THE PLANT'S NEW MACHINES AHEAD OF INSTALLATION, IN ESPECIALLY DEDICATED WORKSHOPS AT SHENYANG 1.**







FOCUS



## DRIVING CONTINUOUS IMPROVEMENT

*In 2012, a total of 20,520 people or 18% of participating employees submitted 49,255 Progress Ideas with solutions to improve safety, quality or working conditions, save time, protect the environment, conserve raw materials or energy, optimize maintenance practices and drive a host of other improvements. Introduced back in 1927, this participative approach to innovation enables everyone to help to improve the Group's performance, while demonstrating their initiative and creativity.*

### A NEW PROGRESS IDEA APPLIED EVERY 30 MINUTES

*Already deployed in 20 host countries with 59,500 employees, this empowering mindset has long been one of Michelin's traditional strengths, which is actively encouraged in a variety of ways. In France, for example, Progress Ideas and measureable energy savings are criteria used when determining discretionary profit-shares.*

*Worldwide, the number of people submitting ideas has increased 83% over the past ten years. One-third of participating employees have proposed an idea and half of all ideas have been applied. Every year, Progress Ideas generate more than €13 million in cost savings and much more in terms of improved working conditions and safety.*





2

# SOLID TECHNOLOGICAL LEADERSHIP



**€622 MILLION**

2012 R&D SPENDING  
2010 €545 MILLION  
2011 €592 MILLION



**1.5 MILLION**

LABORATORY  
MEASUREMENTS A YEAR

**1.8 BILLION**

KM RUN A YEAR  
ON TEST TRACKS AND IN RACES

**Customer-focused innovation has always been a fundamental engine driving Michelin's growth. Responsible for such major technological breakthroughs as the radial tire and the energy-efficient "green" tire, innovation nurtures our premium positioning and ability to meet the challenges of safer, more cost-efficient, more sustainable mobility.**

In response to rising raw material costs, stricter safety and environmental regulations and the sharp increase in mobility in countries that are rapidly urbanizing and where a lack of roads is raising serious safety and pollution issues, Michelin's solutions are primarily technology-based.

## **DIFFERENTIATING COMPETITIVE ADVANTAGES**

In today's regulated, highly competitive environment, innovation makes all the difference. It attracts and retains customers by providing them with clearly perceivable value at a time of ever-increasing fuel prices. It ensures regulatory compliance and raises the bar for expected tire performance. It helps make Michelin a source of

ideas and recommendations for automobile manufacturers and lawmakers, who view the Group as a partner in progress. It provides a vision of future road mobility by offering long-term solutions that also represent opportunities for profitable growth. Lastly, innovation enables Michelin to act as an effective driver of change in its industry.

## **A CAPACITY FOR INNOVATION AROUND THE WORLD**

Michelin enjoys a capacity for innovation unmatched anywhere in the industry, with a technology center operating in Europe, Asia and the United States, 6,000 people involved in research, development and process engineering, a portfolio of more than 2,000 patent families being expanded by 250 new filings a year, and an annual budget of more than €600 million. These powerful resources enable Michelin to develop solutions for every type of tire use, operating environment and situation, and to bring them to market faster by continuously enhancing our organizational structures, business processes and development resources. >>>



## FOCUS

# MATERIALS MAKE A KEY CONTRIBUTION TO THE PERFORMANCE OF MICHELIN AND ITS TIRES

*By facilitating the development of innovative products, lowering production costs and securing supply, materials and vertical integration play a major role in Michelin's ability to maintain technological leadership and create value.*

*In its New Phase of Dynamic Growth, Michelin is committed to strengthening this competitive advantage and increasing its materials investment budget, which should amount to around €500 million a year over the 2012-2015 period. This expenditure will be devoted to developing innovative materials and process engineering methods, optimizing facilities and equipment, and increasing production capacity for synthetic rubber, steel cables, compounds and curing molds.*



## ❏ QUESTIONS FOR JEAN-CHRISTOPHE GUÉRIN



**PRESIDENT,  
MATERIALS PRODUCT LINE**

### What is the Materials Product Line's mission?

*Our role is to develop, process engineer and supply the right quality and amount of raw materials required by the Group's tire operations. This involves a highly*

*varied range of activities and professions. The key to success lies in our teams' ability to work together and understand each other's problems, needs and challenges.*

### What are the main challenges?

*We need to encourage faster innovation while ensuring the quality, security and competitiveness of our inputs. Materials represent a growing share of production costs. At the same time, they offer considerable potential for innovation, which could help to improve product performance. The challenge is to maintain our lead over the competition.*



A tire is composed of more than 200 materials, divided into five families:

**natural rubber, synthetic rubber, carbon black and silica, textile and metal reinforcements, and various chemical additives.**

**1**

— **RESEARCHERS** involved in polymer synthesis and materials physics and chemistry work alongside analytic chemistry experts to understand, design, develop and process engineer raw materials and components that improve performance.

**2**

— **MICHELIN PRODUCES:**

- 35% of its synthetic rubber.
- 70% of its Truck and Earthmover steel cables.



FOCUS

## WIN-WIN PARTNERSHIPS WITH VEHICLE MANUFACTURERS

### CREATING VALUE FOR CUSTOMERS AND FOR MICHELIN

The success of Michelin tires is rooted in a thorough understanding of customer uses, needs and requirements, which is fostered by cooperation between our marketing and R&D teams, customer-testing of next-generation prototypes and partnerships forged with automakers. In addition, cost and ROI analyses are carried out for the Group and for the intended customers. Throughout the development process, this structured approach helps to guide decisions towards solutions that share the created value.

### DELIVERING THE BEST BLEND OF PERFORMANCE

As the only point of contact with the ground, tires must support the vehicle's weight, transmit steering, acceleration and braking inputs, absorb surface irregularities and noise, all while using as little energy as possible. The challenge is to develop tires that efficiently perform all these functions for as long as possible, to continuously improve their ability to do so and to sell them at a price that is both affordable for the customer and profitable for the company.

Thanks to new technologies informed by a granular understanding of materials, architecture and tread design and the ability to competitively engineer them for industrial scale production, Michelin has developed solutions that deliver the best performance combination for each powertrain and type of vehicle use and at a price that customers are willing to pay. Only high-technology companies can meet this challenge.

*Because it equips everything on wheels and for every use, Michelin has acquired unrivalled expertise in tires, wheel assemblies and vehicle performance that it shares with manufacturers. As seen in the examples below, we partner their innovation projects with dedicated teams and develop tire solutions that respond perfectly to their specifications, however varied and diverse.*

### DEBUTING A WORLD-FIRST E-V WITH RENAULT



— **MICHELIN ENERGY™** —Presented at the 2012 Paris Auto Show, the MICHELIN ENERGY™ E-V is the first MICHELIN tire developed specifically for electric vehicles. In a world premiere, it has been fitted on the Renault Zoé, the carmaker's first mass-market electric compact.

— Co-developed with Renault in a four-year research and innovation program, the new highly energy-efficient tires increase the Zoé's range by up to 6%. For Michelin, the challenge was to design tires that reduce energy use while ensuring superior treadlife and safety performance, especially on wet surfaces.

— The new MICHELIN ENERGY™ E-V tire has easily met those specifications, with the European tire labeling system in effect since November 2012 giving it the maximum rating in energy efficiency and wet grip. It is the first tire rated AA to be certified as original equipment.

In 2012, Renault presented Michelin with its Innovation Award in recognition of the partnership's achievements.

*"Le Mans is a unique racing circuit, where longevity and performance are the keys to success. It's impossible for us to simulate the demands made on tires. That's why the team analyzed all the data onsite and closely examined worn tires to prepare for the 2013 and 2014 races. Working alongside the fitters, a dozen technicians, developers, chemists and analysts helped to meet this innovation challenge."*

**BERNARD JAY**  
TIRE DESIGNER AND DEVELOPER



*"When you can offer a tire that significantly extends the range of an EV, you've made a winning move, and that's very clearly what our tire can do. This represents a major opportunity for us."*

**JEAN-DOMINIQUE SENARD**



## RACING FOR INNOVATION WITH AUDI

In 2012, Audi and Michelin won the 80<sup>th</sup> running of the 24 Hours of Le Mans, their 11<sup>th</sup> joint success in the world's most famous endurance race. This year's event saw diesel-electric hybrid technology win its first race, with Audi No. 1 and drivers André Lotterer, Marcel Fassler and Benoît Tréluyer, while Audi and Michelin swept the podium, finishing 1-2-3. The two companies have been innovating together in endurance racing since 2000. Like Audi with its e-tron quattro prototype, Michelin uses motorsports to innovate and then transfers the technological solutions from track to street.

► Pascal Couasnon,  
Director, Motorsports  
Division gives us new  
insight into motorsports,  
Michelin's other laboratory.





3

# A PREMIUM POSITIONING



THE MICHELIN BRAND  
ACCOUNTED FOR  
**83%**  
OF 2012 SALES



PRODUCTION CAPACITY  
FOR HIGH PERFORMANCE  
TIRES WILL INCREASE BY  
**70%**  
BETWEEN 2012 AND 2015



HIGH PERFORMANCE  
TIRES WILL ACCOUNT FOR  
**35%**  
OF PASSENGER CAR  
AND LIGHT TRUCK TIRE  
SALES IN 2015, AN EIGHT-POINT  
INCREASE IN FOUR YEARS

**A global leader in the premium tire market with the MICHELIN brand, Michelin is pursuing an assertive strategy to broaden its position and capture the segment's growth, which is stronger and more profitable than the tire market as a whole.**

In line with this strategy, we are investing heavily in the MICHELIN brand, expanding our partnerships with car-makers, accelerating the deployment of our dealer and service networks, and increasing premium tire production capacity in mature markets, as well as in growth markets where the segment is developing very quickly.

## **PREMIUM TIRES: POWERFUL GROWTH DRIVERS**

Growth in premium tire demand, in both the OE and replacement segments, is being fueled by the rising percentage of premium cars on the road worldwide, as well as by automotive design trends that favor larger tires and the tightening of safety and environmental standards. Growth regions are making a substantial contribution to this development.

*"Brands have considerable importance, for two reasons," says François Corbin, President, Geographic Zones. "Many new consumers are buying for the*

*first time products that their parents never purchased before, and they're looking for guidance. A large number of people also want to show that they can afford status-affirming brands. So the brand plays an essential role for these new consumers, and the minute you say brand, Michelin sees an opportunity."*

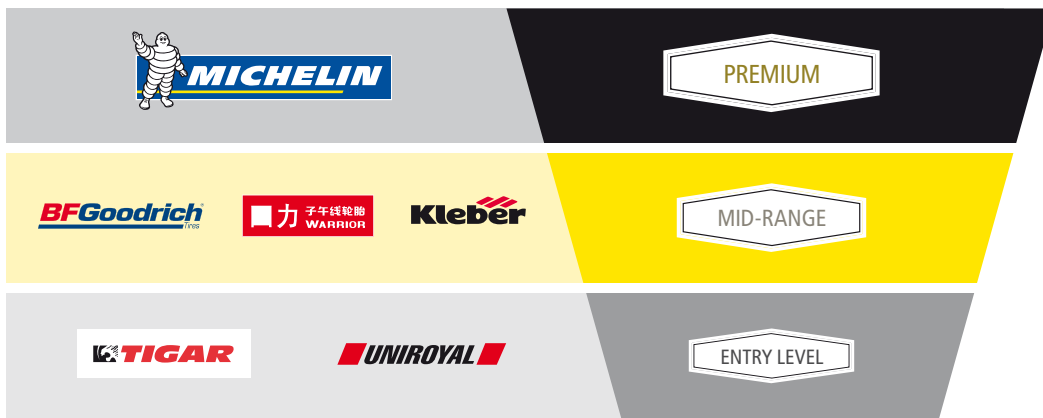
## **MICHELIN, A 100% PREMIUM BRAND, ACCOUNTS FOR 80% OF TOTAL SALES**

MICHELIN is the most widely recognized tire brand in almost every region around the world. A symbol of quality, safety and superior performance, it is the only brand whose price positioning makes it a premium product in every market, as well as the only brand that has won all the FIA championships in which it has taken part worldwide.

Appreciated by specifiers, the MICHELIN brand's performance also makes it the preferred brand of premium tire buyers. In addition, carmakers want MICHELIN technology for their premium models and brands.

This technology is increasingly appreciated for its ability to ensure compliance with new environmental legislation, since MICHELIN low rolling resistance tires immediately reduce carbon emissions by 2 to 8 grams per kilometer.

## MICHELIN, A 100% PREMIUM BRAND



The other Group brands enable us to serve every tire market segment and to provide our dealer partners with all the products they need to satisfy a full range of customer expectations.

When fitted as original equipment, the third generation of MICHELIN low rolling resistance tires reduce emissions by an average of 30% compared with conventional tires and 25% compared with the first generation.

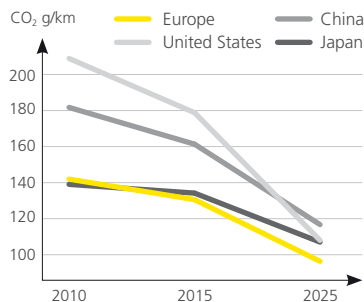
### INVESTING TO GROW THE PREMIUM SEGMENT

The MICHELIN brand is supported by all of our operations, including the integrated and franchised dealer networks, our consumer and business services, Michelin Travel Partner's maps, guides and digital services, and Michelin Lifestyle's licensed products, which foster and nurture the MICHELIN brand experience by emphasizing its benefits in the areas of innovation, safety, performance and environmental responsibility.

To capture all the growth in the premium segment, the Group will increase its production capacity for 17-inch and larger tires by nearly 70% between 2012 and 2015, by chang-

ing over existing facilities in mature markets and creating new capacity in growth markets, where dealership networks are already being deployed more quickly.

### THE TIGHTENING OF CARBON EMISSIONS STANDARDS DEMONSTRATES THE VALUE OF MICHELIN'S LOW ROLLING RESISTANCE TECHNOLOGIES



🎥 Jérôme Haslin, Test Driver for 20 years, tells us about his job – testing sports car and racecar tires in real conditions.



FOCUS

# MICHELIN TOTAL PERFORMANCE

## A COMMITMENT THAT DELIVERS ALL OF THE VALUE OF MICHELIN TIRE TECHNOLOGY

*The MICHELIN brand's promise is to deliver more performance in the same tire. MICHELIN Total Performance applies to every MICHELIN brand tire, regardless of category. Whether intended for passenger cars or vans, for summer or winter driving, every MICHELIN tire is designed to offer the market's most comprehensive range of performance features best suited to their conditions of use.*

*Since November 2012, every replacement tire sold in Europe has displayed a label attesting to its performance in three areas: energy efficiency, wet grip and outside rolling noise.*

1

### — THE MICHELIN PERFORMANCE TOUR —

A total of 30,000 kilometers driven across Europe to promote all of the benefits brought together in the new MICHELIN ENERGY™ Saver+ and MICHELIN Agilis+ tires.

