



2009 ANNUAL AND SUSTAINABLE DEVELOPMENT REPORT

**MICHELIN
PERFORMANCE AND
RESPONSIBILITY**



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BUSINESS, PERFORMANCE AND CORPORATE RESPONSIBILITY

*A SINGLE REPORT TO REVIEW EVERY ASPECT OF
OUR BUSINESS, PERFORMANCE AND CORPORATE
RESPONSIBILITY*

Michelin's corporate mission is to enhance the mobility of people and goods, which is a key factor in economic and social development. Our product and service offering is deeply rooted in a commitment to continuously improving our tires, to make them safer, more durable and more fuel efficient while using fewer raw materials. For the past 120 years, Michelin teams have leveraged their creativity, skills and dedication to bring to market new, improved, longer lasting solutions aligned with customer needs, year after year.

The Michelin Performance and Responsibility process is an integral part of our strategy, action plans and projects, coordinating everyone's involvement in our sustainable, responsible, profitable growth. That's why we've decided to holistically review all of the business, social, societal and environmental aspects of our operations and results in a single report, of which this is the first edition. We hope you enjoy reading it.

MICHELIN
A better way forward



INTERVIEW WITH MICHEL ROLLIER

“A ROBUST PERFORMANCE DESPITE THE CRISIS”



— How have you responded to the economic crisis?

For Michelin, the crisis began in mid-2008, and we immediately took steps to preserve our main financial metrics. Each day of unsold production significantly increases our financing needs. That's why we introduced a tighter production management system to control inventory levels. This hands-on approach has proven effective, helping us to reduce debt and generate positive cash flow.

To limit the impact of the production cutbacks for employees whenever possible, we considerably increased the number of training days, with programs focused on safety, operational excellence and continuous improvement. We've improved the supply chain through more accurate forecasting, shortened time to market to respond more quickly to customer demand, broadened our skills base, and enhanced our flexibility. Our

improvements have steadily met the crisis head on. They've had just as big an impact and they will be lasting.

— Have you changed your strategy?

The crisis has not called into question either our strategic goals or the paths we're pursuing to achieve them. On the contrary, it has inspired us to step up our efforts. Our strategy can be summed up in three key objectives: strengthening our competitiveness through cost reductions; building our presence in emerging growth markets; and extending our technological leadership to outperform the competition in value creation and respond to the sustainable mobility challenges facing the road transport sector. To implement these three strategic priorities, we're putting our values into action and exercising all our responsibilities. This has been clearly demonstrated, for example, by our MICHELIN

Energy Saver tires, which help reduce fuel consumption and CO₂ emissions, as well as by our road safety campaigns, workplace safety performance, reduced environmental footprint and support for employees concerned by restructuring programs. All of the measures are aligned with our Michelin Performance and Responsibility approach.

— How are you progressing with your programs to make Michelin more competitive?

We're diligently pursuing our competitiveness programs with the goal of building strong bases in mature markets capable of defending our market share against competition from tires imported from low-cost countries. A third of our retiring employees will not be replaced. We're reducing purchasing and production costs, as well as overheads. The best standards and best practices are being deployed on all our sites and new technologies are being introduced in every aspect of our business.

We're upgrading and expanding our plants and refocusing their operations on specific products, as demonstrated by the adjustment programs underway in North America, France and Japan. Despite the crisis, we will almost meet our cost-cutting targets for the 2006-2010 period, and these gains will still be with us once the crisis is past.

— Will you scale back spending programs in fast-growing countries?

We don't intend to. We're counting on these countries to drive our long-term development since they're the only regions currently experiencing growth. Today, these markets account for a little more than 30% of our sales, and our goal is to raise that share to at least 40% over the medium term. We plan to double our output in China, where the automobile market expanded by 45% in 2009, and invest in a truck tire plant in India, a market that enjoys considerable growth potential. We're going to build a new car tire plant in Brazil that will triple our local production capacity. And to bring these projects to fruition, we need the full commitment of every team member around the world.

— Given the popularity of small cars and today's more competitive market, aren't your tires too expensive?

Consumers around the world expect a lot from our tires, whether for big cars or small. They know that MICHELIN tires are more expensive but they also know that our tires are the right choice because they last longer, improve safety and reduce fuel consumption.

In both mature and emerging markets, the road transport sector is faced with increasingly demanding requirements that call for more stringent tire performance standards. Our portfolio is evolving in line with this trend, with products that also meet the needs of small car owners. The challenge is to maintain our technological leadership by integrating our customers' price and performance expectations as early as possible in the design stage. Several projects are now underway to make this happen.

— Do the green economy and lower CO₂ emissions targets represent an opportunity or a handicap for Michelin?

We think that road mobility will be revitalized by the decisive reduction in its energy consumption and its environmental impact in terms of pollutants, noise, CO₂ emissions and traffic congestion. The green economy is more than an opportunity; it's a necessity, given current population growth, especially in urban areas, and the mobility expectations of people in developing countries. Plus it will be the driving force behind the entire economy. Michelin is well positioned and well prepared to play our role as technology leader.

— What's the outlook for Michelin?

In the short term, visibility is still limited. Demand is growing in China and a number of other Asian markets, while in Europe and North America, the massive inventory drawdowns are behind us and the situation is improving. In the Passenger car and Light truck tire segment, dealers have started to rebuild inventory. Our OEM sales are also picking up since carmakers have ended their destocking and production is once again in sync with demand. Among business customers, we are seeing a slight early-year improvement in replacement market sales but the original

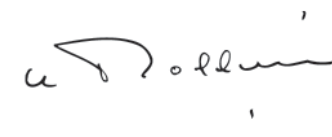
“WE WANT TO ENSURE THAT ROAD MOBILITY HELPS TO DRIVE ECONOMIC AND SOCIAL DEVELOPMENT BY ALIGNING ITS FUTURE WITH THE MAJOR CHALLENGES FACING OUR SOCIETY.”

equipment Truck tire segment is still deeply depressed. In Specialty tires – Aircraft, Two wheels, Farm equipment and Earthmovers – the situation varies greatly from one segment to another.

Managing in this time of crisis doesn't demand any more agility, speed and endurance than what we demonstrate in the many races we run – and win.

Looking out to the longer term, we are confident. Our company's storied past reflects the ability to adapt to situations. Michelin could not have become a world leader without a number of key strengths, beginning with our people, who have always responded to new challenges.

Michel Rollier



CORPORATE PROFILE

Michelin holds forefront positions in every tire market⁽¹⁾ as well as in travel-related services.

Leveraging its technological lead, capacity for innovation, high-quality products and services, and powerful brands, Michelin is pursuing a global expansion strategy and improving efficiency in every aspect of its business.

Michelin's mission is to enhance mobility by putting into practice its core values of Respect for Customers, Respect for People, Respect for Shareholders, Respect for the Environment and Respect for Facts.

(1) With a 16.3% share of the global market by value. Source: Tire Business, September 2009.



A COMPREHENSIVE BRAND PORTFOLIO

- A global brand: MICHELIN.
- A brand dedicated mainly to sports cars and SUVs: BFGoodrich®.
- Strongly entrenched regional brands: UNIROYAL in North America, KLEBER in Europe and WARRIOR in China.
- Leading national brands, dealer brands and retread solutions.



109,193 EMPLOYEES (102,692 FULL-TIME EQUIVALENT)

NET SALES: **€14.8 BILLION**

PRODUCTS AND SERVICES THAT SET THE STANDARD FOR QUALITY AND CONFIDENCE

Tires for cars, vans, trucks, farm tractors, handling and construction equipment, motorcycles, scooters, bicycles, aircraft, subway trains, tramways and space shuttles, with innovative solutions tailored to widely varying conditions of use and expectations.

Distribution and services with Euromaster in Europe and TCI in the United States. Both are benchmarks in their respective markets, providing expert advice and top-quality service.

Emergency services with Michelin OnWay and Michelin Euro Assist.

Fleet tire advice and management services with Michelin Fleet Solutions in Europe and Michelin Business Solutions in North America.

MICHELIN maps and guides and mobility assistance services with ViaMichelin.

Michelin Lifestyle products developed in partnership with licensees: car and bike accessories, works, sports and leisure equipment, and collectors items.

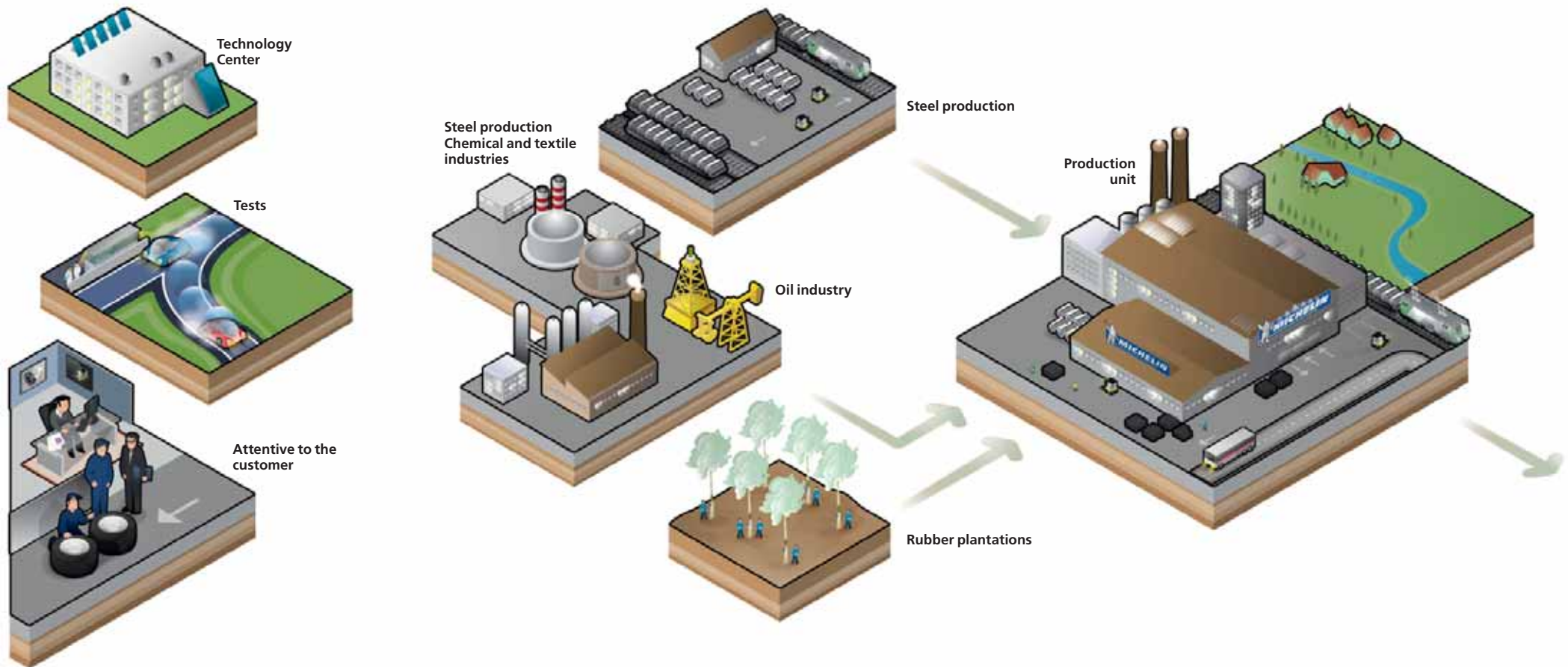
ORGANIZATION

- **8 Product Lines**, each with its own marketing, development, production and sales resources.
- **1 Technology Center** in charge of research, development and process engineering.
- **2 integrated tire Distribution and Service networks:** Euromaster and TCI.
- **2 Specific units:** ViaMichelin and Michelin Lifestyle.
- **8 Regions⁽¹⁾:** North America, South America, Europe, Eastern Europe, ASEAN Australia, China, Japan-Korea, Africa India Middle East.
- **9 Corporate Services** in charge of support services.
- **4 Performance Divisions:** Research-Development-Process Engineering, Manufacturing, Sales and Marketing and Corporate Development.
- **1 New Projects and Sustainable Development Department.**

(1) As of September 1, 2009.



DELIVERING EXCELLENCE AT EACH



DESIGNING

- Ongoing studies and surveys to understand customer expectations.
- Close cooperation with automotive manufacturers.
- 6,000 Technology Center employees in Europe, North America and Asia.

SOURCING

- €8.71 billion in raw materials, energy and services purchased in 2009.
- More than 600,000 people producing the natural rubber used by Michelin worldwide. The Group farms one million hectares of tropical wetlands, whose rubber trees sequester eight million tonnes of atmospheric carbon dioxide every year.

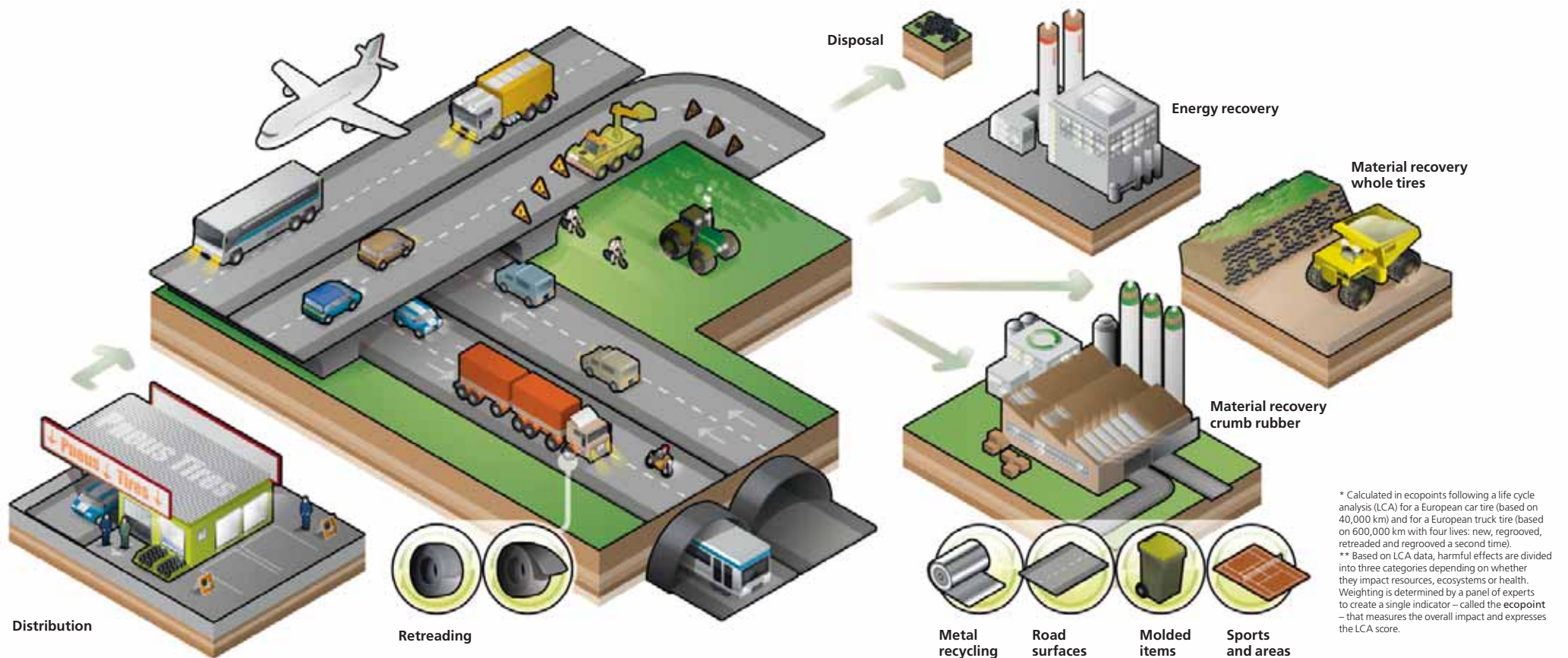
MANUFACTURING

- 109,193 employees and €4.5 billion in salaries and payroll taxes paid in 2009.
- More than 150 million tires and 10 million maps and guides produced in 2009.
- 99.5% of tire production in tons comes from ISO-14001 certified plants.

As a percentage of a tire's environmental impact throughout its entire life cycle*, the two previous stages – raw material production and tire manufacture – represent:

- 10.8% for a Passenger car and Light truck tire
- 6.8% for a Truck tire

OF THE FIVE STAGES IN A TIRE'S LIFE



MARKETING AND USE

- Products sold in more than 170 countries.
- More than 180 million vehicles worldwide are fitted with MICHELIN tires, whose owners are regularly surveyed to gauge their satisfaction.
- Due to rolling resistance, which consumes one tank of fuel out of five for a car and one out of three for a truck, more than 90% of a tire's environmental impact occurs when in use.

- The MICHELIN low rolling resistance tires sold in 2009 helped to save more than 12 billion liters of fuel and prevented the emission of 30 million tonnes of CO₂.

As a percentage of a tire's life-cycle environmental impact*, this stage represents:

- 92.6% for a Passenger car and Light truck tire
- 94.8% for a Truck tire

END-OF-LIFE RECYCLING

- Michelin is helping to recover resources from the 17 million tonnes of tires scrapped worldwide every year.
- At the end of 2008, 96% of end-of-life tires were recycled in Western Europe, 85% in Eastern Europe, 89% in Japan, 80% in Brazil. 83% of end-of-life tires were recycled in the United States in 2007.

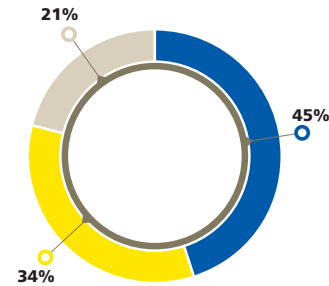
As a percentage of a tire's life-cycle environmental impact*, this stage represents:

- A negative 3.4% for a Passenger car and Light truck tire
- A negative 1.6% for a Truck tire

A recycled end-of-life tire actually saves raw materials and energy, adding ecopoints to its overall environmental performance.**

KEY FINANCIAL, SOCIAL AND ENVIRONMENTAL INDICATORS

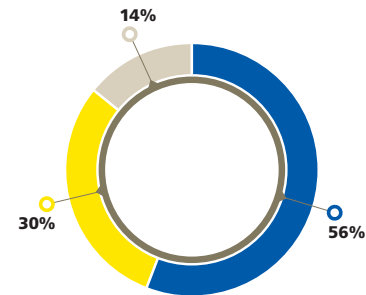
KEY FINANCIAL INDICATORS



2009 NET SALES BY REGION

as a % of the total inside the chart
in € millions and as % change outside the chart

- 6,752 / -17.2% Europe
- 4,994 / -3.2% North America and Mexico
- 3,061 / -1.0% Other regions



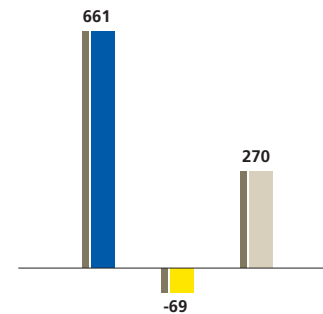
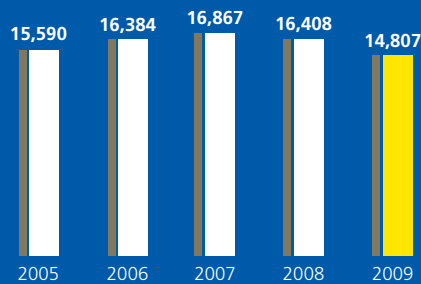
2009 NET SALES BY BUSINESS

as a % of the total inside the chart
in € millions and as % change outside the chart

- 8,280 / -4.5% Passenger car and Light truck tires and related distribution
- 4,496 / -17.2% Truck tires and related distribution
- 2,031 / -12.0% Specialty tire businesses

NET SALES

in € millions



2009 OPERATING INCOME⁽¹⁾ BY BUSINESS

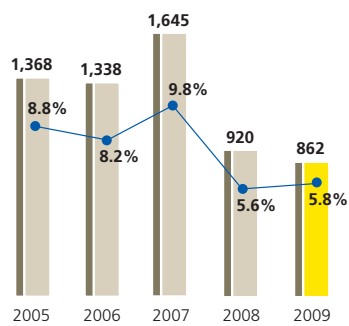
in € millions inside the chart
as a % of net sales and change in margin in points outside the chart

- 8.0% / +3.7 pts Passenger car and Light truck tires and related distribution
- -1.5% / -4.0 pts Truck tires and related distribution
- 13.3% / -4.6 pts Specialty tire businesses

(1) Before non-recurring items.

OPERATING INCOME⁽¹⁾

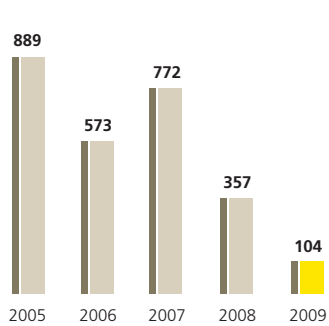
in € millions

Operating margin⁽¹⁾ as a % of net sales

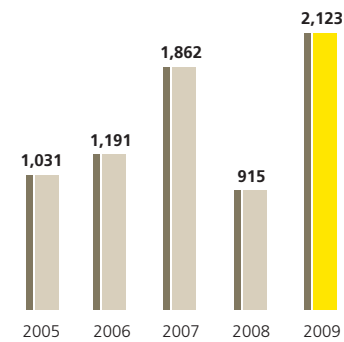
(1) Before non-recurring items.

NET INCOME

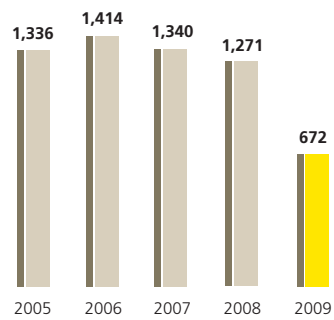
in € millions

**CASH FLOW FROM OPERATING ACTIVITIES**

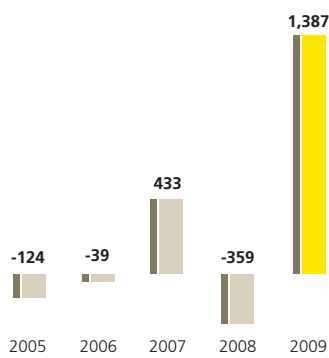
in € millions

**CAPITAL EXPENDITURE**

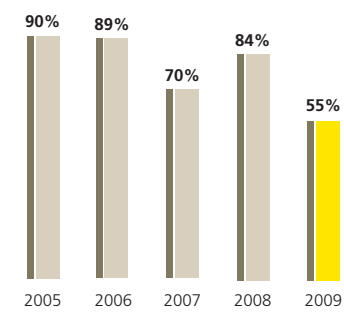
in € millions

**FREE CASH FLOW⁽²⁾**

in € millions

**NET DEBT TO EQUITY RATIO**

as a %

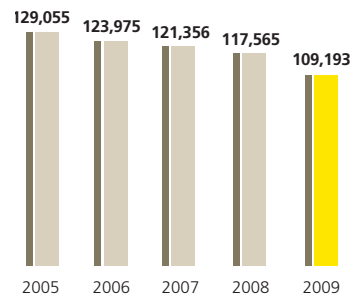


(2) Free cash flow: cash flows from operating activities less cash flows from investing activities.

> To find out more, please refer to the analysis of financial results on page 104

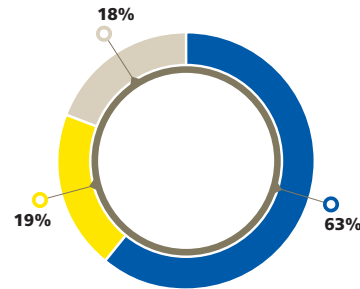
KEY SOCIAL INDICATORS

EMPLOYEES (AT DECEMBER 31)



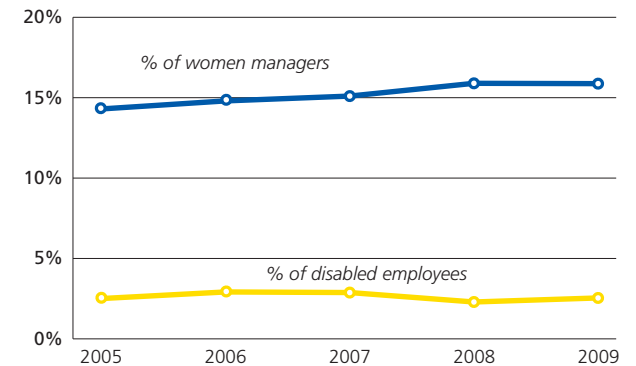
EMPLOYEES BY REGION IN 2009

as a % of the total inside the chart, total employees and % change outside the chart



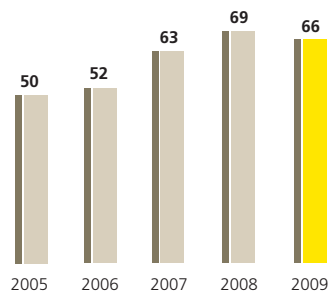
- 68,251 / -7.4% Europe
- 21,141 / -8.0% North America and Mexico
- 19,801 / -5.2% Other regions

DIVERSITY



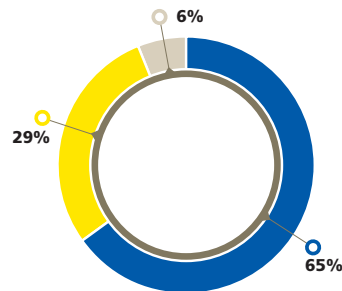
TRAINING

Number of hours per employee per year



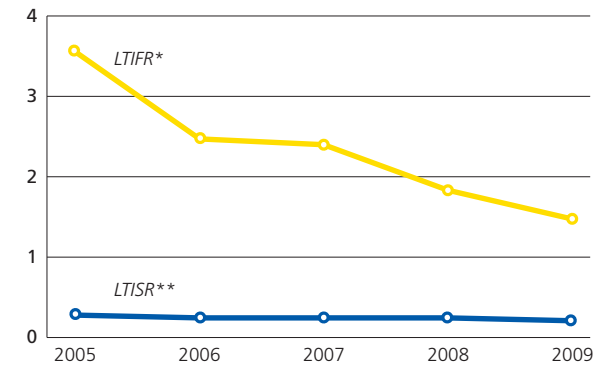
EMPLOYEES IN 2009 BY JOB CATEGORY

Excluding distribution



- Production workers
- Administrative and technical staff
- Managers

SAFETY



* Lost Time Incident Frequency Rate: Number of incidents resulting in more than one day's lost time per million hours worked.
 ** Lost Time Incident Severity Rate: Number of working days (more than 1 day) lost to accidents per thousand hours worked.

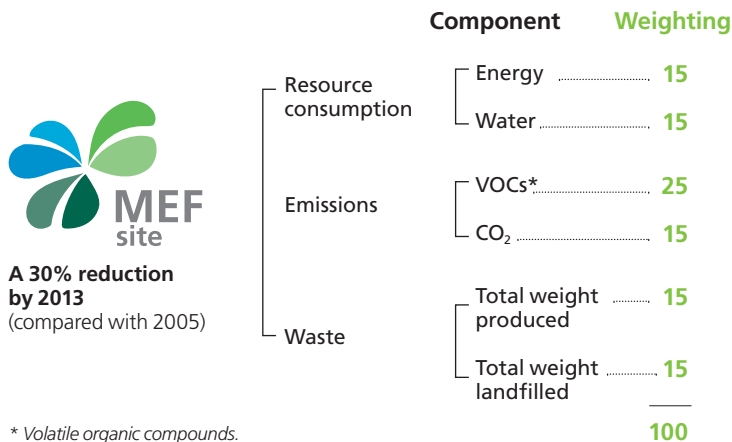
> To find out more, please refer to the social data table on page 112-113

KEY ENVIRONMENTAL INDICATORS

Michelin sites Environmental Footprint (MEF)

The MEF is an indicator created specially by Michelin to assess the environmental impact of its industrial, logistics and research facilities. Comprised of the six basic indicators described below, it is calculated for each facility and consolidated at Group level. The MEF is included in the monthly scorecard tracked by the Managing Partners and is used as a benchmark in setting improvement targets. The goal for 2013 is to reduce the MEF by 30% compared with 2005.

MEF BASIC COMPONENTS AND WEIGHTING

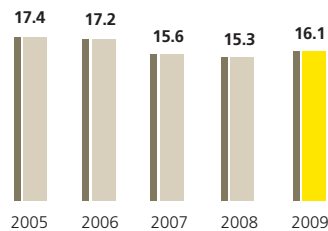


MEF, 2005-2009

	2013 target, vs. 2005	2005	2006	2007	2008	2009	% change, 2005-2009
MEF**	-30%	100	92.9	83.6	78.6	78.1	-21.9%

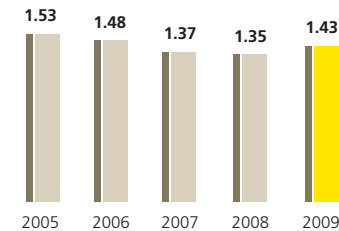
ENERGY CONSUMPTION**

Gj per tonne of tires produced



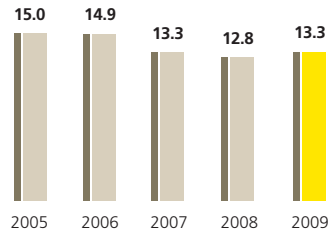
CO₂ EMISSIONS**

tonnes per tonne of tires produced



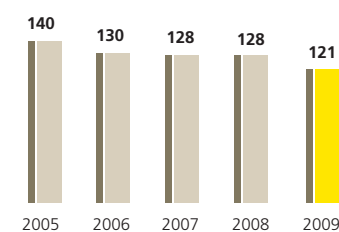
WATER CONSUMPTION**

cu.m per tonne of tires produced



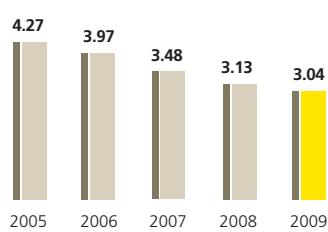
WASTE PRODUCED**

kg per tonne of tires produced



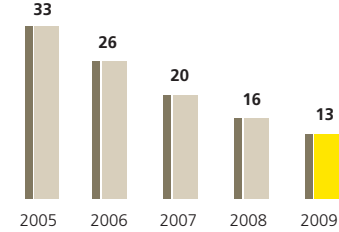
VOC EMISSIONS**

kg per tonne of tires produced



WASTE LANDFILLED**

kg per tonne of tires produced



** Data related to these indicators have been reviewed by PricewaterhouseCoopers.

CORPORATE GOVERNANCE FOCUSED ON LONG- TERM RESPONSIBILITY

A STABLE, RESPONSIBLE MANAGEMENT TEAM

The Company is managed by Michel Rollier, Managing General Partner, and Didier Miraton and Jean-Dominique Senard, Non-General Managing Partners. They are assisted by the Executive Council, comprised of seven executives responsible for Product Lines, Corporate Services and Performance Divisions.