2

### — 12,000 LOSS-OF-CONTROL SITUATIONS —

on fresh, compact, hard, frozen, melted and refrozen snow – were analyzed to design the new MICHELIN Pilot Alpin and MICHELIN Latitude Alpin tires for Europe and the MICHELIN X-Ice Xi3 tires for Canada, Northern Europe, Japan and Russia.



*However, the MICHELIN Total Performance promise goes much further, guaranteeing that MICHELIN brand tires deliver excellent grip on both dry and wet roads, increased fuel or energy efficiency for both internal-combustion and electric vehicles, exceptional total mileage and more, including robustness, comfortable ride and a great driving experience.*

*As certain areas of performance are hard to reconcile, Michelin leverages its leading-edge technologies, testing facilities, advanced manufacturing processes and extensive innovation skills to bring all of them together in the same tire, in a superior performance package, and to uncompromisingly improve each one simultaneously. This is what makes the MICHELIN brand so powerful.*



3

— **WITH VIAMICHELIN** —  
and its mobile phone application, the MICHELIN brand supports millions of users every day, helping them to find the best itineraries for their travels.

4

— **TRUCK TIRES: THE RIGHT TIRE FOR THE RIGHT USE** —  
Simpler and easier to understand, the new segmentation and names for MICHELIN truck tires help transportation companies make the right choice, so that they can optimize their safety, longevity and fuel efficiency gains. The lineup names – MICHELIN X® Line, Multi, Works, Force, Coach and InCity – and pictograms make it easy to quickly see each tire's purpose. The new design will concern 95% of sales volumes by 2016.

## DEALERSHIPS AND SERVICE CENTERS

### FORCE MULTIPLIERS FOR THE BRAND IMAGE

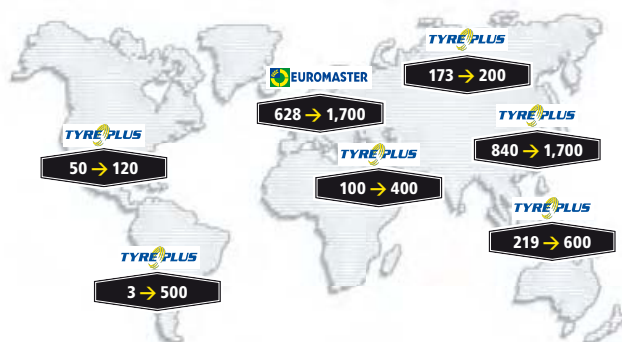
*Services nurture the MICHELIN brand's reputation by making it possible to use our tires to best advantage and optimize their tread life. They help us to get closer to our customers and understand them better, so that we can meet their needs more effectively and earn their loyalty, while building lasting, trustworthy relationships.*

— **IN GROWTH MARKETS, THE TYREPLUS NETWORK**  
for passenger cars and the MICHELIN Truck Service Centers serve as outstanding brand ambassadors. TyrePlus's rapid expansion in China has played a direct role in building consumer awareness of MICHELIN, the country's leading tire brand. In honor of its excellent quality standards, the network was presented with the Michelin Quality Award.

— **IN EUROPE, EUROMASTER, THE MARKET LEADER,**  
offers the most comprehensive solution for all types of vehicles and serves corporate customers with mobile tire-fitting vans. In the United States, TCI Tire Center is the market leader for trucks and the country's second-largest wholesaler of car and van tires to independent dealers. TCI and Michelin Fleet Solutions (MFS) in Europe provide end-to-end tire management services for truck, service vehicle and company car fleets.

Michelin is committed to expanding its franchised networks to

**5,000 OUTLETS BY 2017,  
FROM 2,000 IN 2012**





4

# THE LEADER IN SPECIALTY TIRES



**LEADER**  
IN RADIAL FARM  
MACHINERY TIRES



**No. 1**  
EUROPEAN LEADER  
FOR MOTORCYCLE  
AND SCOOTER TIRES



**LEADER**  
IN RADIAL AIRCRAFT TIRES

**In 2012, the Specialty Businesses accounted for 17% of consolidated net sales and 39% of operating income. Michelin holds leadership positions in the Earthmover, Agricultural, Two-Wheel and Aircraft segments, which are highly profitable and offer bright prospects for growth.**

The largest of the Specialty Businesses, the Earthmover tire segment is experiencing fast growth, led by demand for raw materials and energy, infrastructure projects and urban development. The Agricultural and Aircraft segments are also benefiting from population growth and increased trade. While very different, these three industries all share a common challenge, in that the performance of their rolling equipment – whether dump trucks, cranes, tractors or airplanes – plays a critical role in the operating and financial results of the equipment's manufacturers and users. This represents an opportunity for Michelin.

#### **CAPTURING THE VALUE OF MICHELIN TECHNOLOGY**

Michelin offers customers innovative technologies and unrivaled performance in terms of equipment uptime, productivity and longevity. Today's rolling equipment is increas-

ingly powerful, their functions are more specialized and downtime is more costly. To keep up with these trends, tires also have to become more robust, cost-efficient, reliable and long-lasting – exactly the benefits delivered by Michelin technology and our latest capital projects. Moreover, these higher standards also serve as barriers to entry that maintain margin integrity in these businesses, provided that they continue to satisfy their customers and users.

#### **TIRES AND SERVICES**

The greater the challenges, the greater the need for long-term partnerships with customers. These include:

- Cooperative ventures with manufacturers of worksite equipment, farm machinery and aircraft, with the goal of innovating together. Michelin is one of the few tiremakers that assigns special teams of engineers to work with equipment manufacturers.
- Multiyear contracts for large mining and infrastructure projects. By offering customers expert advice and support in their day-to-day operations, to manage their tires and compile data for use in developing new-generation products, Michelin is forging powerful, trustworthy relationships.



FOCUS



And because of our global scope, we are also able to share best practices in customer support, advice and training everywhere around the world.

In addition to supplying tires, Michelin has developed services that further improve productivity by conducting preventive maintenance, scheduling on-time delivery of replacement tires and managing tire recovery and recycling operations. For mining companies and airlines, Michelin can provide integrated tire management solutions, while in the agricultural segment, we are developing Excellence networks that provide round-the-clock service and operate literally “in the field” at harvest time. In the Aircraft tire business, we are sharing our expertise with customers through special training programs designed to help them more effectively manage tire use.

>>>

## EARTHMOVER TIRES: A GOLDMINE OF RECORDS

*From 2012 to 2017, Michelin will invest more than €1 billion to strengthen its global leadership in tires for earthmover equipment. This promising, profitable segment enables us to capture the full value of our technology, global footprint and highly committed teams.*



### — MICHELIN XDR2: A SECOND GENERATION OF THE WORLD'S BIGGEST HIGH-PERFORMANCE TIRE

Designed for rigid-frame dump trucks and available in seven sizes from 49" to 63", the new MICHELIN XDR2 tire weighs up to 5.4 tonnes and can carry loads of 100 tonnes. It is even more robust than its predecessor, with endurance increased by 9 to 20%. It can also be fitted with the MICHELIN MEMS Evolution 2, our latest generation electronic earthmover tire management system that integrates a new TPMS sensor to provide real-time pressure and temperature readouts and software with upgraded features.



**No.1**  
**WORLD LEADER**  
**IN RADIAL**  
**EARTHMOVER TIRES**

### CLOSE TO THE CUSTOMER WITH NEW ONLINE SERVICE SOLUTIONS

Today, the Internet is being actively leveraged to forge closer relations with users, inform them of the latest tire news and provide with buying and usage advice. In 2012, Michelin websites were launched for farmers in seven European countries and the United States and a global site was created for Earthmover tire users.

In addition, a Facebook application with entertaining features as well as technical information was introduced for the market debut of the new MICHELIN Commander II motorcycle tire for cruisers over 650cc.



In the Agricultural tire segment, a new YouTube channel was launched to inform farmers about the latest product news and events through video presentations, starting with user testimonials about the performance of MICHELIN tires.

In late 2012, the Aircraft Product Line began to deploy tablet and smart-phone applications to provide general aviation private pilots with advice and information on ways to optimize tire performance.

## SPECIALTY BUSINESSES: PERFORMANCE MAKES ALL THE DIFFERENCE

*Whether supporting a business or enabling new forms of mobility, Michelin specialty tires are designed with a single goal in mind: to optimize performance and make user lives easier.*



1

— **THE BOUNTIFUL HARVEST OF ULTRAFLEX TECHNOLOGY** — The MICHELIN YieldBib is the first very high-flexion tire for farm equipment. Intended for the highly demanding North American market, it features MICHELIN UltraFlex low-pressure technology, giving it a longer footprint that protects the soil and improves traction in the most difficult conditions. This in turn ensures that spring planting and fall soil preparation go smoothly. Now deployed in tires used in all phases of crop farming, including treatment and harvesting, MICHELIN UltraFlex technology helps to sustainably improve the profitability of farm operations.



— The MICHELIN electrically assisted bicycle: a new urban mobility solution.

2

### — RESTAURANTS: MICHELIN VOICES ITS OPINION, SO DO WEB USERS —

The new MICHELIN Restaurants website and its free mobile phone application offer a very broad selection of restaurants in France. Users can choose a restaurant for its location, price range or type of cuisine, identify the ones featured in the latest edition of the MICHELIN guide France, view the opinions of other users, provide their own feedback, contact the restaurant directly or include it in their list of contacts, add a photograph and create a list of their favorites. The MICHELIN guide – still pioneering after 112 years.



2

3

### — A HIGH-PERFORMANCE DUAL-COMPOUND RADIAL SCOOTER TIRE —

In six years, the European scooter-tire market has increased by a substantial 73%, and with engines of more than 70hp, the biggest scooters now deliver performance comparable to that of motorcycles. These trends inspired the development of the MICHELIN Power Pure SC Radial, the first dual-compound radial sports tire for scooters. The new tire improves acceleration, high-speed stability, cornering grip, traction and braking, plus, like all MICHELIN tires, it stands apart for its fuel-efficiency and longevity.



1



3

4

### — HELPING AIRCRAFT TIRE CUSTOMERS' PROFITS TO SOAR —

MICHELIN aircraft tires are so resistant that they can reduce cuts by 50% and ensure twice as many landings, thus lowering maintenance costs and aircraft downtime. They are also lightweight, so that they save raw materials in production and fuel in use. These benefits are so consistently delivered that Michelin can invoice airlines not for the number of tires purchased but on the number of landings made. In this way, customers pay just for what they use and no longer have to manage tire inventories or technical maintenance. As a result, MICHELIN equips nearly half of all airplanes as original equipment and more than 300 airlines, of which 49 have outsourced to the Group the end-to-end management of their tire programs.



4



5

# A ROBUST BALANCE SHEET



## €1,075 MILLION

IN FREE CASH FLOW  
GENERATED IN 2012



## €428 MILLION

REINVESTED  
IN MICHELIN SHARES  
OVER THE PAST FIVE YEARS

**“Michelin has profoundly changed in recent years, becoming not only more efficient and productive, but also more agile and assertive, capable of aligning itself very quickly around shared objectives. It has restored its margins and its balance sheet.”**

*Michel Rollier*

The Horizon 2005-2010 plan improved Michelin's efficiency and made it a more competitive enterprise. Over the five-year period, the Group reduced costs by more than €1 billion, improved productivity by 35% and began to pay down its debt. Further benefits were delivered by the programs to optimize production facilities, drive continuous improvement and foster operating excellence. Led by its teams' responsiveness and commitment, Michelin is weathering the global economic crisis and going back on the offensive in order to capture the full potential of its markets around the world.

### RAISING NEW CAPITAL

The successful €1.2 billion share issue carried out in October 2010 provided the resources to pursue our New Phase of Dynamic Growth. It also demon-

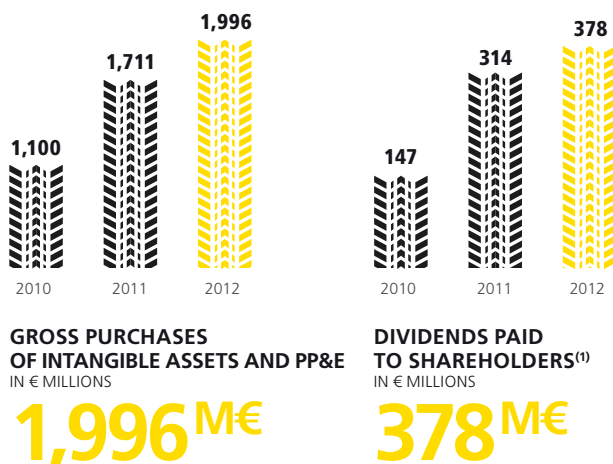
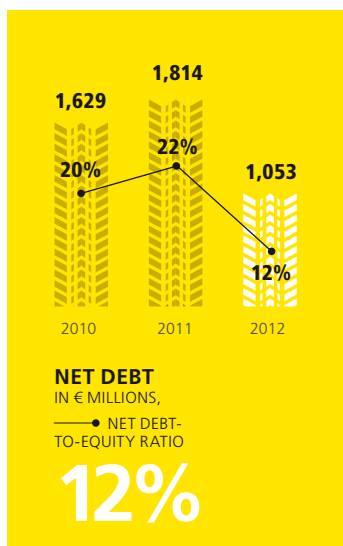
strated shareholders' confidence in our ability to effectively implement our capital expenditure program, which was confirmed by the success of the dividend reinvestment plan, which has been offered every year since 2008 (for the 2007 dividend). In four years, 50% of dividends, representing €427.8 million, have been reinvested in Michelin shares.

### OPTIMIZING THE ASSET PORTFOLIO

To optimize its investment capabilities, Michelin has also disposed of non-strategic assets in recent years. In November 2011, the 10% stake in Hankook was sold for €405 million, giving rise to a capital gain of roughly €255 million. In April 2012, after the Paris-based teams had been consolidated in new offices in Boulogne-Billancourt a few months earlier, the building at 46 avenue de Breteuil in Paris was sold for €110 million, resulting in a capital gain of nearly €100 million.

### ACTIVELY MANAGING DEBT

Michelin is committed to securing the refinancing of its debt and to diversifying its sources of funds. In July 2011, a €1.5 billion, multicurrency, revolving line of credit replaced the syndicated line of credit in the same amount



(1) incl. reinvested dividends.

arranged for the 2005-2012 period. Heavily oversubscribed, this five-year credit facility may be extended by two one-year periods at the lenders' option.

In June 2012, a €400-million issue of seven-year, 2.75% notes further enhanced Michelin's financial flexibility by lengthening the average maturity of its debt. Also oversubscribed, the successful placement demonstrated the geographic diversification of our investor base.