To strengthen management alignment, information sharing and resource allocation, an expanded Executive Council includes the eight regional chief executives and eight senior executives in charge of Procurement, Corporate Development, Research-Development-Process Engineering, New Projects and Sustainable Development, Quality, Finance, Legal Affairs and Information Systems.



Didier Miraton, Michel Rollier, Jean-Dominique Senard.

GROUP EXECUTIVE COUNCIL

Éric de Cromières

Marketing and Sales Performance
Euromaster, TCI
Maps and Guides, ViaMichelin,
Michelin Lifestyle.
Also responsible for overseeing
Information Systems.

Claire Dorland-Clauzel

Communication and Brands.

Jean-Christophe Guérin

Manufacturing Performance.
Also responsible for overseeing Quality
and Supply Chain operations.

Jean-Michel Guillon

Human Resources,
Organization.

Florent Menegaux

Passenger car and Light truck tires.
Also responsible for overseeing
Motorsports activities.

Pete Selleck

Truck tires.

Bernard Vasdeboncœur

Specialty tires: Agriculture, Aviation,
Two-wheel, Earthmovers;
Components. Also responsible
for overseeing Procurement.

MANAGING PARTNERS

Michel Rollier

- Born in 1944.
- Graduate of Institut d'Etudes Politiques (IEP) Paris, MA in Law.
- Joined Aussedat-Rey (a member of the International Paper Group) in 1971 as Financial Controller, going on to become head of an operating unit, then Chief Financial Officer from 1987 to 1994 and Deputy Chief Executive Officer from 1994 to 1996.
- Joined the Michelin Group in 1996.
- Vice President, Finance and Legal Affairs.
- Appointed Chief Financial Officer and member of the Executive Council in October 1999.
- Managing Partner since May 20, 2005.

Didier Miraton

- Born in 1958.
- Graduate of Ponts et Chaussées engineering school.
- Joined Michelin in 1982, spending most of his career working in research and innovation in France and the United States, in Truck, Earthmover and Handling Equipment tire technologies.
- Appointed Managing Director of the Michelin Technology Center and member of the Executive Council in 2001.
- Managing Partner since May 11, 2007.

Jean-Dominique Senard

- Born in 1953.
- Graduate of HEC business school, MA in Law.
- From 1979 to 1996, held various management positions in finance and operations at Total then Saint-Gobain.
- Joined Pechiney in 1996 as Chief Financial Officer and member of the Executive Committee, then Director, Primary Aluminum Division, until 2004. Subsequently appointed as a member of Alcan Group's Executive Committee and Chairman of Pechiney SA.
- Joined Michelin in 2005 as Chief Financial Officer and member of the Executive Council.
- Managing Partner since May 11, 2007.



Éric de Cromières, Claire Dorland-Clauzel, Jean-Christophe Guérin, Jean-Michel Guillon, Florent Menegaux, Pete Selleck, Bernard Vasdeboncœur.

INDEPENDENT OVERSIGHT

SUPERVISORY BOARD

- *The Supervisory Board exercises permanent oversight of the Company's management on behalf of the Shareholders and presents a report thereon at each Annual General Meeting. It is comprised of eight independent members appointed for four-year terms⁽¹⁾.*
- *The Supervisory Board as a whole performs the functions generally delegated to a Compensation Committee and has created an Audit Committee comprised of four members: François Grappotte, Chairman, Eric Bourdais de Charbonnière, Pierre Michelin and Benoît Potier.*
- *The Supervisory Board met five times in 2009 with an attendance rate of 90%.*

(1) The term was five years until the Extraordinary General Meeting of May 15, 2009 at which it was reduced to four years for both incumbent and future Supervisory Board members.

Éric Bourdais de Charbonnière

Born in 1939 – French
Independent member
Chairman of the Supervisory Board
Member of the Audit Committee
1,084 Michelin shares

After 25 years with JP Morgan, where he was Chief Executive Officer for France, Éric Bourdais de Charbonnière served as Chief Financial Officer of Michelin from 1990 to 1999, when he retired. He has been Chairman of the Michelin Supervisory Board since 2000.

Pat Cox

Born in 1952 – Irish
Independent member
255 Michelin shares

Pat Cox was a Member of the House of Representatives of Ireland and a Member of the European Parliament, where he served as President from January 2002 to June 2004.

Barbara Dalibard

Born in 1958 – French
Independent member
360 Michelin shares

Barbara Dalibard became head of the French railway operator's SNCF Voyages division in January 2010. She was previously a member of the France Telecom Executive Committee, in charge of corporate communication services. Before that, she held various management positions at France Telecom and Alcatel.



Benoît Potier, Louis Gallois, Barbara Dalibard, François Grappotte, Laurence Parisot, Pat Cox, Éric Bourdais de Charbonnière and Pierre Michelin.

Louis Gallois

Born in 1944 – French
Independent member
250 Michelin shares

Louis Gallois is Chief Executive Officer of EADS and President of the Airbus Shareholders Committee. He has served as Chairman of SNCF and held various positions in the aviation industry as well as at the Ministry of the Economy and Finance, the Ministry of Research and Industry, and the Ministry of Defense.

François Grappotte

Born in 1936 – French
Independent member
Chairman of the Audit Committee
1,029 Michelin shares

After 20 years as the Chief Executive of Legrand, François Grappotte served as non-executive Chairman beginning in 2004 and was named Honorary Chairman on March 17, 2006.

Pierre Michelin

Born in 1949 – French
Independent member
Member of the Audit Committee
1,519 Michelin shares

After serving in Philips' IT department, Pierre Michelin joined Groupe Bull, where he currently heads a division. Since 2003, he has also been a Professor of Information Systems at the Reims Management School.

Laurence Parisot

Born in 1959 – French
Independent member
500 Michelin shares

After heading the Louis Harris France Polling Institute (1986), she was named Chief Executive Officer of Institut Français de l'Opinion Publique (Ifop) in 1990. She was also Chairman of Optimum until March 2006. She has been President of the French employers federation (MEDEF) since July 2005.

Benoît Potier

Born in 1957 – French
Independent member
Member of the Audit Committee
2,583 Michelin shares

Benoît Potier has been with Air Liquide for 25 years. He became Chief Executive Officer in 1997, Chairman of the Management Board in November 2001, and Chairman and Chief Executive Officer in May 2006.

STATUTORY AUDITORS

HOLDERS

PricewaterhouseCoopers Audit
Represented by **Christian Marcellin**,
Partner

Corevise
Represented by **Stéphane Marie**, Partner,
until the end of July 2009,
then **Jean-Yves Lépinay**, Partner

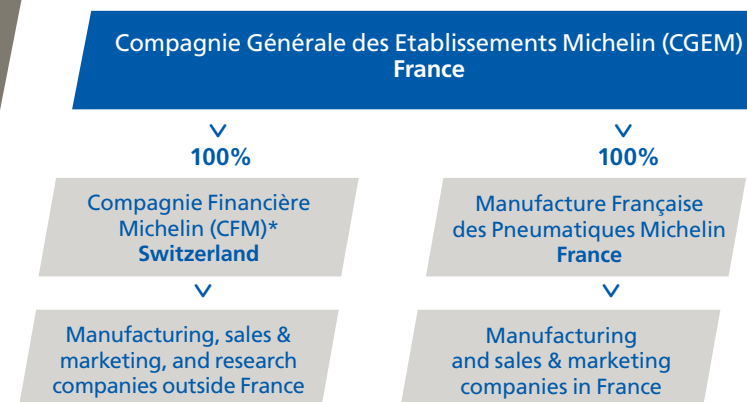
Substitute auditors
Pierre Coll, Partner,
PricewaterhouseCoopers Audit
Jacques Zaks, Partner, **Corevise**

A CLEAR LEGAL STRUCTURE THAT FOSTERS ACCOUNTABILITY

Tire manufacturing is a capital-intensive industry where investment payback periods are long. Added to this, the pace of technological innovation is slow and requires considerable perseverance. It is therefore essential to be able to establish long-term plans and follow them through.

Compagnie Générale des Etablissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (société en commandite par actions – SCA) since its formation. This partnership model has several advantages. It supports the deployment of long-term strategies by a stable management team whose interests are aligned with those of shareholders, while also guaranteeing clear segregation of management and supervisory powers. In addition, the fact that all the shares are registered creates direct ties with every shareholder.

SUMMARY ORGANIZATION CHART



* CFM is an intermediate holding company that also manages the Group's financing, sourced from banks and the financial markets.

TWO CATEGORIES OF PARTNERS

- **Limited partners** or Shareholders, who provide capital, elect the Managing Partners and approve the financial statements drawn up by the Managing Partners. Their liability is limited to the capital they have invested in the Company and they receive a share of its income in the form of dividends.
- **General Partners**, who have unlimited personal liability for the Company's debts. They can be relieved of this liability only by decision of the Shareholders in Extraordinary Meeting. General partners may be shareholders but they do not participate in the election of Supervisory Board members. Under the bylaws, they receive a proportionate share of the Company's income (if any), subject to approval by the Shareholders at the Annual General Meeting.

Michelin has two General Partners, Michel Rollier, who acts as Managing Partner, and Société Auxiliaire de Gestion (SAGES). SAGES is owned by members of the founding family, current and former members of Michelin's senior management and other qualified persons from outside the Group. Its purpose is i) to act as General Partner of CGEM and ii), to step in if necessary to replace a Managing Partner and to call an Extraordinary General Meeting to elect a new Managing General Partner.

MANAGING PARTNERS

Michelin is managed by one or several Managing Partners, who may or may not be General Partners, elected in their own name and not as representatives of corporate partners.

They are elected by Shareholders in General Meeting, based on the unanimous recommendation of the General Partners made after consulting the Supervisory Board.

The Managing Partners are responsible for administering and managing the Company. Their core responsibilities are to:

- Define and implement the Company's strategy.
 - Make fundamental strategic decisions and oversee their implementation both at Company level and within the various operating units.
 - Establish internal control and risk management procedures and oversee their implementation.
 - Approve the separate and consolidated financial statements of the Company.
 - Prepare the various financial reports to shareholders.
- They fulfill these responsibilities under the oversight of the Supervisory Board.

• **The Managing General Partner** acts in this capacity until he reaches the age limit set in the bylaws. He may stand down only with the agreement of Shareholders in Extraordinary Meeting. He receives no salary, benefits in kind, director's fees, top-hat pension benefits or termination benefits. His only compensation consists of a statutory proportionate share of the Company's income, which is calculated and paid after the year-end in the same way as dividends. This means that the Managing General Partner's interests are fully aligned with those of the Shareholders. Moreover, the fact that he has unlimited personal liability for the Company's debts offers Shareholders the strongest possible guarantee that Michelin is managed in their medium and long-term interests.

Michelin has one Managing General Partner, Michel Rollier.

• **The Non-General Managing Partners** are elected for a renewable five-year term. They do not have any personal liability for the Company's debts. Their compensation package is decided annually by the General Partners after consulting the Supervisory Board and includes a variable bonus based on the Company's performance. Two Non-General Managing Partners – Didier Miraton and Jean-Dominique Senard – were elected at the May 11, 2007 Annual Meeting.

> To find out more, please refer to page 81 of the Registration Document.

THE SUPERVISORY BOARD

The Supervisory Board has between three and ten members, elected for a four-year term⁽¹⁾ by the Annual General Meeting. The Supervisory Board's internal rules stipulate that a majority of its members must be independent i.e. "with no relationship of any kind whatsoever with the Company or its management which might risk coloring the member's judgment." This is the case of all the eight current members of the Michelin Supervisory Board.

The independence criteria applied by the Supervisory Board correspond to those prescribed in the AFEP-MEDEF Corporate Governance Code for listed companies, except that the Code sets a 12-year limit on the aggregate period during which a member may serve on the Board. The Board considers that the aggregate period served by a Supervisory Board member in a partnership limited by shares is not an obstacle to the exercise of independent judgment in relation to the Company. Quite the reverse, the experience acquired by Supervisory Board members helps them to better understand the Company in all its complexity, as well as the medium and long-term strategic challenges, and to efficiently oversee the day-to-day management of the business.

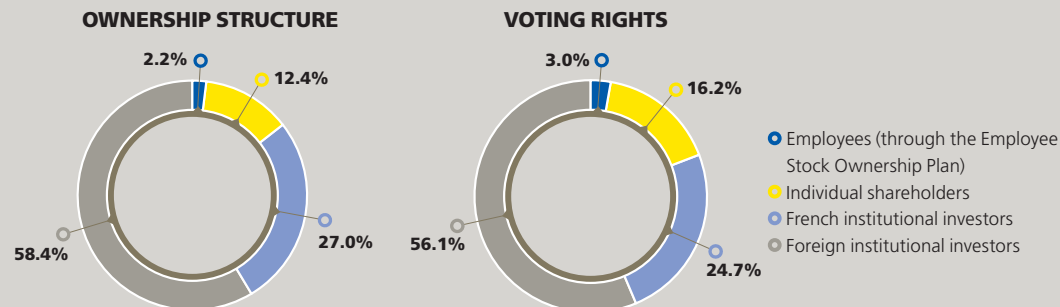
To fulfill its oversight role, the Supervisory Board has the same powers as the Statutory Auditors and has access to the same information and documents. The Supervisory Board reports to Shareholders at General Meetings and makes recommendations concerning the resolutions tabled by the Managing Partners.

(1) The term was five years until the Extraordinary General Meeting of May 15, 2009 at which it was reduced to four years for both incumbent and future Supervisory Board members.

SHAREHOLDERS

Michelin has more than 2,500 institutional shareholders, 116,000 individual shareholders and nearly 74,000 employee shareholders. All shares are registered. Shares held in the same name for at least four years carry double voting rights.

SHARES OUTSTANDING: 147,436,357
VOTING RIGHTS OUTSTANDING: 199,296,891
NUMBER OF SHAREHOLDERS: 192,500



CHALLENGES & STRATEGY



CHALLENGES AND STRATEGY

OUR RESPONSIBLE DEVELOPMENT STRATEGY

Development and mobility go hand in hand. Achieving sustainable mobility, however, poses enormous challenges in the areas of safety, energy, the climate and the environment, where expectations are high and the sense of urgency is growing. So while today's unprecedented crisis obviously demands fast, effective response, it mustn't cause us to forget the medium and long-term issues at stake. Indeed, for Michelin, it provides further incentive to step up the search for sustainable, innovation-based solutions.

THE CHALLENGES OF SUSTAINABLE MOBILITY
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**EVOLVING AND ADAPTING
TO ENHANCE BUSINESS PERFORMANCE**
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EXTENDING OUR TECHNOLOGICAL LEADERSHIP
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INVESTING IN GROWTH MARKETS
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EFFICIENTLY MANAGING RISK
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CHALLENGES & STRATEGY

VISION & RESPONSIVENESS



In a world undergoing profound change, Michelin is moving forward by listening to its customers, exploring new markets, developing a long-term vision of sustainable road mobility, and demonstrating a constant commitment to meeting challenges through innovation.

In today's extremely volatile environment, we are leveraging our teams' extensive skills and expertise, ability to anticipate over-the-horizon developments and agile responsiveness to increase flexibility, reduce costs and attenuate the impact of reorganization programs on employees.

At the same time, we are pursuing our strategic vision, with the reaffirmed objective of widening our technological lead, becoming more competitive, expanding in growth regions, encouraging employee commitment and reducing the environmental impact of our operations.

In all tire markets around the world, our teams are fully focused on strengthening our leadership over the long term by providing lasting solutions to the challenges of mobility.

By delivering superior performance at the lowest possible cost, managing our environmental footprint, enhancing safety, and pursuing a path of balanced growth that benefits all our stakeholders, Michelin is combining performance and responsibility to emerge from the crisis stronger than ever.

ESS



THE CHALLENGES OF SUSTAINABLE MOBILITY

Today, there are nearly 800 million vehicles on the road worldwide, a figure that could double by 2030. This is raising a wide range of increasingly pressing demands and issues – in such areas as health and safety, energy and raw material conservation, environmental protection and quality of life – that are crying out for solutions. In a more open world, people want to be able to get around not only more and more but also better and better. At the same time, rising populations are driving a steady increase in freight transport.



More than 80% of the world's natural rubber is produced by small farmers on plots ranging from 0.5 to 3 hectares.



● IMPROVING ROAD SAFETY

Every year, 1.2 million people are killed and 50 million are injured in traffic accidents, which are one of the leading causes of mortality among young people. In addition, 85% of fatal accidents occur in fast-growing countries. According to the World Health Organization, the cost of road accidents is equivalent to between 2.5% and 3% of GDP in Europe. The growing number of vehicles on the world's roads has created increasingly serious safety problems, especially in developing countries. Governments, international organizations and businesses need to step up their efforts to improve safety for all road users.

◀ Traffic congestion increases fuel consumption, noise and automotive pollution, and is also detrimental to public health. Close to 3.5 billion people currently live in cities, a number that will increase to nearly 6.5 billion by 2050.

● REDUCING GREENHOUSE GAS AND OTHER HARMFUL EMISSIONS

Road transport accounts for 18% of all fossil-based CO₂ emissions caused by human activity, with tires representing 4% from the fuel used to overcome their rolling resistance. This is the equivalent of up to one tank of fuel out of five for a car and one out of three for a truck. To limit the average increase in global temperatures to 2°C by 2100 (compared with the pre-industrial period), CO₂ emissions caused by road transport will have to be reduced by half by 2050*, despite the expected rise in the number of vehicles. Emissions of other harmful substances, such as nitrous and sulfur oxides, must also be greatly curbed.

* Compared with 2008, when CO₂ emissions totaled 5 billion tonnes.

● DEVELOPING SUSTAINABLE ENERGY SOURCES

Overland transport depends mainly on oil, whose growing scarcity and rising cost represents a major geo-strategic challenge. It is estimated that motor vehicles currently consume more than 60% of the world's oil output, raising doubts about the availability and price of oil-based fuels when the global vehicle fleet will have doubled. The challenges are, in the short-term, to improve fuel efficiency to reduce our dependence on oil alone and, in the medium term, to find alternate propulsion energy sources.

● PRESERVING RAW MATERIALS

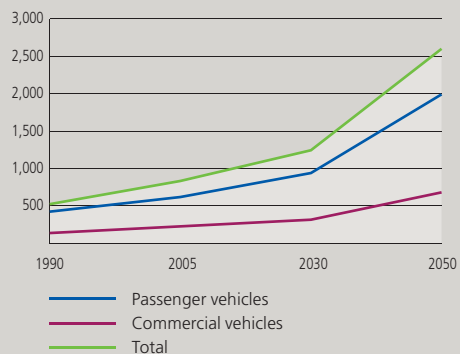
Like oil, which is also used to make synthetic rubber, non-renewable raw materials are becoming increasingly scarce and will remain expensive in the years ahead, notably due to strong demand from China and India, which are home to 40% of the world's population. In 2009, raw materials costs represented 23% of Michelin's net sales and close to 40% of the total purchasing budget. Optimizing raw material use is essential if these resources are to be conserved over the long term and if tires are to remain affordably priced. And all of this has to be accomplished without sacrificing tire performance.

● SECURING NATURAL RUBBER PRODUCTION

On the road or off, mobility requires tires, and no alternative is in sight within the next few decades. In turn, high-performance tires require natural rubber, whose properties make it irreplaceable, especially for truck, farm equipment and earthmover tires. As a result, the tire industry uses nearly 70% of the world's natural rubber production. The challenge is to husband this resource by maintaining its cost advantage and combating the diseases that attack rubber trees. The objective is to increase production in the years ahead to meet global demand, while encouraging sustainable rubber tree farming.

Number of vehicles on the road worldwide, 1990-2050

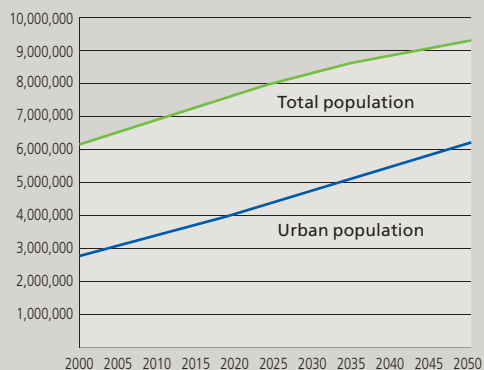
in millions of units



Sources: OCDE, IRF, IMF.

Number of people living in cities, 2000-2050

in thousands



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat.

MOBILITY 2030: SEVEN PATHWAYS TO IMPROVEMENT

The World Business Council for Sustainable Development brings together nearly 200 global companies that share a commitment to sustainable development. A member since 2001, Michelin took part in the organization's **Sustainable Mobility Project**, which proposes seven goals: improve **road safety**, limit **greenhouse gas emissions**, reduce **conventional emissions** from transport, as well as transport-related **noise** and **traffic congestion**, narrow "**mobility divides**" between rich and poor countries, and improve **mobility opportunities** for all people.



> To find out more about these challenges, please visit www.wbcd.org



EVOLVING AND ADAPTING TO ENHANCE BUSINESS PERFORMANCE

The shift in demand toward fast-growing countries and the increase in competition in mature markets are impacting manufacturing strategies, while today's unstable economic environment requires faster, more effective response than ever before. The growing globalization of purchasing and production calls for heightened vigilance with regard to working conditions and respect for people. That's why instilling a real culture of diversity provides a significant competitive advantage.



● BECOMING MORE COMPETITIVE

While the world's vehicle population could double by 2030, the number of cars on the road in mature countries will change only slightly. To establish a firm foothold in the developing countries that will drive most of the market's future growth and to successfully compete against emerging local manufacturers exporting to Europe and North America requires highly competitive plants located in both mature and developing markets and capable of lowering costs and increasing productivity.

● BECOMING MORE RESPONSIVE

In every respect – demand, raw material prices, financial markets, customer expectations – the economic environment is becoming structurally more volatile. Companies have to stay alert to anticipate and respond very quickly to the often sudden shifts. Maintaining the responsive flexibility of production facilities – and more generally the entire supply chain, from research to dealerships – to scale back or ramp up operations in response to demand is a constant challenge.

● SUPPORTING REORGANIZATION PROGRAMS

In a more aggressively competitive global marketplace, Michelin needs to adjust its manufacturing base. To become more competitive in mature markets, certain plants have to be reorganized or consolidated and their production sometimes shifted to other facilities, making job cuts inevitable. To carry out these reorganizations as seamlessly as possible, Michelin takes advantage of the growing number of employees reaching retirement age, helps to create hundreds of new jobs in its host regions, develops people's employability and supports them in pursuing their careers either within the Group or in another position.

● A PEOPLE-FOCUSED CHANGE PROCESS

Whether operations are set up, expanded, specialized or reorganized, people are always at the heart of the change process. That's why Michelin makes sure that employees are kept fully informed, appropriately trained and actively involved in every initiative. To help them embrace change, the Company tries to give every employee the desire and the means to overcome obstacles and the opportunity to grow and gain fulfillment by contributing to the Company's success. For Michelin, the challenge is to enable people, in all their diversity, to nurture their talent, so as to drive growth and improve competitiveness.

● INVOLVING SUPPLIERS IN MEETING THE CHALLENGES OF PERFORMANCE AND RESPONSIBILITY

Purchases, which accounted for 60% of Michelin's 2009 net sales, represent a major economic, social and environmental challenge. To be effective, purchasing must not only lower costs to make the company more competitive but also guarantee quality, secure supply and promote responsible development. That's why Michelin teams ensure that the social and environmental practices of suppliers comply with Group standards, especially in low-labor cost countries.

IN ASIA*, THERE ARE 90 CARS PER 1,000 PEOPLE,

compared with 570 in Western Europe and nearly 800 in the United States, even though the Asian population is five times as large that of Europe and the US combined. Having risen by nearly 15% a year on average over the past four years, annual passenger car sales in Asia* are increasing demand in the replacement tire market.

* Excluding Japan.
Source: Michelin estimates; Global Insight World Car Industry Forecast Report, December 2009.

20% OF TIRE PLANTS

opened worldwide over the past eight years have annual output of more than 90,000 tonnes and 40% have output of over 55,000 tonnes.

SINCE 2005,

the automobile industry has shed 460,000 jobs in Japan, Western Europe, the United States and Canada and created 1,100,000 in other parts of the world.

Tiremakers by share of the global tire market, 1988-2008

	1988	1998	2008
Michelin	17.2%	19.2%	16.3%
Bridgestone	14.3%	18.8%	16.7%
Goodyear	17.4%	16.9%	13.2%
Continental	7.4%	6.5%	5.8%
Pirelli	6.3%	4.5%	4.3%
Sumitomo	6.0%	5.6%	3.5%
Yokohama	3.8%	3.3%	2.8%
Hankook	1.0%	1.2%	2.6%
China – Taiwan	0.6%	5.4%	14.2%
Other	26.0%	18.6%	20.6%

Market share by value – Source: Tire Business.

The world's top three tire makers hold a combined 46% of the market, compared with 55% ten years ago. Over the same period, the share held by manufacturers in China and Taiwan has increased from 5% to nearly 15%. They are making significant gains in their regional market, improving their positions in Europe and have established a permanent foothold in North America.





OUR STRENGTHS IN MEETING THE CHALLENGES OF SUSTAINABLE MOBILITY

In pursuing its commitment to understanding and anticipating carmaker and driver needs, to satisfying customers and to meeting new stakeholder expectations, Michelin can leverage a host of solid strengths to transform the challenges of sustainable mobility into profitable growth opportunities and emerge from the recession stronger than ever.



\$2.4 billion: the estimated value of the MICHELIN brand according to a Brand Finance study conducted in 2009.



● THE STRENGTH AND VITALITY OF THE MICHELIN BRAND

Our first strength is the MICHELIN brand, which ranks among the world's top brands in terms of consumer equity and is the leading tire brand in most major markets.

With nearly 100% recognition in Europe and North America and more than 85% in key countries like China, Russia and Japan, the MICHELIN brand is known, respected and appreciated around the world. For the public, the name is associated with safety, reliability, technology and expertise, in a universe of quality and innovation. This confidence in our name reassures customers and nurtures their loyalty, as seen in the brand's ability to hold firm in every region, even in the depths of the recession.

Michelin's long-term mission is to enhance mobility, supported by a commitment to anticipating customer needs and meeting them with solutions that benefit society at large.

In addition to the brand's high recognition, these values are expressed in the Group's global corporate signature, "A better way forward". By both delivering performance and exercising its corporate responsibility, Michelin is making itself more attractive, not only as a supplier of innovative products but also as an employer, thereby making it easier to hire and retain the finest talent.

● A POSITION AS ONE OF THE INDUSTRY'S FEW GLOBAL PLAYERS

Very early on, Michelin developed an exceptionally broad geographical presence, to the extent that today, it manufactures tires in nearly 20 countries and sells them in more than 170. It also holds forefront positions in every tire segment, including cars, vans, trucks, farm and industrial handling equipment, earthmovers, motorcycles and bicycles, and aircraft. Because Michelin partners original equipment manufacturers, pays close attention to both consumer and corporate tire users, and operates in a wide array of distribution channels, it is particularly well positioned to understand customer expectations.

As one of the few global players in the tire industry, Michelin enjoys critical mass and synergies that help to improve productivity, enhance competitiveness and maintain fair, balanced relations with tire dealers. Already well developed in the research and development process, these synergies represent major sources of improvement in such areas as rationalizing the product portfolio, standardizing the manufacturing base, purchasing and advertising, as demonstrated by the roll-out of the brand's first global campaign in October 2009.

● TECHNOLOGICAL LEADERSHIP

Technical innovation has fueled Michelin's development throughout its history. With such technological breakthroughs as the radial tire and the fuel-efficient tire, Michelin has been a key driver of progress in its industry and markets and enjoys a recognized lead in the most demanding technical segments.

In a business environment that is being continually reshaped by stricter regulatory standards, heightened consumer expectations and critical technological developments, a capacity for innovation represents a major strategic strength that provides real competitive advantage. As technological leader, Michelin is constantly raising the performance bar in ways that impact both consumer standards and tire regulations. The technical advance of MICHELIN tires represents a never-ending source of new solutions.

● SUPERIOR TIRES, RECOGNIZED AND PRICED ACCORDINGLY

Carmakers and consumers can easily see that not all tires are created equal and that some outperform others. While generally priced higher, MICHELIN tires are safer, longer lasting and more fuel efficient, which reduces both their total cost of ownership and their environmental impact. Indeed, the savings in use mean that in the end, a MICHELIN tire is the least expensive in the market.

At Michelin, we intend to continue producing tires with the lowest total cost of ownership, thereby creating greater value for the company, the environment and society as a whole.

● A CULTURE OF QUALITY AND BALANCED PERFORMANCE

In the interests of its customers and their safety, product quality has always been a top priority for Michelin. The fundamental practices that guarantee quality performance are deployed across the Group through the Michelin Quality Assurance Process, which is applied in every aspect of tire production, from design to manufacture and customer service. Each new product range must deliver improvements in the balance of performance between longevity, safety and fuel efficiency. One example is the MICHELIN Energy Saver car tire, which reduces fuel consumption by 0.2 liters per 100 km while maintaining exceptional tread life and grip.

"The true strength of the MICHELIN brand is its ability to deliver the same balanced performance over time and to offer customers the lowest total cost of ownership in the market."

***Michel Rollier,
Michelin Managing General Partner***

MICHELIN NO. 1

in perceived quality in 10 major markets: Germany, Spain, France, Italy, the United Kingdom, Russia, Turkey, China, Mexico and the United States.



90% OF PEOPLE SURVEYED

around the world recognize the Michelin Man and 75% spontaneously associate him with the MICHELIN brand. The Michelin Man enjoys extraordinary affinity capital. He seems like an old friend, whose understanding and robust strength inspire trust. (2008 TNS Sofres survey)

L'AVENTURE MICHELIN

is a 2,000-square meter exhibition hall showcasing the history of Michelin and all its innovations, as well as the past, present and future challenges of tires and mobility.

www.laventuremichelin.com





EXTENDING OUR TECHNOLOGICAL LEADERSHIP

By delivering ground-breaking innovations that meet the changing needs of both customers and society as a whole, Michelin has maintained its technological advance and led the global tire industry for more than a century. Respect for customers enables us to grasp the intricate array of expectations, while respect for people and facts frees our thinking and stimulates our creativity and pioneering spirit. The story of Michelin is above all a story about people and technology.

● THE TIRE INDUSTRY'S LEADING INNOVATOR...

The only point of contact between the vehicle and the ground, tires are complex, demanding products. Michelin has invested more heavily in innovation than any other tiremaker, driving the development of most of the technological advances that have shaped the tire industry.

With Technology Centers in North America, Europe and Asia, Michelin can adjust the product portfolio to local weather and driving conditions, respond proactively to emerging needs, and ensure that MICHELIN tires deliver the same high-quality performance, everywhere around the world. This approach can be seen clearly in Asia, where our R&D facilities are located in China, Thailand and Japan. At once global and local, the Research, Development and Process Engineering (RDI) Division can leverage the competitive advantages of economies of scale, synergies and cross-fertilization.