### UPGRADED CREDIT RATINGS

In March 2012, Standard & Poor's upgraded the Group's long-term credit rating to BBB+. The decision reflected "the significant improvement in Michelin's operating performance over the past two years and the strengthening of its balance sheet." The agency affirmed its confidence in Michelin's ability to maintain its creditworthiness, in particular thanks to its geographic footprint, specialty product lines and leadership in the premium segments.

The following month, Moody's raised the Group's long-term credit rating to Baa1, reflecting "Moody's confidence that Michelin will be able to sustain its

financial metrics over the next years despite economic weakness in major European countries and rising raw material costs." The agency emphasized the strength of the MICHELIN brand, our solid competitive position, our ranking as one of the three leading global tire manufacturers and our consistently higher profit margins than many other auto suppliers and auto manufacturers.

### CREDIT RATINGS AT DECEMBER 31, 2012

	STANDARD & POOR'S	MOODY'S
Short term	A-2	P-2
Long term	BBB +	Baa1
Outlook	Stable	Stable

6

# A BALANCED GLOBAL GROWTH DYNAMIC



**€2.0 BILLION**  
INVESTED IN 2012

## 2012-2015 CAPITAL EXPENDITURE BY PROJECT

As a % of total, in €



- 14% High performance tires
- 16% Earthmover tires
- 25% Other capacity increases
- 11% New products
- 34% Maintenance

## 2012-2015 CAPITAL EXPENDITURE TO INCREASE CAPACITY BY REGION

As a % of total, in €



- 10% Western Europe
- 32% US and Canada
- 58% Other regions

**The number of motor vehicles on roads around the world is expected to double over the next 20 years. This means that by 2020, growth in demand is expected to exceed 500 million car tires, 60 million radial truck tires and 600,000 tonnes of earthmover tires.**

In mature markets, the large number of cars already on the road is driving growth in replacement sales, with a general trend towards larger-size tires. However, the market as a whole will not expand by very much. Instead, three-quarters of the growth in world demand will come from fast-developing markets in South America, Southeast Asia, China, India, the Middle East and Russia. On every continent, however, markets are seeing a steadily rising need for safer, more energy-efficient tires that use fewer raw materials and are better suited to different types of use – and as such are longer lasting.

## AN ASSERTIVE INVESTMENT STRATEGY

To seize all of these opportunities, Michelin has stepped up its capital expenditure, to between €1.6 billion and €2.2 billion a year over the 2012-2015 period, depending on the market outlook. Two-thirds of the outlays will

be allocated to growth and innovation projects with three priority goals:

- Increase production capacity in growth regions in line with market forecasts.
- Strengthen our leadership in specialty tires, particularly in the earthmover and agricultural segments.
- Refocus the manufacturing base in Europe and North America on the most buoyant, most profitable segments and continue to become more competitive thanks to new facilities and processes.

## POWERFUL, COMPETITIVE NEW PLANTS

At the heart of this dynamic growth strategy is the construction of three new large-capacity tire plants – in Brazil for car and light truck tires, in India for truck tires and in China for both market segments. Two of them, Pau Brasil and Shenyang 2, ramped up to full-scale production in 2012, while Chennai in India is scheduled for start-up in 2013. Together, the three projects represent an investment of €2.75 billion.

In the specialty segment, production capacity for earthmover tires is being increased in North America, where a new plant will be built, and in France, through major capital projects to im-



prove productivity. The agricultural tire production base is also being strengthened in Poland.

At the same time, we are investing in new production processes, in changeover projects to shift capacity to high performance tires, and in new products that deliver more performance at more competitive cost in their respective segments, such as SUV and van tires in France and entry-level tires in Serbia.

In every country, teams are deploying the same methods and standards to bring projects in on-time and on-budget, while fully complying with Michelin safety and environmental protection guidelines.



*"The extraordinary trends reshaping our growth regions are opening up vast opportunities for Michelin. We're seizing them with a comprehensive, aligned approach based on the MICHELIN brand, comprising products designed for each market's conditions of use, dealer networks offering motorists high-quality services, and production capacity sited close to the market – all while respecting our corporate values.*

*Find out more about the challenges of global mobility, both today and in the years ahead, and about how Michelin is responding. Whether the issue is capabilities, training, workplace safety, industrial safety, or respect for local communities and the environment, we adhere to the same standards and apply the same disciplined management approach everywhere around the world."*

**FRANÇOIS CORBIN, PRESIDENT, GEOGRAPHIC ZONES**





BRAZIL

### FIRST CAR TIRE ROLLS OFF THE LINE AT PAU-BRASIL

Located in Itatiaia, near Resende in Rio de Janeiro State, the new Pau-Brasil plant produced its first tire on February 9, 2012. In three years, the plant is expected to produce five million passenger car and light truck tires a year. Ramp-up is underway and the machines are being validated.

*"It been an extraordinary adventure for everyone, involving four million hours of work, 20 months of construction and 1,000 shipping containers to transport the equipment. And everything was delivered on time",* says Project Manager Joel Couty, who with a team of more than 500 people supervised plant construction.

In all, Michelin will invest €480 million in the project, while at the same time doubling its franchised dealership network.



INDIA

### CHENNAI PLANT PROCEEDING ON SCHEDULE

Near Chennai, in southeastern India, Michelin is currently building a truck tire plant designed to produce 1.8 million tires a year. Most of the buildings have been completed, the equipment is being installed and the first tire is expected to roll off the line in 2013. **This first phase will represent an investment of €560 million.**

Michelin focuses on freight carriers (80% of the market), bus companies and passenger transporters, who appreciate the ability of MICHELIN tires to withstand harsh road conditions and last longer than competing tires.



CHINA

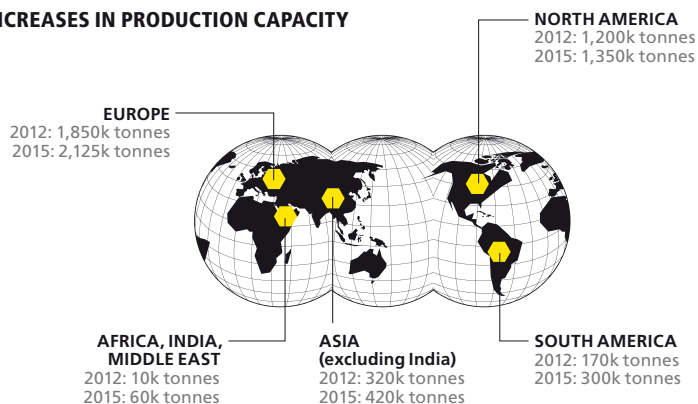
### FIRST TRUCK TIRE PRODUCED AT SHENYANG 2

The Shenyang plant northeast of Beijing has been making car and truck tires for 15 years. To upgrade it, a new facility is being built on a 72-hectare site just a few kilometers away. **Eventually, Shenyang 2 will triple our production capacity in China,** to 1.8 million truck tires, 10 million car tires and related semi-finished products. In all, 3,500 people will work in the new plant, which represents a €1.1-billion investment over five years.

"The key milestone was reached for the Truck tire unit, which produced its first tire on September 18, 2012," says Project Manager Benoît Heubert.

"Car tire production will begin in 2013, and Shenyang 1 and 2 will operate side by side until 2015, when the new plant reaches full ramp-up."

### INCREASES IN PRODUCTION CAPACITY



### China is already the world's leading automobile market, and with just 70 vehicles per 1,000 inhabitants (ten times fewer than in the West)

it still offers enormous potential. "More than 60% of buyers are the first in their family ever to purchase a car," says Philippe Verneuil, President of Michelin China. "Chinese consumers are looking for safety and quality. For them, product authenticity is a fundamental issue, MICHELIN enjoys an excellent reputation and our TyrePlus network has played a major role in building our image. Here too, we're moving faster, with the goal of totaling 1,000 franchised outlets by 2014 and 1,700 by 2017. China is also the world's biggest market for trucks."



#### WESTERN EUROPE

### SUVs AND LIGHT TRUCKS AUTOMATION AND ERGONOMICS

A €50-million capital expenditure program known as the 6 Million project has been deployed at our benchmark SUV and light truck tire plant in Cholet, France to improve its productivity and increase capacity. In 2012, it completed installation of a new automated production line that has increased output to more than 17,000 tires a day, while improving workstation ergonomics.

### MATERIALS AND EARTHMOVER TIRES TAKING PRODUCTIVITY TO THE NEXT LEVEL

**The plant in Montceau-les-Mines, France, is a key European center** for the manufacture of rubber and metal layers, as well as an Expertise Center for earthmover tires, of which 90% are exported. As part of a €50 million upgrade, the plant is installing seven new high-tech MAC-A assembly machines that can produce a tire in less than 20 minutes. What's more, reconfiguring them for different-size tires takes only 30 minutes compared with eight hours before. Two machines were installed in 2012.



#### EASTERN EUROPE

### AGRICULTURAL TIRES PRODUCTIVITY AND GENDER DIVERSITY

The plant in Olsztyn, Poland, has sharpened its focus on agriculture tires by investing €85 million to deploy new Krokus automated assembly machines. The upgrade has enhanced plant flexibility, increased productivity by 10% and eliminated the manual delivery of semi-finished materials, allowing women to work at these stations.

### CAR AND TRUCK TIRES A MAJOR EXTENSION FOR THE PIROT PLANT

The Tigar Tyres plant in Pirot, Serbia plans to increase its production capacity by 50% to 12 million tires a year in 2016. The plant makes entry-level tires sold under the Tigar, Kormoran and Riken brands, which are part of the Group's brand portfolio.

The greater capacity will enable the plant to supply the fast-growing Russian and CIS markets, as well as markets in Central and Eastern Europe, Africa and the Middle East. Representing a total investment of €170 million, the expansion project is scheduled to begin in 2013, with the first tires expected to come off the lines in late 2014.



#### NORTH AMERICA

### TWO MAJOR CAPITAL PROJECTS IN EARTHMOVER TIRES

To strengthen our global leadership in earthmover tires, two major new capital projects are underway in South Carolina, in the United States, to build a new plant and extend an existing one.

**The new facility is being built at the Anderson, SC site,** which already supplies semi-finished products and rubber compounds to our North American plants. It will produce very large 57" and 63" radial tires for the North American and other geographic markets. Work began in second-half 2012, and the first tires are scheduled for production in late 2013.

The Group is also expanding its Lexington, SC plant for the fifth time. Representing a combined investment of \$750 million (€572 million), the two projects will create up to 500 new jobs.

*"This new capacity will enable us to respond more effectively to sustained demand, thereby helping us to achieve our growth objectives for 2015,"* says Jean-Dominique Senard, Chief Executive Officer.

*"It also sends a powerful signal since this is the first new plant we've built in the United States in the past 30 years.*

*We wanted to produce in the dollar zone since we sell a lot of earthmover tires in the currency. What's more, we found a favorable business environment, which helped us to make our decision."*

---

MICHELIN IS INNOVATING  
TO IMPROVE MOBILITY WITH

- ✓ PASSION
  - ✓ HUMANITY
  - ✓ RESPONSIBILITY
- 



LOST TIME INCIDENT FREQUENCY RATE OF LESS THAN 3

EVERY WORKSTATION IS EQUIPPED WITH SAFETY  
AND ACCIDENT PREVENTION INSTRUCTIONS

ROAD SAFETY: THREE MILLION PEOPLE  
REACHED IN THREE YEARS ON FIVE CONTINENTS

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**400**

CAREER MANAGERS  
SUPPORT THE CAREER  
DEVELOPMENT OF EVERY  
EMPLOYEE



**€1 BILLION**

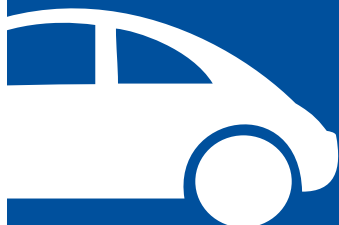
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OBJECTIVE: €1 BILLION IN  
COMPETITIVENESS GAINS FROM  
2012 TO 2016



16 BILLION LITERS OF FUEL SAVED  
OVER THE PAST 20 YEARS

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**-41 MT**

41 MILLION TONNES OF CO<sub>2</sub> AVOIDED  
OVER THE PAST 20 YEARS  
THANKS TO MICHELIN GREEN TIRES

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MICHELIN WAYS

# 6 LEVERS TO CREATE SUSTAINABLE VALUE

*MICHELIN IS LEVERAGING SHARED ETHICAL VALUES,  
A DETERMINATION TO SUCCEED WITH ITS TEAMS,  
A PASSION FOR INNOVATION AND STEADY PROGRESS  
TOWARDS OPERATIONAL EXCELLENCE TO HELP ADDRESS  
THE CHALLENGES OF SUSTAINABLE ECONOMIC,  
ENVIRONMENTAL AND SOCIAL DEVELOPMENT*





# SHARING STRONG ETHICAL VALUES

**For Michelin, improving performance and applying the highest ethical standards in our business practices are perfectly compatible.**

*"Results are not the be-all and end-all; how we achieve them is just as important," explains Jean-Dominique Senard. "In all our host countries, we are deeply committed to conducting our business with integrity. The future success of our employees and our Group will be best ensured if all of us embrace the Group's core values, as presented in the Michelin Performance and Responsibility Charter and the Code of Ethics."*

## A SHARED FOUNDATION

Copies of the *Michelin Performance and Responsibility Charter*, its supplement *PRM, A Better Way Forward*, and the *Code of Ethics* are given to all employees and are downloadable from all of the intranet sites. Michelin's ethical commitments are based on the following international documents: the Universal Declaration of Human Rights; the conventions of the International Labour Organization; the Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises; and the United Nations Global Compact.

In 2012, the Ethics and Compliance Committees for our eight operating regions met regularly to ensure the effective roll-out of the *Code of Ethics*, in keeping with local legislation and customs. Confidential ethics hotlines have been set up in almost every country, and any potential violations in the 15 areas covered by the *Code* are scrupulously addressed and managed. The *Michelin Corporate Governance Manuel* defines the responsibilities attached to each position and the principles governing cooperation with other Group units. Published in 2012, the *Michelin Security Charter* provides guidelines for protecting employees, facilities, information, knowledge and expertise, both of Michelin and of our partners.

Together, these documents serve as a shared base of reference that everyone is expected to apply.

## MISSION ANTITRUST

Preventing unfair trade practices is a key issue for international companies. Since 1998, all Michelin employees are expected to adhere to the Group's formally defined competition law compliance policy. In addition, employees can now hone their sensitivities in this area by playing the *Mission Antitrust* interactive video game, which draws

on real-life situations to educate users about the risks of antitrust violations. Issues covered include the protection of technological innovations and brands, personal data protection policies and confidentiality.

## GETTING SUPPLIERS INVOLVED

The principles of the *Michelin Performance and Responsibility Charter* and the *Code of Ethics* have been transposed into the *Michelin Purchasing Code*, which has been extended by the Quality Assurance Guidelines and a *Guide to Ethical Practices* for buyers. Standards of responsibility have also been incorporated into supplier appraisal questionnaires and audits. 66 suppliers were audited in 2012 based on sustainable development and social responsibility criteria. Michelin supports their continuous improvement programs and rewards excellent partnership performance with the *Michelin Suppliers Awards*.