● ...IS SHIFTING INTO HIGHER GEAR...

A company committed to sustainable road mobility must address a wide range of issues, such as conserving energy and raw materials, reducing greenhouse gas emissions and improving road safety.

◀ PASSION + TEAMWORK = INNOVATION

Innovation doesn't just happen overnight. It's nurtured by a team. Everyone – the supply chain, technicians, designers, operators, marketing teams – gets involved to compare viewpoints, expectations and constraints.



“THE RIGHT TIRE CHANGES EVERYTHING”

Starring the Michelin Man, Michelin's first global advertising campaign explains the benefits of MICHELIN tires compared with the competition. By choosing the right tire, motorists can reduce their fuel bill, increase driving safety and extend tire life. Following the campaign's October 2009 launch in North America, global deployment will continue in 2010 across a full range of media as well as in dealerships.



€100 MILLION

That's the amount allocated in 2009 to upgrade facilities at the worldwide research and development center in Clermont-Ferrand, with the goal of shortening time-to-market for new tires and services and developing innovative production processes.

> Visit the worldwide Technology Center in Clermont-Ferrand: www.michelin.com/ladoux

6,000 PEOPLE

involved in Research, Development and Process Engineering, with

€500 MILLION

allocated to R&D per year.

All of these challenges represent opportunities for Michelin to build on its technological leadership and showcase the solutions it has delivered year after year since the first MICHELIN Energy tire was introduced in 1992.

Benefiting from the early start, Michelin is now stepping up the momentum to widen its lead by transforming the Research, Development and Process Engineering chain to bring more innovative products to market more quickly. New work organizations and methods are now in place to drive faster, more efficient innovation, generate feedback from customers and markets as early as possible, promote cross-department cooperation and encourage co-design projects with carmakers to develop the best product at the lowest cost.

● ...TO DELIVER GREATER VALUE TO MORE PEOPLE

Research programs are being focused on two main objectives. The first is to achieve the best performance balance for each type of use. Tires need to deliver performance in many different, and often contradictory, areas. They must enhance safety, last longer, improve fuel efficiency and reduce carbon emissions while also providing a quieter, more comfortable ride. Many

tires perform well in one area but come up short in others. Balanced, across-the-board performance is what makes Michelin tires different.

The Michelin balanced performance commitment is not only technical; it's also economic, providing customers with the lowest total cost of ownership. When purchase price, safety, fuel efficiency and tread life are all taken into consideration, customers come out on top. Therein lies the superiority of innovations like the MICHELIN Energy Saver, which simultaneously improves tire performance in three key areas, or MICHELIN truck tires, whose remarkable casing ensures that tires have four lives – new, regrooved, retread and regrooved a second time. In addition, the Group is actively pursuing other promising research paths that could further reduce total cost of ownership and make the market's best tires affordable to users everywhere.

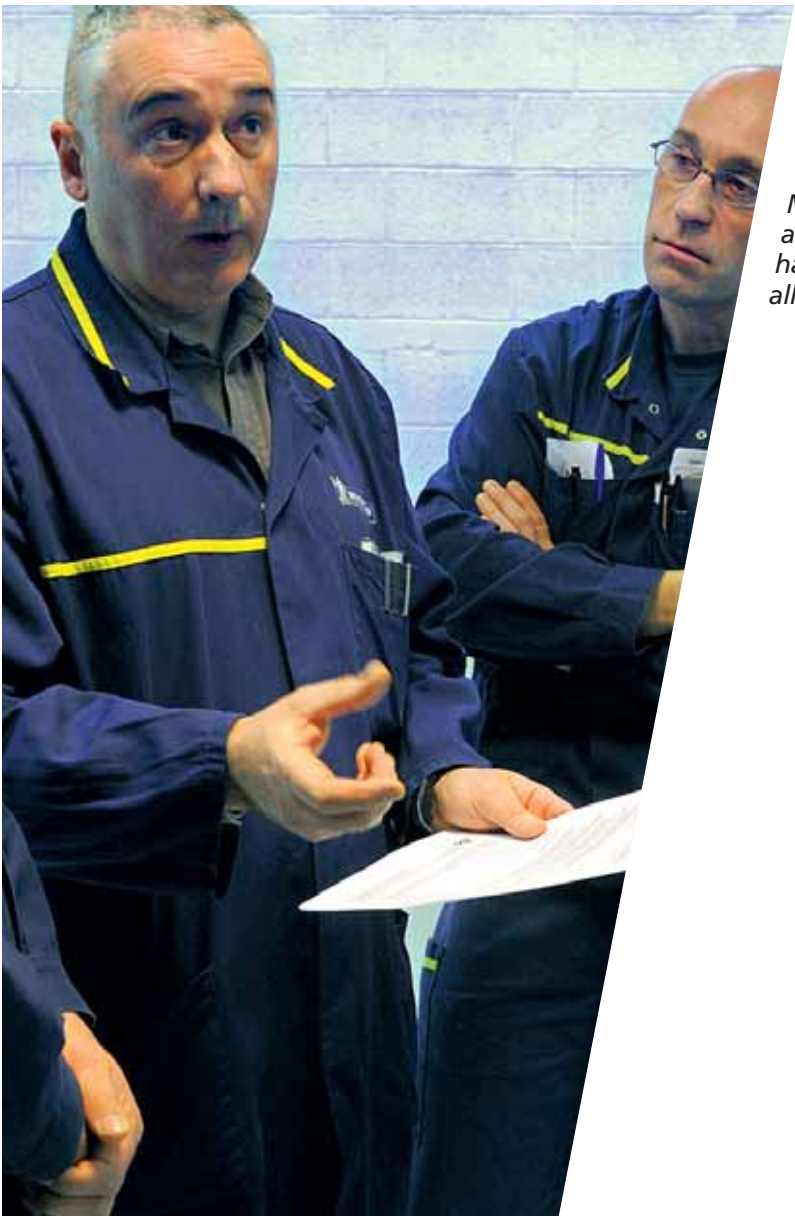
Moreover, Michelin's commitment also includes participating in major initiatives aimed at improving mobility conditions. For example, the Group has addressed the need to reduce CO₂ emissions by developing tires with very low rolling resistance and by designing the revolutionary Michelin Active Wheel electric propulsion system.

PROTECTING INNOVATIONS

In ten years, Michelin's patent portfolio has almost tripled. “Our goal is to effectively protect everything that makes our tires remarkable. Anything that's not patented can be freely copied. That's why we have to make sure to file patents for every invention, whenever possible, in order to give Michelin a competitive advantage.”

*Jacques Bauvir,
head of the Intellectual
Property Department*





ENHANCING OUR COMPETITIVENESS

Michelin is leading a transformation program to improve competitiveness and sharply reduce costs. In line with the program's objectives, the Group will have saved €1 billion between 2006 and 2010 and is positioned to leverage all of the gains once business recovers.

● PURCHASING BETTER, USING LESS

The objective of purchasing more effectively and using less is being supported by a number of concepts and programs. Value-to-Design and Design-to-Cost bring together the marketing, development and process engineering teams to define the right performance for a given product and optimize its components and production process, so as to lower its production cost while delivering the same performance to the customer. The Triangle method involves internal customers, specifiers and buyers in analyzing a project or program in order to lower total cost. Standardizing processes and components and sourcing globally are reducing capital expenditure, while diversifying procurement sources is helping to improve competitiveness. In addition, outside partners are increasingly used for non-strategic inputs when they can deliver good value for money.

● STRENGTHENING THE PRODUCTION BASE

A plant's competitiveness is determined by a range of factors, including its size, optimization, degree of specialization and proximity to markets. Additional production capacity is being built in fast-growing markets like China, India and Brazil. To ensure that the production base in Europe and North America remains sustainably robust and profitable, resources are being focused on plants that are bigger or more specialized as well as more flexible and more efficient. Industrial transformation programs may inevitably involve closing plants or discontinuing



certain operations, while implementing expansion projects on other sites. They are meticulously planned and deployed to carefully manage the impact on individuals, organizations and local employment. These adjustments are being facilitated by natural attrition of some 30,000 employees from 2008 to 2012.

New initiatives were undertaken in 2009. In North America, production of BFGoodrich and UNIROYAL tires in Opelika, Alabama and Truck tire tread operations in Querétaro, Mexico were transferred to other plants in the United States. In France, the manufacture of Super Sport tires was consolidated in Clermont-Ferrand with the transfer of production from the Noyelles-lès-Seclin plant, which is scheduled to close. The van tire business in Cholet has been strengthened. The Montceau-lès-Mines plant has become one of the largest facilities for blending rubber and metal fabrics in Europe and a center

of expertise for Earthmover tires. The Joué-lès-Tours plant will become the European benchmark for Truck tires and in particular for Michelin Durable Technologies. The Bourges plant is continuing to specialize in aircraft tires. Following the closing of the Toul plant, efforts are continuing to place employees and revitalize the local economy despite the recession.

Competitiveness plans have also been implemented in Spain and Italy. The Lasarte, Spain plant is now specialized as a world center for premium motorcycle tires. Car tire production has been stepped up at the Cuneo, Italy plant in response to the termination of car tire operations at the Turin Stura facility.

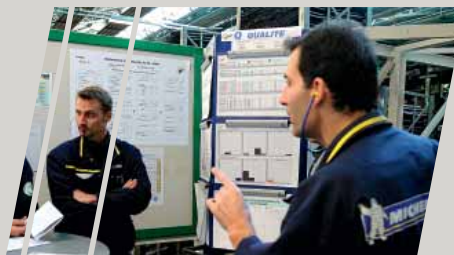
● HEADING FOR OPERATIONAL EXCELLENCE

Designed to enable Michelin to do things better, faster and at lower cost, the transformation process involves streamlining and standardizing processes, identifying and extending the use of best practices, pooling resources, training employees, strengthening cooperation agreements and aligning all of the teams with the Group's priority objectives.

Standardization reduces capital expenditure and shortens ramp-up times, thereby freeing teams for other projects. Through deployment of the Michelin Manufacturing Way, all of the plants are now aligned with internal best practices. The main performance indicators are accident frequency and severity, workstation ergonomics, customer satisfaction, materials waste, product quality, Michelin's own cost and productivity metrics and the Michelin site Environmental Footprint (MEF), a composite indicator that measures environmental impact.

From design, innovation and process engineering to project management, administration, logistics and customer relations, all of the major business processes are being reviewed with a focus on speed, simplicity, efficiency and employee empowerment, in a commitment to making a perceptible impact on performance.

Quick improvements



BIB STANDARD IN FULL SWING

Thanks to the involvement of all the teams at the plant in Puy-en-Velay, France, the number of Bib Standard projects increased from 4 in 2007 to 38 in 2009. The approach makes it possible to quickly improve organization, cleanliness, safety, responsiveness and efficiency by defining long-term operating guidelines for each workstation. Along with Bib Boost, Bib Flex, Bib Detect and Bib Innovation, it is one of the tools used to make an immediate impact with little or no investment.



BIB RAMP UP: RESPONDING FASTER TO THE MARKET

Applied to all major capital projects, Bib Ramp Up gets plants or systems up and running faster thanks to broader cooperation between engineering and design departments and methodology, quality and production teams.

Quick decisions

TIGHT OPERATIONAL MANAGEMENT

In response to the sudden break in its markets, Michelin has assertively improved its organizational, reporting, IT and other management processes, gaining in **responsiveness and flexibility** in order to adjust production and avoid inventory build-up. **A tightened management system** deployed in the major units, involving weekly market watch meetings with sales directors and updates with plant managers, is ensuring timely implementation of the decisions required to weather the sudden, unprecedented collapse in demand. **All of our teams are actively committed to** gathering the necessary information and attenuating the impact of the crisis.

> To find out more about how we are managing restructuring, please refer to pages 68-69.

INVESTING IN GROWTH MARKETS

To capture growth opportunities and increase the percentage of sales in fast-growing countries, in line with recent developments in the global marketplace, Michelin is stepping up the pace of expansion in China, India, Brazil and other major markets of the future. One of the key success factors in this process is to produce locally to offer customers the best possible price.

● ROBUST EXPANSION

In the past five years, the percentage of sales generated in high-growth countries has increased to 32% from 26%. To keep pace with these surging markets, Michelin is increasing production capacity, expanding its partner dealership networks, introducing assistance services, and setting up retread plants to encourage the trucking industry to switch to radial tires.

From 2008 to 2016, production capacity in fast-growing countries is expected to rise by 80% for Passenger car and Light truck tires and to double for Truck tires. The pipeline includes capacity increases in China and Brazil and our first plant for Truck tires in India, Asia's second largest market, which like China enjoys strong growth potential for radial tires.

● A NEW ORGANIZATION TO ACCELERATE THE PROCESS

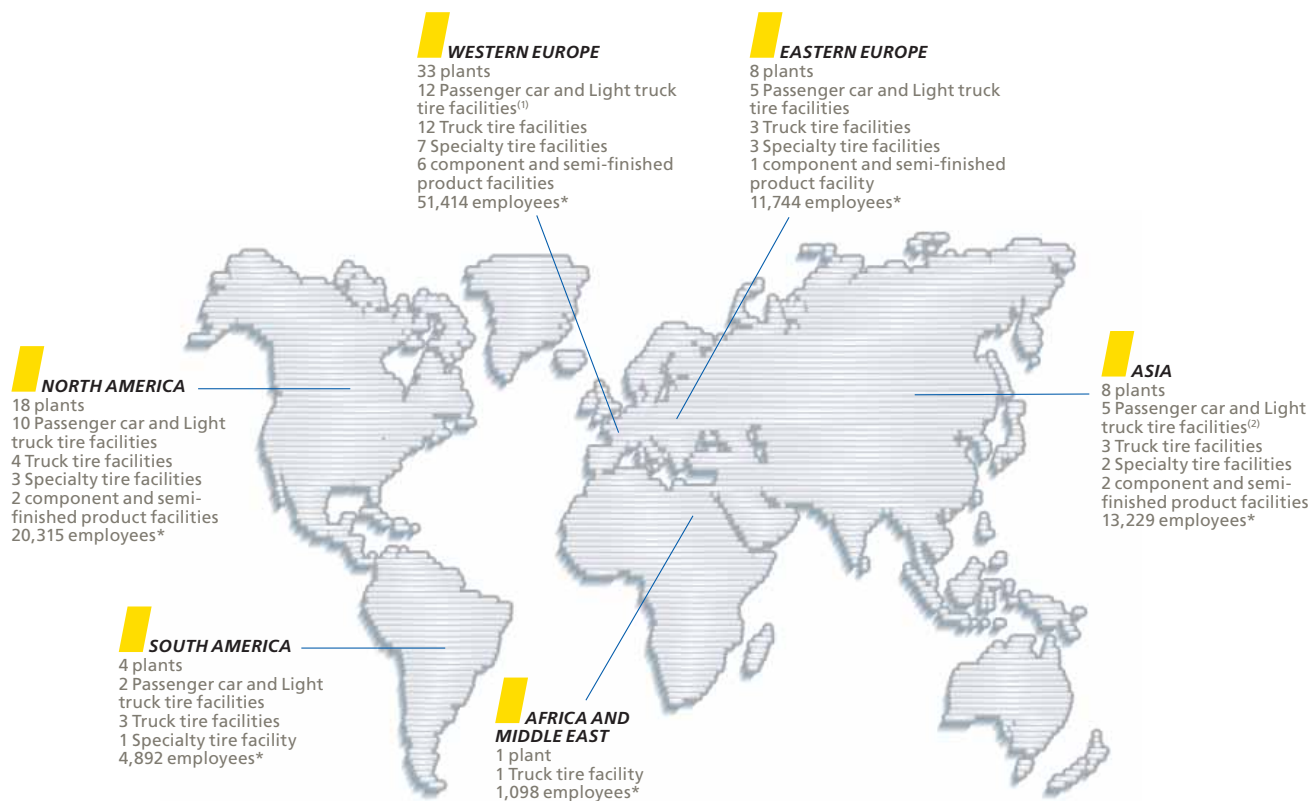
In 2009, our geographic organization was revamped to align it more effectively with market conditions in each region. Closer to customers, the new structures also better reflect their region's



economic realities, physical data (like driving conditions), and similarities and parallels among the member countries. Japan and South Korea have been grouped together, for example, because they are home to global carmakers and to our main competitors. Similarly, Africa, India and the Middle East form an aligned whole. Linking Eastern Europe to Russia was another logical move.

This new organization empowers regional management and supports the development of local talent, which is a crucial factor in attracting and retaining the best people and securing Michelin's long-term market presence.

◀ China was the world's largest automobile market in 2009, as new car sales soared 53% to 10.3 million units. Michelin is a leader in the Passenger car and Light truck replacement tire segment.



(1) Announced closing of the Noyelles-lès-Seclin facility for year-end 2010.

(2) Announced discontinuation of tire production at the Ota facility in July 2010.

* Full-time equivalents at December 31, 2009.

● A STRATEGIC FOCUS ON THE MICHELIN BRAND

Growth will be led by the MICHELIN brand, which symbolizes the Group's commitment to quality and innovation. In this way, the brand hopes to consolidate its robust positions in the premium automobile segment while continuing to develop in higher volume markets.

Developing and selling small vehicles that deliver solid performance at an affordable price requires tires offering the lowest total cost of ownership – and therefore advanced technologies.

As the technology leader, Michelin is raising consumer standards, which will benefit the entire tire market over the long term.

This is the case in China, for example, where Michelin has helped to change truck fleet management practices with a service offering based on a tire's four lives (new, regrooved, retreaded and then regrooved again).



A MORE COMPETITIVE, BETTER BALANCED PRODUCTION BASE

In 2010, Michelin will manufacture more than half of its Car, Light truck and Truck tires in plants with annual production capacity of at least 100,000 tonnes, more than twice as many as in 2005.

IN CHINA,

Michelin will raise its stake in Shanghai Michelin Warrior Tire Co. Ltd (SMWT) from 70% to 100% with the agreement of its partners Double Coin Holdings Ltd and Shanghai Minhang United Development Co. Ltd, and will continue to work with both companies.

IN SERBIA,

Michelin will acquire all outstanding shares it does not already own in its partner Tigar in 2010. The Tigar plant will serve as an efficient production base for car tires in Europe and for scooter tires.



EFFICIENTLY MANAGING RISK

Efficiently managing risks and commitments demands an increasingly disciplined approach. That's why Michelin has deployed a new organization to coordinate its capabilities more effectively and implement improvement plans.



● OPERATING RISKS: THREE INTERRELATED LEVELS OF RESPONSIBILITY

Analyzing risks related to our business operations is a key process in preparing improvement plans, which include a review of both strategic and operating risks. Organized in 11 classes, operating risks are managed at three different levels:

- Operating managers identify and manage risks in their units preparing prevention, protection, and business continuity plans in compliance with Group standards.
- Corporate Services and Performance Divisions analyze risks in their fields of expertise, define prevention and protection standards and then manage and monitor their implementation.
- Internal auditors review the effectiveness of the entire risk management process.

The process is defined, led and coordinated by the Corporate Risk Manager, who ensures that the units concerned have effectively controlled their exposure to major risks. The Corporate Risk Committee, which is comprised of Product Line and Corporate Services directors, meets three times a year to review the most significant risks, the prevention and protection systems in place to manage them and the related business continuity plans.

● MAPPING, VIGILANCE AND TRAINING

The primary risk management tool is the risk map, which is regularly updated by the different units and consolidated once a year by the Risk Manager. It facilitates delineation

◀ Fire drill at the Alessandria plant in Italy.

of the major risks and the regular tracking of those deemed most critical.

In 2009, Michelin continued to build its business continuity plans, set up, train and drill the crisis management units and deploy an Environmental and Risk Prevention Management System on the production sites. The deployment process should be completed in 2011.

● HIGH STANDARDS TO MANAGE FIRE AND OTHER MAJOR RISKS

The Group's primary industrial risk is fire. To support its efficient management, Michelin developed the proprietary High Protected Risk Michelin (HPRM) standard, which covers prevention, protection, early detection and rapid response. A corporate team of risk management experts is leading a network of on-site correspondents who are overseeing the process of upgrading existing facilities to HPRM standards. In addition, all new projects are audited by an Environmental and Prevention expert for HPRM-compliance using the proprietary High Protected Risk Michelin Compliance Assessment (EC-HPRM) application. Throughout this process, feedback and best practices are systematically shared across the organization.

Thanks to these processes and systems, for more than five years, no fire or any other industrial accident has caused serious injury to employees, damage to company or third-party assets or had an adverse environmental impact on neighboring communities.

SECURISTAT: LEARNING FROM RISKS

Our proprietary SECURISTAT application has been used since 2004 to collect and process industrial risk management event data, thereby facilitating the sharing of feedback and best practices.

11 CLASSES OF OPERATING RISKS

Protection of People and Property • Products and Services • Continuity of Supply • Accounting and Finance • Legal and Tax • Environment • Social • Knowledge and Know-how • Fraud and Ethics • IS/IT • Communication

AN AMBITIOUS SERIES OF TIRE FIRE-FIGHTING TRIALS

Michelin initiated a major series of trials involving tire fire-fighting solutions in the United States and France. The program helped to improve technical expertise in deploying automatic sprinkler systems in tire warehouses and reducing the environmental impact of smoke and fire-fighting water.

INTERNAL AUDITORS

The Group's internal audit team is comprised of 40 people representing around ten different nationalities. Although they come from a wide range of backgrounds, all have several years' operating experience in one of the eleven risk classes. Whenever an audit reveals a significant risk, an identical follow-up audit is conducted a year or two years later to ensure that corrective measures have been deployed.

IN FEBRUARY 2009, Michelin was ranked for the first time among the **Global 100 Most Sustainable Corporations**, compiled by US rating agency Innovent and Corporate Knights Magazine. The 100 companies, from 15 countries and every industry, were selected for their performance, relative to their industry peers, in managing the environmental, social and governance risks and opportunities they face.



> www.global100.org

> To find out more about risk management, please refer to the 2009 Michelin Registration Document, pages 54 to 58.

ENCOURAGING INDIVIDUAL COMMITMENT

The Michelin corporate community is made up of nearly 110,000 people, representing 120 nationalities, whose diversity, professionalism and commitment are a valuable asset and a source of creativity. They are also the driving force behind our performance and development, supported by an employee relations process rooted in dialogue and mutual respect.



● EFFECTIVELY BALANCING CORPORATE NEEDS AND PERSONAL EXPECTATIONS

Michelin is committed to enabling all employees to find fulfillment in their job responsibilities. Performance and potential are assessed with a view to the long-term, training policies allow each employee to continue to grow and develop throughout his or her career, and career management focuses on promoting from within and offering mobility opportunities. Diversity is actively encouraged, to build teams that look like the Group's host societies, and a structured equal opportunity process is in place to combat all forms of discrimination.

Workplace safety is a priority concern, as reflected in the practices and performance that have given Michelin one of

the best track records of any manufacturing company. Major programs have also been implemented to protect and improve employee health and quality of worklife. Every employee benefits from performance-based compensation, with profit-sharing and bonus systems, adapted to each country and job function. Michelin has also set up a stock option plan and regularly offers worldwide employee stock ownership plans.

● RESPECT FOR PEOPLE, THE FOUNDATION OF SOCIAL COHESION AND EMPLOYEE MOTIVATION

Respect for people is one of Michelin's core values. In the case of employees, respect means helping them to build a career path corresponding to their aspirations and enabling them to develop skills and capabilities aligned with the company's needs. It also means paying close attention to working conditions and safety issues. In the current environment, a broad range of solutions – such as scheduling prevention maintenance, taking early vacation time and offering training courses – are being deployed to minimize the use of short-time work when production has to be scaled back. Their implementation is being facilitated by initiatives to develop a sense of mutual responsibility and co-destiny, in a commitment to improving corporate performance and protecting jobs. Whenever restructuring measures are necessary, Michelin offers concerned employees inplacement opportunities and individual support if external solutions are preferred or inevitable.

TEN KEY AREAS FOR IMPROVEMENT

- **The responsible performance** of our products and services
- **The environmental impact** of tire use
- **The recovery, reuse and disposal** of end-of-life tires
- Team **diversity**
- **Relations** with local communities
- **Quality of worklife** on the Group's sites (ergonomics, safety)
- **Environmental management** of Michelin sites
- Industrial **risk management**
- Michelin's **contribution to sustainable mobility**
- **Purchasing**

● GETTING EVERYONE INVOLVED WITH THE MICHELIN PERFORMANCE AND RESPONSIBILITY PROCESS

Inspired by its founders, Michelin is dedicated to enhancing mobility through innovation and quality, by basing its development on the core values of Respect for Customers, Respect for People, Respect for Shareholders, Respect for the Environment and Respect for Facts.

The Michelin Performance and Responsibility process structures this corporate culture and coordinates our commitment to the principles of sustainable, balanced, responsible development. Integrated into every project and demonstrated in every aspect of our business by trained, highly involved teams, the process expresses our commitment to building growth on the long term and helping to address societal challenges by putting our values into practice.

The process is supported by the Michelin Performance and Responsibility Charter, a set of guidelines that is widely circulated within the organization. Following an internal diagnostic audit, ten major challenges were selected for priority action, with improvement targets set and leaders designated for each one. Action plans were launched, backed by indicators to measure progress and performance. To maintain the improvement dynamic, the key areas for improvement and their indicators are constantly being adjusted and upgraded, depending on the results obtained.

This structured, global approach has made it possible to deploy the Michelin Performance and Responsibility process in internal improvement initiatives and in our relations with partners and society as a whole. The commitment of our employees and their ability to work together to drive fast improvement has been recognized by several corporate sustainable development rating agencies, whose issued opinions have encouraged employees to take the process even further.

THE MICHELIN PERFORMANCE AND RESPONSIBILITY CHARTER

defines the principles underlying our sustainable development process. It is available in 15 languages.

www.michelin.com/corporate

A RECOGNIZED COMMITMENT

In 2009, Michelin was included in the DJSI World and STOXX indices and was ranked as a "Sector Mover" (the company that improved the most in its industry) in the "Automobile & Parts" sector by the SAM Sustainability Yearbook 2009, which each year lists the companies with the highest sustainable development performance. The Group was also the only tire manufacturer on the list of the Global 100 Most Sustainable Corporations, selected for their performance, relative to their industry peers, in managing the environmental, social and governance risks and opportunities they face.*

* Sustainable Asset Management (SAM) is a Swiss rating agency that assesses companies' sustainable development performance and selects the firms that are included in the Dow Jones Sustainability Index.



> www.ethibel.org



> www.sam-group.com

CUSTOMERS & MARKETS



CUSTOMERS AND MARKETS

RESPECT FOR CUSTOMERS

"Maintaining the highest level of quality is crucial if we want to earn our customers' trust and demonstrate our respect," says Michel Rollier. High-performance products and services are the best way for Michelin to serve and retain its customers, whether carmakers, tire dealers or drivers. In each market segment, Michelin is committed to delivering the right solution, with the best quality at the best price.

THE GLOBAL TIRE MARKET

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TIRES: COMPLEX PRODUCTS FOR COMPLEX NEEDS

PAGE 44

PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

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TRUCK TIRES AND RELATED DISTRIBUTION

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SPECIALTY BUSINESSES

PAGE 54



**CUSTOMERS
& MARKETS**

CLOSE TO THE CUSTOMER



One day in 1891, a cyclist with a flat tire came to Michelin looking for help. At the time, it took three hours to repair a tubular sew-up tire, which then had to be glued back to the rim and left overnight to dry. Reasoning that tires that could be easily mended would have a great future, Edouard Michelin that same year invented the first tire that could be removed and repaired in a quarter of an hour.

Over the years, everyone who has followed Edouard Michelin in the Company has embraced these values – a spirit of service, attention to customer needs, respect for facts, and a dedication to innovation and quality – that still guide Michelin’s international expansion.

Since the opening of the first plant outside France – in Italy, in 1906 – Michelin has resolutely built its presence in the global marketplace with the same unswerving commitment to getting closer to customers and sharing their experience, to deliver market-driven innovations and the right performance at the right price.

ER



THE GLOBAL TIRE MARKET

In 2009, the tire industry experienced an unprecedented crisis that opened up new opportunities for companies capable of responding to shifting global demand and delivering technological solutions aligned with customer expectations.



● A GLOBAL MARKET WORTH SOME \$140 BILLION⁽¹⁾

The global tire market was estimated at \$140 billion⁽¹⁾ in 2008, of which light-vehicle tires accounted for 60% and truck tires nearly 30%⁽²⁾.

This represented 1.1 billion tires for cars and light trucks and 125 million for trucks and buses⁽²⁾. Three-quarters of these tires were sold in the replacement market, which is historically less cyclical than the original equipment market over long periods.

In 2009, the sharp contraction in lending, capital expenditure and building and infrastructure starts, the decline in global trade and road transport, and the drawdown of dealer inventory affected every market, albeit to differing degrees.

● DEMAND HAS SHIFTED TO HIGH-GROWTH COUNTRIES

While car sales declined by almost 15% overall in Europe, North America and Japan, they increased by 9% in Brazil, 20% in India and nearly 50% in China⁽³⁾. Thanks to demand in fast-growing countries, the number of vehicles in the world is expected to increase by more than 20% by 2015 and to double by 2030.

According to the PwC Automotive Institute, more than half of the world's automobiles will be produced in high-growth countries by 2014, with a corresponding knock-on effect on replacement markets. According to Deloitte Touche Tohmatsu⁽⁴⁾, China and India will join Western Europe, Japan, South Korea and the United States as the six leading design and production centers for automobile manufacturers and their suppliers.

NEW EXPECTATIONS

In mature markets, the recession and higher fuel costs have made consumers considerably more price-sensitive and spurred lasting changes in their behavior. In fast-growing markets, demand has increased sharply for both affordable cars and luxury vehicles. While complex and differentiated, consumer aspirations nevertheless converge on the importance of safety, low total cost of ownership (i.e. including the impact of fuel efficiency and durability) and a small environmental footprint.

Carbon emissions standards are tightening for new vehicles in Europe, the United States, Japan and, soon, in China. In Europe, minimum performance levels for tires as well as standardized labeling will be mandatory beginning in 2012, while similar systems will be introduced in the US and Japan.

An increasing number of hybrid vehicles are being brought to market, soon to be joined by fully electric vehicles. These cars could account for one-third of sales in mature markets by 2020 and up to 20% of sales in urban areas in high-growth markets⁽⁴⁾. To boost the range of both EV and hybrids, energy consumption will have to be lowered as much as possible, notably through the choice of tires. This creates another technical challenge that cannot be met by every tire manufacturer.

(1) Source: *Tire Business*, September 2009.

(2) Source: *Michelin*.

(3) Source: *IHS Global Insight World Car Industry Forecast Report*, December 2009.

(4) Report by *Deloitte Touche Tohmatsu's Global Manufacturing Industry Group*, looking ahead to 2020.