— **MICHELIN IS FORGING CLOSER RELATIONSHIPS** with suppliers, while deepening its partnerships with those considered to be strategic. These relationships are founded on mutual respect, transparency, regular communication and high standards. A new *Michelin Purchasing Code* was prepared in 2012, and was widely distributed both within and outside the Group.

— **THE MICHELIN CORPORATE GOVERNANCE MANUAL** is intended for executives with a leadership role at a corporate, regional or country level. It describes each unit's missions and responsibilities, operating procedures and governance organizations, and the behavior expected of every manager. It also lists the best practices developed to drive greater de-siloing and improve the effectiveness of the improvement plans, as well as to ensure that local line managers have the support they need to meet their objectives.



— **THE ETHICS CODE** defines the standards of behavior applicable to our operations and presents guidelines for addressing various ethics-related issues. Available in 13 languages, it emphasizes our worldwide commitment to the core values of respect and responsibility.

## 2

# ENCOURAGING PERSONAL COMMITMENT

**For Michelin, business performance goes hand in hand with the professional success of its employees. This belief is reflected in the *Moving Forward Together* initiative, which promotes the respect-based values that inspire our Company and describes what we offer employees and what is expected of them in return.**

## DEMONSTRATING MUTUAL COMMITMENT

In every host country around the world, Michelin offers competitive salaries and benefits, while setting the standard for job fulfillment and quality of worklife. In addition, we are maintaining this advantage by constantly improving our career management and training capabilities, along with management practices focused on each employee's personal and professional development.

The relationship between Michelin and its employees is grounded in career aspirations that are nurtured over time and built on a core competency. Career trajectories are varied, with opportunities for advancement within the same job family or to change to a new working environment, as well as gateways to other job families or promotion to managerial positions. The speed of this trajectory primarily depends on each person's performance and on how much potential he or she is considered to have. At Michelin, "potential" means the level of responsibility that the direct manager

and the career manager think that the employee can reach during his or her career. According to the method deployed over the past two years by 2,500 direct managers and career managers, this potential is assessed on the basis of performance and how our values are put into practice, as well as the person's adaptability, determination, ability to manage situations and demonstrated impact. This method will be gradually deployed in all of our host countries and in every facility, so that within a few years, it will concern every employee.

## HIGH-QUALITY MANAGEMENT

In the personal commitment process, the manager plays a critical role, which is why Michelin teams are sized to facilitate close, one-to-one management practices. The Quality of Management program helps managers to meet their performance objectives by supporting the development of their team members, fostering attentive intra-team relationships and recognizing each person's contribution. To fulfill their responsibilities, managers can access a wide range of tools, including the *Manager's Guide*, a forum to discuss the key points of management quality, and a training and development intranet portal with a variety of modules, videos and advice. To support managers in their own development, a 180-degree performance review system was introduced in 2012 to allow team members to assess their managerial practices.

## EMPOWERMENT AND ACCOUNTABILITY

Michelin has more than 57,200 production operators working on 1,100 stations across 69 plants. The Michelin Manufacturing Way (MMW) combines team empowerment and standardization to create a dynamic of continuous improvement. This process' core components are the Empowering Organizations and Managing Daily Performance program. The 150 industrial operations management teams have created an Empowering Organization deployment plan. By allowing each level of the team to gradually expand its remit, work more independently and take responsibility for targets, results and progress, Empowering Organizations are helping to improve workplace well-being, enhance personal development and drive better business performance.

Wherever the approach is applied, the working atmosphere has improved, and employee involvement, confidence and pride have increased. The same applies for the availability of managers to help their teams flourish in interesting and enriching jobs. The first phase of the Empowering Organization deployment is scheduled for completion in 2013 for Europe, North America and South America, and in 2014 for Asia. >>>



## DIVERSITY

WITH 80% EMPLOYEES BASED OUTSIDE FRANCE, MICHELIN HAS BEEN DEPLOYING FOR THE PAST TEN YEARS A GLOBAL DIVERSITY POLICY SUPPORTED BY A WORLDWIDE NETWORK WITH CORRESPONDENTS IN EACH HOST COUNTRY. SENSITIVITY CAMPAIGNS AND SPECIAL TRAINING PROGRAMS HAVE BEEN INTRODUCED TO PROMOTE EQUAL OPPORTUNITY AND COMPETENCY-BASED HIRING AND PROMOTION, INTEGRATION, DEVELOPMENT AND CAREER MANAGEMENT PRACTICES.



▶ Odile Ducheny, Key Account Manager for Michelin Fleet Solutions talks about her career, how her job is changing and opportunities for mobility.

**Commitment.** To gauge employee commitment, surveys were conducted in 16 countries in 2012. They showed that 74% of operators and 86% of managers and administrative and technical employees were satisfied with their jobs.

The findings, which were analyzed for each country organization and facility, were used to build a wide range of local action plans designed to improve employee satisfaction and engagement. Given the wealth of lessons learned from these studies, and the discussions and improvements they are driving, the Group has decided to integrate commitment indicators into its global management scorecard, and to introduce a global annual survey process beginning in 2013.



**“100% health and safety”.**  
Between 2011 and 2012, 76,000 operators and managers from every production plant took the “100% health and safety” e-learning module.



— **FITNESS AND HEALTH** — The *Guide to Health Service Activities* focuses on prevention, with programs and services prioritized depending on the region. Numerous programs – including *Choose Well – Live Well* in the United States, *Oxygène* in France, *Balance* in Germany, and *De bem com a vida* in Brazil – encourage employees to make the right choices regarding their health and well-being.

**24 FACILITIES**  
REPORTED NO LOSS-TIME  
INCIDENTS IN 2012

**100%**  
OF FACILITIES EQUIPPED  
WITH DEFIBRILLATORS

### WORLD CLASS SAFETY PERFORMANCE

Michelin has made workplace safety an absolute priority. Our assertive safety policies, which are applied to the same standard in every country and every aspect of our business, are built around three core objectives: to embed safety deep in the corporate culture in order to reduce the lost time injury frequency rate below 3; to lower the lost time incident severity rate; and to move from “zero accident” to “100% health and safety.” Workplace health and safety programs are also applied to subcontractors and temporary workers with proven results, since their lost time injury frequency rate has been divided by 3 in four years.

Risk analysis software has been developed with Bureau Veritas. Preventative maintenance is now widely practiced, and strict prevention programs have been introduced to address the most serious accident risks, such as working at heights, entanglements and electrical hazards.

Ergonomics are taken into account from the project design phase, and the Ergonomics network shares best practices for installing production plant workstations. While benefiting everyone, these improvements are also opening new opportunities for women, seniors and the disabled.

### PREVENTION INSTRUCTIONS FOR EVERY WORKSTATION

Since 2012, as part of a major program launched in 2010, all shopfloor workstations come with standardized safety and accident prevention instructions, informing operators about the station’s safety mechanisms and the appropriate movements and reflexes. Illustrated with photos for clarity, the instructions have been compiled with input from production operators, so that they reflect actual working methods and indicate just the right action to take if difficulties arise. More than half of all employees have also been trained in safe travel, by foot, scooter, motorcycle and car.

The safety correspondents network, put in place as part of the Empowering Organization process, includes over 1,500 people who are regularly asked to recommend a safety measure, flag a potentially risky situation or suggest a progress idea. Over 6,000 safety ideas were implemented in 2012.

Participation in this safety and accident prevention program is measured on a monthly basis. In 2012, between 70 and 100% of employees contributed to the program, depending on the manufacturing station, and five plants and two logistics warehouses submitted applications to the Michelin Safety Awards, which recognize the best initiatives.

3

# CULTIVATING A SPIRIT OF INITIATIVE AND A PASSION FOR INNOVATION

Bold technological leaps have long driven Michelin's success, and will continue to underpin its commitment to remaining the global tire industry's most innovative company. At stake is our ability to innovate better and faster to maintain our competitive edge by offering ever more effective, competitive and sustainable solutions to address the challenges of road mobility.

## COOPERATING TO BRING INNOVATION TO MARKET FASTER

In today's markets, change is increasingly fast-paced, helping to broaden the field of innovation as the growing ubiquity of mobile information and ever-greater diversity of business models further accelerates market trends. Offering new solutions ahead of the competition is a major force for increasing market share, which means that research pathways, project management and reducing time-to-market are all business-critical factors. For Michelin, the objective is to cut time-to-market cycles in half.

To drive progress towards this goal, a new innovation governance body, the Michelin Corporate Innovation Board, has been put in place. With input from all of the executive teams, the Board is responsible for orienting the research and innovation process, especially with regard to disruptive

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*"Our determination to constantly innovate and stay ahead of the competition must remain intact."*

JEAN-DOMINIQUE SENARD

innovations, ensuring seamless cooperation between marketing teams and researchers, strengthening ties with university centers, promoting initiative and making innovation a key concern for every employee.

In addition to the major project to upgrade the Ladoux Technology Center in France, which will encourage interdisciplinary exchanges and working in project mode, Michelin plans to develop new ways to tap all of the creative potential of its employees, which has been amply demonstrated by the vitality of their Progress Ideas.

#### IMPROVING ENERGY EFFICIENCY: THE NEW CATEGORICAL IMPERATIVE

*"The next decade will see sales of hybrid and electric vehicles take off, and will be shaped by increased connectivity between cars and their environment,"* explains Patrick Oliva, Corporate Vice President, Advanced Research and Sustainable Development. *"However, these cars are still too energy-hungry, using 25 kWh per 100 km, the equivalent of 2.5 liters of diesel fuel. Whatever the energy mix, it needs to be reduced to 15 kWh per 100 km to be worthwhile, and that would still represent 100 g/km of CO<sub>2</sub> if the electricity is produced from coal."*

The energy required to overcome the rolling resistance of tires accounts for an average 30% of the power used by a full-electric car. Michelin is actively developing solutions that address the twin challenge of reducing this resistance and making vehicles lighter. As the inventor of the first low-rolling resistance tire in 1992 and today the segment's global leader, we offer expertise and tires delivering unrivalled performance in this area. We are also researching, developing and bringing to market radically innovative solutions. The ability of our teams to think outside the box may be illustrated by several recent developments.



— **MOTORIZED WHEELS: A SOLUTION FOR THE FUTURE?** — Michelin is continuing its strong track record of disruptive technology with its in-wheel motor, a technological revolution based on a highly compact Michelin-designed traction motor. Powered by a battery or fuel cell, the in-wheel motor is the market's smallest, with an unparalleled power-to-weight ratio. The MICHELIN Motorized Wheel includes an electric motor, reduction gear and braking system. Managed by dedicated electronics, it enables the design of lighter, more compact or more spacious vehicles, depending on their purpose. It can be mounted on either the front or the rear, which facilitates the process of turning conventional vehicles into hybrids, without any major modification.

The even more revolutionary MICHELIN Active Wheel also includes an active suspension. Depending on the power and use required, it is possible to combine four motors (one in each wheel) or just two.

These inventions are now being trialed in different configurations with several car and bus manufacturers. At the same time, Michelin has brought together a consortium of equipment manufacturers and automakers as part of the FI-VI(ME)2 project, with the aim of bringing these motorized wheels to the industrial production stage by 2016.



*"Innovation means keeping your ear constantly to the market and its expectations. Michelin's strength lies in its ability to anticipate these expectations, bring together the necessary Research, Development and Process Engineering resources and respond proactively with the right solutions."*

**TERRY GETTYS, EXECUTIVE VICE PRESIDENT,  
RESEARCH AND DEVELOPMENT**





Rallying together  
towards sustainable road mobility

**150**  
COMPANIES  
AND ORGANIZATIONS

**6,000**  
EXPERTS,  
DECISION-MAKERS,  
RESEARCHERS  
AND ACADEMICS

**650**  
JOURNALISTS

**10,000**  
VISITORS

— **MICHELIN CHALLENGE BIBENDUM: A GLOBAL LABORATORY FOR TOMORROW'S MOBILITY** —

Created in 1998 for the 100<sup>th</sup> anniversary of the Michelin Man (Bibendum), the Michelin Challenge Bibendum now acts as the global summit for sustainable mobility. After Shanghai and Rio, this year Berlin was host to the Challenge, which was attended by representatives from over 150 companies and organizations, some 6,000 experts, decision-makers, researchers and academics from 80 countries, 650 journalists and 10,000 visitors.

The international event combines technical tests and evaluations with demonstrations and test-drives to assess improvements made in vehicles, energy and technologies. Variables taken into consideration include climate, geography, urban density, availability, energy and raw materials use, and driving safety. Technologies and emerging trends are discussed during forums and conferences. Public and private sector decision makers and opinion leaders assess the latest advances as well as future paths towards better mobility. Together, the stakeholders can get involved and promote promising programs and policies capable of resolving sustainable mobility issues, which are part and parcel of social and economic development.

> Find out more: [www.michelinchallengebibendum.com](http://www.michelinchallengebibendum.com)



📍 Dorothee Burdin,  
Campus Manager  
invited 30 international  
students to Michelin  
Challenge Bibendum for  
three days to develop road  
mobility solutions.



— **MICHELIN "COMMUNICATING" TIRES** —

RFID chips<sup>1</sup> integrated into the TPMS tire pressure and temperature monitoring system helped to optimize London city bus uptime during the Olympic Games. This Michelin innovation points the way towards new ways of managing bus and truck fleets.

(1) Radio Frequency Identification



— **LISTENING TO SMALL CARMAKERS** —

The Original Equipment 2 and Conversion (OE2C) department is sharing its suspension system expertise with such niche automakers as premium sports car manufacturer Wiesmann. In return, we receive data that is invaluable for the development of high-performance tires.





— **THE MICHELIN SMALL TIRE/WHEEL ASSEMBLY** for urban vehicles provides the same on-the-road performance as a 14-inch tire as well as a 15% increase in load capacity. It also takes less raw material to make, is more fuel efficient and, because of its smaller size, offers the possibility of enlarging the vehicle interior from four to five seats.



**THE MICHELIN TALL AND NARROW FOR TOURING CARS OFFERS REDUCED TOTAL COST OF OWNERSHIP, THANKS TO ITS IMPROVED AERODYNAMICS, LONGER TREAD LIFE AND LOWER HEAT BUILDUP.**

### STUDENTS WITH A PASSION FOR INNOVATION CONVERGE ON THE LADOUX TECHNOLOGY CENTER

In 2012, for the fourth year in a row, the Ladoux Technology Center invited 320 European and Thai technology enthusiasts studying at 29 engineering schools and universities to attend its Student Days program. Over the course of the three-day event, they had the chance to share their passion for innovation with our technical staff, and were given professional advice to complete their prototypes.

Nineteen teams worked on vehicles that will compete in the Shell Eco-marathon on very low rolling resistance tires specially developed by Michelin for the race, whose winner will be the car that travels the farthest on the equivalent of a liter of petrol. Nine teams finalized robots for the Coupe de France de Robotique contest, and three teams tested prototypes for the Formula Student Electric international EV design competition.

### R&D PERFORMANCE

*Michelin organizes dedicated seminars to enable R&D executives from leading manufacturing companies to share best practices.*

### TOP 100

*Michelin ranks among the 2012 Thomson Reuters Top 100 Global Innovators.*

4

# FOCUSING ON SUSTAINABLE PROFITABILITY

As a core driver of service quality, competitiveness and operating profitability, operational excellence is a priority objective in every aspect of Michelin's business – managing capital expenditure, production, logistics, retailing and services, controlling overheads, improving working capital and aligning prices with fluctuating raw materials costs and currency rates. A commitment to continuous improvement is now part of the mindset in every unit.

## GLOBAL PERFORMANCE STANDARDS

To transform its operating procedures, to do things better, faster and at lower cost, Michelin is streamlining and standardizing processes, identifying and sharing best practices, improving workstation safety features and ergonomics, pooling resources, fostering greater collaboration, empowering people, and aligning all of the teams with priority objectives. In this way, we are steadily reducing the cost base, fulfilling demand more effectively, and freeing up the resources needed to drive growth.

Standardization reduces capital expenditure costs and shortens ramp-up times for new plants and equipment. With the Michelin Manufacturing Way



(MMW), all of the production plants are continuously improving as they align themselves with best practices from across the Group. Proactive planning, flexibility and cooperation are central to the Supply Chain and Logistics improvement program, which is designed to improve customer service at lower cost. Information systems are being harmonized. Support and corporate functions are deploying the Efficiency program, while designers share the same design-to-cost approach to deliver the right quality at a given price point.

Over the 2012-2016 period, Michelin is aiming to deliver €1 billion in competitiveness gains, with €500 million to €600 million coming from production and the supply chain, €300 million from the support functions, and €200 million from raw materials savings.

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### — MAJOR VALUE-CREATING PROJECTS —

Michelin's capital expenditure programs are managed by the Corporate Development Department, which is currently overseeing 30 ongoing projects in such areas as capacity extensions, information systems and the dealership networks.

"Whereas Michelin used to invest €1.2 billion a year, we're now up to €2 billion," explains Laurent Noual, Executive Vice President, Corporate Development. "It is our job to ensure that these capital projects show a return and generate the expected growth. We make sure that everything is in place to transform these investments into growth and that the product plan, dealer networks and retread organizations have been adequately prepared."

Another of the Department's contributions, in association with the Prevention and Industrial Performance Department, is a highly disciplined project management model that makes it possible to plan and schedule capital commitments. Today, this method has been extended to all of the tactical operating units (UOTs) and a wide range of projects.

**Robust management.** In 2012, the new plants in China and Brazil were started up on time and on budget. In every country, teams from the Prevention and Industrial Performance Department are deploying Michelin Manufacturing Way methods to ensure that these types of capital projects are managed robustly. These methods include Visual Engineering Management, which facilitates reporting and problem solving, BIB Ramp-up for getting machines up and running, and BIB Qualif for managing production ramp-up risks using the same standards worldwide.

**1,800**  
MACHINES WERE  
DEPLOYED IN 2012



### **Supply Chain:** **Pre-ordering is a win-win option**

*"Pre-ordering means that we only make tires that are going to be sold. This holds down inventory and the customer is sure to get their tires on time."*

**PASCAL ZAMMIT,**  
CAR AND LIGHT TRUCK TIRE  
SUPPLY CHAIN MANAGER FOR EUROPE





## OPTIMIZING PRODUCTION POTENTIAL

The Michelin Manufacturing Way methods, combined with the Managing Daily Performance program and the deployment of Empowering Organizations, is enhancing shopfloor productivity and flexibility in plants. Dedicated approaches, such as the bottleneck management program, are taking these processes even further. *"Flow analysis allows us to pinpoint weak links, notably the workstations that are slowing down the rest of the line,"* explains Bernard Ribière, who is in charge of Michelin Manufacturing Way maintenance efficiency for the Car and Light Truck product line. *"That way we can discuss ways to make the process flow more smoothly, share best practices and define standards that will help increase production capacity."*

In this area, the Booster team serves as a very useful source of expert advice. *"Our mission is to identify all of a plant's performance inhibitors and to find paths to improvement,"* says Manuel-Jesus Gutierrez-Munoz, who with a four-person team leads a network of 400 specialized experts in all of our operating regions.

Regardless of the project, *"increasing output and improving productivity should not create more risks for our operators and for the environment,"* says Régis Teulé, chief Environment and Prevention technician, explaining that *"we work to maintain the same standards throughout Group and all employees receive the same training."*



### **The efficiency program: €300 million in efficiency gains**

*According to Bernard Vasdeboncoeur, sponsor of the Efficiency program, "companies that can grow while keeping costs under control will perform best over the long term. The Efficiency program is instilling in the support and corporate functions the same culture of continuous improvement that has proven its worth in production." The program is designed to reduce the consolidated selling, general and administrative expenses to gross margin ratio by two points a year until 2014, which translates into €300 million in savings over the three-year period.*

*Managed by the program leaders, a taskforce and a network of 50 correspondents are in place to implement the road map. Key aspects include reviewing processes to speed up decision-making, concentrating resources on strategic priorities, promoting cross-unit cooperation and resource pooling, and empowering people. With measurable and measured performance indicators, Efficiency will encourage everyone to give their best and to assess their contribution, just as the Michelin Manufacturing Way is doing.*



5

# WORKING FOR THE FUTURE OF THE PLANET



*“Sustainable mobility is engrained in Michelin’s DNA; it has been our corporate mission from the beginning. That’s why all of our solutions are designed with a constant concern for safeguarding the natural environment, and are backed by awareness and training programs to help people make the best use of them and minimize their environmental impact.”*

**JEAN-DOMINIQUE SENARD**

## **MOST OF A TIRE’S ENVIRONMENTAL IMPACT IS FROM ITS USE**

Lifecycle assessments show that tires impact the environment primarily during use, which accounts for more than 92% of a car tire’s footprint and more than 95% of a truck tire’s. The energy required to start a tire rolling and to keep it moving accounts for an average of 20% of the energy used in an internal combustion engine car, or up to 30% for an electric vehicle or truck. Reducing this rolling resistance can therefore make a significant difference in energy savings and the vehicle’s carbon footprint.

But not all tires are the same. Their energy efficiency can vary by 50% and tread-life can vary by as much as 100%, or more. As a result, the impact of tire use depends largely on the choices made by users. Michelin, which invented the low rolling resistance “green tire”, is committed to raising awareness among specifiers and motorists about the importance of energy efficiency and longer tread-life. We offer business users maintenance services that further increase their tires’ useful lives. We also conduct major campaigns to encourage drivers to regularly check tire pressure, as under-inflated tires brake less effectively, wear faster and are less energy efficient.

## MICHELIN HAS REDUCED ITS ENVIRONMENTAL IMPACT BY 33% SINCE 2005

Although the entire production chain, from raw materials extraction to delivery to point-of-sale, only accounts for 6% to 10% of a tire's environmental footprint, Michelin is committed to driving further progress in this area. The Michelin Environmental Management System (MEMS) enables our production, supply chain and research facilities to manage their environmental impact, both on a day-to-day basis and over the long-term. Expected performance levels are specified in the Group Environmental Guidelines,

while ISO 14001 certification is supporting continuous improvement. The Group's environmental performance is tracked using the Michelin sites Environmental Footprint (MEF), which is calculated each quarter. By 2011, the MEF had been reduced by 33% since 2005, almost reaching the 35% target set for 2015. Although low production volumes prevented any clear improvement in the indicators in 2012, progress is continuing apace in day-to-day operations and is expected to show up in the figures as soon as capacity utilization rates are optimized again.



— **1,000,000 KM**  
the distance that can be traveled in certain conditions by a Michelin truck tire that has been regrooved, retreaded and then regrooved a second time.

Calculated for each plant, then consolidated at Group level, — **THE MEF<sup>(1)</sup>** — comprises six weighted indicators with VOCs<sup>2</sup> accounting for 25% and other components for 15% each. The data are reviewed by PricewaterhouseCoopers Audit. The target is to reduce the footprint to 45 by 2016.

	% CHANGE 2005-2012	2012	UNIT <sup>(3)</sup>	ABSOLUTE VALUE	UNIT
Energy consumption	-21%	13.8	GJ/t TP	43,259	10 <sup>3</sup> GJ
Water consumption	-21%	11.9	m <sup>3</sup> /t TP	37,184	10 <sup>3</sup> m <sup>3</sup>
COV <sup>(2)</sup> emissions	-37%	2.7	kg/t TP	8,344	t
CO <sub>2</sub> emissions	-21%	1.2	t/t TP	3,763	10 <sup>3</sup> t
Waste produced	-21%	110.9	kg/t TP	346,698	t
Waste landfilled	-72%	9.3	kg/t TP	29,052	t
<b>MEF</b>	<b>-33%</b>	<b>67.4</b>			

(1) Michelin sites Environmental Footprint.

(2) Volatile Organic Compounds.

(3) t TP = tonne of tire produced.



## GLOBAL RUBBER TREE FARMING FACTS AND FIGURES

- **6 MILLION RURAL JOBS**
- **10 MILLION HECTARES OF PLANTATIONS**
- **10 MILLION TONNES OF NATURAL RUBBER PRODUCED A YEAR**
- **80 MILLION TONNES OF CO<sub>2</sub> SEQUESTERED A YEAR**

**95%**  
OF END-OF-LIFE TIRES ARE  
RECYCLED IN EUROPE

**97%**  
IN BRAZIL

**99.8%**  
OF THE TIRES PRODUCED  
BY THE GROUP ARE PRODUCED  
IN ISO 14001 CERTIFIED PLANTS

**80%**  
OF RAW MATERIALS  
PURCHASES IN VOLUME  
ARE ISO 14001 CERTIFIED

1

— **PROTECTING BIODIVERSITY** — Developing and maintaining rubber tree farming is a major priority for Michelin, which uses nearly 10% of the world's natural rubber output. In partnership with CIRAD<sup>(1)</sup>, Michelin selects disease-resistant, high-yield varieties, adapted to different climate conditions. In addition to rubber trees, Michelin has created a sanctuary in Bahia State comprising 3,000 hectares of Atlantic forest. Each year, we fund around 20 grants to study biodiversity at the on-site Biodiversity Study Center, which hosts 30 researchers and includes a nursery with 35,000 saplings grown from native seeds and representing 200 different species. In the United States, Michelin is taking part in the Wildlife & Industry Together (W.A.I.T.) program, which promotes the protection of natural habitats for wildlife on company land, while in Spain, France and Hungary, several production facilities are helping to preserve ecosystems.

(1) A French government research center that works with developing countries on international agricultural and development issues.



2

— **MICHELIN "GREEN TIRES"** — have saved 16 billion liters of fuel and avoided the release of 41 million tonnes of CO<sub>2</sub>. Over the years, Michelin has steadily reduced rolling resistance, first by 30% with the invention of the first radial tire in 1946 and then by another 20% with the introduction of the "green tire" in 1992. Since then, we have brought to market three new generations of "green tires" for trucks and five for cars. The latest version, the MICHELIN ENERGY™ E-V tire unveiled in 2012, is the first in the family to be especially designed for electric vehicles, to increase their range. In 20 years, MICHELIN "green tires" have helped to save 16 billion liters of fuel and avoided the release of 41 million tons of CO<sub>2</sub>. With new automotive emissions standards, tire labeling legislation and rising energy prices, almost half of all vehicles could be fitted with low rolling resistance tires as original equipment in 2020, compared to around one in ten in 2010. This trend is highly favorable for Michelin, the global leader in the "green tire" segment, especially since the original equipment market is expected to grow by two-thirds between 2010 and 2020, to around 500 million units.



— **PUNCTURE-PROOF, RESISTANT AND FLEXIBLE** — the MICHELIN Tweel is airless, can be retreaded as often as necessary and adapts to the most challenging terrain.

**16 BILLION**  
LITERS OF FUEL SAVED OVER THE PAST 20 YEARS

**41 MILLION**  
TONNES OF CO<sub>2</sub> AVOIDED OVER THE PAST 20 YEARS

THANKS TO MICHELIN GREEN TIRES



.....

**€630 MILLION**  
IN ENERGY INPUTS IN 2012

.....

9 photovoltaic installations  
+1 solar wall  
+2 wind turbines  
+2 biomass heating boilers  
=  
**31,000 fewer tonnes of CO<sub>2</sub>**  
**released in 2012**

.....

— The new wood-burning heater boiler in the district heating of La Combaude, France

## FOCUS ON ENERGY AND CO<sub>2</sub> EMISSIONS

**Michelin has set the ambitious target of maintaining 2010 CO<sub>2</sub> emissions at the 2010 level of four million tonnes. This would represent one tonne of CO<sub>2</sub> per tonne of tire produced.**

### THIS OBJECTIVE IS BEING MET BY:

- Reducing energy consumption in plants by extending the use of energy audits, sharing best practices and installing new equipment and processes.
- Developing the use of renewable energies.

All of the plants have been audited and have deployed action plans. A total of 75 Plant Energy Performance Leader positions have been created, to drive faster improvement in shopfloor energy management, and a Group strategy with detailed initiatives has been defined for the Supply Chain.

New renewable energy projects developed in 2012 and brought on stream at year-end included two wind tur-

bines in Ballymena, Northern Ireland, and in France, a wood-burning heater boiler in La Combaude and a partnership with a biogas plant in Vannes.

**VARIABLE SPEED DRIVES HAVE BEEN FITTED ON ALL OF THE ELECTRIC MOTORS IN PLANT HVAC SYSTEMS, GENERATING AN ESTIMATED ENERGY SAVING OF €10 MILLION OVER FIVE YEARS.**



— **PHOTOVOLTAIC ROOF PANELS** on the plant in Homburg, Germany

— **THE TWO WIND TURBINES** installed in 2012 in Ballymena, Northern Ireland, will produce 9,000 MWh, avoiding 4,000 tonnes of CO<sub>2</sub> emissions a year.



6

# WORKING FOR A BETTER SOCIETY



— **NEW DECADE FOR ACTION** — Michelin is an official partner of the United Nations' Decade of Action for Road Safety, which runs from 2011 to 2020. A Michelin senior executive is Chairman of the Global Road Safety Partnership and another serves as director of the ROSYPE Road Safety for Young People in Europe awareness campaign, co-financed by the European Union.

1

— **ROSYPE** — Between June 2009 and October 2012, the ROSYPE campaign helped to raise road safety awareness among more than 1 million young people in Europe, in particular via the Tom European Tour, a Facebook contest launched in 2012 for young drivers.