Number of cars per 1,000 inhabitants

	Number of cars per 1,000 inhabitants	Population (in millions)
Western Europe	572	410
Central and Eastern Europe	316	244
United States	788	307
Canada	641	33
Mexico	241	111
Brazil	149	191
Rest of South America	98	255
Japan	515	177
China	42	1,372
India	12	1,150
Rest of Asia	85	533
Africa Middle East	35	1,650

Michelin estimates.

CHINA

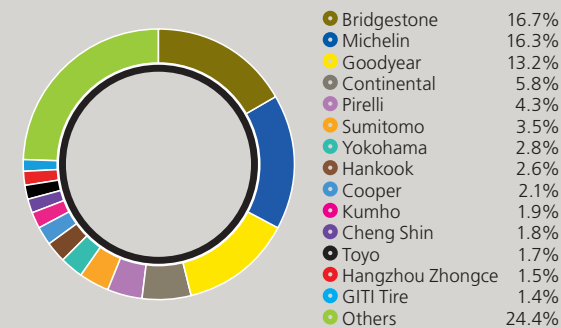
has become the world's leading automobile market with 13.6 million new vehicles sold in 2009.*

* Including buses, trucks and cars
(Source: China Association of Automobile Manufacturers).

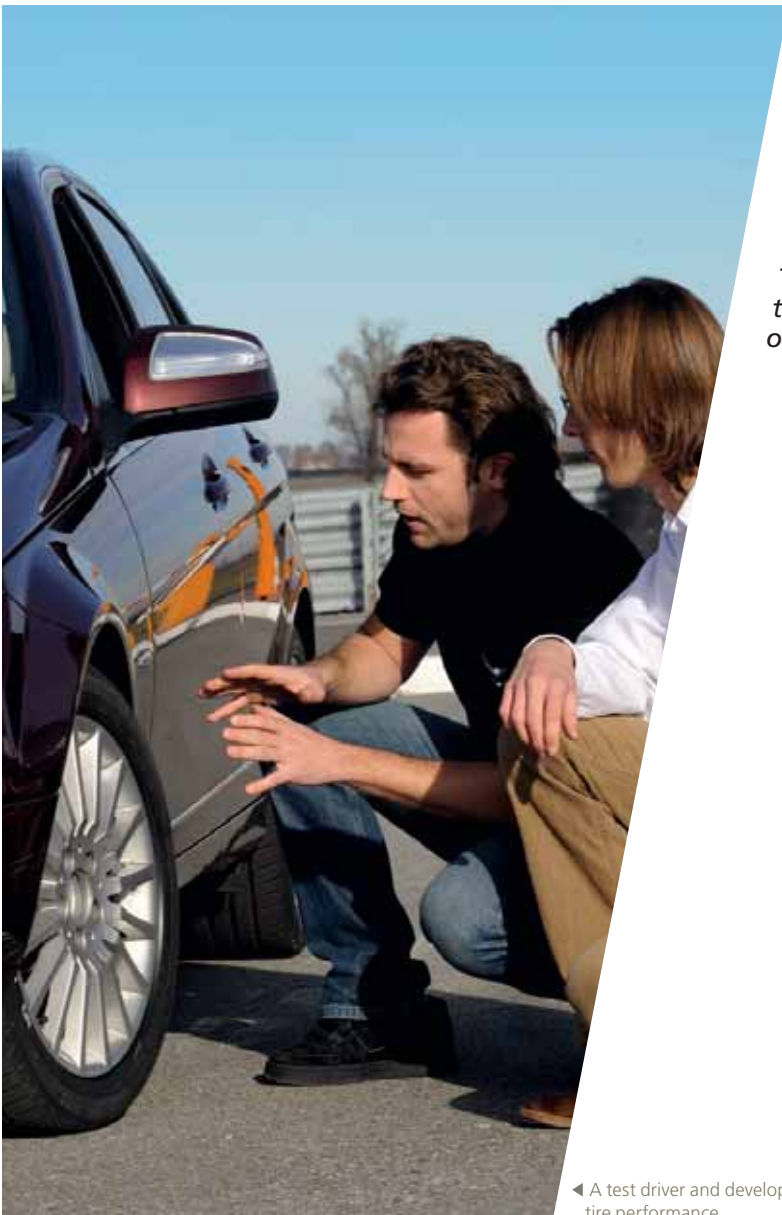


Worldwide tire market share in 2008

in US dollars



Source: *Tire Business* – September 2009.



TIRES: COMPLEX PRODUCTS FOR COMPLEX NEEDS

Tires play a critical role in a vehicle's safety and fuel-efficiency; they are also expected to last a long time. Michelin's core competency is the ability to deliver an effective balance of these performance criteria to satisfy the expectations of each customer.

As the only point of contact between a vehicle and the ground, tires must support the vehicle's weight, transmit steering, acceleration and braking inputs, absorb surface irregularities and noise, use as little energy as possible – and perform all of these functions effectively over increasingly long periods. Today's motorists are looking for safety, long tread-life, fuel savings and services that make traveling easier, while business users think in terms of productivity, per-tonne transport costs, maintenance and uptime. And every user is concerned about protecting the environment. Meeting these expectations demands tire solutions that are dedicated, differentiated and increasingly technology and innovation-driven.

● PARTNERING OEMS AND LISTENING TO USERS

In the original equipment segment, which accounted for 30% of 2009 sales, Michelin supports innovative manufacturer programs to make vehicles safer, greener and quieter while keeping them affordable.

As the world leader in low rolling resistance tires, Michelin provides automotive manufacturers with a highly cost-effective solution for improving fuel efficiency – and therefore reducing CO₂ emissions – with tires that truly make a difference. This is the case with the MICHELIN Energy™ Saver, which reduces rolling resistance by 20% compared with the prior-generation tire. With fuel savings of 0.2 liters per 100 km (which reduces CO₂ emissions by 4 grams per km), better braking and longer tread life, the tire offers the best performance balance and the lowest per-kilometer running cost in the market. The same holds true for the MICHELIN X Energy™ SaverGreen Truck tire, which reduces CO₂ emissions by 10 grams per kilometer and saves more than 500 liters of fuel a year.

● HIGH VALUE-ADDED SERVICES

This balanced blend of performance is available to every motorist through the replacement tire market, which accounted for 70% of Michelin's 2009 sales.

With a portfolio of clearly differentiated brands, Michelin markets products and services aligned with every segment of the tire market through a diversified array of distribution channels, including specialty wholesalers, dealers, auto centers, service

◀ A test driver and developer working together on-site to improve tire performance.

As technology leader, Michelin has played a critical role in the development of the global tire market:

- 1992** The **MICHELIN Energy** low rolling resistance car tire
- 1995** The **MICHELIN Energy** low rolling resistance truck tire
- 2001** The **MICHELIN X One** truck tire to replace dual mount tires
- 2002** The **MICHELIN Antisplash** truck tire
- 2005** The **Michelin Durable Technologies** package of truck tire innovations
- 2005** The **MICHELIN NZG** radial aircraft tire for the Airbus A380
- 2006** The **MICHELIN Pilot Power 2CT** motorcycle tire integrating dual-compound technology
- 2006** The **MICHELIN MultiBib** tractor tire
- 2007** The **MICHELIN Energy™ Saver** car tire
- 2008** The **MICHELIN Energy™ SaverGreen** truck tire
- 2008** The **MICHELIN Active Wheel** motorized wheel
- 2009** The **MICHELIN XHA2** earthmover tire

stations and superstores as well as two integrated networks, Euromaster in Europe and TCI in North America. In fast-growing markets, the Group is developing partnerships with retail chains to deliver a premium quality customer experience.

The tire lines are accompanied and enhanced with a wide variety of services, ranging from emergency assistance programs – Michelin OnWay for motorists and Michelin Euro Assist for truck fleets – to travel aids like the Michelin Map and Guide collections and ViaMichelin, Europe's leading traveler information website. To support corporate customers, Michelin offers trucking companies, airlines and mine operators management solutions and per-kilometer and per-tonne invoicing systems, which help to improve their vehicle performance, lower their capital budgets and enhance their competitiveness.

170 MILLION CARS AND LIGHT TRUCKS AND 11 MILLION TRUCKS

roll on Michelin group tires.



The Michelin Onway customer support service is now being offered in China.

THE MICHELIN SELLING WAY

program instills best practices to drive continuous improvement in customer service and sales efficiency.

MICHELIN brand equity* in 2009

	MICHELIN	Leading competitor
France	8.2	6.1
Germany	7.4	7.1
U n i t e d	6.8	6.4
Italy	7.7	7.2
Spain	8.3	6.9
Russia	7.7	6.9
United States	7.4	7.1
Turkey	8.1	7.1
Brazil	3.5	6.2
Japan	5.4	8.6
China	8.4	5.7

* Awareness and perceived quality on a scale of 0 to 10.

COMPONENTS AND SEMI-FINISHED PRODUCTS BUSINESS LINE WINS 2009 MICHELIN QUALITY GRAND PRIZE

The Michelin Quality Award is presented in recognition of outstanding team performance in two key aspects of Michelin's corporate culture: satisfying the customer and "getting it right the first time." **In 2009, 13 teams were designated as "Quality Champions,"** with the Grand Prize awarded to the Components and Semi-Finished Products Business Line for its expanded, revamped manufacturing capabilities.



PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Michelin's innovative capabilities and global presence have made it a strategic partner to carmakers around the world, helping to retain the large number of motorists who want to stay with the brand of tire originally fitted on their vehicle.



▲ New European Union regulations concerning lower new car CO₂ emissions, minimum tire performance levels and tire labeling are further enhancing the value of the MICHELIN brand.

Michelin covers every segment of the replacement market with a portfolio of brands and services designed to satisfy and earn the loyalty of drivers and dealers alike. As technology leader and the world's largest manufacturer of fuel-efficient tires, the Group has extended its advance in this promising segment, bringing tires optimized for each vehicle category to market more quickly, adapting product lines to local needs in each country and strengthening partnerships with carmakers and tire dealers.

Faced with the worst recession in its history, Michelin has responded by reducing inventory, scaling back capital expenditure, accelerating adjustments in its manufacturing and logistics facilities to increase flexibility and resilience, adapting to structural changes in demand, and securing its long-term competitiveness. In every host region, the Group has reduced costs, improved productivity and enhanced organizational efficiency in every aspect of its business.

**TECHNOLOGY
LEADER**

**34 PRODUCTION
FACILITIES
IN 18 COUNTRIES**

**80% OF TIRES SOLD
IN THE REPLACEMENT
MARKET**

Passenger car and Light truck tires account for 56% of consolidated net sales

The global Passenger car and Light truck tire market in 2009

	Europe and CIS	North America ⁽¹⁾	Asia	South America	Africa Middle East	Total
Original Equipment	-19.9%	-32.3%	+3.1%	-7.9%	-16.9%	-11.9%
Replacement	-5.2% ⁽²⁾	-2.3%	-0.8%	-4.4%	-4.1%	-3.2%

(1) United States, Canada and Mexico.

(2) Down 1.1% excluding CIS.

Source: Michelin estimates.

€ millions	2008	2009
Net sales	8,668	8,280
Operating income*	370	661
Operating margin*	4.3%	8.0%

* Before non-recurring items.

● SHARP IMPROVEMENT IN OPERATING MARGIN DESPITE LOWER VOLUMES

Replacement markets declined by an overall 3.2% in 2009. In the first half, demand was dampened by the decline in kilometers traveled, the reduction in average highway speeds and retailer destocking programs, particularly in mature markets. The economic slowdown gradually caught up with emerging markets during the period, and demand weakened in all of them except China. After the summer, markets worldwide felt a technical rebound as dealers stopped drawing down inventory and seasonal demand for winter tires picked up sharply. Original equipment markets around the world, except for China, fell by a steep 11.9% as carmakers slashed production due to collapsing demand and drastically drew down inventory. Demand picked up in the second half of the year, notably in the mature markets that had taken measures to support the automobile industry.

In all, net sales in the Passenger car and Light truck tires and related distribution segment declined by 4.5% to €8,280 million for the year, with a significant improvement in the second half (up 0.5%) relative to the first (down 9.4%). The year-end upturn in volumes, particularly in winter tires, as well as the MICHELIN

brand's strong resistance, the still positive price mix, the decline in raw materials costs and the improvements in production flexibility all helped to drive a sharp increase in operating income before non-recurring items to €661 million, for an operating margin of 8.0% versus 4.3% in 2008.

Performance of MICHELIN lines in Europe compared with the average competing range

Segment	MICHELIN tire	Size	Tire life	Rolling resistance	Grip
Mid-range	Energy™ Saver	195/65 R 15 H	+42%	+15%	+8%
High Performance	Primacy HP	225/55 R 16 W	+10%	+16%	+4%
Winter Alpin	Alpin A3	195/65 R 15 T	+30%	+3%	+2%
Winter Alpin Performance	Primacy Alpin PA3	205/55 R 16 H	+55%	+26%	+3%
Sport	Pilot Sport 2	225/45 R 17 Y	+14%	+7%	+1%
Winter Light Truck	Agilis Alpin	195/65 R 16 C	+32%	+4%	+5%

For each segment studied in 2009, Michelin's most recent tire was compared with a representative sample of European competitors comprising five to eight recent tires from different brands. The size selected was the best-selling size in each segment. The tests were conducted by independent organizations, such as TÜV Sud Automotive in Germany and the Czech Republic and DEKRA in France.

The overall score for the competitor tires was based on an arithmetic mean. For tire life, the results of tests on MICHELIN tires were compared directly with that mean. Energy efficiency was measured on the basis of rolling resistance. For example: if the MICHELIN tire's rolling resistance was 8kg/t and the competing tires had a mean score of 10kg/t, the energy efficiency of the MICHELIN tire was 25% greater $[(10-8)/8 = .25]$.



◀ Euromaster: No. 1 in Europe with 1,680 service centers in 11 countries.

● EUROPE

Down 5.2% overall for the year, the replacement market fell 12.1% in the first half but gained 2.1% in the second on a technical rebound driven by the end of dealer destocking and strong sales of winter tires (up 14%). Excluding the CIS, which was still impacted by the collapse in Russian demand, the European market shrank 1.1% over the year. The market mix continued to track the structural move of vehicle fleets up the value chain, with sales of high-performance tires (W, Y and Z speed ratings) rising 4.1%.

In the original equipment segment, demand dropped a steep 33.1% in the first half as carmakers reduced output, but the auto industry support programs introduced in most countries held the second-half decline to 2%, even though the incentives mainly spurred demand for compact tires.

Demand was particularly strong in Germany but continued to contract in Eastern Europe and Russia.

In this environment, consolidated net sales demonstrated firm resistance in the replacement market, supported by the MICHELIN brand, the success of the newly introduced MICHELIN Energy™ Saver, X Ice and Alpin lines and the robust demand for winter tires. The sales mix continued to improve, lifted by the recent-year increase in sales of more premium vehicles.

Original equipment sales were down for the year, but the declines eased with every quarter as carmakers ramped back up production to meet scrappage incentive-driven demand. In addition, Group brands benefited from the rising demand for high-performance tires.

● NORTH AMERICA

The replacement market contracted by 2.3% over the year, as a 10.7% drop in the first half was partially offset by a 6.2% upturn in the second as consumers seemed unable to put off replacing their old tires any longer. Tire demand declined by 2.4% in the United States and 7.2% in Mexico, but rose 3.3% in Canada on sustained demand for snow tires.

The original equipment segment plummeted 32.3%, as carmakers massively scaled back output and moved closer in line with inventory targets at year-end.

In the replacement market, which has never been as weak or as competitive, MICHELIN brand net sales were lifted by sustained demand for tier-1 brands delivering high value. On the original equipment side, the fall-off in net sales reflected the sharp decline in carmaker output during the year, although volumes turned sharply upwards at year-end.

● ASIA

Replacement markets eased back 0.8% overall during the year, but performance varied by country, with a gain of 16.9% in China and declines in Japan, Korea, Taiwan, Australia and India.

Original equipment demand ended the year up 3.1% region-wide, but again with wide disparities among countries, with declines in Japan, South Korea and Thailand but a 65.1% surge in China, making the country, for the first time, the world's largest market ahead of the United States.

In these highly competitive markets, unit sales held up well, climbing in growth markets like China, Thailand, Malaysia and, from a weaker base, India, and declining in mature markets such as Japan, Oceania, South Korea and Taiwan. The TyrePlus product and service distribution network continued to expand in Asia, where it now has 660 outlets in China and 78 in Thailand.

● SOUTH AMERICA

In early 2009, replacement markets plunged headlong into the crisis that had previously spared them in late 2008, with tire demand dropping 10.6% in the first quarter before gradually recovering over the succeeding quarters (down 4.0% in the second, 2.3% in the third and just 0.4% in the fourth) to end the year 4.4% lower. In all, markets declined 10.6% in Argentina and 8.6% in Colombia, but rose 3.1% in Brazil. Argentina, Ecuador and Venezuela introduced import procedures that set quotas on foreign-made tires.

Original equipment demand contracted 7.9% over the full year. After bottoming out in the first quarter, it turned up sharply in the final three months, particularly in Brazil where favorable tax incentives kept domestic demand strong.

Sales performance was held back by extensive dealer inventory drawdowns and the introduction of new import procedures in certain countries, but it was also boosted by the still positive price effect and the up-market shift in the brand and segment mixes.

● AFRICA & THE MIDDLE EAST

Markets in Africa and the Middle East continued to trend downwards, losing an aggregate 16.9% in the original equipment segment and 4.1% in replacement, but showed some signs of stabilizing at year-end.

Consolidated sales suffered from the market weakness but benefited from firm pricing, particularly in the premium tire ranges (V and Z speed ratings and recreational tires).

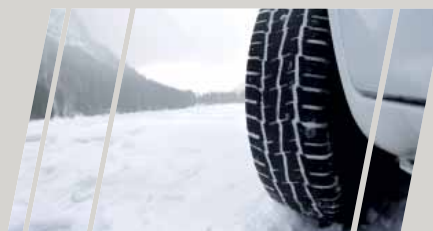


SUCCESSFUL LAUNCH OF THE MICHELIN PRIMACY LC IN ASIA

Displaying the Green X label for its fuel efficiency, the MICHELIN Primacy LC is off to a strong start in Asia. Thanks to its new Silent Rib technology, the tire delivers an exceptionally quiet ride, which helped to earn it the distinction as China Comfort Tire of the Year.

A PROTOTYPE EV TIRE

Presented at the Frankfurt Motor Show, the prototype electric vehicle tire offers several advantages. It can either extend range in EV mode or else allow the use of smaller batteries to increase interior space. At the same time, it offers a safe comfortable ride as well as excellent tread-life and low driving noise.



THE PROFESSIONAL DRIVERS' CHOICE

The MICHELIN Agilis Alpin and MICHELIN Agilis X-Ice North – two new safe, cost-effective winter Light truck tires.

TYREPLUS: NO. 1 IN CHINA

with 660 centers and a total of 998 in 15 countries on 4 continents.

MICHELIN CONFIRMED ITS LEAD IN FUEL-EFFICIENT TIRES IN 2009

- The MICHELIN Energy™ Saver tire was certified for use on more than 100 models and, along with the MICHELIN Primacy HP, was awarded the highest rating in tests conducted by the German Automobile Association (ADAC), Europe's largest auto club.
- In March, the one millionth MICHELIN Energy™ Saver was delivered to PSA Peugeot Citroën, which premiered the tire exclusively on the Peugeot 308 in 2007. The tire will also be the exclusive fitment on the new Toyota Yaris and will equip the new Fusion hybrid from Ford, which presented Michelin with a special award for its commitment to sustainable development.
- The new MICHELIN Energy™ Saver All-Season tire was introduced in North America in the first half.



TRUCK TIRES AND RELATED DISTRIBUTION

Michelin is using innovation to strengthen its undisputed technological leadership in the original equipment, replacement and retread segments of the global Truck tire market.



▲ The multi-purpose MICHELIN X Multiway XD delivers superior performance in all driving conditions. Launched in size 295/60R22.5, it enables truck manufacturers to design taller vehicles with greater load-carrying capacity.

Michelin offers a broad range of Truck tires that is being increasingly specialized to meet the needs of the various segments of the passenger and freight transportation market. It has formed partnerships with truck manufacturers and dealers, whom it is helping to develop and professionalize in fast-growing countries. It provides transport professionals with combined tire and service solutions that optimize their capital budgets, improve the productivity, safety and reliability of their trucks, reduce their operating costs and enhance their competitiveness.

Faced with a record decline in truck registrations and freight transport, Michelin assertively responded in Europe and North America to adjust output and avoid inventory build-up. At the same time, it has continued to align production resources with the demand for new-generation tires made with Michelin Durable Technologies. It is also expanding its retread services, increasing production capacity and developing service networks in fast-growing markets.

**NO. 1
WORLDWIDE**

**26 PLANTS
IN 15 COUNTRIES**

**80% OF TIRES SOLD
IN THE REPLACEMENT
MARKET***

*For radial tires.

Truck tires account for 30% of consolidated net sales.

The global Truck tire market in 2009

	Europe and CIS	North America ⁽¹⁾	Asia	South America	Africa & the Middle East	Total
Original equipment	-63.7%	-37.9%	-15.4%	-22.4%	-62.5%	-39.2%
Replacement ⁽²⁾	-19.8%	-11.6%	-2.9%	-18.6%	-4.5%	-9.6%

(1) United States, Canada, Mexico.
(2) Radial market only.
Source: Michelin estimates.

€ millions	2008	2009
Net sales	5,433	4,496
Operating income*	138	(69)
Operating margin*	2.5%	(1.5%)

* Before non-recurring items.

EARNINGS IMPACTED BY VERY WEAK DEMAND

The fall-off in Truck tire demand that began in Europe and North America in autumn 2008 spread across the world in 2009, before markets stabilized at a very low level in the autumn. With international freight markets still hesitant after contracting sharply in the first half due to the global economic recession, replacement markets ended 2009 down 9.6%, but the decline bottomed out in the third quarter with the end of dealer and fleet destocking. Severely impacted by the recession, original equipment markets plunged 39.2% over the year and have stabilized at very low levels, in line with truckmaker capacity utilization rates.

Net sales in the Truck tires and related distribution segment stood at €4,496 million for the year, down 17.2% on 2008. The impact of the steep decline in sales volumes, which reflected the collapse in demand and its subsequent stabilization, was only partly offset by the sustained focus on extremely firm pricing policies. For the full year, the operating loss before non-recurring items came to €69 million, corresponding to a negative 1.5% operating margin. It swung back to a profit in the second half, however, thanks to firm prices, the positive impact of raw materials prices and higher capacity utilization rates.

IMPROVING TRUCKING COMPANY PERFORMANCE WITH MICHELIN DURABLE TECHNOLOGIES.

Tires account for 2 to 3% of truck fleet operating expense and have a significant impact on fuel consumption, which can represent up to 30% of a truck's operating cost. Hence the importance of total cost of ownership, which includes tire life, retreading and fuel consumption. **Michelin Durable Technologies tires**, such as the MICHELIN Energy™ SaverGreen, **combine a number of exclusive innovations** that enable truckers to safely carry bigger loads over longer distances while burning less fuel and reducing their carbon footprint.



● EUROPE

The replacement market failed to show any growth until September and ended the year down 19.8%. However, after bottoming out in the first quarter, it began to show signs of stabilizing. Demand for retread services rose in the second half. Original equipment demand plummeted 63.7% overall, with declines in both the tractor and semi-trailer segments. The more cyclical heavy-duty (over 16 tonnes) segment considerably underperformed the less than 16 tonne segment.

Original equipment sales fell sharply, but slightly outperformed the market thanks to the effectiveness of the MICHELIN brand. Western Europe accounted for a higher percentage of sales than Central Europe and Russia. The retread business benefited from the upturn in demand.

● NORTH AMERICA

While down 11.6% overall for the year, the replacement market saw a slight uptick in the fourth quarter, primarily reflecting low prior-year comparatives. Freight markets have stopped declining but remain very weak, and have shown no real signs of improvement in recent months.

The original equipment market trended downwards all year, losing 37.9% overall, but the decline eased somewhat in the second half (down 25.7%) compared with the first (down 47.8%). The average age of the North American truck fleet has risen to a record 6.3 years, a level not seen since the early 1990s.

Replacement sales were hurt by weaker demand, although Michelin Durable Technologies products continued to expand. Buoyed by resilient defense sales, original equipment sales did not decline as fast as the market. The Michelin Retread Technologies business was strengthened during the year, particularly in May when a major partnership was formed with Snider Tire Co., the fifth largest independent Truck tire dealer in the United States.

● SOUTH AMERICA

The replacement market improved somewhat in the second half but ended the year down 18.6% overall. In Brazil, demand began showing timid signs of an upturn in mid-November, in line with the improving economy, but import taxes are holding back sales of foreign-made tires, particularly from Asia. Spanish-speaking markets were generally harder hit by the crisis than Brazil, while their foreign tire sales suffered from the import licenses introduced in Argentina and Venezuela.

The original equipment market plunged 22.4% overall, but turned upwards at year-end, rising 14.4% in the final quarter on the recovery in demand in Brazil, where the impact of an improving economy was boosted by government incentives to purchase new trucks.

Sales tracked the market in the replacement segment and did not fall as fast as the market in original equipment. Sales performance in certain Spanish-speaking countries, such as Venezuela, was hurt by the introduction of new import procedures during the year.

● ASIA

Replacement markets declined 2.9% overall, with an improvement in the second half (up 5.5%) compared with the first (down 12.0%). Demand rose in China, India and the ASEAN countries, but declined elsewhere in the region. The market shift to radials continued apace.

Original equipment demand fell 15.4% during the year, which was not as steep as in other regions. Performance varied widely between the mature countries, which saw double-digit drops, and countries like China, with a 4% decline. Demand fell fastest in Japan, at 49% for the year.



THE NEW MICHELIN XTE2 SEMI-TRAILER TIRE,

introduced in size 275/70R22.5, is smaller and lighter than standard tires available in the South American market. It enhances productivity by increasing per-trip load and capacity.

Replacement sales rose over the year, with market share gains led by a positive country mix thanks to rising demand in China, India and certain ASEAN countries like Thailand.

Original equipment sales declined much less than the market, reflecting a more favorable trend in the fourth quarter.

AFRICA & THE MIDDLE EAST

Replacement markets retreated 4.5%, but showed signs of an upturn in the fourth quarter. The economic slowdown hindered improvements in the product mix. With the Saudi Arabian and Algerian economies less adversely affected by the recession, the decline in demand primarily concerned Iran and the Gulf states. The original equipment market dropped 62.5%, reflecting the fact that the region entered the downward cycle later than the others.

In this environment, Michelin strengthened its positions in Algeria and Saudi Arabia, but performance in Turkey was in line with the market.



THE 100th MICHELIN SERVICE CENTER

for truck and bus tires opened in China, as part of the program to triple the number of outlets over the next five years.

RESPONDING TO SERVICE CALLS IN LESS THAN TWO HOURS

Every year, Michelin Euro Assist handles more than 20,000 emergency service calls from truckers in 20 countries across Europe, guaranteeing that each one will be answered in less than two hours.



GEARING UP IN INDIA

With the development of road infrastructure driving a faster shift to radials in the Indian Truck tire market, the Group opened its first Michelin Truck Service Center in the country and plans to build a Truck tire plant in Tamil Nadu State, scheduled to come on stream within three years.

NEARLY 300,000 VEHICLES COVERED BY MICHELIN FLEET SOLUTIONS

Outsourced tire management systems and per-kilometer invoicing appeal to large fleet operators looking for straightforward solutions that increase uptime and lower costs. With operations in 21 countries, **Michelin Fleet Solutions has gained a significant share of the European market**, helping to make customers more productive through preventive maintenance programs and pre-defined per-kilometer costs.

IN THE UNITED STATES, THE MICHELIN X ONE LINE

is being extended to increase mid-range market share in the long-haul segment with a tread that integrates Michelin Durable Technologies. **The highly multi-purpose tire delivers outstanding mileage as well as fuel savings of \$2,000 per tractor per year.**



SPECIALTY BUSINESSES

In serving Specialty tire markets around the world, Michelin leverages its leadership in radial tires to target the most technologically-advanced, value-added segments.



▲ 2009 saw the worldwide launch of the new **MICHELIN XHA2**, which has set the new standard for productivity, safety and user comfort in small and mid-size loader tires. Some 140 dealers from 20 countries were invited to test the tire at the Group's Almeria Technology Center in Spain.

Michelin's regularly expanded range of Specialty tires offers high-technology products and solutions in every market:

- In Earthmover and Aircraft tires, Michelin has developed advanced services that enable customers to maximize use and tire-life, without sacrificing safety performance.
- In Agricultural tires, the Group is working more closely with leading equipment manufacturers and forging partnerships with dealers to improve the quality of services delivered to farmers and to bring to market tires offering the right balance of safety, longevity and soil protection.
- In the Two-wheel segment, Michelin offers motorcycle and scooter enthusiasts innovative, high-performance tires for a safer, yet more exciting ride.

The Specialty Businesses also include:

- Maps, guides and electronic services to enhance mobility by making travel safer, easier and more enjoyable.
- Michelin Lifestyle, which helps to make the brand an integral part of daily lives with an international portfolio of derivative merchandise developed in partnership with licensees.

GLOBAL MARKET LEADER IN EARTHMOVER AND AIRCRAFT RADIAL TIRES

EUROPEAN MARKET LEADER IN AGRICULTURAL TIRES

EUROPE'S LEADING MOTORCYCLE TIRE BRAND

**EUROPEAN MARKET LEADER IN MAPS,
GUIDES AND TRAVEL ASSISTANCE WEBSITES**

16 PLANTS IN 7 COUNTRIES

The Specialty businesses represent 14% of consolidated net sales.

€ millions	2008	2009
Net sales	2,307	2,031
Operating income*	412	270
Operating margin*	17.9%	13.3%

* Before non-recurring items.

● OPERATING MARGIN LOWER, BUT STILL HIGH

Net sales declined by 12.0% to €2,031 million in 2009, reflecting the steep fall-off in demand in every market except Mining and Quarries. Volumes contracted in the original equipment Earthmoving, Infrastructure and Agricultural segments, while in the second half, certain price lists were adjusted downwards in application of clauses indexing them to raw materials costs. Operating margin remained high, at 13.3% compared with 17.9% in 2008. The decline in sales volumes was only partially offset by the price mix, which remained favorable despite the downward adjustment in certain prices indexed to raw material costs.

● EARTHMOVER TIRES: RESILIENT SALES IN THE MINING AND QUARRIES SEGMENT

Demand in the global Mining and Quarries segment held firm at record highs in 2009, when customers took advantage of the increased supply of high-performance tires to refit their equipment. The market was also supported by strong demand for ore and energy in fast growing countries. The original equipment market stayed very depressed, however, particularly in mature regions, but showed some timid signs of a technical rebound in the fourth quarter. Demand in the infrastructure segment remained very weak in every region.

Unit sales were resilient in the Mining and Quarries segment, but declined in Infrastructure and original equipment. In revenue terms, net sales were adversely affected by application in the second half of contractual clauses indexing prices to raw materials costs.

MICHELIN REGULARLY RECEIVES AWARDS FROM CONSTRUCTION EQUIPMENT MANUFACTURERS.