**Michelin is deeply committed to improving road safety worldwide. We are also actively engaged in our host communities, both through initiatives deployed by our plants and employee volunteers and through a variety of programs to support a vibrant local economy.**

## ROAD MOBILITY: A SOCIALLY RESPONSIBLE COMMITMENT

Every day, nearly 3,000 people die in road accidents around the world, and 50 million are injured every year. In response to these alarming statistics, the United Nations declared that 2011-2020 would be the "Decade of Action for Road Safety," with the aim of stabilizing and eventually reducing

the number of fatalities.

Michelin is supporting this international initiative with a variety of local programs that have reached more than three million people on five continents. In Europe, with the support of the European Commission, we successfully led the ROSYPE project, which educated more than 1.1 million young people, who are the main victims of road accidents. Since 2012, in partnership with the International Automobile Federation (FIA) and its "FIA Action for Road Safety" program, Michelin has been deploying the international "Golden Rules" campaign.

The campaign uses 10 visuals showing motorists in typical driving situations to demonstrate fundamental safety rules. The campaign is being expressed through general public advertising in 132 countries with FIA-member Automobile Clubs and at Michelin-attended trade fairs, races and events. In 2012, Michelin received the Prince Michael International Road Safety Award in recognition for its commitment.



1



ASM: SUPPORTED BY MICHELIN SINCE 1911, THE ASSOCIATION SPORTIVE MONTFERRANDAISE IN CLERMONT-FERRAND OPERATES THREE PRACTICE FACILITIES, CONDUCTS 15 SPORTS PROGRAMS, AND HAS 400 COACHES AND 3,000 MEMBERS.



#### LOCAL COMMUNITIES: EDUCATION AND OUTREACH

Michelin plants and employees are helping to improve the quality of life in the local communities through educational programs, sports and healthcare facilities, food banks and tire donations to emergency services. In the United States, for example, all of our major facilities sponsor a nearby public primary school. In Brazil, employees are supporting young people's academic achievement by teaching a wide variety of supplementary courses, while in Colombia, the local unit is funding remedial classes. Equipment has been donated to schools in Thailand and 100 students have received scholarships in China. In Europe, a large

number of partnerships are helping to promote science education at every academic level.

In all, initiatives carried out with employee volunteers represented the equivalent of nearly 18,000 days of paid work in 2012.

To share best practices and raise the impact of its outreach programs, Michelin is a member of the London Benchmarking Group, an association of more than 300 multinational companies that are highly committed to community investments. Prepared in 2012, a new strategy to support employee engagement is being implemented from 2013. >>>

#### 2012 CONTRIBUTIONS

€18.9 MILLION

EMPLOYEES DEVOTED

17,649

DAYS TO COMMUNITY  
OUTREACH ACTIVITIES



**The “What about you? What’s your best way forward?” campaign,** launched for employees to mark the tenth anniversary of the Michelin Performance and Responsibility approach, encouraged people to submit 20,000 initiatives and ideas, 2,000 of which were selected.

— **TEN GOLDEN RULES FOR SAFER ROADS** —  
In 2012, the FIA and Michelin launched a new international advertising campaign to promote safety rules in a number of countries, including Germany, Brazil, China, India, Italy, the UK and Russia.

> To find out more:  
[www.goldenrules-fia-michelin.com](http://www.goldenrules-fia-michelin.com)



.....

**124**  
**COMPANIES SUPPORTED**  
**IN FIVE COUNTRIES**

**1,586**  
**JOBS CREATED**  
**WITH THE SUPPORT**  
**OF MICHELIN DEVELOPMENT**

.....

**MICHELIN DEVELOPMENT:  
SUPPORTING SMALL BUSINESSES  
FOR 22 YEARS**

	Expertise shared	Jobs created
France	700	19,000
Other European countries	975	7,500
North America	250	2,000
<b>Total</b>	<b>1,925</b>	<b>28,500</b>

**MICHELIN DEVELOPMENT:  
SUPPORTING ECONOMIC GROWTH  
AND SUSTAINABLE JOBS**

In 2012, Michelin Development supported 124 companies in 5 countries and helped to create 1,586 jobs. It is helping us to drive economic development and the creation of sustainable jobs in our host communities, with a particularly assertive commitment when operations have to be scaled back or terminated at one of our plants. As early as 1970, François Michelin began offering free technical support services to small businesses operating near our facilities around Clermont-Ferrand. In 1990, the creation of SIDE<sup>(1)</sup> formalized this support for small and medium-sized companies in France, and the system was expanded to include low-interest loans and grants for the creation of sustainable jobs. Since then, 11 Michelin Development units have been set up in Europe, Canada and the United States, which have supported the creation of 28,500 jobs over 22 years. Through Michelin Development, Group experts may be assigned for between a few hours and a few days to

help a CEO address a particular technical issue. Job creation is supported by five-year, low-interest, collateral-free loans, offered to any manufacturer or industrial services company, provided that their project is technically and economically sound, effectively creates sustainable jobs and is led by a capable, motivated entrepreneur.

(1) Société d'Industrialisation et de Développement Economique.

**IN FRANCE, MICHELIN DEVELOPMENT HELPED QUILTED TEXTILE MANUFACTURER D'ENNNERY TO AUTOMATE ITS PRODUCTION LINE, ENABLING IT TO DOUBLE PRODUCTIVITY AND CREATE NEW OPPORTUNITIES FOR GROWTH.**





### MICHELIN IN INDIA: RESPECTING VILLAGER RIGHTS

Michelin's first plant in India is being built near Chennai in an industrial park created by the Tamil Nadu government in 2007. Since 2010, we have been working with 13 local and national NGOs, civil society representatives and local authorities in order to understand and address the expectations of residents in the plant's 31 neighboring villages. Outreach projects are underway in the areas of health (general medicine, eyecare, gynecology and mobile clinics), education (primary education for children and vocational training for young adults), support for the disadvantaged (women, widows, the disabled and minorities), water (natural irrigation, household water and drinking water), employment (local business creation), the environment (biogas energy program) and road safety (prevention measures). Based in the villages, a network of Michelin and NGO correspondents enable close interaction with local residents, while mediation services facilitate their relationship with administrative authorities and with the companies coming to the

industrial park. In all, initiatives carried out with employee volunteers represented the equivalent of more than 18,000 days of paid work in 2012. Almost 4,000 people are involved in building the plant, which is expected to employ 1,500 people and start production in 2013.

**To find out more about how Michelin is addressing the expectations of its stakeholders in India and fostering constant dialogue with them, visit <http://www.michelin.in/Home/About-Michelin/Michelin-Tamilnadu>**



**1** — Michelin helped to dredge irrigation canals that were no longer suitable for farming, thereby restoring them to use by more than 500 families.

**2** — Michelin organized a disability detection day and offered a program to bring the disabled back into the workplace depending on each person's capabilities and talent.



► The CSR team/India  
In Chennai, Michelin is dedicated to improving healthcare for local communities. A look at the "Eye Camps" deployed since 2010.





€2.42 BILLION  
IN OPERATING INCOME<sup>(1)</sup>  
11.3%  
OPERATING MARGIN<sup>(1)</sup>

(1) Before non-recurring items

- ✓ A CALM, DELIBERATE SUCCESSION
- ✓ RECORD CAPITAL EXPENDITURE
- ✓ HIGH OPERATING INCOME THANKS TO A DIVERSIFIED BUSINESS PORTFOLIO AND A WELL-BALANCED GEOGRAPHIC FOOTPRINT
- ✓ NEW PROGRESS IN SOCIAL RESPONSIBILITY AND ENVIRONMENTAL PERFORMANCE

€2.0 BILLION

INVESTED

6,224

PEOPLE HIRED  
AND TRAINED



€2.40 PER SHARE  
AN INCREASE OF 14.3%  
RECOMMENDED DIVIDEND  
FOR OUR 202,500 SHAREHOLDERS



MICHELIN IS RANKED FIRST IN FRANCE AND 17<sup>TH</sup> WORLDWIDE  
IN THE 2012 REPUTATION INSTITUTE LISTING  
OF 100 INTERNATIONAL COMPANIES IN 15 COUNTRIES:  
AUSTRALIA, BRAZIL, CANADA, CHINA, FRANCE, GERMANY,  
INDIA, ITALY, JAPAN, MEXICO, RUSSIA, SOUTH KOREA, SPAIN,  
UNITED KINGDOM, UNITED STATES

# 2012

## CORPORATE GOVERNANCE AND RESULTS

*WITH A ROBUST GOVERNANCE STRUCTURE,  
SMOOTH SUCCESSION, HIGH-QUALITY EARNINGS  
AND SOLID BALANCE SHEET, MICHELIN CONTINUED  
TO MOVE FORWARD IN 2012, CONFIRMING THE VALIDITY  
OF ITS STRATEGY AND THE ABILITY OF ITS TEAMS  
TO SUCCESSFULLY DEPLOY IT.*

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# ROBUST CORPORATE GOVERNANCE



*"Over the past seven years, you have earned the trust of all our employees, our shareholders and all of our partners. Everyone knows how much Michelin already owes you; everyone knows that you are the one who will lead Michelin to future success. For me, it is immensely satisfying to see you take over the reins."*

**MICHEL ROLLIER**

— Shareholders at the Annual Meeting paid a vibrant, heartfelt tribute to Michel Rollier, who devoted sixteen years to Michelin, including seven as Managing Partner.

**At Michelin, corporate governance is a robust process focused on long-term responsibility. Its solidity was demonstrated in 2012, when the succession announced in 2011 was successfully completed in a smooth transition.**

## A SUCCESSFUL TRANSITION

In February 2011, Michel Rollier announced his intention not to complete his term of office, which according to the bylaws would have ended at age 72. At the 2011 Annual Meeting, on his recommendation, shareholders elected Mr. Senard as Managing General Partner, in order to succeed him. The corporate governance structure was adjusted accordingly.

In February 2012, Michel Rollier confirmed his intention to hand over the reins at the next Annual Shareholders Meeting on May 11, 2012. At the Meeting, shareholders approved Michel Rollier's recommendation that he step down as Managing Partner and that Jean-Dominique Senard be elected as Chairman.

Jean-Dominique Senard joined Michelin in 2005 as Chief Financial Officer and Member of the Executive Committee. After serving as Non-General Managing Partner, beginning on May 11, 2007, he was elected Managing General Partner at the May 13, 2011 Annual Meeting for a renewable, four-year term.

## THE MICHELIN PARTNERSHIP LIMITED BY SHARES

Tire manufacturing is a capital-intensive industry in which the pace of technological innovation is relatively slow. Being able to deploy long-term strategies led by a stable, responsible management team acting in the shareholders' best interests is a major advantage. This is further enhanced by the incorporation of Compagnie Générale des Etablissements Michelin (CGEM), the Group's parent company, as a partnership limited by shares (SCA).

Managing Partners are elected by shareholders at the Annual Meeting. Since May 2011, the term



**ERIC BOURDAIS DE CHARBONNIERE, CHAIRMAN OF THE SUPERVISORY BOARD HAS COMMENDED MICHEL ROLLIER'S EFFORTS TO STRENGTHEN THE GROUP'S CORPORATE GOVERNANCE SYSTEM**

## A MODERN GOVERNANCE SYSTEM

of office of future Managing Partners – whether Managing General Partners or Non-General Managing Partners – has been limited to four years, renewable and revocable.

The Supervisory Board, whose role was expanded in 2011, must approve the re-election or removal of Managing Directors and is responsible for assessing the quality of the partnership's management. It is currently comprised of eight members – all of them independent – who are elected by shareholders at the Annual Meeting to serve four-year terms. The Supervisory Board has created a four-member Audit Committee and, acting as a whole, performs the duties generally assigned to a Compensation Committee.

*"Thanks to you [...], we undertook all of the transformation projects that led to a new governance system. Step by step, together, we have built a modern governance system that still retains our traditional incorporation as a partnership limited by shares.*

*The new system is modern because it reaffirms the total independence between the people who manage the Company and those who oversee that management on behalf of shareholders. The Supervisory Board can act independently only if the Managing Partners are candid in presenting the Company's real problems. You have always chosen to speak the truth [...].*

*In recent years, the priority has been to rationalize and restructure the Company and to reorganize it by Product Line [...]. This consolidation process has delivered significant benefits, providing the Company with a modern management system and helping to restore its margins [...].*

*Thanks to your efforts and those of your teams, Michelin is now ready to embrace its DNA, which is built on innovations and winning new markets."*

## ORGANIZATION

### 8 PRODUCT LINES,

each with its own marketing, development, production and sales resources: Passenger Car and Light Truck tires, Truck tires, Specialty product lines (Aircraft, Earthmover, Agricultural and Two-Wheel), Materials and Other Businesses with Michelin Travel Partner and Michelin Lifestyle.

### A TECHNOLOGY CENTER

in charge of research, development and process engineering, with locations in Europe, North America and Asia.

### 8 REGIONS

that ensure regional deployment of the our strategic vision and provide the resources needed to support the Product Lines: North America, South America, Europe, Eastern Europe, ASEAN/Australia, China, Japan/South Korea and Africa/ India/Middle East.

### 2 INTEGRATED TIRE DEALERSHIP NETWORKS:

Euromaster and TCI.

### 13 CORPORATE DEPARTMENTS

that support the Product Lines and the Technology Center and impel general corporate policies.

### 4 PERFORMANCE DIVISIONS:

Research-Development-Process Engineering, Manufacturing, Sales and Marketing, and Supply Chain and Logistics.



# MICHELIN AND ITS SHAREHOLDERS

## Supporting a vision and sharing values



### — INVESTOR DAY AT THE LADOUX TECHNOLOGY CENTER

During the Investor Day, workshops and presentations showcased the Group's powerful capacity for innovation, which underpins the MICHELIN brand's premium positioning and represents a strategic advantage in meeting mobility challenges in every market.

More information at [www.michelin.com](http://www.michelin.com)  
The Shareholder's Guide



**By investing in Michelin, shareholders are supporting a corporate vision whose success is being driven by technological leadership, powerful brands and expansion in the global marketplace. As well, they are embracing our commitment to improving mobility and to moving forward responsibly by addressing the challenges of sustainable economic, environmental and social development. These ambitious objectives are supported by more than 200,000 shareholders, all of whose shares are held in registered form.**

### EXTENSIVE DIALOGUE

In May 2012, more than 2,000 people attended the Annual Shareholders Meeting in Clermont-Ferrand. In addition, Michelin organized six meetings for private shareholders during the year and took part in the Salon Actionaria investor fair, held every autumn in Paris. Since 2003, communication with private shareholders has been continuously improved by input from the Shareholder Consultative Committee, whose 14 members, including two employee shareholders, serve four-year terms. It met twice in 2012. At the same time, meetings were organized with analysts and institutional investors in around 20 countries.

### A SPECIALIZED TEAM

To address the needs of private shareholders, a dedicated Shareholder Relations team has been set up to act as a preferred point of contact for the entire investor relations process. It offers

shareholders support and assistance in all their transactions, including opening accounts, issuing buy and sell orders, and preparing estate transfers and gifts, in liaison with notaires and heirs.

### 27% OF SHAREHOLDERS OPTED TO REINVEST THEIR DIVIDEND

In 2012, as in the previous three years, shareholders were offered the option of receiving their prior-year dividend in cash or reinvesting it in new shares. 27% of shareholders chose to reinvest, demonstrating the confidence of individual and institutional shareholders in Michelin's strategic vision and outlook. The percentage was lower than in previous years, however, due to the fact that the share price slipped below the reinvestment price (€47.09) during the final days of the reinvestment period (May 18 to June 5, 2012). The reinvestment resulted in the issuance of 1.9 million new shares, representing 1.07% of the capital.



**135,000**  
INDIVIDUALS

**64,000**  
EMPLOYEES IN 58 COUNTRIES

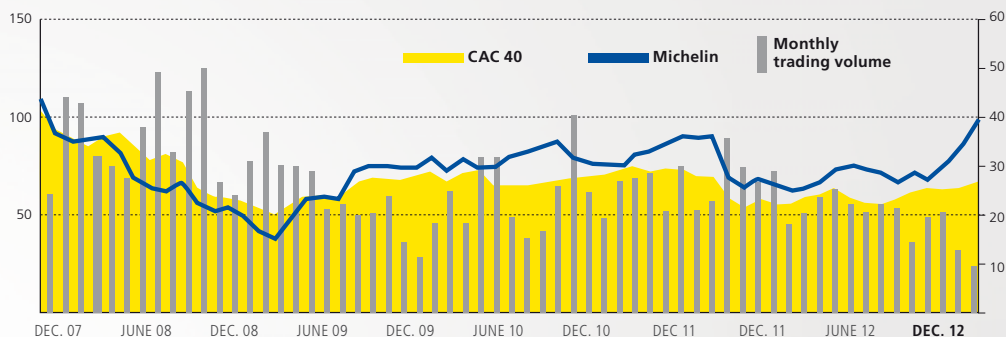
**3,600**  
INSTITUTIONAL INVESTORS  
ARE MICHELIN SHAREHOLDERS

# SHARE INFORMATION

## SHARE PERFORMANCE 2008 - 2012

BASE 100 : DECEMBER 31, 2007

MONTHLY TRADING VOLUME IN MILLIONS



Michelin shares are traded on the **NYSE Euronext Paris stock exchange**

- Compartment **A**
- Eligible for the SRD deferred settlement system
- ISIN: **FR 0000121261**
- Par value: **€2**
- Traded in units of: **1**
- Number of shares: **182,556,713** all fully paid up

### MARKET CAPITALIZATION

**€13.069 billion** at December 31, 2012

### AVERAGE DAILY TRADING VOLUME

**913,167 shares** in 2012

### INDICES

As of December 31, 2012, it represented:

- 1.87% of the CAC 40 index;
- 0.80% of the Euronext 100 index.

### MICHELIN IS ALSO INCLUDED IN THE MAIN SOCIALLY RESPONSIBLE INVESTING (SRI) INDICES

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

### SHARE PRICE IN €

	2012	2011	2010	2009	2008
High	72.58	68.54	64.51	58.67	79.90
Low	45.32	40.20	48.13	22.69	30.65
Closing price, end of period	71.59	45.68	53.70	53.58	37.57
Change over the period	+56.7%	- 14.9%	+0.2%	+42.6%	- 52.1%
Change in the CAC 40 index over the period	+15.2%	- 17.0%	- 3.3%	+22.3%	- 42.7%

### PER-SHARE DATA IN €

	2012	2011	2010	2009	2008
Net assets per share	46.6	45.9	46.0	37.2	35.2
Basic earnings per share	8.62	8.14	6.78	0.69 <sup>(1)</sup>	2.46
Diluted earnings per share <sup>(2)</sup>	8.41	7.97	6.64	0.69 <sup>(1)</sup>	2.46
<b>Price-earnings ratio</b>	<b>8.3</b>	<b>5.6</b>	<b>7.9</b>	<b>77.7</b>	<b>15.3</b>
Dividend for the year	2.40*	2.10	1.78	1.00	1.00
Pay-out ratio	28.7%	30%	30.0%	140.8%	40.7%
Yield <sup>(3)</sup>	3.4%	4.6%	3.3%	1.9%	2.7%

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

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

(3) Dividend/Share price at December 31.

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

# KEY FIGURES

Michelin contributes to economic and social activity in 170 countries.



**166**  
MILLION TIRES

- ✓ More than 170 million cars and vans and 11 million trucks and buses ride on tires produced by Michelin.
- ✓ We also equip thousands of aircraft, tens of thousands of agricultural, handling and earthmover equipment, hundreds of thousands of two-wheels.
- ✓ In 2012, we produced more than 166 million tires at 69 facilities in 18 countries and over 10 million maps and guides.



**113,443**  
EMPLOYEES

- ✓ Michelin has 113,443 employees, of whom 6,224 were hired in 2012.
- ✓ Around the world, more than 600,000 people produce the natural rubber used by Michelin, which has 45,000 suppliers.
- ✓ Our products are marketed in 170 countries. In addition to our integrated dealer and service networks, we have forged partnerships with 800 Euromaster franchisees in Europe, 68 TCI centers in North America and 950 franchises in 10 high-growth countries.



**75**  
PARTNERS

- ✓ Michelin has 75 Michelin Lifestyle license partners, who have chosen the MICHELIN brand to stimulate their product sales.



# OPERATIONS BY REGION

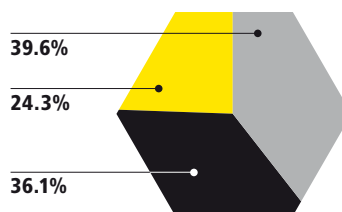
THE GLOBAL  
TIRE MARKET  
IS ESTIMATED AT  
\$188 BILLION<sup>1</sup>

**MICHELIN HOLDS A 14.6%  
SHARE OF THE GLOBAL  
MARKET IN VALUE<sup>1</sup>**

(1) Tire Business, August 2012

## 2012 NET SALES BY REGION

As a % of total in the chart, in € millions  
and % change 2012/2011 below the chart



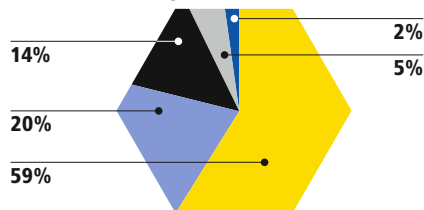
● 8,499 / -3.8%  
Europe incl. Central and Eastern Europe

● 7,745 / +11.6%  
North America incl. Mexico

● 5,230 / +5.8%  
Other regions

## EMPLOYEES ON PAYROLL BY REGION IN 2012

As a % of total in the chart  
In number and % change in 2012 outside the chart



● 63,100 / -2.2%  
Europe

● 21,400 / -1.4%  
North America

● 15,306 / +2.0%  
Asia, excluding India

● 5,500 / +3.8%  
South America

● 2,000 / +11.1%  
Africa, India, Middle East

## MAJOR CAPITAL PROJECTS

Michelin invested €2.00 billion in 2012 and stepped up its deployment in growth markets, which will account for 60% of its capacity investments between now and 2015.



**€2.00 BILLION**  
INVESTED IN 2012

### EUROPE

- Car and Light Truck tires: extensions at the Tigar plant in Serbia
- Earthmover tires and Components and Semi-Finished Products: new equipment installed at the plant in Montceau, France.
- Agricultural tires: new equipment installed at the plant in Olsztyn, Poland.

### AFRICA, INDIA AND MIDDLE EAST

- Truck and Earthmover tires: New plant being built in Chennai, India
- Launch of the Euromaster franchise in Turkey

### NORTH AMERICA

- Earthmover tires: capacity increased at the Lexington, SC plant and new facility built on the Anderson, SC site in the United States.



### Asia (excluding India)

- Truck tires: Start-up of the Shenyang 2 production line in China.
- and Light Truck tires: New facility being built at the Shenyang 2 plant

### SOUTH AMERICA

- Car and Light Truck tires: Start-up of the plant in Itatiaia, Brazil.
- Earthmover tires: capacity increased at the plant in Campo Grande, Brazil.



# PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION



## No.1

THE WORLD LEADER  
IN ENERGY-EFFICIENT  
TIRES



31 PLANTS  
IN 18 COUNTRIES

### 2015 OBJECTIVE



## 10% TO 12%

OPERATING MARGIN<sup>(1)</sup>

(1) Before non-recurring items

**21%**  
ORIGINAL EQUIPMENT  
**79%**  
REPLACEMENT

2012 SALES

**74%**  
MATURE MARKETS  
**26%**  
GROWTH MARKETS

IN € MILLIONS	2012	2011	Change
Net sales	11,098	10,780	+2.9%
Operating income <sup>(1)</sup>	1,033	1,018	+1.5%
Operating margin <sup>(1)</sup>	9.3%	9.4%	-0.1 pt

(1) Before non-recurring items.

### 2012 GLOBAL MARKET TRENDS COMPARED WITH 2011

	ORIGINAL EQUIPMENT	REPLACEMENT
Europe	-5%	-10%
North America	+16%	-2%
South America	+0%	+2%
Asia, excluding India	+11%	+2%
Africa, India, Middle East	-3%	-3%
<b>Total</b>	<b>+6%</b>	<b>-4%</b>

# TRUCK TIRES

## AND RELATED DISTRIBUTION



**No.1**

THE WORLD LEADER  
IN NEW AND RETREADED  
RADIAL TRUCK TIRES



27 PLANTS  
IN 15 COUNTRIES

2015 OBJECTIVE



**7% TO 9%**

OPERATING MARGIN<sup>(1)</sup>

(1) Before non-recurring items

**23%**  
ORIGINAL EQUIPMENT  
**77%**  
REPLACEMENT

2012 SALES

**56%**  
MATURE MARKETS  
**44%**  
GROWTH MARKETS

IN € MILLIONS	2012	2011	Change
Net sales	6,736	6,718	+0.3%
Operating income <sup>(1)</sup>	444	233	+90.6%
Operating margin <sup>(1)</sup>	6.6%	3.5%	+3.1 pt

(1) Before non-recurring items.

### 2012 GLOBAL MARKET TRENDS COMPARED WITH 2011

	ORIGINAL EQUIPMENT	REPLACEMENT
Europe	-4%	-14%
North America	+2%	-2%
South America	-30%	+3%
Asia, excluding India	-9%	-6%
Africa, India, Middle East	+31%	+8%
<b>Total</b>	<b>-5%</b>	<b>-4%</b>

# SPECIALTY BUSINESSES



## No.1

THE WORLD LEADER  
IN RADIAL EARTHMOVER,  
AIRCRAFT AND  
AGRICULTURAL TIRES



14 PLANTS  
IN 7 COUNTRIES



2015 OBJECTIVE



## 20% TO 24%

OPERATING MARGIN<sup>(1)</sup>

2012 SALES			
55% MATURE MARKETS		45% GROWTH MARKETS	
IN € MILLIONS	2012	2011	Change
Net sales	3,640	3,221	+13.0%
Operating income <sup>(1)</sup>	946	694	+36.3%
Operating margin <sup>(1)</sup>	26.0%	21.5%	+4.5 pt

(1) Before non-recurring items.

(1) Before non-recurring items.



**No.1**

EUROPEAN LEADER  
IN MOTORCYCLE  
AND SCOOTER TIRES



MICHELIN TRAVEL  
PARTNER

**No.1**

THE EUROPEAN LEADER IN MAPS,  
GUIDES AND DIGITAL  
TRAVEL-SUPPORT SERVICES



MICHELIN LIFESTYLE

**>15M**

MORE THAN 15 MILLION  
LICENSED PRODUCTS  
SOLD IN 2012



# KEY INDICATORS

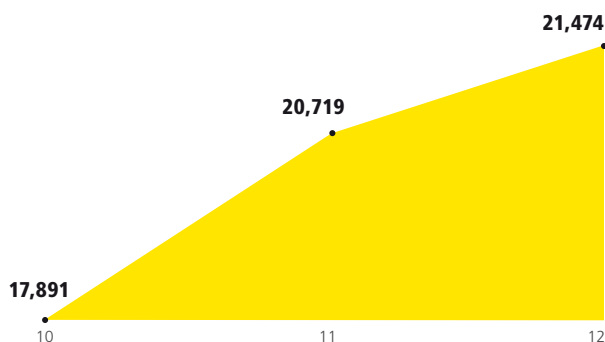
## FINANCIAL, SOCIAL & ENVIRONMENTAL

In sluggish markets, Michelin continued to deliver strong earnings and more than €1 billion in free cash flow in 2012.

**UP 3.6%**

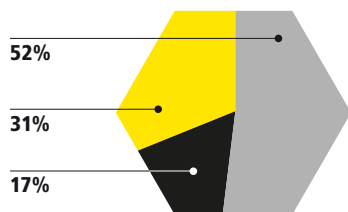
# 21,474

**NET SALES**  
IN € MILLIONS



### 2012 NET SALES BY BUSINESS

As a % of total in the chart, in € millions and % change 2012/2011 below the chart

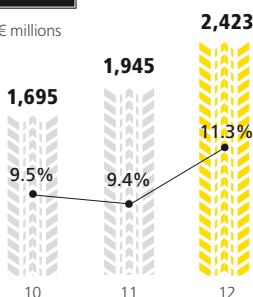


- 11,098 / +2.9% Passenger Car and Light Truck Tires and Related Distribution
- 6,736 / +0.3% Truck Tires and Related Distribution
- 3,640 / +13.0% Specialty businesses

### OPERATING INCOME<sup>(1)</sup>

**UP 24.6%**

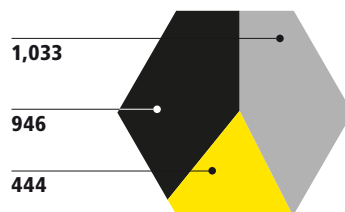
In € millions



● OPERATING MARGIN  
AS A % OF NET SALES

### 2012 OPERATING INCOME<sup>(1)</sup> BY BUSINESS

In € millions in the chart, as a % of net sales and 2012/2011 change in points below the chart



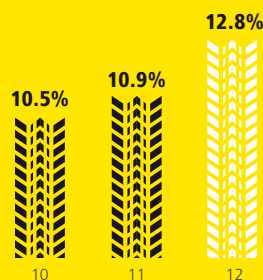
- 9.3% / -0.1pt Passenger Car and Light Truck Tires and Related Distribution
- 6.6% / +3.1pt Truck Tires and Related Distribution
- 26.0% / +4.5pt Specialty businesses

(1) Before non-recurring items.