In 2009, for example, the MICHELIN Earthmover tire Product Line earned **Quality Excellence Certification** from Caterpillar, while Komatsu awarded Michelin its **Preferred Partner and Strategic Supplier Award**.

OPEN-PIT MINE OPERATORS

are constantly focused on carrying as much ore as quickly and as cheaply as possible. Tires represent approximately 20% of mine operating budgets.





● AGRICULTURAL TIRES: STRONG PERFORMANCE BY THE MICHELIN AND KLEBER BRANDS

Both the replacement and the original equipment markets suffered during the year from the decline in farmer purchasing power and the resulting hesitation to invest. Demand fell off sharply, particularly in Europe and North America and across every segment, including high-powered farm machinery that had previously fared better in the downturn.

As a result, net sales generally declined over the year, despite the sustained shift upmarket in the product mix, increased cooperation with leading equipment manufacturers and the performance of the Group's premium brands (MICHELIN and KLEBER).

PROVEN SUPERIOR RETURN ON INVESTMENT WITH MICHELIN ULTRAFLEX

Michelin's exclusive Ultraflex technology demonstrates its superiority every day, reducing slippage by around 40% and **lowering the fuel bill by up to 10%**, while improving soil protection, crop yields, on-road driving comfort and tire-life.



◀ More than 700 sales outlets in Europe are involved in the Michelin Exelagri program, which guarantees the highest standards of quality and professionalism.

● TWO-WHEEL TIRES: MARKET SHARE MAINTAINED IN THE PREMIUM SEGMENTS

The Two-wheel tire market fared relatively better than the other Specialty markets, with a decline in the replacement motorcycle segments in Europe and North America but firm demand in high-growth markets.

Net sales tracked markets down, although the strong brand image still enjoyed by the recently introduced lines, particularly in Europe, helped to maintain market share in the premium segments.



START-UP OF DELIVERIES OF OE MOTORCYCLE TIRES FOR HARLEY-DAVIDSON

Developed specifically for Harley-Davidson, the MICHELIN Scorchers 31 tires fits four 2010 Dyna models.

● AIRCRAFT TIRES: A SUSTAINED SHIFT TO RADIALS

Demand was weakened in 2009 by the economic slowdown, which particularly hurt the General Aviation segment and, to a lesser degree, the Commercial and Regional segments, with North America harder hit than Europe. Demand for military aircraft tires was stable over the year.

Michelin sales rose during the year, lifted both by a favorable price environment and the market's continued shift to radials. The USAF delivery contracts are proceeding as scheduled.

MICHELIN'S LOGISTICS PERFORMANCE RECOGNIZED BY THE US ARMY

Michelin North America received **two Best Value Awards for exemplary logistics performance**, one for aircraft tires and the other for ground tires.



PARTNERSHIP WITH AGCO CORPORATION STRENGTHENED

A long-term agreement signed with AGCO Corporation, a farm equipment manufacturer and marketer, has strengthened Michelin's cooperation with the US-based company in R&D, marketing and sourcing.



THE MICHELIN POWER RESEARCH TEAM

Michelin has entered the Michelin Power Research Team in the Endurance World Championship. The Team acts as a high-speed laboratory on wheels, to ensure that Michelin's motorcycle racing expertise is transferred to the street tire lines.



16 RUBBER COMPOUNDS AND 27 TIRES

Available in 16 rubber compounds and 27 versions, the latest offering in the hypersport range, the MICHELIN Power One, integrates technologies developed through Michelin's racing expertise to deliver exceptional handling on street and track alike.



FLYDUBAI TAKES OFF ON MICHELINS

One of the Middle East's leading low-cost airlines, Flydubai has signed an exclusive ten-year contract to equip all of its aircraft with MICHELIN tires.

NEW TIRES FOR CYCLISTS

The new 2010 bike tire lines were unveiled at the 2009 Eurobike trade show. The MICHELIN Wild mountain bike range integrates innovative technologies, while for road use, the MICHELIN Lithion2 tire offers the ideal compromise between grip and a smooth ride. Lastly, the MICHELIN Pro Optimum set extends the MICHELIN High Performance range with enhanced grip for greater safety on the front and more resistance and longer tread-life on the rear.





▲ Launch of the MICHELIN Guide Hong Kong & Macau

MAPS AND GUIDES

● **THE LEADER IN TOURIST PUBLICATIONS**, Michelin holds a 35% share of the French Map and Guide market and a 73% share of the road map segment.

The MICHELIN Guide is the benchmark for gourmet dining guides with a 40% market share. The 100th edition of the Guide to France was a resounding success, selling 10% more copies than the prior-year edition. iPhone applications have been developed to access restaurants listed in the MICHELIN Guides for France, Germany, Spain & Portugal, Italy, the United Kingdom, New York City and San Francisco. The year saw the successful launch of the MICHELIN Guide Kyoto & Osaka 2010, with 80,000 copies sold in the first month. This is the second MICHELIN Guide to Japan, after Tokyo.

● INNOVATION AND INTERNATIONAL EXPANSION

In addition to the MICHELIN Guide Kyoto & Osaka 2010, other new titles and collections released in 2009 included a guide with 80 itineraries for motorcyclists, a new edition of the Escapades guide for camper-van vacationers and the Green Guide Weekend series for short-stay getaways.

In 2009, the MICHELIN Green Guide collection comprised 313 titles in 11 languages, marketed in nearly 100 countries. More than 1.5 million MICHELIN tourist guides were sold worldwide. Information from European Green Guides, which include more than 22,000 addresses in 24 countries, is now available in five languages via a Windows phone application. To stimulate the declining road map market, a promotional campaign called "Never without my MICHELIN map" was conducted with Yahoo! to demonstrate how well print maps fit with their increasingly popular electronic versions.

ViaMichelin's iPhone traffic information application ▶



VIAMICHELIN

● **EUROPE'S SECOND MOST VISITED MAP WEBSITE⁽¹⁾**, **VIAMICHELIN.COM** provides drivers, pedestrians and cyclists with maps and itineraries, as well as online hotel bookings and other practical services.

Available in eight languages, the site was recently revamped and enhanced with the addition of road safety information and a function enabling tourism and lodging professionals to pinpoint their establishment on a contextual map.

(1) Source: comScore.

● NEW MOBILE PHONE-BASED SERVICES

During the year, ViaMichelin successfully launched two iPhone applications, one paid for restaurants in the MICHELIN Guide and the other a free, ad-funded app for traffic information. A worldwide partnership with Nokia enables users of certain mobile phones to access information about restaurants, hotels and tourist sites featured in Michelin publications.

In addition, ViaMichelin strengthened its position as the leading provider of French traffic information to carmakers and GPS manufacturers. Lastly, the site offering geolocation solutions to businesses was also reworked and can now be accessed via the public site.

EMPLOYEES, PARTNERS & SOCIETY





EMPLOYEES, PARTNERS AND SOCIETY
**RESPECT
FOR PEOPLE**

Michelin is committed to developing lasting, constructive relations with employees, manufacturing and sales partners, public authorities, non-governmental agencies, the media and local communities around its facilities.

DEVELOPING PEOPLE
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**IMPROVING SAFETY
AND WORKING CONDITIONS**
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PROMOTING DIVERSITY
PAGE 72

INVOLVING SUPPLIERS
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**WORKING WITH GOVERNMENTS
AND ORGANIZATIONS**
PAGE 75

SUPPORTING LOCAL COMMUNITIES
PAGE 76

EMPLOYEES, PARTNERS & SOCIETY

COMMITTEE



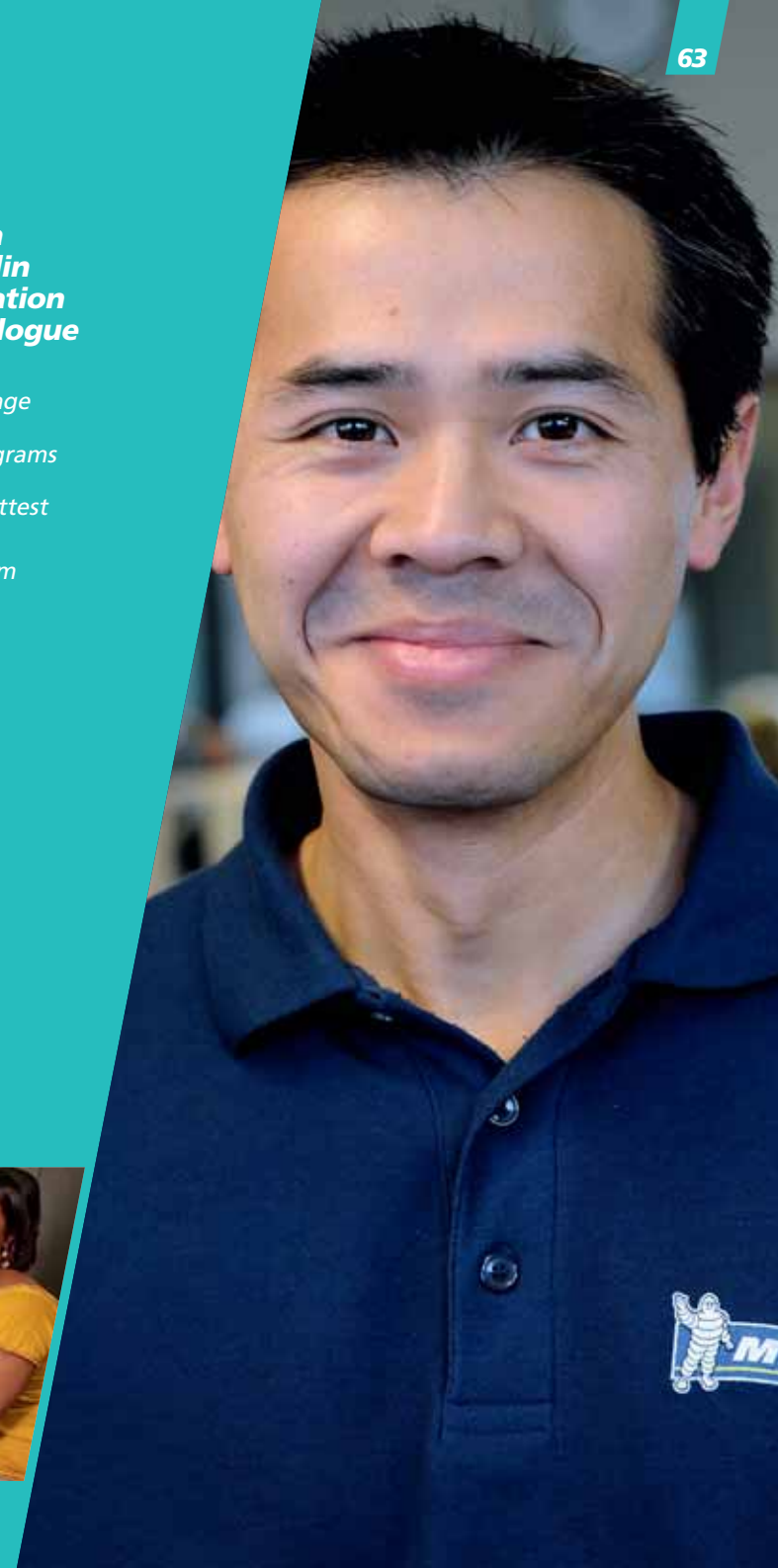
Between Michelin and its employees, there is a long-term commitment. People come to Michelin not just for a job, but for a career in an organization whose employee relationships are rooted in dialogue and mutual respect.

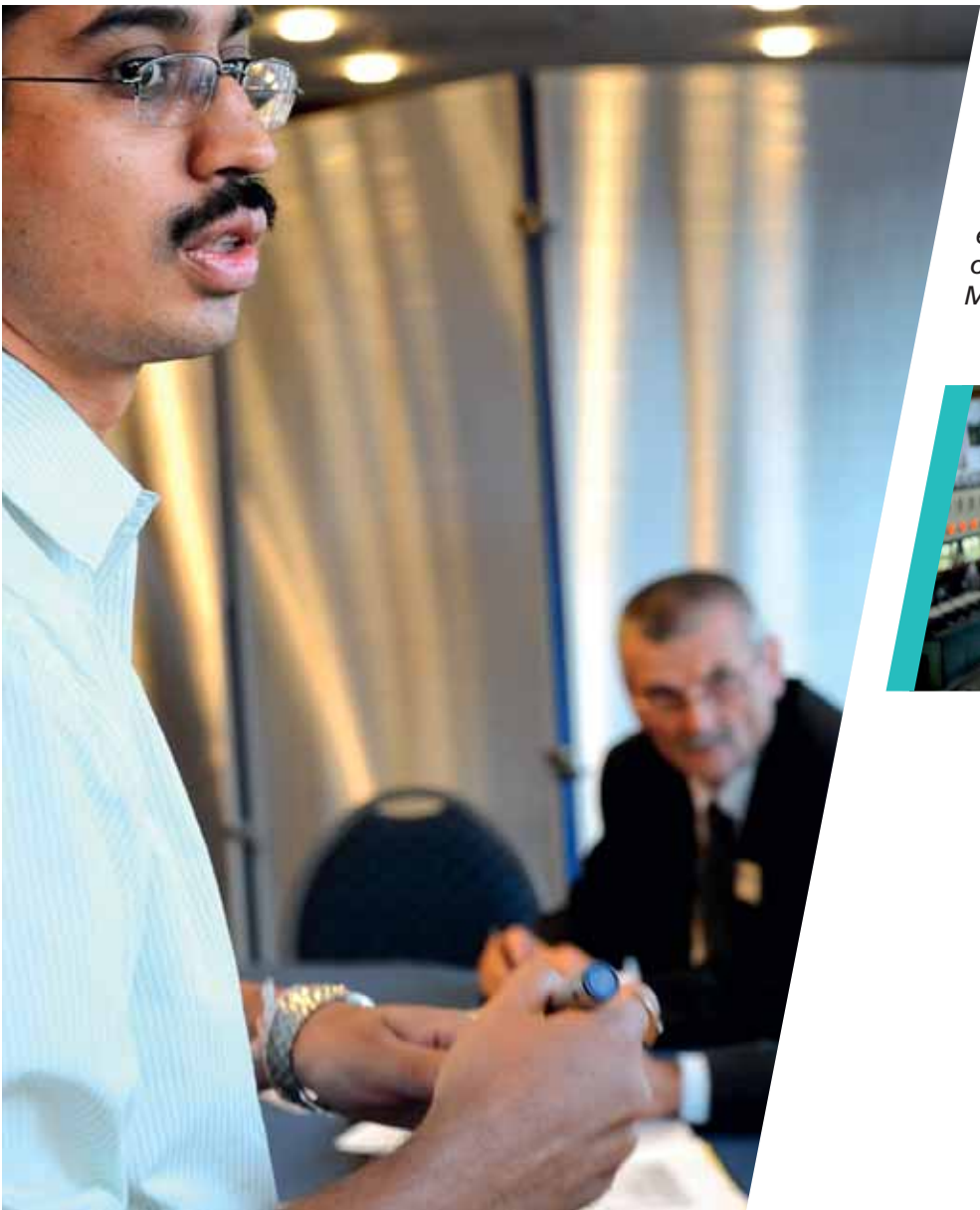
Employee pride in their Company is reflected in their loyalty (average seniority is over 15 years and the voluntary separation rate is 2%) as well as in their active participation in employee shareholder programs (over 56% for the most recent plan). Moreover, the dedication and community spirit they demonstrated at the height of the crisis attest to the strength of Michelin's core values.

At Michelin, employee relations focus on three key areas: helping team members to more effectively carry out their duties; ensuring health and safety in the workplace; and promoting diversity, which Michelin considers is a source of mutual benefit and a driver of creativity and performance.

With regard to outside partners, Michelin is committed to establishing fair and lasting relations with suppliers, supporting the development of local communities by acting as a good corporate citizen, and maintaining constructive dialogue with public authorities so that all stakeholders can move forward together to meet the challenges of sustainable mobility.

NT





DEVELOPING PEOPLE

A balance must be found between the ongoing search for operating excellence and the development of each person's talent, which is a source of creativity and innovation. Achieving that balance is the only way to ensure Michelin's long-term viability.



● DRIVING PERFORMANCE BY HELPING PEOPLE TO GROW

Developing people means working with employees to chart career paths that are aligned with an individual's abilities and aptitudes and supported by skills enhancement programs and results-based compensation systems.

● ENABLING MANAGERS TO STRIKE THE RIGHT BALANCE BETWEEN PERSONAL GROWTH AND BUSINESS PERFORMANCE

On a day-to-day basis, managers are responsible for maintaining the right balance between personal development and corporate performance. In 2009, the importance of personal growth was reaffirmed with the launch of a continuous improvement program called Performance Management. Designed to help managers find their bearings in an increasingly challenging, complex work environment, the program will be deployed in 2010 and 2011.

● PROVIDING INDIVIDUAL CAREER MANAGEMENT

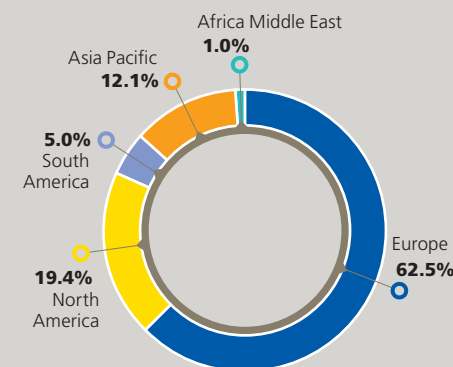
To reconcile corporate needs and employee expectations with regard to job fulfillment, career development and compensation, a process based on regular dialogue and individual career management has been deployed, with responsibility shared by three parties: the employee, his or her supervisor and a career manager.

THE WIDESPREAD USE OF ANNUAL PERFORMANCE REVIEWS

with management makes it possible to assess individual achievements and discuss career development prospects.

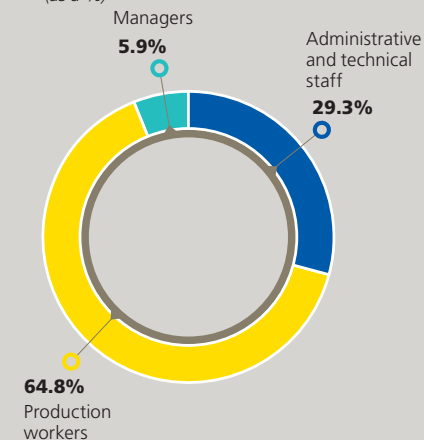
Employees by region 109,193 people

(total workforce at December 31)



Employees by job category*

(as a %)



*Excluding distribution.

The 400 career managers at Michelin sites around the world accompany employees step-by-step as they advance along their career paths. This organization makes it easier to prepare for and carry out job changes, with the process generally defined in individual discussions and management reviews.

Promoting from within is a very important personnel management tool at Michelin. It is supported by well-defined appraisal and career management methods and a vast array of mobility opportunities. Experts, managers and cross-functional team facilitators, for example, can easily move from one position or one country to another during their careers. In 2009, 71.5% of vacancies were filled through internal mobility and 27.3% of managers changed jobs.

Studies and surveys are carried out to measure employee satisfaction and motivation.

ENCOURAGING PERFORMANCE

Earning the commitment of team members also requires aligned, attractive compensation policies, notably in fast-growing countries where employee retention is especially important. Every employee benefits from performance-based compensation that, depending on the country, may involve profit-sharing and incentive bonus programs based on clearly defined criteria and adapted to local conditions and the employee's responsibilities.

Employees can acquire a stake in Michelin through employee shareholder plans introduced around the world, and stock option plans are used to reward outstanding performance at all levels of the organization.

ATTRACTING AND RETAINING THE BEST PEOPLE

Michelin is facing a major demographic challenge. Between 2008 and 2012, approximately 30,000 employees will retire and 20,000 people will be hired, mainly in high-growth countries where operations are expanding quickly. Of the new hires, 70% will be recent graduates. The challenge is to attract and retain the best of them, provide them with Michelin's expertise and develop their full potential.

That's why Michelin is strengthening its long-standing, close-knit relations with schools and universities. This is the case in China, for example, where many development projects are underway, as well as in a number of other countries. A new employee orientation process is also being deployed.





● ENGAGING IN CONSTRUCTIVE SOCIAL DIALOGUE

Michelin is committed to frank, open-ended dialogue with employee representatives. In 2009, some 2,049 meetings were held with union representatives and 49 collective bargaining agreements were signed, covering 51,000 employees in 15 countries.

Discussions with the Michelin European Works Council, which is comprised of members from 23 countries, were devoted mainly to adjustment plans and change management programs. In the United States, meetings are held regularly with the United Steelworkers of America. In Brazil, overall employment conditions and salary increases are negotiated once a year with the Rubber Industry Employees' Union in Rio de Janeiro State. Other examples of social dialogue include a collective agreement on salaries, working hours and working conditions signed in Mexico and an agreement on the terms and conditions of employee bonuses signed in Thailand.

● EFFECTIVELY INTEGRATING NEWCOMERS

New hires receive personalized support during their first months at Michelin. All managers and supervisors attend a personalized integration program, prepared by a dedicated member of the personnel team in cooperation with the participant's supervisor and a career management officer.

The process entitles managers to:

- An individualized program to prepare them for their new duties.
- Two weeks on the front line in a plant or a dealership to see first-hand how tires are manufactured or marketed.
- A three-day integration seminar, held within their first two years on the job, to deepen their knowledge of Michelin and develop a network of business contacts.

- Subsequently, a one-month international integration session to enable managers to learn more about corporate strategy, enhance their skills and capabilities, and create an international contact network.

Incoming administrative and technical staff take part in a three-day integration program called "A Better Way to Start" that is designed to teach them about Michelin, its history, values, environment, organization and businesses. The program enables employees to become familiar with the challenges and opportunities facing the Group and to bond with colleagues to create personal networks.

● TRAINING TO GROW AND DEVELOP

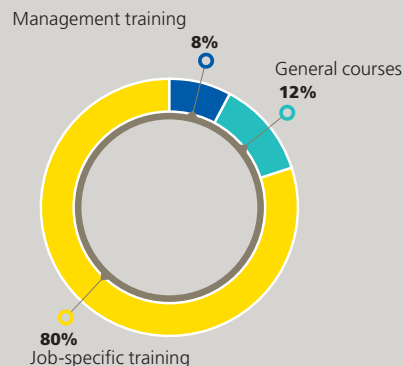
The Michelin organization promotes individual initiative and responsibility.

Training encourages personal growth, skills-sharing and openness to change. Programs are designed to help team members carry out their responsibilities efficiently and prepare for an array of new career opportunities. With 6 million hours of employee training representing 3.9% of total hours worked, Michelin ranks in the top half of the world's 500 largest companies.

The quality of the initial training for incoming employees is a top priority. In 2009, 89% of administrative and technical staff and managers and almost all production workers took part in individual training programs when moving into new jobs.

Special attention is also paid to workplace safety and to seminars that enable managers to acquire or improve their understanding of key strategic issues.

6 MILLION HOURS OF TRAINING IN 2009



MORE THAN 80% OF MANAGERS AND 100% OF NON-MANAGERS

took part in a training session in 2009.



Training per employee per year (in hours)

2007	2008	2009
63	69	66

Hours of training per number of hours worked

(as a %)

2007	2008	2009
3.7%	4.2%	3.9%

BUILDING A NEW CAREER

Professional transition workshops set up at the Toul plant enabled 826 employees to look for work full time for periods of 10 to 13 months. Organized in partnership with France's Pôle Emploi employment agency, the workshops provided access to advisory services, information meetings, technical training and opportunities to certify skills learned on the job. Thanks to this innovative practice – and despite the recession – **almost 90% of staff had implemented a new personal business project** two years after the announcement of the plant closing.



● SHARING BEST PRACTICES

Michelin has made major efforts to shorten decision-making processes, promote cooperation within the organization and enhance efficiency in all areas.

This transformation is based mainly on identifying and sharing best practices, upgrading professional skills and winning employee support for a shared set of methods and common objectives. To achieve excellence, a number of programs have been deployed, including Michelin Manufacturing Way, Michelin Design Way, Michelin Selling Way, Michelin Purchasing University and Ecole des Métiers de la Finance. All of these programs are intended to help identify and spread best practices throughout the organization.

● IMPROVING RESPONSIVENESS

Faced with weakness in its markets, Michelin has had to adjust its output. To limit the impact on employees, plant managers have used all available resources, including time-off, early vacation, maintenance work and training periods. In France, for example, 21,000 training days were held during the first four months of the year, enabling a 60% reduction in the number of short workweeks. In all, 3,600 people received training thanks to these initiatives, which will help to make the Group's plants more competitive.

● ADJUSTING TO ENHANCE PERFORMANCE

In today's constantly evolving world, companies need to continually adjust their operating procedures in order to improve business performance. That's why Michelin has launched a transformation project in its Research-Development-Processing Industrial Division designed to provide customers with more value while streamlining production start-ups. The purchasing process has also been overhauled and team members are successfully leveraging their professional skills acquired at the Michelin Purchasing University. A reorganized marketing structure has helped to improve sales performance, while changes in manufacturing operations have enabled reductions in production costs. In short, the entire Company is being transformed to meet the challenges of tomorrow.

● PREPARING AND SUPPORTING RESTRUCTURING INITIATIVES

A number of restructuring programs were undertaken in North America and Europe that affected slightly more than 5,500 employees in 2009. These programs are generally announced eight to twelve months in advance so that concerned employees have time to prepare – carrying out skills assessments, defining their professional goals and receiving training to expand or upgrade their capabilities. The time is also used to define appropriate support measures with employee representatives.



MAINTAINING THE TRAINING COMMITMENT

In La Roche-sur-Yon, France, the plant manager took advantage of the slowdown in operations to provide the site's employees with **training in safety, quality and systems to enhance efficiency and drive improvement**. Employees participated in 12 days of training in April and an additional four days in June. The goal was both to **avoid the need for short workweeks and to emerge from the crisis better equipped for the future**. This approach was introduced in most plants affected by the 2009 production cutbacks.

Michelin offers all concerned employees opportunities within the Group or individual support if an outside solution is preferable or necessary. This support may include financial assistance, personal attention and aid with job search services or training programs.

In June 2009, Michelin announced plans in France to reorganize the Tours and Montceau-lès-Mines facilities and to close the plant in Seclin and transfer its production to Clermont-Ferrand. The resulting adjustments in staffing, which will affect 1,093 people, will be carried out through pre and early-retirement arrangements (for around 500 people), transfers to other positions in the Group (around 250) and outplacement support programs (around 350). At the same time, Michelin has implemented a voluntary separation plan that will concern more than 1,800 people, most of whom through pre-retirement leaves. The plan will support further adjustments in the workforce by opening up transfer opportunities for employees affected by plant restructurings and enabling the hiring of people in fast changing skills-sets.



E-LEARNING

A 15-module e-learning program is helping to reduce the amount of time new managers spend in classroom training. Available worldwide, the solution is especially useful for managers located far from countries where Michelin has manufacturing operations.



38,858 PROGRESS IDEAS

submitted by employees in 2009, including one from Augustin Cuesta, who suggested putting carbon black in the cleaning gums to make them less sticky.

IMPROVING SAFETY AND WORKING CONDITIONS

By making workplace safety a priority, Michelin today ranks among the world's safest manufacturing companies, with a lost-time injury frequency rate of less than 2 for the past two years. In addition, 32 reported no lost-time injuries in 2009, 22 of them for the third year in a row.



◀ At the offices in Brézat, France, sales assistants can take their breaks in a special room equipped with relax chairs and light therapy facilities.

● SUPERIOR PERFORMANCE DRIVEN BY EMPLOYEE COMMITMENT

In addition to the technical improvements made in workstations, employees are actively committed to ensuring their own safety and that of others. In 2009, more than half of all employees were involved in workplace safety initiatives and four *Michelin Safety Awards* were presented.

● SUPPORTING IMPROVEMENT THROUGH TRAINING

The program to train supervisors in preventing workstation accidents was pursued in 2009. The program, which is designed to create an accident-free workplace by instilling a real safety culture, has been attended by 2,000 people over the past two years. Road safety awareness-building and training sessions have also been introduced.

Prevention programs are also being conducted for subcontractors and temporary employees. The results are encouraging, with the lost-time injury frequency rate divided by 2.5 in four years.

● ELIMINATING THE MOST SEVERE ACCIDENTS

To lower the lost-time injury severity rate, prevention programs have been introduced at all sites for those four types of risk: in-plant traffic, working at heights, power distribution and lockout procedures during maintenance work.

Sadly, the Group experienced a number of deaths in 2009. In Thailand, a subcontractor employee had a fatal accident while handling a waste container and in France, an employee took his life at work.

● IMPROVING ERGONOMICS AND PREVENTION

Improving workstation ergonomics is a long-term process. On-site, ergonomists and local teams identify areas for action and implement corrective measures that are shared via the Group ergonomics network. Solutions are designed into projects from the outset, backed by a dedicated budget that has been extended for 2010.

The corporate team in charge of occupational health and hygiene manages chemical and asbestos-related risks, sets guidelines and monitors action plans. Two dedicated risk analysis tools for each area have been developed with the Bureau Veritas certification firm. The new computerized system to create and manage safety documents for all of the products used will be completed in 2010.

Occupational medical check-ups focus on prevention. A *Guide to Health Service Activities* based on best practices defines organizational structures, priorities and action plans for each region.

● PRACTICAL STEPS TO PREVENT AND PREPARE FOR A POSSIBLE INFLUENZA A PANDEMIC

To protect employees and prevent operation interruptions in the event of an Influenza A pandemic, a number of measures have been introduced to minimize the disease's spread in the workplace. These measures, which take into account World Health Organization alert levels and the type of operations, can be activated whenever a major risk of contagion exceeds a clearly defined threshold. They would apply to everyone on a Michelin site, whether employees or subcontractors.

● PREVENTING STRESS-RELATED RISKS WITH THE OCCUPATIONAL MEDICINE TEAM

Michelin has been addressing the impact of psychosocial risks in the workplace since 2002. In France, for example, occupational physicians, personnel department and team managers have all attended stress management courses, with more than 2,700

people having taken part in training sessions at year-end 2009. Today, all new management hires are offered a similar course, while a two-hour module introduced in 2007 helps operators to manage their own stress and to identify and help people in trouble needing assistance.

In Clermont-Ferrand, two stress measurement surveys were introduced as early as in 2008: a questionnaire that is gradually being deployed throughout the organization and a survey of a department with 400 employees conducted by an outside firm. These surveys, which will be carried out on a regular basis, have not revealed any particular anomalies or deterioration in the situation.

In early 2009, teams began preparing a psychosocial risk prevention system based on an objective assessment method that will be tested in 2010. Developed by the risk prevention and personnel departments, working with physicians and ergonomists, the system analyzes and quantifies a number of factors, including workloads, deadline-related stress and the degree of autonomy.