**NET INCOME**  
IN € MILLIONS

**€1,571M**



**RETURN ON CAPITAL EMPLOYED<sup>(2)</sup>**  
AS A %

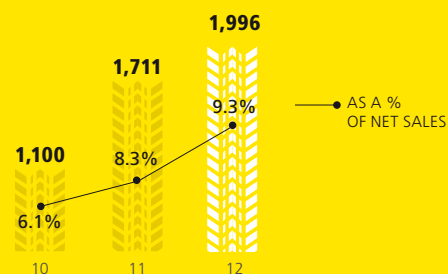
**12.8%**

(2) Operating income after tax/economic assets employed.



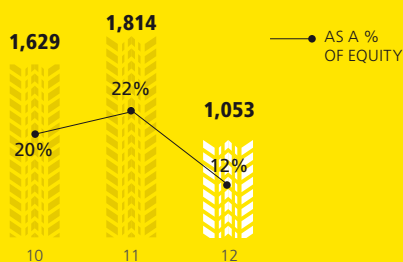
**CASH FLOW FROM OPERATING ACTIVITIES**  
IN € MILLIONS

**€2,926M**



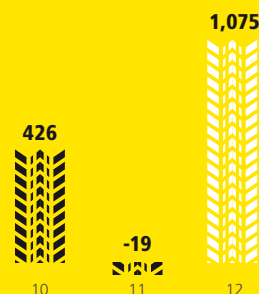
**GROSS CAPITAL EXPENDITURE**  
IN € MILLIONS

**€1,996M**



**NET DEBT**  
IN € MILLIONS

**12%**



**FREE CASH FLOW<sup>(2)</sup>**  
IN € MILLIONS

**€1,075M**

(2) After capital expenditure and before payment of dividends.

# KEY INDICATORS FINANCIAL, **SOCIAL** & ENVIRONMENTAL

Michelin is leading a responsible employment strategy and offers employees continuous training.

MICHELIN HIRED  
AND TRAINED

**6,224**  
EMPLOYEES IN 2012.

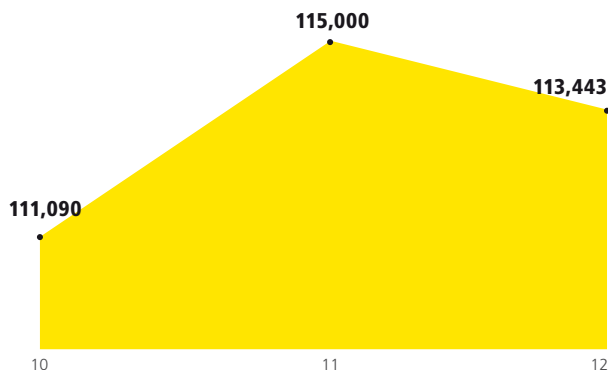
**1/3**

HAVE JOINED THE GROUP  
OVER THE PAST FIVE YEARS.

**-1%**

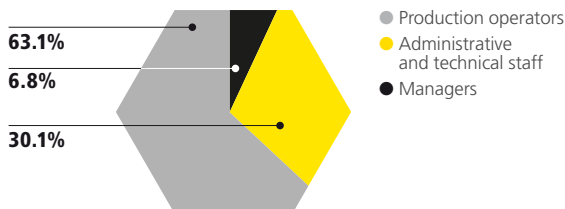
**113,443**

EMPLOYEES ON PAYROLL  
AT DECEMBER 31, 2012

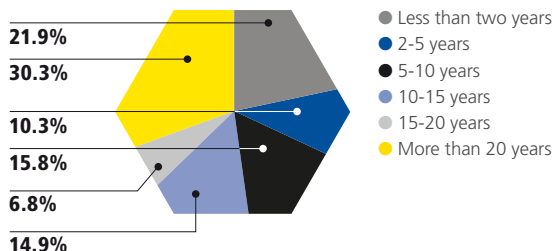


## 2012 EMPLOYEES BY JOB CATEGORY

Excluding dealership networks



## 2012 EMPLOYEES BY LENGTH OF SERVICE



To find out more, please refer to the employee data table on page 139 of the Registration Document.

## SAFETY

# 24

PLANTS RECORDED  
NO LOST-TIME  
INCIDENTS IN 2012



LOST-TIME INCIDENT  
FREQUENCY RATE<sup>(1)</sup>

(1) Number of incidents resulting in more than one day's lost time per million hours worked.



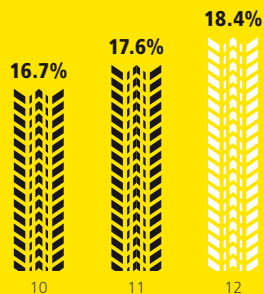
LOST-TIME INCIDENT  
SEVERITY RATE<sup>(2)</sup>

(2) Number of working days (more than one day) lost to accidents per thousand hours worked.

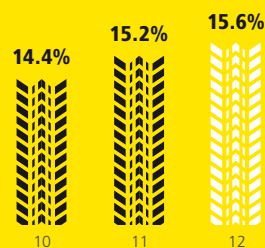
## DIVERSITY

# 46.2%

OF TOP MANAGERS  
ARE NOT FRENCH



% OF WOMEN MANAGERS

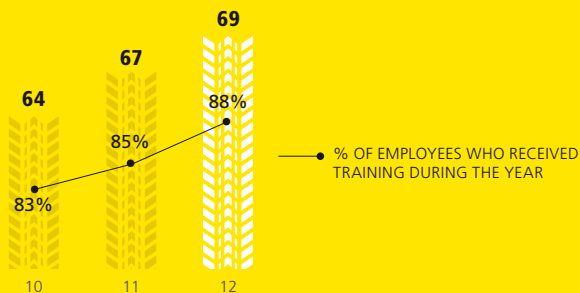


% OF WOMEN ON PAYROLL

## TRAINING

# €2,520

AN AVERAGE €2,520  
INVESTED IN EACH PERSON  
TRAINED IN 2012



NUMBER OF HOURS OF TRAINING  
PER EMPLOYEE PER YEAR



# KEY INDICATORS FINANCIAL, SOCIAL & ENVIRONMENTAL

## MEETING TARGETS AHEAD OF SCHEDULE

The Michelin sites Environmental Footprint (MEF) measures the environmental impact of the manufacturing, logistics and research facilities. Comprised of six weighted basic indicators, it is calculated for each facility and consolidated at Group level.

The goal for 2016 is to reduce the MEF by 45% compared with 2005. By December 31, 2012, it was already down 33%.

### MEF Basic components and weighting



**Objective:**  
a 45% reduction by  
2016, compared with  
2005

	Components	Weighting
Resources consumption	Energy .....	15
	Water .....	15
Emissions	VOCs* .....	25
	CO <sub>2</sub> .....	15
Waste	Total weight produced .....	15
	Total weight landfilled .....	15
		<b>100</b>

\* Volatile organic compounds

## 100%

EVERY FINISHED PRODUCT  
COMES FROM AN  
ISO 14001-CERTIFIED  
FACILITY

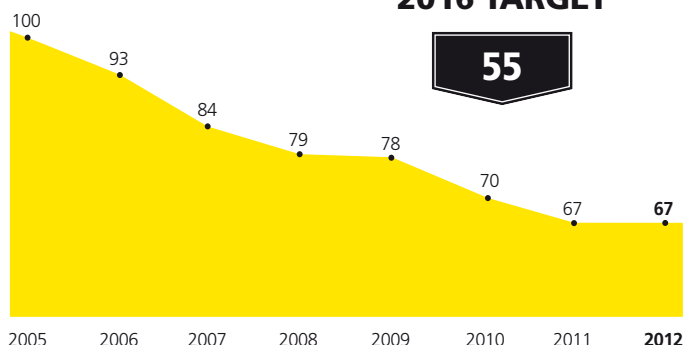
The new plants at Shenyang 2  
in China and Itatiaia  
in Brazil have started  
their certification process.

# -33%

REDUCTION IN THE MEF  
SINCE 2005

## 2016 TARGET

55



Data related to all of these indicators have been reviewed by PricewaterhouseCoopers, whose review report may be found on page 160 of the Registration Document.

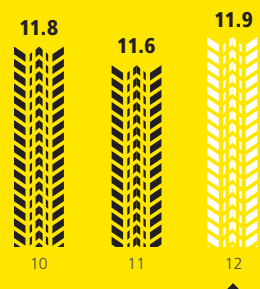
To find out more, please refer to the environmental data table on page 152 of the Registration.



**ENERGY CONSUMPTION**  
IN GJ PER TONNE OF TIRES PRODUCED  
1 GJ = 277.5 KWH

**-21%**

FROM 2005 TO 2012



**WATER CONSUMPTION**  
IN CU.M PER TONNE OF TIRES PRODUCED

**-21%**

FROM 2005 TO 2012



**CO<sub>2</sub> EMISSIONS**  
IN TONNES PER TONNE OF TIRES PRODUCED

**-21%**

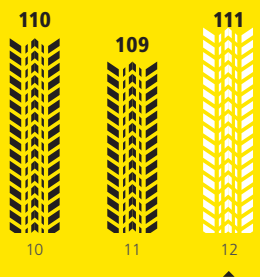
FROM 2005 TO 2012



**VOC EMISSIONS**  
IN KG PER TONNE OF TIRES PRODUCED

**-38%**

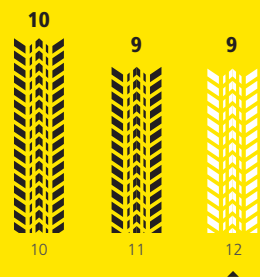
FROM 2005 TO 2012



**WASTE PRODUCED**  
IN KG PER TONNE OF TIRES PRODUCED

**-21%**

FROM 2005 TO 2012



**WASTE LANDFILLED**  
IN KG PER TONNE OF TIRES PRODUCED

**-72%**

FROM 2005 TO 2012

# PRIZES AWARDS AND DISTINCTIONS



**83%**

**OF FRENCH PEOPLE**

feel that Michelin produces goods or services that are useful to society.



**1<sup>st</sup>**

**MICHELIN RANKED  
FIRST IN FRANCE**

and 17<sup>th</sup> worldwide in the 2012 Reputation Institute survey.



**1<sup>st</sup>**

**GRAND PRIZE**

in the Listed Company Annual Report category at the Communication & Enterprise awards in France.

## A SOCIALLY RESPONSIBLE COMPANY

- In March 2012, Michelin was rated as France's most "socially useful" listed company in a Viavoice survey conducted for the Ogilvy advertising agency and the *Le Monde* newspaper. The Group was also ranked fifth overall, with 83% of respondents feeling that Michelin produces goods or services that are useful to society.

## AN ADMIRED COMPANY

- Michelin ranked first among French companies and seventeenth worldwide in a 2012 survey by the Reputation Institute covering 100 international companies in 15 countries: Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, South Korea, Spain, the United Kingdom and the United States.
- According to *Fortune* magazine, Michelin is the world's most admired tire manufacturer.

## AN INNOVATIVE COMPANY

- At the Tire Technology International Awards for Innovation and Excellence 2012, Michelin was voted tire manufacturer of the year by a panel of industry experts.
- Michelin was presented with a Renault Innovation Award for the MICHELIN ENERGY™ E-V tires that, in a world premiere, equip the Renault Zoé, the carmaker's first mass-market electric compact.

## A COMMITTED COMPANY

- 1 Michelin received the Prince Michael International Road Safety Award in recognition of its global commitment to road safety.

## EFFECTIVE COMMUNICATION

- In a survey conducted by *Tyres & Accessories*, Michelin was the industry leader in online prominence for the seventh year in a row.
  - Michelin's 2011 annual report ranked tenth overall and first in the automotive sector in ReportWatch's *Annual Report on Annual Reports 2012*.
- 2 In France, the report also won First Grand Prize in the Listed Company Annual Report category at the Communication & Enterprise awards.



1



2



3

### A HIGHLY APPRECIATED BRAND

- In the 2012 BrandFinance® Global 500 report, Michelin moved up 37 slots among the world's most valuable brands, ranking 271<sup>st</sup> with an estimated value of \$3,886 million.
- In 2012, Michelin received the Motorrad Best Brand award for the third year in a row. *Motorrad* is Europe's leading motorcycle magazine for the general public.

### PREFERRED TIRES

- According to the J.D. Power Institute, Michelin ranks number one in customer satisfaction for original equipment tires in North America in three segments: Luxury and Passenger Car, with 54 points more than the segment average, and Truck/Utility with 60 points more than the segment average. Michelin has received 69 J.D. Power awards since the study was launched in 1989.
- Also in the J.D. Power rankings, for the ninth year in a row, Michelin was rated the best in customer satisfaction for winter tires in Japan.

### THE TIRE OF CHAMPIONS

- 3 In the 80<sup>th</sup> running of the 24 Hours of Le Mans, the world's best-known endurance race, Michelin scored a 15<sup>th</sup> consecutive victory in 2012. The race was won with Audi, marking the two brands' 11<sup>th</sup> joint success.
- In the World Rally Championship, Michelin, partnering with Sébastien Loeb and Daniel Elena and the Citroen Racing team, won its 20<sup>th</sup> title in the Driver category and its 22<sup>nd</sup> in the Constructor category since the competition was launched by the FIA in 1973.



**\$3,886**  
MILLION

The value of the MICHELIN brand.



**No.1**

**IN CUSTOMER SATISFACTION**

for original equipment tires in three segments in North America, according to the J.D. Power Institute.



**22<sup>nd</sup>**

**WIN IN THE "CONSTRUCTOR" CATEGORY**





## 2013 INVESTOR CALENDAR

**12 FEBRUARY**

2012 Annual Results

**22 APRIL**

Quarterly information  
for the three months  
ended March 31, 2013

**17 MAY**

Annual Shareholders  
Meeting

**25 JULY**

First-half 2013 results

**30 SEPT.**

Quarterly information  
for the nine months ended  
September 30, 2013

## SHAREHOLDER INFORMATION MEETINGS

**26 MARCH**

CANNES

**13 JUNE**

AMIENS

**24 SEPT.**

CAEN

**22/23 NOV.**

SALON ACTIONARIA  
INVESTOR FAIR – PARIS

**26 NOV.**

STRASBOURG

**3 DECEMBER**

PAU

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*SINCE 1889, MICHELIN HAS CONSTANTLY INNOVATED  
TO ENHANCE THE MOBILITY OF PEOPLE AND GOODS.*

*TODAY, IT IS SETTING THE BENCHMARK ACROSS EVERY  
TIRE AND TRAVEL-RELATED SERVICES MARKET,  
WHILE LEADING A GLOBAL STRATEGY  
TO DRIVE SUSTAINABLE, PROFITABLE GROWTH.*

*IN 2012, MICHELIN COMMITTED A RECORD AMOUNT OF CAPITAL  
EXPENDITURE, REPORTED HISTORICALLY HIGH OPERATING INCOME  
AND, ALONG WITH ITS 113,400 EMPLOYEES,  
CELEBRATED THE TENTH ANNIVERSARY OF MICHELIN  
PERFORMANCE AND RESPONSIBILITY,  
ITS SUSTAINABLE DEVELOPMENT APPROACH.*