A REMARKABLE REDUCTION IN OCCUPATIONAL ACCIDENTS

Lost time injury frequency⁽¹⁾ and severity⁽²⁾ rate

Number of plants with a lost time injury frequency rate of 0

	2009	2008	2007	2006	2005
Lost time injury frequency rate	1.41	1.85	2.39	2.55	3.61
Severity rate	0.18	0.21	0.21	0.21	0.25
Number of plants with frequency rate=0	32	30	18	7	8

(1) Lost time injury frequency rate: Number of lost-time injuries per million hours worked.
 (2) Injury severity rate: Number of working days lost to accidents per thousand hours worked.
 Frequency rate=0: Number of plants with no injuries resulting in lost time of more than one day.

2009 MICHELIN SAFETY AWARDS

Four Michelin Safety Awards were presented in 2009.

SAFETY INITIATIVES

The goal for year-end 2010 is for 65% of employees to be involved in safety initiatives.

ROAD RISKS

The target is to reduce by one-third the number of employee road accidents by 2011, compared with year-end 2008.

PREVENTION

A detailed, standardized prevention document is being prepared for each workstation, including in administrative offices. This major project will be completed in 2012.



▲ At the offices in Clermont-Ferrand, France, the Oxygène program offers participating employees on-site sports and fitness facilities.



PROMOTING DIVERSITY

Just as its local regions are diverse, Michelin promotes diversity in the workforce and supports the principle of equal opportunity through a structured approach designed to eliminate discrimination in the hiring, integration, skills development and career management processes.



▲ 76% of Michelin employees are non-French. Overall, 120 nationalities are represented within the Group

● AN EFFECTIVELY STRUCTURED APPROACH

A comprehensive diversity policy was introduced in 2002. Led by a Group level manager and a Diversity Steering Committee, the policy is supported by local country correspondents where Michelin is located and a worldwide network of 600 employees. To deploy its diversity policy and measure its impact, Michelin has chosen five priority paths and six performance indicators, such as hiring women and minorities and promoting geographical mobility. Diversity goals have been clearly defined for all host countries.

● TRAINING EVERYONE IN DIVERSITY SENSITIVITY

Sensitivity campaigns and special training programs have been introduced to promote equal opportunity and competency-based hiring and promotion practices, with the goal of instilling an effective diversity culture throughout the organization. Between 2007 and 2009, diversity training courses were attended by executive committee members, managers, personnel teams and production workers.

IN FRANCE,

disabled employees accounted for 7.5% of the workforce at year-end 2009, above the 6% legally-mandated quota. During the year, an agreement on gender parity was signed with union representatives, in a commitment to ensuring equal employment opportunities for men and women and an equitable work/life balance.

IN GERMANY,

a program called *Beruf und Familie* (Job and Family) was set up to help employees achieve a good work/life balance.

IN THE UNITED STATES,

Michelin was selected for the fourth time as one of the best employers for people over 50 by the American Association of Retired Persons.

IN BRAZIL,

Michelin has hired 58 disabled people, 39 of whom are hearing-impaired. To ease their entry into the workforce, their workstations have been specially equipped and their managers and teammates have received instruction in sign language.



IN CHINA,

34% of managers and 10% of Executive Committee members are Chinese nationals.

IN NOVA SCOTIA, (CANADA),

Michelin signed an agreement with government authorities and local African-Canadian community leaders to promote the hiring of people of African origin.



A 2009 DIVERSITY AWARD FOR MICHELIN

Every year, a group of French organizations specialized in diversity issues* presents Diversity Awards to companies excelling in a given area of diversity. In 2009, Michelin received the Award for companies with the most innovative way of promoting diversity, in recognition of its employee training and awareness-building initiatives.

* ACSE, AFPA, AGRH, IAS, AFMD, ANACT, ARACT Corse, ANDRH, AINF, ADERSE, AIRTE, Management en Avenir, Diversity Conseil, CCM Airlines and Les Marianne de la diversité.



In France, some 2,000 managers, 120 personnel officers and 400 production workers have been trained. The goal is to extend the program to the Group's 23,000 employees in France by 2012.

Combining theory, practice, individual assignments and role-playing, these training programs are organized around small groups of approximately ten people. They help employees to recognize discriminatory situations and behavior, avoid stereotyping, become familiar with laws and regulations, and work as members of diverse teams. They also encourage participants to undertake meaningful initiatives that promote diversity.

MONITORING AND MEASURING DIVERSITY

Michelin has chosen five priority paths...

- Gender parity • Age • Physical capabilities • Ethnic origin
- Cultures and nationalities

... and tracks six indicators

	2009
Women employees	14.0%
Women hired	20%
Non-French senior managers	45.7%
Women senior managers	10.5%
Disabled employees	2.5%
Average difference in men and women's compensation	
• Production workers	-2.2%
• Administrative and technical staff	-2.3%
• Managers	-5.9%

A NEW PROGRESS IDEA THEME

More than 20,000 Progress Ideas were adopted in 2009, including **the designation of Diversity as a new Progress Idea category**, alongside safety, working conditions, quality, environmental stewardship and cost savings.



INVOLVING SUPPLIERS

Michelin suppliers comply with Michelin's quality, cost and reliability standards and pledge to improve their human relations and environmental performance.

● AN IMPORTANT CONTRIBUTION TO BUSINESS PERFORMANCE

Michelin's purchases in 2009 totaled €8.7 billion, representing nearly 60% of net sales. The Group has deployed considerable resources to make the purchasing process more professional and efficient, in particular by:

- Enrolling 350 procurement team members in the Michelin Purchasing University training program by 2011.
- Expanding partnerships with strategic suppliers by involving them more fully in the search for new solutions and, more generally, by forging stronger ties through the Supplier Relationship Management (SRM) program.

● ETHICAL GUIDELINES FOR BUYERS AND SUPPLIERS

Published in 2004, the *Michelin Purchasing Code* presents principles in the areas of human relations, working conditions, and health and safety that suppliers are expected to uphold in their relations with employees and local community residents.

A guide to ethical practices also defines buyer obligations with regard to suppliers in such areas as competition, confidentiality and personal behavior.

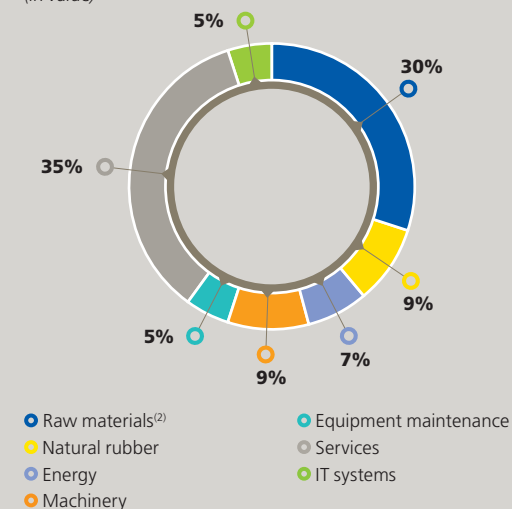
● HELPING SUPPLIERS IMPROVE ETHICAL PRACTICES

Clauses in the *Michelin Purchasing Code* are gradually being inserted into contracts and have been added to supplier evaluation questionnaires and audit guidelines. Evaluation scales for raw material suppliers now include criteria covering environmental issues, labor law, ethics and corruption, safety, and workplace ergonomics.

Every year, Michelin teams carry out 30 to 40 supplier audits. In rapidly-growing countries, tours of supplier facilities are conducted regularly and recommendations are made about occupational safety and ergonomics. More broadly, Michelin helps suppliers develop improvement plans not only to enhance the value of their products and services but also to boost their social, environmental and ethical performance.

IN NORTH AMERICA,
Michelin also promotes diversity among its suppliers by encouraging business relations with minority-managed companies.

Purchases of goods and services in 2009⁽¹⁾
(in value)



(1) Excluding purchases of finished products.

(2) Excluding natural rubber.

> To find out more, please visit www.michelin.com/purchasing.

> Michelin and rubber producers pages 92-93

WORKING WITH GOVERNMENTS AND ORGANIZATIONS

Michelin works alongside governments, associations, NGOs and other businesses to make mobility safer, quieter, more fuel-efficient and more fluid.

● ACTIVELY PARTNERING WITH THE WBCSD

- The World Business Council for Sustainable Development (WBCSD) Tire Industry Project, which brings together 11 tire manufacturers, is conducting an in-depth study of the environmental impact of tire wear particles using a collection method developed by Michelin.
- The Mobility for Development project is assessing the ways in which mobility supports economic development in fast-growing countries.

● INITIATIVES TO IMPROVE ROAD SAFETY

Michelin is involved in a number of programs to improve road safety in fast-growing countries:

- With the Global Road Safety Partnership (GRSP), which Michelin has chaired since October 2007. Initiated by the World Bank and the World Health Organization, the GRSP provides government officials in high-growth countries with technical assistance and advisory services. Its work is internationally recognized as the benchmark with regard to road safety.
- With the Global Road Safety Initiative (GRSI), an association of seven private companies supported by an annual budget of \$10 million. Michelin has renewed its commitment to the GRSI through 2014.
- With the World Health Organization, to produce accident prevention commercials and help create the YOUth for Road Safety association (YOURS), which was launched at the first

Global Ministerial Conference on Road Safety in Moscow in 2009. At the Conference, YOURS issued a declaration entitled "Youth Leaders Commit to a Decade (2010-2020) of Action for Road Safety."

A signatory of the European Road Safety Charter, Michelin also directly manages a large number of awareness-building campaigns, such as Road Safety for Young People in Europe (ROSYPE). As part of this campaign, on June 15, 2009, Michelin committed to reaching some 700,000 young people in three years.

● TIRE LABELING: A STEP FORWARD IN 2009

Michelin supports measures adopted by the European Union in 2009 to define a tire's impact on vehicle fuel efficiency, set minimum performance thresholds and inform consumers. In 2012, tires sold in Europe will display labels indicating their energy efficiency, wet grip and noise performance. Beginning in 2012, new vehicles in Europe will be equipped with tire pressure monitoring systems.

The United States approved a similar law in 2007 that will take effect in early 2010.

IN THAILAND,

Prime Minister Abhisit Vejjajiva presented Michelin with the Prime Minister Road Safety Award.



MICHELIN PERIODICALLY HOLDS DIALOGUE ON MOBILITY IN PARIS AND BRUSSELS

These events provide an opportunity for in-depth talks between high-level civil servants and industry experts on various societal issues. In 2009, Michelin brought together a panel of decision makers and other concerned parties to discuss compliance assessment and restructuring initiatives.

PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

As part of its commitment to more sustainable mobility, Michelin plays an active role in many international organizations, such as the International Energy Agency, the International Transport Forum and the World Economic Forum.



▲ In Jianyou, China, a school for disabled children that was destroyed by an earthquake in May 2008 reopened in September 2009, thanks to support from Michelin.

SUPPORTING LOCAL COMMUNITIES

Michelin plays an active role in all its local communities, deploying dedicated resources to support local job creation and economic development.



▲ First Michelin Junior Bike event organized in Venezuela in September 2009.

● SOLIDARITY IN ACTION

In 2009, Michelin employees devoted more than 14,200 days to community support initiatives, with the Group providing financial backing that totaled some €9 million. Over 2,000 such initiatives have been identified across the organization. Preferred areas for action include safer mobility and transport, educational and employment opportunities for young people, and support for cultural, sports and community programs. Michelin sites work with municipal authorities, emergency services and accident prevention associations to raise young people and parental awareness of the importance of road safety through a variety of events. These include classes for schoolchildren, drawing contests, games and sponsorship of local auto club programs.

Some of these programs have taken on national scope, such as *Achtung Auto*, carried out in partnership with the German auto club ADAC, which has reached more than one million secondary school students; Michelin Junior Bike, in which more than 200,000 children have taken part, mostly in France, Italy and Canada; and a road safety program in Brazil called *Na Pista do Melhor Caminho* for young people in Rio de Janeiro State.

● PROVIDING HELP WHERE NEEDED MOST

Plants and their employees provide assistance and work to improve living conditions where the need is greatest. Following the 2009 earthquake in China, for example, Michelin teams contributed food, helped to build homes and donated tires for emergency service vehicles.

A number of Group units are also involved in long-term projects to develop innovative educational programs.

In Thailand, the Michelin Children's Art Contest encourages participants to apply their artistic talents to showcase the need for environmental protection, while every year since 2003, Michelin Yod Nak Kid has enabled engineering students to apply their classroom knowledge in a workplace environment.

In the United States, Michelin facilities have adopted needy public elementary schools in nearby, low-income neighborhoods as part of the Michelin Challenge Education program. By forming a true partnership, the facilities can meet the adopted school's needs through the active involvement of employees, some of whom provide tutoring to children.

● SUPPORTING EMPLOYMENT INITIATIVES

Michelin supports the economic development of its local regions by helping to create jobs outside the Group and revitalizing employment pools when forced to cut back or discontinue operations in one of its facilities. To lead these projects, the Group has created a network of 11 Michelin Development units (including Société d'Industrialisation et de Développement Economique, SIDE, in France) in Europe, Canada and the United States, since 1990. Depending on local legislation, these units may be subsidiaries or foundations.

**130 COMPANIES
SUPPORTED IN EUROPE
AND NORTH AMERICA,
€9.1 MILLION
IN LOANS IN 2009**

IN FRANCE,

Michelin Development has committed to helping create 900 jobs over the next five years in the Toul employment area, where 826 jobs were lost when the Kleber plant closed in late 2008. The revitalization project includes the installation of an Acticall call center and the creation of Ecorevia, a research and production center for developing new materials recovered through industrial recycling programs.

IN THE UK,

Michelin Development launched a job-creation challenge for entrepreneurs in North Staffordshire, one of the Group's four host regions in the country. More than 30 companies applied, seven loans totaling £225,000 were approved, and approximately 95 jobs are expected to be created over the next two years.

IN CANADA,

the Michelin Development program launched in 2006 in the Waterloo region ended in May 2009. In four years, 22 new businesses and small-to-midsize companies received loans totaling C\$2.97 million that helped to create 859 jobs in the local area.



MICHELIN AND THE ASM SPORTS CLUB: A 100-YEAR PARTNERSHIP

Michelin's commitment to upholding community life is illustrated by its partnership with the ASM Sports Club in the Group's home city of Clermont-Ferrand.

The partnership, which remarkably dates back to 1911, is built on a set of powerful shared values. Today, Michelin finances three-quarters of ASM's budget, contributing around €3.5 million.

With its 3,500 members, three training facilities, 350 youth workers and sections covering 15 different sports, ASM is a crossroads for cultural and social diversity and a meeting place for young and old, amateurs and professionals.

It also serves as a performance incubator with, for example, a training center for top-seeded rugby players, which is among the best in France.

Lastly, ASM has a special unit dedicated to enhancing the health and well-being not only of athletes but of all its members. Aware of the importance of employee health, Michelin is beginning to draw on this reservoir of knowledge and expertise.

● PROVIDING TECHNICAL AND FINANCIAL ASSISTANCE

From a practical standpoint, Michelin Development supports job creation and business development in cooperation with other players in the local economy. It provides technical assistance, backed by the Group's wide-ranging skills and capabilities, and low-interest, collateral-free loans, thereby enabling companies to borrow more from other financial institutions.

● 2,500 JOBS SUBSIDIZED IN 2009

In 2009, Michelin North America set up two Michelin Development programs to stimulate job creation. One was in Opelika, Alabama where a BFGoodrich plant was closed in late October 2009 and the other in South Carolina, a state where Michelin has operated for 40 years. In Europe, Michelin Development has launched initiatives in France, Spain, Italy, Germany, the United Kingdom, Hungary, Poland and Romania. In all, 120 companies received support and nearly 2,200 new jobs were subsidized in 2009.

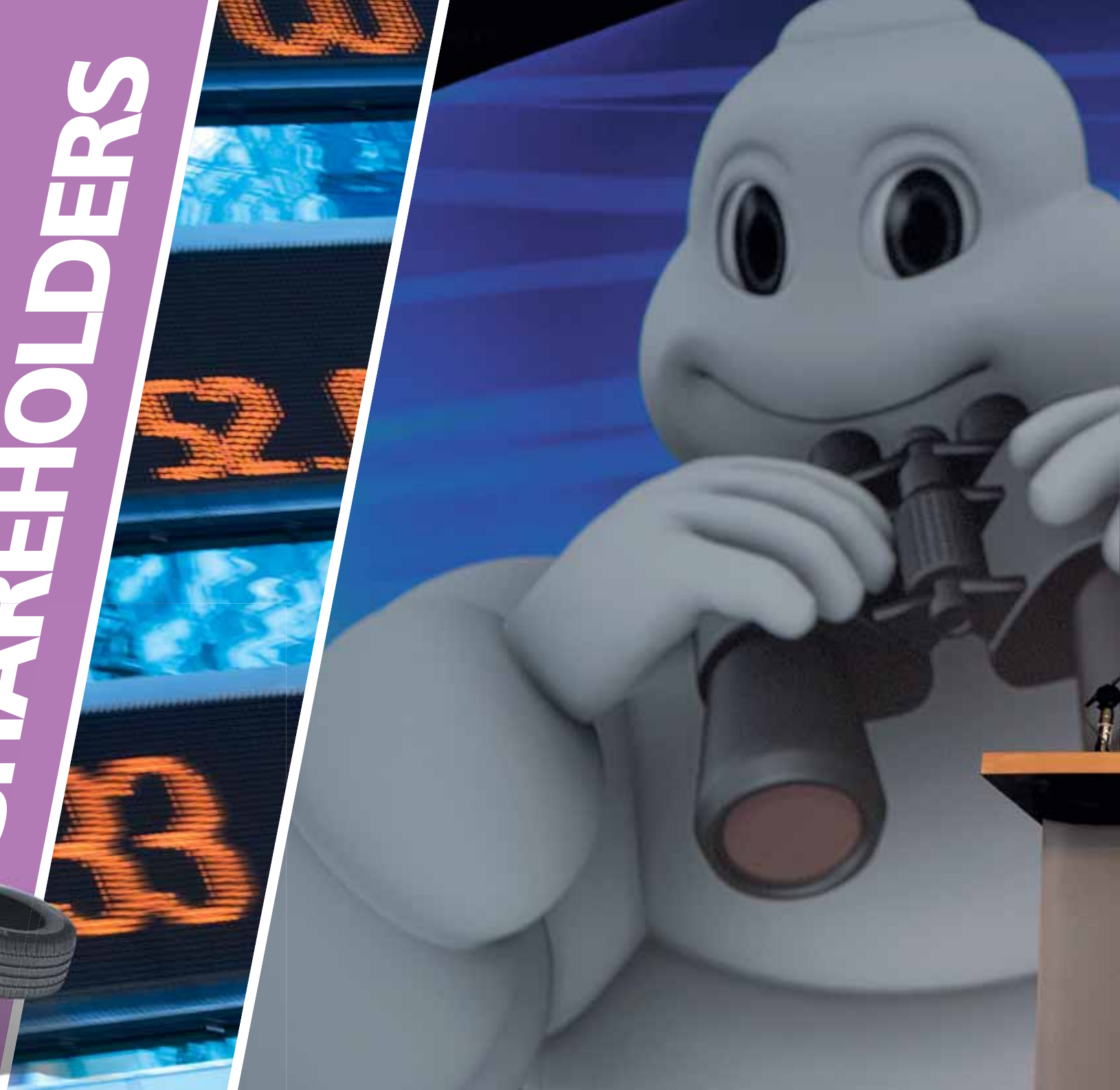
IN DAVYDOVO, RUSSIA

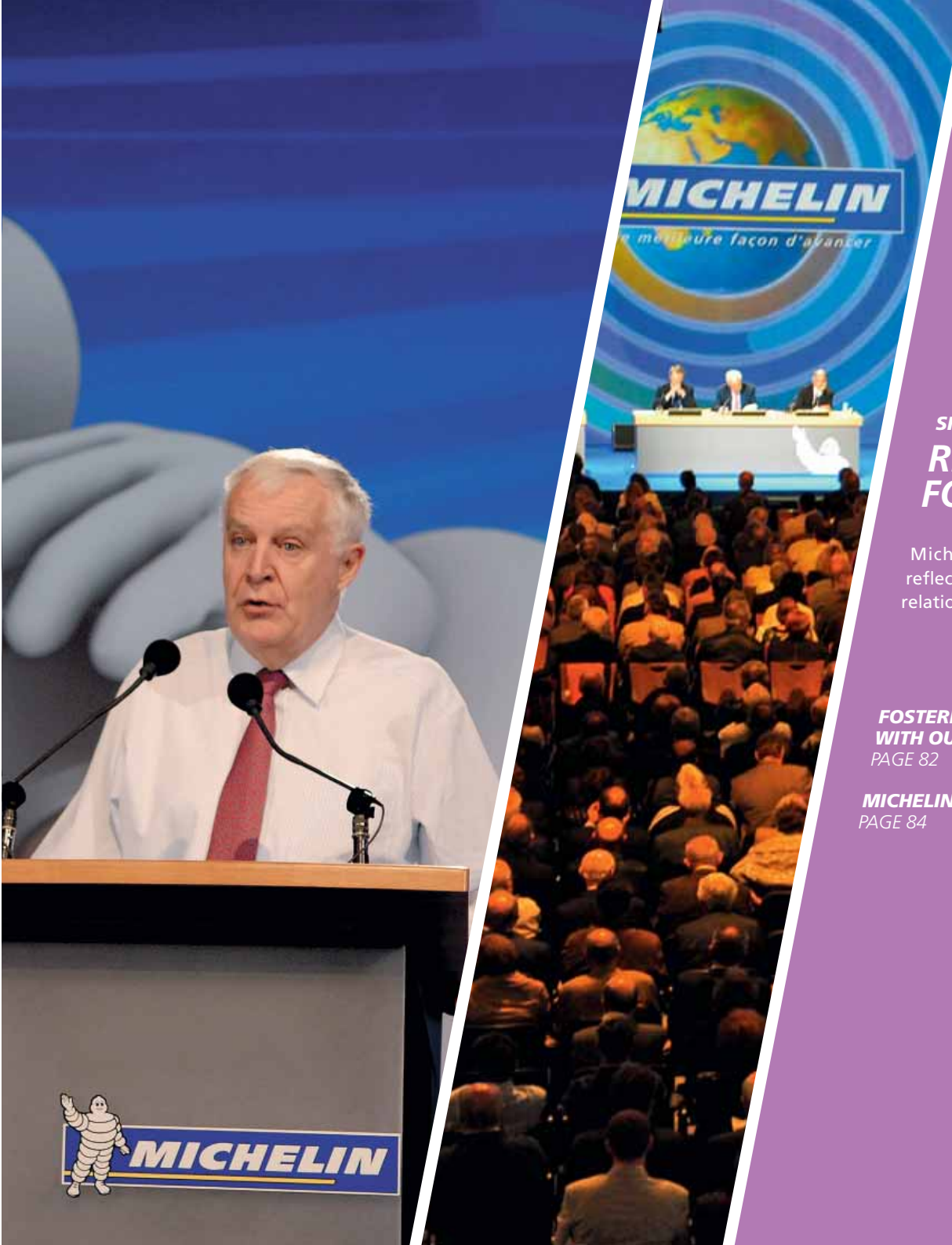
the Michelin Fund financed an extension of the local hospital's pediatric ward and the construction of playgrounds.





SHAREHOLDERS



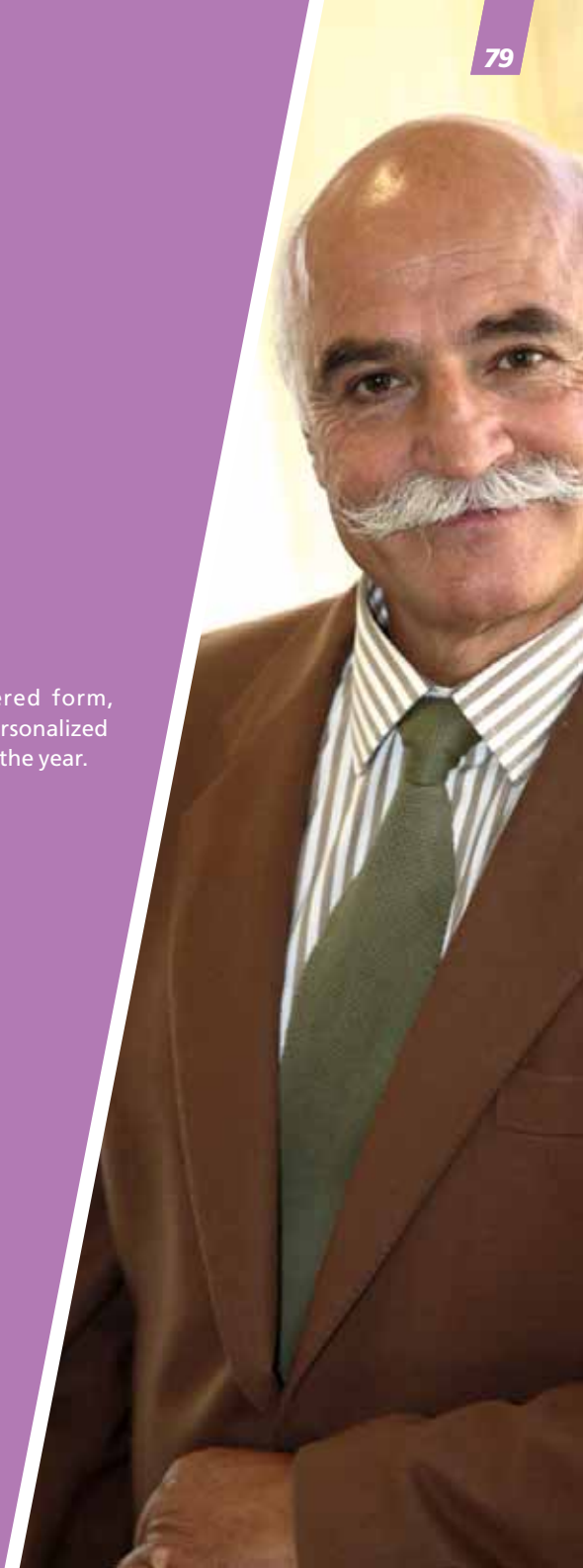


SHAREHOLDERS
**RESPECT
FOR SHAREHOLDERS**

Michelin shares are always held in registered form, reflecting our dedication to fostering a close, personalized relationship with every shareholder throughout the year.

**FOSTERING TRUSTING RELATIONSHIPS
WITH OUR SHAREHOLDERS**
PAGE 82

MICHELIN SHARE INFORMATION
PAGE 84



SHAREHOLDERS

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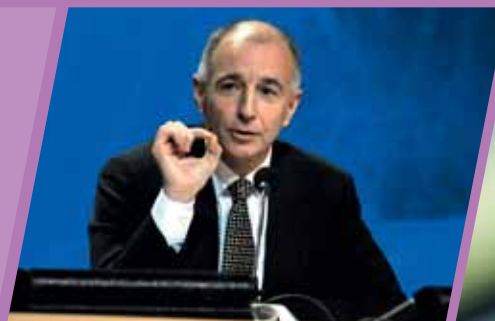


Michelin has more than 2,500 institutional shareholders, 116,000 individual shareholders (10,000 more than at December 31, 2008) and nearly 74,000 employee shareholders based in 67 countries on five continents.

As owners, shareholders commit themselves to supporting their Company over the long-term, participating in its expansion and sharing the risks while exercising their power of decision. Their confidence is a strength that we carefully nurture by adhering to strict ethical standards, applying fair corporate governance practices and engaging in high-quality dialogue.

By investing in Michelin, shareholders are embracing a project whose success is being driven by technological leadership, powerful brands, expansion in the global marketplace and a commitment to combining performance and responsibility by demonstrating our core values: Respect for Customers, People, Shareholders, the Environment and Facts.

CE





FOSTERING TRUSTING RELATIONSHIPS WITH OUR SHAREHOLDERS

Michelin keeps investors continuously and transparently informed and fosters close, trusting relationships with its shareholders by providing them with regular information.

▲ A meeting of the Shareholders Consultative Committee in 2009, with Jean-Dominique Senard.

SHAREHOLDER AND INVESTOR RELATIONS IN 2009

Shareholder Relations

Shareholder Consultative Committee
2 working meetings

- Five meetings with shareholders in five cities in France
- Toll-free hotline and dedicated e-mail address

Investor Relations

Regular qualitative surveys

- 300 meetings with financial analysts and investors in 16 countries
- Meetings with 32 Socially Responsible Investment institutions

Michelin is committed to answering requests received by e-mail, telephone, fax or mail within 24 hours.

● SUSTAINED SHAREHOLDER DIALOGUE

In addition to the wide range of information media used throughout the year and the Annual Shareholders Meeting attended by around 1,700 people every year in Clermont-Ferrand, meetings with shareholders are regularly organized in every region of France. These events offer an invaluable opportunity to discuss important issues with individual shareholders and to get to know them better. Following on from the meetings held in Amiens, Dijon, Grenoble, Rennes, Strasbourg and Toulouse in 2008, new meetings were organized in Biarritz, La Rochelle, Lyon, Marseille and Orléans in 2009.

At the same time, 300 meetings organized in 16 countries enabled us to meet with 765 financial analysts and institutional investors, including representatives of 32 Socially Responsible Investment institutions.

● ADDRESSING SHAREHOLDER EXPECTATIONS

Communication with our individual shareholders is being enhanced by input from the Shareholder Consultative Committee, which was created in 2003. Its 12 members (of whom two are employee Shareholders) are recruited by an independent outside consultancy, with one third being replaced every year. Recommendations from the Committee have helped us to redesign the Horizons letter to Shareholders and revamp the corporate website's Investor Relations section to make it easier to find practical information.

In addition, from time to time surveys are conducted on our financial communication as perceived by investors in Europe and North America.



SERVING THE NEEDS OF INDIVIDUAL SHAREHOLDERS

“Every day, we do our best to meet the needs of our individual shareholders. Our team is available to answer their questions thoroughly and to make the shareholder experience as rewarding as possible for everyone.”

Jacques ENGASSER, Shareholder Relations Manager

SHAREHOLDERS REGISTERED BY NAME DIRECTLY IN THE COMPANY REGISTRY MAY ALSO CALL UPON THE SERVICES OF:

The Share Services Team

Opens accounts and manages buy and sell orders.

The Estate, Transfer and Gifting Team

Rapidly deals with estate, transfer and gifting issues, in liaison with notaires and heirs.

All the information investors need, in paper and electronic formats

Press releases

Registration Document
Annual Financial Report

Annual and Sustainable
Development Report

Annual Results Guide

Shareholders Guide

Key Figures

Letter to Shareholders

Interim Financial Report

Investor Relations Section
(www.michelin.com/actionnaires)

Finance Section
(www.michelin.com/corporate)



2009 DIVIDEND

At the Annual Meeting on May 7, 2010, Shareholders will be asked to approve the payment of a 1.00 euro dividend for 2009.

MICHELIN SHARE INFORMATION

● MICHELIN SHARES ARE TRADED ON THE NYSE EURONEXT PARIS

- Compartment A
- Eligible for the SRD deferred settlement system
- ISIN: FR 0000121261
- Par value: €2.00
- Traded in units of: 1

● MARKET CAPITALIZATION

€7.90 billion at December 31, 2009

● AVERAGE DAILY TRADING VOLUME

1,117,648 shares in 2009

● INDICES

- 0.94% of the CAC 40 index at December 31, 2009
- 0.52% of the Euronext 100 index at December 31, 2009

Socially Responsible Investment (SRI) Indices

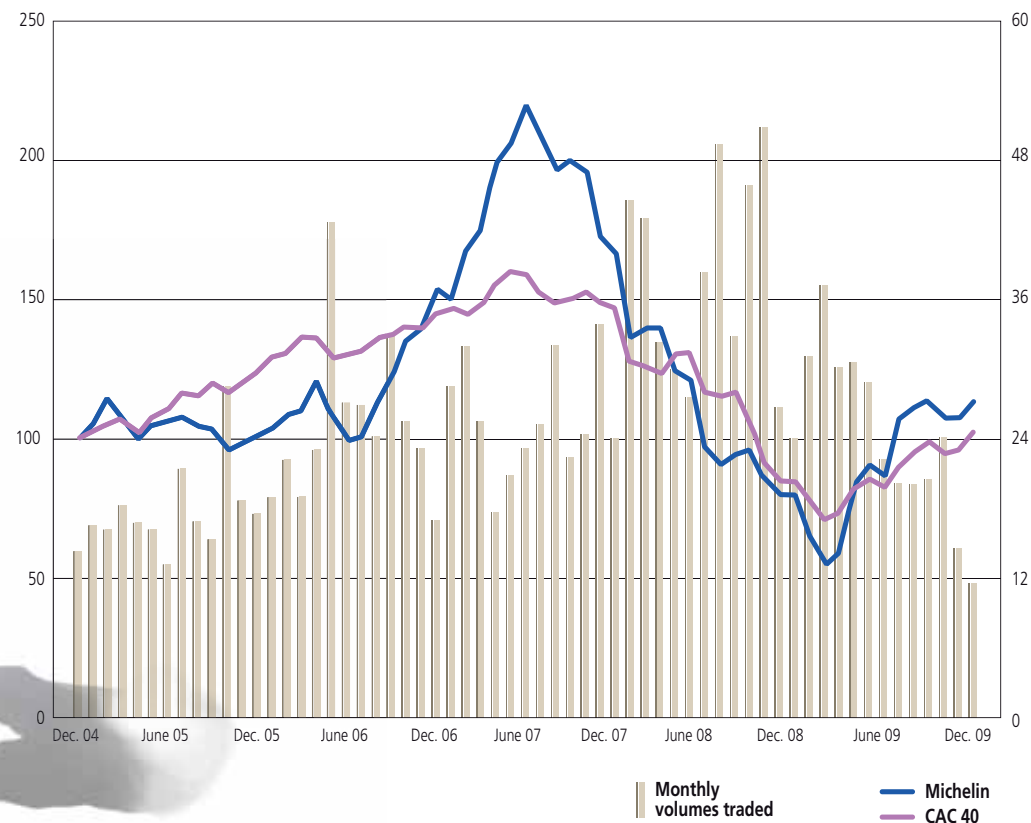
- Dow Jones Sustainability Indices (DJSI)
- DJSI STOXX for European sustainability leaders
- DJSI World for global sustainability leaders
- Ethibel Sustainability Index (ESI) Europe
- Advanced Sustainable Performance Index (ASPI) Eurozone



SHARE PERFORMANCE, 2005-2009

Base 100 = December 31, 2004

Monthly volumes traded in millions of shares



SHARE PERFORMANCE

Share price in euros	2009	2008	2007	2006	2005
High	58.67	79.90	106.70	73.30	56.20
Low	22.69	30.65	67.75	43.21	43.75
High/low ratio	2.59	2.61	1.57	1.70	1.28
Closing price for the year	53.58	37.57	78.50	72.50	47.48
Change over the year	+42.6%	-52.1%	+8.3%	+52.7%	+0.6%
Change in the CAC 40 index over the year	+22%	-43%	+1%	+18%	+23%
Market capitalization at December 31, in € billion	7.90	5.45	11.30	10.41	6.81
Average daily trading volume over the year	1,138,691	1,740,267	1,217,949	1,191,679	842,053
Average shares outstanding	146,184,080	144,495,251	143,770,101	143,390,450	143,387,025
Volume of shares traded over the year	291,504,866	445,508,266	310,577,078	303,878,126	216,407,691
Share turnover ratio	199%	308%	216%	212%	151%

PER SHARE DATA

In euros per share, except ratios	2009	2008	2007	2006	2005
Dividends	1.00⁽¹⁾	1.00	1.60	1.45	1.35
Pay-out ratio	140.8%	40.7%	30.1%	36.7%	22.0%
Yield ⁽²⁾	1.9%	2.7%	2.0%	2.0%	2.8%
Net assets	37.2	35.2	36.7	32.6	31.5
Basic earnings per share	0.71	2.46	5.32	3.95	6.13
Diluted earnings per share ⁽³⁾	0.71	2.46	5.22	3.94	6.12
PRICE-EARNINGS RATIO	75.5	15.3	14.8	18.4	7.7

(1) Subject to approval at the Annual Shareholders Meeting on May 7, 2010.

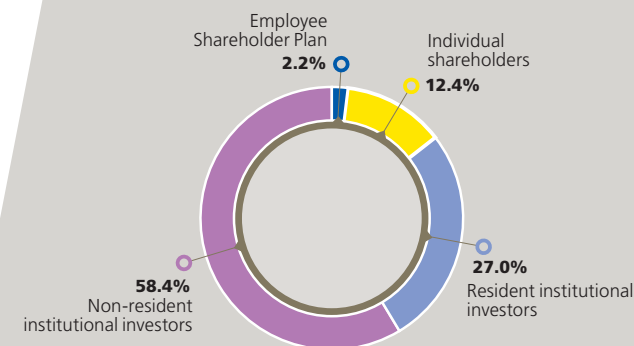
(2) Dividend/closing share price for the year.

(3) Earnings per share adjusted for the potential ordinary shares resulting from the exercise of outstanding dilutive instruments.

SHARES OUTSTANDING: 147,436,357
VOTING RIGHTS OUTSTANDING: 199,296,891
NUMBER OF SHAREHOLDERS: 192,500

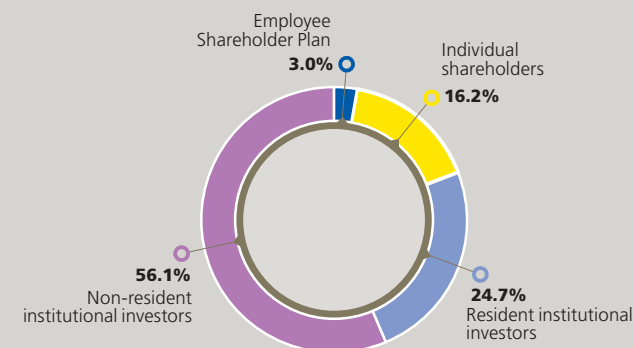
CAPITAL RIGHTS STRUCTURE

At December 31, 2009



VOTING RIGHTS STRUCTURE

At December 31, 2009



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

NATURAL RESOURCES & THE ENVIRONMENT





NATURAL RESOURCES AND THE ENVIRONMENT
**RESPECT
FOR THE ENVIRONMENT**

From the choice of raw materials to the recovery and re-use of end-of-life tires, every Michelin product and service is designed to leave as small an environmental footprint as possible at every stage in its lifecycle.

IMPROVING THE TIRE DESIGN PROCESS
PAGE 90

**SECURING THE PRODUCTION
OF NATURAL RUBBER**
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IMPROVING THE TIRE PRODUCTION PROCESS
PAGE 94

REDUCING THE IMPACT OF TIRES DURING USE
PAGE 98

RECOVERING AND REUSING END-OF-LIFE TIRES
PAGE 100

NATURAL RESOURCES & THE ENVIRONMENT

RESPONSIBILI

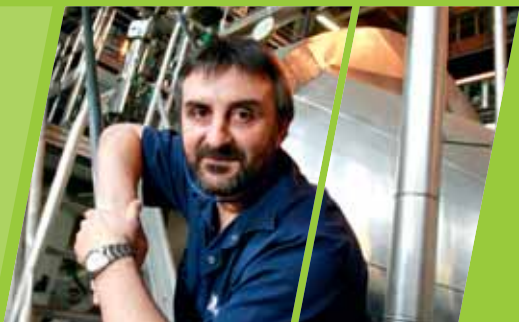


There are approximately 800 million motor vehicles in the world today, a number that could double by 2030. Michelin is committed to supporting that growth while shrinking the environmental impact of its operations and products.

As part of this process, the Group is steadily reducing the rolling resistance of its tires, in order to improve fuel efficiency and lower CO₂ emissions. At the same time, it is working to make tires lighter and longer-lasting, so as to optimize raw materials use, reduce driving noise and further improve grip to make driving safer.

A dedication to making the best tires at the best cost, while preserving the environment, is a powerful driver of innovation and progress. Life-cycle assessments have shown that use accounts for more than 90% of a car tire's environmental impact and nearly 95% of a truck tire's. With its highly fuel-efficient tires, Michelin has always been a leader in this area. It is also committed to preserving natural resources, reducing the environmental footprint of its production facilities and developing ways to recover and reuse end-of-life tires.

LITY





IMPROVING THE TIRE DESIGN PROCESS

From architecture and tread design to the choice of materials and production processes, Michelin designs environmental outcomes into every aspect of a tire's development and is investing heavily in research programs to find solutions to the challenges of tomorrow.

Life-cycle assessments carried out by independent firms have shown that tires have their greatest environmental impact during use. To lessen that impact, Michelin is working to engineer tires that are lighter and less rolling resistant to improve fuel efficiency, and longer lasting to optimize the use of raw materials and process energy in their production – all while continuing to improve safety performance.

● PRODUCING BETTER WITH LESS

A tire contains up to 200 different materials, whose properties – beginning with those of natural rubber, a renewable resource – play a determining role in its performance. However, as certain raw materials become increasingly scarce, they need to be managed more judiciously. This is also good for the environment, since better management means that less energy and fewer natural resources are used to produce tires, fewer harmful emissions are released during their use and less material has to be recycled at the end of their life.

All of this creates a virtuous circle, but enabling the tire to deliver a balanced performance is not so easy. To get there, Michelin has deployed two processes. The first, Value-to-Design, brings together marketing and development teams to clearly define customer performance expectations for a given tire. The second, Design-to-Cost, optimizes tire weight by focusing on just what

is needed to deliver the right performance. These programs also cover process engineering, with the goal of improving quality performance (and thereby reduce wastage and rejects) by standardizing processes and making them leaner and more energy efficient.

● KEY PERFORMANCE FACTORS

Among the many tire performance factors, four play a key role in supporting sustainable development:

- Energy efficiency
- Durability
- Noise
- Safety

The greater a tire's energy efficiency, the less energy it absorbs when in use. In 1992, Michelin introduced an important innovation by modifying the composition of rubber compounds used in Passenger car tires. Today, the fourth-generation MICHELIN Energy™ Saver reduces fuel consumption by 0.2 liters per 100 km and CO₂ emissions by 4 grams per km compared with the previous-generation tire.

Manufacturing a long-lasting tire requires a thorough understanding of tread wear. New technologies may make it possible to increase a Truck tire's life by up to 50% over the next ten years.

A tire's impact throughout its life cycle⁽¹⁾

As a % of total ecopoints⁽²⁾

	Car tires	Truck tires
Raw materials and energy	10.8%	6.8%
Manufacture		
Use, including distribution	92.6%	94.8%
End-of-life processing	-3.4%	-1.6%
Ecopoints	100%	100%

(1) A life cycle assessment (LCA) measures a product's "cradle-to-grave" impact (from raw materials extraction to end-of-life disposal).

(2) Based on LCA data, harmful effects are divided into three categories depending on whether they impact resources, ecosystems or health. Weighting is determined by a panel of experts to create a single indicator – called the ecopoint – that measures the overall impact and expresses the LCA score.



THE MICHELIN GREEN X CHALLENGE

is won by the car that turns in the fastest average track time while consuming the least fuel during the Le Mans Series, American Le Mans Series and 24 Hours of Le Mans races.

> To find out more, please visit www.michelingreenracing.com



PUNCTURE-PROOF YET FLEXIBLE, THE MICHELIN TWEEL

is designed to handle the roughest terrain.

In Europe, ambitious noise-abatement objectives have been set, particularly in urban areas.

Lastly, when it comes to grip and handling, Michelin never compromises with performance that impacts the safety of both passengers and other road users, regardless of driving conditions.

ELIMINATING HAZARDOUS SUBSTANCES

In line with EU regulations that took effect in January 2010, Michelin has eliminated aromatic oils from all tires manufactured or imported in Europe and is committed to extending this process to tires sold in other markets. To comply with European REACH legislation regulating chemical substances introduced before 1981, Michelin filed roughly 100 pre-registration documents in 2008 and is currently conducting health and environmental assessments to be used in preparing final registrations.

Organized by the WBCSD, the Tire Industry Project brings together Michelin and ten other global tire manufacturers to assess and address the risks related to the use of certain chemicals, particularly those found in tire wear particles.

IMAGINING THE TECHNICAL SOLUTIONS OF TOMORROW

To drive improvements across the entire industry, in 1998 Michelin created Challenge Bibendum, which has since become the world's leading sustainable mobility event. It enables carmakers, energy suppliers, auto parts manufacturers and researchers to compare ideas and innovations during technical trials, test track runs and roundtable discussions.

To demonstrate the potential of electric propulsion systems, Michelin designed the Motorized Michelin Wheel, which was presented at the 2009 Frankfurt Motor Show. Another innovation is the MICHELIN Tweel, an airless (and therefore puncture-proof)

wheel well-suited to certain earthmover equipment that has also been chosen by NASA to equip its lunar roving vehicles. All of these products illustrate the innovative capabilities of the Group's research teams and their ability to create breakthrough technologies by thinking outside the box.

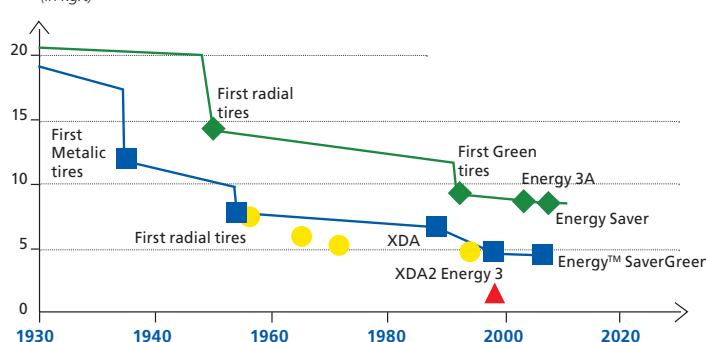
THE MOTORIZED MICHELIN WHEEL

equips the Peugeot BB1, a new electric vehicle concept for city use.



Evolution of the rolling resistance coefficient

(in kg/t)



- ◆ Car tires
- Truck tires
- Underground railway tires
- ▲ Railway wheels



SECURING THE PRODUCTION OF NATURAL RUBBER

Developing and maintaining rubber tree farms is a major priority for Michelin, which uses nearly 10% of the world's natural rubber output.



◀ Rubber tree nursery in Brazil.



South American leaf blight ▶
(*Microcyclus ulei*)
on a rubber tree leaf.

● A FUTURE INTRINSICALLY LINKED TO THE TIRE INDUSTRY

Nearly 70% of the world's natural rubber production is used by the tire industry. Natural rubber's outstanding physical properties, especially its exceptional resistance to thermal aging, make it virtually irreplaceable in some of the Group's products, such as Truck and Earthmover tires. Although a renewable natural resource that comes from trees, natural rubber is nonetheless subject to sharp fluctuations in prices and to rising demand, which could pose a threat to long-term supply. Michelin buys nearly 10% of the world's production of natural rubber, which accounts for approximately half of its total elastomer purchases.

● PROMOTING SUSTAINABLE RUBBER TREE FARMING

More than 80% of the world's natural rubber is produced on 0.5 to 3-hectare plots by small farmers, like the ones who deliver latex to the plants in Asia that supply most of Michelin's natural rubber. Michelin is also directly involved in the production of natural rubber through its three latex processing units in Brazil and its 20% stake in SIPH (*Société Internationale de Plantations d'Hévéas*), which operates rubber plantations in West Africa. Through technical assistance partnerships, Michelin helps to support 52,000 hectares of plantations and 11 processing plants.

These local operations cover 10% of the Group's natural rubber needs while enhancing its end-to-end expertise, from seedlings to tires. In turn, this enables the Group to share innovative, sustainable tree farming practices and secure the supply of high-quality rubber.

● HELPING SMALL FARMERS

Near its latex processing facility in Brazil's Bahia region, Michelin supports more than 1,500 farming families who raise, on the same plot, not only rubber trees but also bananas and cocoa, which ensure them a steadier income. In Nigeria, the five-year Michelin-SIPH Small Planters program is helping 450 village farmers (who with their families represent a total of 2,700 people) to plant 900 hectares of rubber trees. Michelin finances the purchase of seedlings and fertilizer, while SIPH provides technical assistance.

● SUPPORTING NATURAL RUBBER RESEARCH

Michelin conducts research with several organizations in two main areas: 1) to improve natural rubber quality, crop yield and farming techniques and 2) to combat rubber diseases, in particular South American leaf blight (*Microcyclus ulei*), a fungus that already attacks rubber plants in Brazil and could pose a threat to plantations in Asia and Africa. Highly resistant rubber tree species have been identified through a joint program with CIRAD, a French research center that works with developing countries to address international agricultural and development issues.

By deploying the full range of its expertise in technical assistance programs, audits and training courses, Michelin is supporting natural rubber farmers and producers around the world.

● CAPTURING CO₂

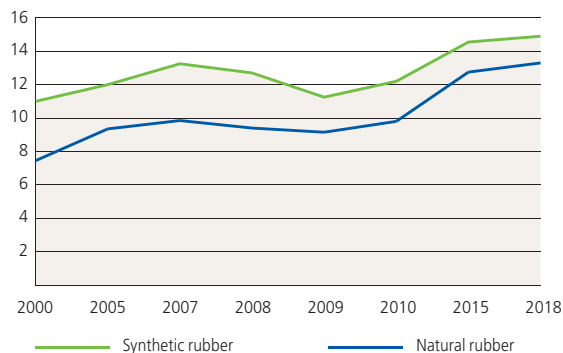
A joint study by Michelin, Université Catholique de Louvain and the Cabinet Coudert forest consultancy showed that in one year a hectare of rubber trees captures approximately eight tonnes of CO₂ (three in the latex and five in the trunk and leaves), while producing one tonne of latex used to make tires. This renewable natural resource may account for more than 40% of total rubber content in certain tires used in extreme conditions. When end-of-life tires are burned as fuel, the CO₂ released from the natural rubber content is not taxed in Europe.

● PROTECTING BIODIVERSITY IN TROPICAL FORESTS

Through the Ouro Verde project on its Bahia rubber plantation in Brazil, Michelin has been working since 2003 to preserve 3,000 hectares of primary Atlantic Forest threatened by deforestation. The plantation has a nursery with 35,000 young trees grown from native seeds representing 100 different species, as well as a fully equipped biodiversity study center that can host up to 30 researchers. Michelin currently provides financial support to some 20 biodiversity studies.

Worldwide use of elastomers

in millions of tons



RAW MATERIALS USED BY MICHELIN IN 2009 (in value)

- 28% natural rubber
- 26% synthetic rubber
- 16% reinforcing fillers
- 13% chemicals
- 10% steel cords
- 7% fabrics

RUBBER TREE FARMING FACTS AND FIGURES

Every year, the 10 million hectares of rubber plantations around the world produce 10 million tonnes of natural rubber and sequester 80 million tonnes of CO₂, while providing six million rural jobs that support 20 million people.

BAHIA

The Family Farm Center enables young people 16 to 21 to pursue their studies while continuing to work on the local rubber plantation.



FAMILY FARMS IN MATO GROSSO

Michelin has sold 80% of its Mato Grosso plantation to neighboring farmers, who will raise other kinds of crops on the land. Some 70 people will remain on the site, working in agricultural research, the laboratory and the rubber processing plant. The Group is providing assistance to the other employees and currently preparing a family farming project, which would encourage the creation of multi-crop and livestock farms with preferential purchase terms and joint financial support from Michelin and the Brazilian government.



IMPROVING THE TIRE PRODUCTION PROCESS

Although tire production has only a limited impact on the environment, Michelin is committed to further reducing its footprint by deploying disciplined environmental management systems and major initiatives to train employees and get them involved in the process.

Almost all of the Group's tire plants, latex processing units, main Technology Center facilities and headquarters offices in Clermont-Ferrand have been certified to ISO 14001 standards. The only exception is the Tigar plant in Serbia, which was acquired in 2006 and will be certified in 2010.

To manage the environmental performance of its production plants, Michelin has developed a propriety standard, the Michelin Environmental Management System (MEMS), which has been deployed in 98% of R&D facilities, production facilities and plantations acquired more than five years ago and is now being introduced in the logistics centers. Today, risk prevention practices are being integrated into the MEMS to upgrade it to an Environmental and Risk Prevention Management System (SMEP). By the end of 2009, the new system had been deployed in more than 70% of production facilities, with full roll-out scheduled for completion in 2011. In addition, issues related to the environment, health, workplace safety and industrial risk prevention are addressed by an Environment and Prevention network comprised of around 100 experts and by a dedicated team at each plant.

● AMBITIOUS GOALS

A special indicator – the Michelin sites Environmental Footprint (MEF) – is now included in the Group's management indicators, with data reported quarterly. The goal is to reduce the MEF by 30% in 2013 compared with 2005. In 2009, despite the significant reduction in production volumes, the MEF remained stable at 78.1.

Despite the recession, progress is continuing to be made in the total weight of waste produced, the total weight of waste landfilled and the quantity of CO₂ emissions. However, the reduction in output in 2009 had the effect of masking these gains, which are expressed per tonne of tires produced.

Performance of the MEF⁽¹⁾ and its components, 2005-2009

	Unit	2005	2008	2009	2005-2009
Energy consumption	GJ/t PP	17.4	15.3	16.1	-7.5%
Water consumption	m ³ /t PP	15.0	12.8	13.3	-11.3%
VOC* emissions	kg/t PP	4.27	3.13	3.04	-28.8%
CO ₂ emissions	t/t PP	1.53	1.35	1.43	-6.5%
Waste produced	kg/t PP	140	127.5	121.2	-13.5%
Waste landfilled	kg/t PP	33	16.2	13.3	-59.7%
MEF		100	78.6	78.1	-21.9%

(1) Michelin sites Environmental Footprint. Each component counts for 15% of the total except for VOC emissions, whose priority status means that they count for 25%. Calculation of these indicators and their data are reviewed by PricewaterhouseCoopers.

t PP = tonne of tires produced.
* Volatile organic compounds.



THE GROUP'S RENEWABLE ENERGY INSTALLATIONS,

like these at the Homburg, Germany plant, have the potential of reducing its carbon footprint by 30,000 tonnes of CO₂ a year.

THANKS TO ITS 100% RECYCLING STRATEGY, THE BALLYMENA PLANT IN NORTHERN IRELAND

each year recovers 4,500 tonnes of waste that would otherwise be sent to landfill. In 2009, the effectiveness of the plant's energy efficiency program was recognized when its management team was named "Best Energy Manager" by the Northern Ireland Environment Agency.

ENERGY EFFICIENCY AND RENEWABLE ENERGIES

By the end of 2009, energy audits had been conducted and action plans prepared at more than 84 sites. Many of these facilities are already in the follow-up audit phase, and all of them will have been audited by the end of 2010. Following diagnostic reviews performed in 2008, the production plants are continuing to deploy renewable energy projects, aligned with the local environment. Other large-scale projects will extend existing installations, which have already reduced CO₂ emissions by 30,000 tonnes in 2008 and 23,000 tonnes in 2009.

Two wind turbine units are scheduled to come on stream in Northern Ireland in 2010, while a biomass-fired steam generation system is currently being implemented at two plants in France. New solar roof panels that will generate nearly two megawatts of additional electricity will be installed on facilities in France and Germany next year. Indeed, Michelin is a leader in solar energy, with 11 megawatts already generated by nearly 300,000 square meters of photovoltaic roof panels on its plants in Europe.

REDUCING VOC EMISSIONS AND WASTE

The introduction of solvent-free manufacturing processes and strict emissions management systems drove a further 2.9% year-on-year reduction in emissions of volatile organic compounds (VOC) per tonne of tires produced in 2009, representing 2,000 tonnes of VOC that were not released into the atmosphere.

A quality system focused on "getting it right the first time" has reduced the reject rate through more effective management of manufacturing processes. In addition, every production facility has set targets to reduce process waste, while rubber, textile and metal fabric and metal scrap is reinjected into the production process whenever possible. In a commitment to totally eliminating landfilled waste by 2013, Michelin actively supports the development of sustainable resource recovery channels for scrap unsuitable for reuse in its production processes and other industrial waste.





● REDUCING WATER CONSUMPTION

Michelin plants use water for cooling and heat transfer systems. To limit water withdrawals, open cooling circuits are gradually being replaced by closed loop systems while consumption is carefully tracked to prevent the risk of leaks and waste.

Examples of plants that have successfully reduced water consumption (based on 2008 data compared with 2005) include:

- Fort Wayne, Indiana: water consumption reduced 40% by:
 - Installing closed loop cooling systems.
 - Eliminating leaks in the fire protection system.
 - Improving processing quality (fewer purges).
- Alessandria, Italy: water consumption reduced 24% by optimizing the reuse of boiler water.
- Victoria, Romania: water consumption reduced 19% by reducing leaks in water and steam pipes.

● PROTECTING BIODIVERSITY AND ECOSYSTEMS

In addition to the initiatives in Bahia, Brazil, a number of programs have been undertaken to study and protect biodiversity on Michelin sites.

- The plant in Nyiregyhaza, Hungary conducted a pilot Ecosystems Services Review⁽¹⁾ to assess the impact of its production operations on the local ecosystem. Another assessment method will be tested in 2010.
- In southern Spain, the Almeria Experimentation Center (CEMA) covers some 4,500 hectares, of which 1,500 are located within the Cabo de Gata Nijar Natural Park. This arid volcanic region is home to a number of species that are very rare and sometimes unique. Certified ISO 14001, the Center is harmoniously integrated into its surroundings, which it has helped to protect from erosion by planting more than 30,000 trees and bushes.



- In France, wetlands near the Cholet plant have been rehabilitated by highly committed employees. An artificial pond has attracted a wide variety of species, while a partnership with the local tourist office is welcoming visitors to the site and raising their awareness of these highly diverse yet vulnerable areas.
- In the United States, Michelin is participating in the Wildlife And Industry Together program (WAIT), which encourages businesses to protect wildlife habitats on their land. The Laurens Test Center, the Greenville research center and the Lexington, Sandy Springs and Starr plants have all been WAIT-certified.
- In 2010, a new method for assessing our plants' impact on ecosystems will be deployed with an independent outside organization.

● LOGISTICS: A NEW AREA FOR IMPROVEMENT

The Group's CO₂ emissions resulting from the maritime transport of goods and finished products totaled 185,000 tonnes in 2008, as measured using coefficients defined by the Clean Cargo Group. Annual CO₂ emissions from the transport of semi-finished products and tires in Europe have been estimated at 295,000 tonnes a year. This initial estimate will enable the deployment of action plans to curb these emissions.

As a member of the Alliance for European Logistics, Michelin actively promotes the European Modular System concept. The Group organizes overland transport to reduce empty truck mileage, optimizes the location of logistics facilities to improve utilization rates, and trains transport providers in eco-driving practices and proper tire use.



In the United States, Michelin is participating in the Environmental Protection Agency's SmartWay Transport Partnership. Today, more than 50% of its freight is handled by SmartWay-certified trucking companies, which have committed to improve their environmental performance by optimizing truck routes and equipping fleets with automatic tire pressure control systems or low rolling resistance tires. Michelin is also improving its load planning and optimizing truck loads.

IN ALMERIA MICHELIN IS HELPING TO PROTECT THE CANARY ISLANDS DRAGON TREE

(Dracaena draco). This specimen is more than 500 years old.



WATER CONSUMPTION

per tonne of tire produced has been reduced by 11.3% in four years.

RESTORING A NATURAL HABITAT

An 18,000 square-meter tract of land near the plant in Cholet, France has been returned to its natural state. The protected site is now home to more than 60 plant species and dozens of types of birds, mollusks, reptiles, amphibians, insect and small mammals.



(1) An environmental assessment method developed by the World Resources Institute, the World Business Council for Sustainable Development and the Meridian Institute.

REDUCING THE IMPACT OF TIRES DURING USE

Michelin is helping users to reduce their tires' environmental footprint and is steadily reducing tire noise and wear-particle emissions.



◀ In the past 16 years, more than 600 million highly energy-efficient MICHELIN tires have been sold worldwide.

The environmental performance of tires can vary widely, especially in terms of fuel efficiency. Michelin has brought to market four generations of low rolling resistance tires since 1992, each of which has outperformed its predecessor. It has also steadily made its tires more robust and longer lasting. The Group conducts major consumer-awareness campaigns and has developed special programs that enable business users to calculate tire performance so that they can make informed buying decisions.

● MAINTAINING THE RIGHT TIRE PRESSURE

Another critical performance factor is correct tire use. Michelin provides customers with extensive information about how to get the most out of their tires and offers technical training for business users.

Under-inflated tires not only cause a vehicle to burn more fuel and therefore emit more CO₂, they also brake less effectively and wear out faster. Michelin deploys a wide array of initiatives

to raise driver awareness of the importance of correct tire pressure, particularly during the summer vacation period. It has also installed 89 Michelin Man air pumps in highway service areas or public-access Michelin parking lots in 12 countries, enabling motorists to freely check their pressure and top up their tires. The Michelin Earthmover Management System (MEMS) is the only earthmover tire management solution available and operational worldwide. Designed especially for large-capacity open-pit mine trucks fitted with the world's biggest tires, MEMS enables tire pressure and temperature to be monitored remotely and in real time without having to stop the vehicle. This represents important time-savings for trucks whose tires weigh up to five tonnes each and must be checked at least once a day.

At the same time, the Group is encouraging the development of onboard tire pressure monitoring systems, which will be mandatory on new vehicles in Europe beginning in 2012, and has helped to develop special systems for cars, trucks and earthmovers.

THE MICHELIN GREEN X MARKING

is displayed on highly fuel-efficient tires.

IF EVERY CAR WERE FITTED WITH MICHELIN ENERGY™

tires, worldwide fuel consumption would be reduced by 14 billion liters a year.

TIRE ENERGY PERFORMANCE LABELS

will be mandatory in Europe beginning in 2012. Similar consumer information programs will be introduced in Japan in 2010 and the United States in 2011.

89 MICHELIN MAN PUMPS

had been installed by the end of 2009.

"FILL UP WITH AIR"

campaigns were conducted in 10 countries in 2009.



● REDUCING NOISE

Tires account for a significant portion of road traffic noise, ranging from at least 30% for a car traveling at 30 km/h in second gear to at least 50% when traveling at 50 km/h in third gear and around 90% in highway driving at 130 km/h.

The amount of noise generated by a tire's contact with the road depends on a number of factors, including not only the tire itself and the road pavement but also the vehicle, its speed and the layout of road infrastructure. To reduce noise levels, Michelin has focused on the parameters within its control, namely tire materials architecture and tread design. Tire and road surface quality therefore have a major impact. For a given vehicle traveling at a given speed, for example, noise may vary by five decibels depending on the tire and ten decibels depending on the condition of the road. Michelin is pursuing major programs to reduce tire-related noise, working in particular with road surface experts.

● ASSESSING THE IMPACT OF TIRE WEAR PARTICLES

Tire wear results in the release of small particles from both the tire and the road surface. As a member of the World Business Council for Sustainable Development, Michelin is involved in the Tire Industry Project (TIP) to identify tire wear particles and analyze their health and environmental impact. The Group has provided the TIP with the same resources for collecting wear particles in real-world conditions that it has been using in its own research in recent years. The TIP's interim report published in mid-2008 noted that these particles do not have much impact, but additional analytical studies are still underway.

> To find out more, please visit www.wbcscd.org

THE IDEA UNDERPINNING A PRODUCT-SERVICE SYSTEM, SUCH AS MICHELIN FLEET SOLUTIONS, IS TO SELL A SERVICE RATHER THAN A PRODUCT.

This encourages manufacturers to design longer-lasting products and deliver superior maintenance services, which **reduces raw material use, saves energy and cuts waste.**

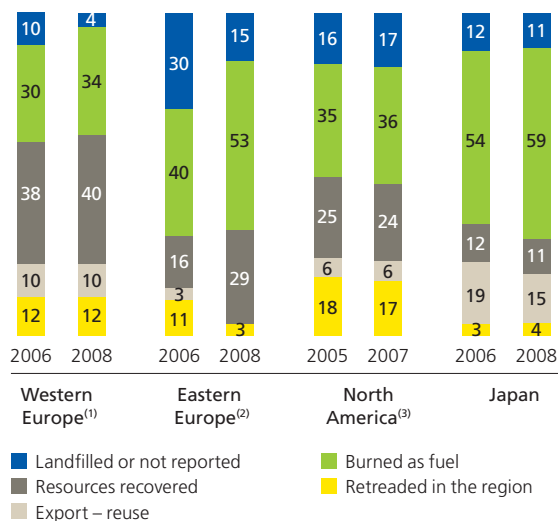
By invoicing tires based on distance driven or tonne transported, Michelin is nurturing relationships that are win-win for the Company, its customers and the environment.



RECOVERING AND REUSING END-OF-LIFE TIRES

Everything in an end-of-life tire (ELT) can be recovered and reused in an ever-growing number of ways. Working with the members of the industry, Michelin is helping to implement effective, sustainable tire collection and recycling processes in its host countries.

Percentage of total end-of-life tires recovered and reused
(as a percentage of total volume in tonnage)



Sources: ETRMA, RMA, Rubber Association of Canada (RAC), Estimate for Mexico, JATMA.

2009 data will be released in 2010.

(1) Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.

(2) Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia.

(3) Canada, United States, Mexico.

A LARGE NUMBER OF RECOVERY AND REUSE CHANNELS

Because of their elasticity, resistance, calorific value, carbon content and durability, end-of-life tires can be reused in a wide variety of ways. Of the many available recycling processes, half involve energy recovery using ELTs as a fuel whose calorific value is comparable to that of good quality coal (a tonne of ELTs can replace 750 kg of oil). The use of ELTs as a fuel and their contribution to the diminution of fossil CO₂ emissions thanks to their natural rubber content coming from rubber trees is especially developed in the United States and in Japan to fire thermal power plants, industrial boilers and incinerators. They are also used both as fuel and as raw material in steel mills and cement plants.

Moreover, using ELTs as a fuel offers another benefit in that around 20% of an ELT's mass is natural rubber, which is carbon-neutral because it comes from trees that sequester CO₂. That's why in Europe, the CO₂ released when this content is burned is exempt from emissions taxes.

The other 50% of tire recycling processes involve recovering and reusing ELT resources. Whole tires are used as backfill and in noise-abatement walls, while tire fragments can be formed into railroad track crossties that reduce noise and vibration. Shredded tires are used as draining sub-layers or as light filling material in road construction. When ground into crumbs or powder, they can be used to make synthetic surfaces for sports fields

▲ Manufacturing sports floor tiles.

or playgrounds. Powdered rubber is added to asphalt to make roads longer lasting and quieter, or blended into thermoplastics to produce composite materials. In-situ tests and toxicity studies conducted by independent laboratories have demonstrated that these products pose no environmental or health hazard.

● MANAGEMENT SYSTEMS FOR COLLECTING AND RECOVERING END-OF-LIFE TIRES

Three main frameworks are usually used to manage end-of-life tires from collection to recovery:

- **Tire industry responsibility:** Tire manufacturers take responsibility under stewardship systems for collecting, recycling of ELTs, according to the number of units sold in the country. To fulfill these obligations, the manufacturers set up a national not-for-profit management company, which is financed by a separate fee charged at the time of original sales. Results are reported to the government. Michelin supports this type of system, which is widely used in Europe and has amply demonstrated its effectiveness. In Spain for example, Signus, the latest management company created, is now recovering and recycling all of the country's ELTs after just 18 months. A new company is being prepared for launch in Italy.
- **Free market approach:** ELT enterprises operate independently, with legislation setting reuse and recovery targets and the regulatory framework for ELT transportation, use, disposal and storage.
- **Government/community responsibility:** Collection and recycling processes are managed by the government, which levies specific taxes on manufacturers based on tire sales. This system has shown its limits.

● SHARING BEST PRACTICES

End-of-life tires pose two problems:

- Processing the more than 17 million tonnes of tires that are discarded every year.
- Absorbing the estimated 50 million tonnes in backlog, mostly in emerging markets without any ELT recycling programs.

Michelin is participating in a World Business Council for Sustainable Development working group that is identifying best practices and promoting the creation of resource recovery channels in emerging markets.

In Western Europe, 14 management companies are sharing their experience and improvements. In 2008, the combined recovery rate in the 27-country Europe stood at 96%.

In France, tire manufacturers and dealers signed an agreement with the government, pledging to eliminate all of the country's legacy ELT stockpiles – estimated at 200,000 tonnes – by 2018.

● SUPPORTING THE DEVELOPMENT OF RECOVERY ROUTES

As raw materials grow increasingly scarce and stricter environmental standards become the norm, end-of-life tires, usually seen as waste, are in fact increasingly viewed as a resource. As a result, their recovery and reuse are becoming more economically viable year by year.

European regulations classify products made from ELT as non-hazardous waste, which means that their transport and processing is subject to severe, time-consuming constraints. As a member of the European Tyre and Rubber Manufacturers' Association (ETRMA), Michelin is supporting an initiative to have scrap tire rubber reclassified as a secondary raw material. A key step in this process was taken in October 2008 when the European Parliament and Council adopted Directive 2005/0281 on waste.

To actively promote the development of reuse and recovery channels, Michelin and the ETRMA are also working on a European standard for products made from ELTs, which would support their classification as a by-product rather than a waste. Industry-backed research partnerships are also exploring new recovery processes to increase ELTs' value in use.

THE EUROPEAN UNION HAS SET A TARGET OF RECYCLING 100% OF END-OF-LIFE TIRES.

At the end of 2008, the figure stood at 96% in Western Europe, 85% in Eastern Europe, 89% in Japan and 80% in Brazil. It was 83% in North America in 2007.



▲ Burning whole end-of-life tires in a cement plant furnace.



▲ Artificial grass on the Olympique de Marseille training field.



▲ Retaining wall.



FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE





FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE

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ANALYSIS OF 2009 CONSOLIDATED RESULTS

In 2009, in a recessionary environment, Michelin further strengthened its main financial metrics, with a limited 9.8% decline in net sales to €14.8 billion, a slight improvement in operating margin to 5.8% before non-recurring items and the generation of €1.4 billion in free cash flow.

- **OPERATING INCOME BEFORE NON-RECURRING ITEMS STOOD AT €862 MILLION FOR THE YEAR,**

compared with €920 million in 2008, reflecting the combined impact of:

- *The steep 14.8% decline in unit sales.*
- *The underutilization of production capacity.*

These factors were partly offset by:

- *The €318 million reduction in raw materials costs.*
- *The Group's firm pricing policy and the resistance of the MICHELIN brand.*
- *The structural improvement in competitiveness.*

- **NET INCOME AMOUNTED TO €104 MILLION**

despite a high €412 million in restructuring costs.

- **GEARING WAS REDUCED TO A RECORD LOW 55%,**

thanks in particular to tight management of working capital and capex.

- **THE GROUP IS MAINTAINING ITS TARGET OF REPORTING POSITIVE FREE CASH FLOW IN 2010 AND HAS RECOMMENDED THE PAYMENT OF A DIVIDEND OF €1.00, SUBJECT TO APPROVAL AT THE ANNUAL SHAREHOLDERS MEETING OF MAY 7, 2010.**

2009 NET SALES AND RESULTS

● SALES

Net sales amounted to €14,807 million in 2009, down a limited 9.8% at current exchange rates compared with 2008.

The decline primarily reflected the 14.8% fall-off in volumes caused by the record collapse in tire markets around the world. Thanks to the Group's firm pricing policy, the resistance of the MICHELIN brand and a favorable replacement/OE market mix, the price mix remained positive, adding 5.7% to growth for the year and attenuating much of the impact of weaker demand.

The currency effect was a positive 0.2%, as gains in the US dollar and, to a lesser extent, the Chinese yuan against the euro offset the declines in the British pound and the Mexican peso.

● EARNINGS

Operating margin before non-recurring items stood at 5.8%, up slightly from the 5.6% reported in 2008.

At €862 million, operating income before non-recurring items was down 6.3% for the year. It was hard hit by the decline in unit sales, whose negative €1,091 million impact was almost entirely offset by the highly positive price mix (€797 million), the structural improvement in productivity and the decline in raw materials costs (€318 million). The currency effect was a slightly negative €86 million.

Net income for the year came to €104 million, after €412 million in non-recurring expenses

related to the project to specialize certain plants in France, implementation of a manufacturing reorganization plan in North America, the voluntary separation plan in France and the closure of the Ota plant in Japan.

● NET FINANCIAL POSITION

Despite major contributions to pension funds during the year, free cash flow totalled €1,387 million in 2009 compared to a negative €359 million in 2008.

The improvement was driven by the disciplined management of both working capital (particularly inventory) and capital expenditure, which was reduced to €672 million from €1,271 million in 2008.

As a result, gearing improved by 29 points over the year to stand at a record low 55% at December 31, 2009, while net debt was reduced by €1,222 million to end the year at €3,051 million.

● SEGMENT INFORMATION

Passenger Car and Light Truck Tires and Related Distribution

Net sales in the Passenger car and Light truck tires and related distribution segment stood at €8,280 million for the year, down 4.5% on 2008. While negative for the year, the volume effect steadily eased with every quarter. The product mix improved, reflecting the impact of the 2008 price increases, the firm resistance of the MICHELIN brand and the enhanced segment/speed rating mix.

Operating income before non-recurring items amounted to €661 million, versus €370 million in 2008. Operating margin widened to 8.0% from 4.3% in 2008, led by the year-end upturn in volumes, particularly in winter tires, the still positive price mix, the decline in raw materials costs and the improvements in production flexibility.

Truck Tires and Related Distribution

Net sales in the Truck tires and related distribution segment stood at €4,496 million for the year, down 17.2% on 2008. The impact of the steep decline in sales volumes, which reflected the collapse in demand and its subsequent stabilization, was only partly offset by the sustained focus on extremely firm pricing policies.

Operating income before non-recurring items, which represented a loss of €163 million in the first half due to the sharp contraction in sales volumes in deeply depressed markets, low capacity utilization and the still negative impact

of raw materials costs, swung to a profit of €94 million in the second half, thanks to firm prices, the positive impact of raw materials costs and higher capacity utilization rates. For the full year, the operating loss before non-recurring items came to €69 million, corresponding to a negative 1.5% operating margin.

Specialty Businesses

Net sales from the Specialty businesses segment declined to €2,031 million from €2,307 million in 2008, dragged down by the fall-off in volumes in the original equipment Earthmoving, Infrastructure and Agricultural segments. The Mining and Quarries business, however, enjoyed firm resilience over the year. In the second half, certain price lists were adjusted downwards in application of clauses indexing them to raw materials costs.

Operating margin remained high, at 13.3% compared with 17.9% in 2008. The decline in sales volumes was only partially offset by the price mix, which remained favorable despite the downward adjustment in certain prices indexed to raw material costs.

CONSOLIDATED INCOME STATEMENT

<i>(in EUR million, except per share data)</i>	2009	2008	2007	2006	2005
Net sales	14,807	16 408	16 867	16 384	15 590
Cost of sales	(10,527)	(12,024)	(11,760)	(11,653)	(10,835)
Gross income	4,280	4,384	5,107	4,731	4,755
Sales and marketing expenses	(1,650)	(1,730)	(1,738)	(1,799)	(1,775)
Research and development expenses	(506)	(499)	(561)	(591)	(565)
General and administrative expenses	(1,113)	(1,161)	(1,069)	(965)	(999)
Other operating income and expenses	(149)	(74)	(94)	(38)	(48)
Operating income before non-recurring income and expenses	862	920	1,645	1,338	1,368
Non-recurring profits	-	-	-	-	256
Non-recurring expenses	(412)	(77)	(326)	(220)	(50)
Operating income	450	843	1,319	1,118	1,574
Cost of net debt	(292)	(330)	(294)	(315)	(310)
Other financial income and expenses	40	(3)	29	135	30
Share of profit/(loss) from associates	9	10	17	4	6
Income before taxes	207	520	1,071	942	1,300
Income tax	(103)	(163)	(299)	(369)	(411)
Net income	104	357	772	573	889
• Attributable to Shareholders of the Company	106	360	774	572	889
• Attributable to non-controlling interests	(2)	(3)	(2)	1	-
Earnings per share (in euros)					
• Basic	0.71	2.46	5.32	3.95	6.13
• Diluted	0.71	2.46	5.22	3.94	6.12

CONSOLIDATED BALANCE SHEET

<i>(in EUR million)</i>	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Goodwill	403	401	401	438	444
Other intangible assets	321	310	200	181	192
Property, plant and equipment (PP&E)	6,782	7,046	7,124	6,848	6,577
Non-current financial assets and other assets	712	382	452	449	435
Investments in associates and joint ventures	71	65	62	71	50
Deferred tax assets	942	896	926	1,005	1,227
Non-current assets	9,231	9,100	9,165	8,992	8,925
Inventories	2,994	3,677	3,353	3,342	3,225
Trade receivables	2,314	2,456	2,993	3,237	3,273
Current financial assets	165	173	35	79	229
Other current assets	583	732	573	544	618
Cash and cash equivalents	1,231	456	330	680	611
Current assets	7,287	7,494	7,284	7,882	7,956
TOTAL ASSETS	16,518	16,594	16,449	16,874	16,881
Share capital	295	290	288	287	287
Share premiums	1,987	1,944	1,885	1,863	1,845
Reserves	3,210	2,874	3,109	2,527	2,379
Non-controlling interests	3	5	8	11	16
Total equity	5,495	5,113	5,290	4,688	4,527
Non-current financial liabilities	3,568	3,446	2,925	2,736	3,092
Employee benefit obligations	2,374	2,448	2,567	2,730	3,049
Provisions and other non-current liabilities	1,105	760	895	818	801
Deferred tax liabilities	40	39	61	58	71
Non-current liabilities	7,087	6,693	6,448	6,342	7,013
Current financial liabilities	760	1,440	1,145	2,157	1,647
Trade payables	1,249	1,504	1,642	1,776	1,792
Other current liabilities	1,927	1,844	1,924	1,911	1,902
Current liabilities	3,936	4,788	4,711	5,844	5,341
TOTAL EQUITY AND LIABILITIES	16,518	16,594	16,449	16,874	16,881

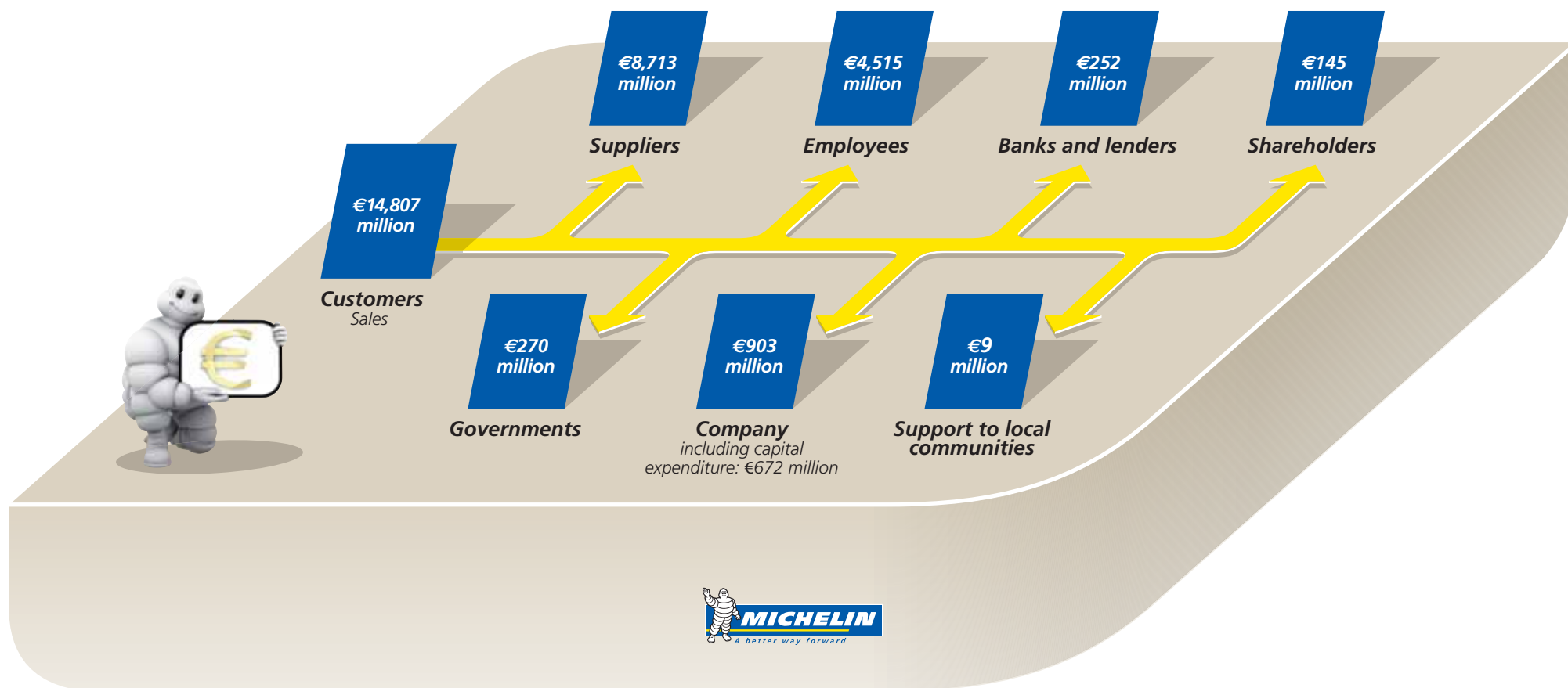
CONSOLIDATED CASH FLOW STATEMENT

(in EUR million)	2009	2008	2007	2006	2005
Net income	104	357	772	573	889
Adjustments					
• Cost of net debt	292	330	294	315	310
• Other financial income and expenses	(40)	3	(29)	(135)	(30)
• Income tax	103	163	299	369	411
• Amortization, depreciation and impairment of intangible assets and PP&E	940	928	823	871	803
• Non-recurring income and expenses	412	77	326	220	(206)
• Share of loss/(profit) from associates	(9)	(10)	(17)	(4)	(6)
EBITDA adjusted (before non-recurring income and expenses)	1,802	1,848	2,468	2,209	2,171
Other non-cash income and expenses	(28)	10	(26)	(75)	(22)
Change in provisions, including employee benefit obligations	(372)	(268)	(175)	(229)	(147)
Cost of net debt and other financial income and expenses paid	(207)	(266)	(277)	(311)	(284)
Income tax paid	(19)	(275)	(294)	(182)	(261)
Change in working capital, net of impairments	947	(134)	166	(221)	(426)
Cash flows from operating activities	2,123	915	1,862	1,191	1,031
Purchases of intangible assets and PP&E	(707)	(1,289)	(1,484)	(1,379)	(1,292)
Proceeds from sale of intangible assets and PP&E	47	52	106	102	84
Equity investments in consolidated companies, net of cash acquired	(1)	(1)	(106)	(41)	(41)
Disposals of equity investments in consolidated companies, net of cash sold	10	5	-	(3)	(3)
Purchases of available-for-sale investments	(5)	(62)	(5)	(60)	(17)
Proceeds from sale of available-for-sale investments	29	6	19	146	2
Cash flows from other financial assets	(109)	15	41	5	112
Cash flows from investing activities	(736)	(1,274)	(1,429)	(1,230)	(1,155)
Proceeds from issuance of shares	2	36	14	11	-
Proceeds from increase of non-controlling interests in the share capital of subsidiaries	-	-	-	-	14
Dividends paid to Shareholders of the Company	(65)	(230)	(208)	(193)	(179)
Proceeds of the issuance of convertible bonds	-	-	694	-	-
Cash flows from financial liabilities	(667)	768	(1 262)	311	(739)
Other cash flows from financing activities	(20)	(93)	(12)	(7)	(50)
Cash flows from financing activities	(750)	481	(774)	122	(954)
Effect of changes in exchange rates	2	4	(9)	(14)	34
Increase/(decrease) of cash and cash equivalents	639	126	(350)	69	(1,044)
Cash and cash equivalents as at 1 January (as adjusted, without bank overdrafts of EUR 136 million in 2009)	592	330	680	611	1,655
Cash and cash equivalents as at 31 December	1,231	456	330	680	611

The complete consolidated financial statements may be found in the 2009 Registration Document.

ALLOCATION OF 2009 SALES

The following table shows how 2009 sales were generated or divided among the stakeholders with whom Michelin has formal, institutionalized relations. Note, however, that Michelin plays a much wider role in local economies around the world, with a direct impact on the lives of hundreds of millions of people every day. Its tires are fitted on more than 180 million vehicles and help to support global trade and economic growth. While estimating its value is very difficult, this contribution is substantial and Michelin takes the resulting responsibility seriously.



A COMPANY ON THE MOVE, PROUD OF ITS TEAMS' ACCOMPLISHMENTS

*2009 Achievements in the Michelin Performance and
Responsibility Programs*



● 2009: TIGHT MANAGEMENT AND SUSTAINED IMPROVEMENT

- Exceptional fall-off in global tire markets
- Decline in net sales limited to 9.8%, to €14.8 billion
- Management of operations tightened to preserve the Group's main financial metrics
- More than €1 billion in competitiveness gains achieved since 2006 despite the crisis
- Projects to increase production capacity in growth regions like China, India and Brazil
- Confirmed position as a global player, with 16.3% of the world market in 2008 according to Tire Business, September 2009

1/ NEW PRODUCT AND SERVICE LAUNCHES, MARKET PRESENCE AND AWARDS

- MICHELIN Energy™ Saver All-Season launched in North America Page 49
- MICHELIN Primacy LC launched in China and named "China Comfort Tire of the Year" Page 49
- MICHELIN X-ICE North2 car tire and MICHELIN Agilis Alpin and MICHELIN Agilis X-Ice North van tires launched Page 53
- Smaller, lighter MICHELIN XTE2 trailer truck tire launched Page 56
- MICHELIN Power One motorcycle tire launched Page 54
- Michelin fits Harley-Davidson with original equipment tires Page 53
- MICHELIN XHA2 Earthmover tire launched for loaders in the quarries and infrastructure segments Page 49
- MICHELIN Energy™ Saver tire certified for use on more than 100 models; more than a million units already sold to PSA Peugeot Citroën Page 53
- Nearly 300,000 trucks equipped by Michelin Fleet Solutions in Europe Page 53
- 20,000 trucks in 20 countries repaired in less than two hours by Michelin Euro Assist Page 48
- 100th Michelin Service Center for trucks opens in China Page 49
- Euromaster has more than 1,700 centers in Europe Page 49
- TyrePlus network now exceeds 1,000 centers in 11 countries, of which 660 in China Page 29
- Launched in the United States, Michelin's new global advertising campaign emphasizes the importance of a balanced performance of longevity, grip and energy efficiency Page 26
- MICHELIN brand estimated to be worth \$2.4 billion in 2009 (according to Brand Finance)

- 90% of people surveyed around the world recognize the Michelin Man and 75% associate him with the MICHELIN brand
- MICHELIN brand awareness is 100% in Europe and North America, and more than 85% in China, Russia and Japan
- Four more J.D. Power awards in the United States and Japan
- MICHELIN Energy™ Saver and MICHELIN Primacy HP rated “particularly recommendable” by ADAC in Germany
- In France, Michelin wins Top Com Consumer award in recognition of its green tire communication programs

2/ A PEOPLE-DRIVEN COMPANY

- 109,193 employees at December 31, 2009
- For second year in a row, the LTIFR (Lost-Time Injury Frequency Rate) was less than 2
- 2,700 people trained in stress management
- 6 million training hours, or 66 hours per employee
- 38,858 Progress Ideas submitted by employees in 2009, of which 19,329 were implemented
- 2,049 meetings with employee representatives and 49 new collective agreements signed
- More than €9 million and 14,200 days dedicated to community outreach programs
- Nearly 2,000 jobs created, 130 companies supported and €7.5 million in loans granted by Michelin Development in Europe and North America in 2009
- Michelin North America named one of the Best Employers for Healthy Lifestyles and was included in the American Association of Retired Persons’ list of the Best Employers for Workers Over 50 for the fourth time

3/ LONG-TERM STABILITY

- 5.8% operating margin before non-recurring items, up slightly on 2008
- €1,387 million in free cash flow
- Strengthened financial structure, with gearing at a record low 55%
- Sustained deployment of the risk management plan
- 300 meetings organized in 16 countries with 765 analysts and investors, including 32 Socially Responsible Investing institutions
- Michelin stock included in the following SRI indices: Dow Jones Sustainability Index (DJSI) Stoxx for European sustainability leaders and DJSI World for global sustainability leaders, Ethibel Sustainability Index (ESI) Europe, and the Advanced Sustainable Performance Index (ASPI) Eurozone

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4/ RESPECT FOR THE ENVIRONMENT

- The MICHELIN Energy™ Saver Passenger car tire reduces fuel consumption by 0.2 liters/100 km and the MICHELIN X Energy™ Savergreen Truck tire by 500 liters a year
- EU tire labeling system scheduled for introduction in 2012, indicating energy efficiency, grip and noise; tire ratings based on rolling resistance introduced in Japan in 2010; new tire regulations concerning energy efficiency, grip and wear applicable in the United States in late 2010
- MEF (Michelin sites Environmental Footprint) improves despite the recession
- Further improvements in water use, which declined by 40% at the Fort Wayne, IN plant (USA), 24% at the Alessandria, Italy plant and 19% at the Victoria, Romania plant
- 96% of end-of-life tires recovered and reused in Western Europe in 2008, 1% more than in 2007
- CO₂ emissions by internal and downstream logistics operations initially estimated at 300,000 tonnes
- Ecosystem recreated in a wetland on the Cholet site in France
- Two wind turbines to be installed at the Ballymena plant in Scotland and two biomass-fired boilers at two French facilities
- Plan prepared to assess the interactions between Group production facilities and their ecosystems
- Car and Truck tire life-cycle assessments (LCAs) updated to reflect the industry’s environmental improvements and the latest research:
 - Lower relative impact of raw materials and production
 - Sharp reduction in the relative impact of tire wear debris, due to improved understanding of its nature
 - Higher environmental benefits from end-of-life recovery and reuse
- In November 2009, Challenge Bibendum organized the Sustainable Mobility Convention in Rio de Janeiro, attended by Brazilian President Luis Inacio Lula da Silva
- Michelin is a tier-1 partner in the innovative Velroue, ELLISUP and Forewheel electric vehicle projects, in association with carmakers, equipment manufacturers and research organizations and with the support of France’s Agency for the Environment and Energy Management (ADEME)

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EMPLOYEE DATA

Unless otherwise indicated, the following employee data have been reported from all of the companies controlled by Michelin worldwide. The list of consolidated companies may be found in the Registration Document.

	2009	2008	2007	2006	2005	GRI
Total workforce at December 31**	109,193	117,565	121,356	126,673	127,319	LA1
Total workforce by region						
- Europe	68,251	73,697	77,237	72,113	82,354	LA1
- North America	21,141	22,987	23,095	22,078	24,100	LA1
- South America	5,454	6,201	6,322	5,934	6,240	LA1
- Asia-Pacific	13,246	13,476	13,455	13,155	12,677	LA1
- Africa-Middle East	1,101	1,204	1,247	2,475	3,684	LA1
Workforce by gender						
- Male	86.0%	86.1%	86.1%	86.3%	86.6%	LA13
- Female	14.0%	13.9%	13.9%	13.7%	13.4%	LA13
Workforce by employee category* (in %)						
- Production workers	64.8%	66.7%	66.7%	67.6%	68.7%	LA1
- Administrative and technical staff	29.3%	27.4%	27.6%	26.8%	26.0%	LA1
- Managers	5.9%	5.9%	5.7%	5.6%	5.2%	LA1
Workforce by age (in %)						
- 24 and under	4.9%	6.1%	6.7%	6.8%	5.7%	
- 25-34	26.0%	26.2%	27.1%	26.7%	23.4%	
- 35-44	25.9%	24.9%	25.1%	24.4%	22.9%	
- 45-54	26.8%	27.1%	28.7%	30.0%	29.8%	
- 55-64	16.2%	15.6%	12.2%	12.0%	17.9%	
- Over 65	0.2%	0.1%	0.1%	0.1%	0.3%	
Workforce by length of service (in %)						
- Less than 2 years	9.9%	n/a	n/a	n/a	n/a	
- 2-5 years	14.7%	n/a	n/a	n/a	n/a	
- 5-10 years	18.2%	n/a	n/a	n/a	n/a	
- 10-15 years	13.8%	n/a	n/a	n/a	n/a	
- 15-20 years	6.3%	n/a	n/a	n/a	n/a	
- Over 20 years	37.1%	n/a	n/a	n/a	n/a	
Movements during the year						
- New hires	5,705	11,458	11,642	10,895	10,554	
- Natural attrition	5,425	7,755	7,738	8,240	7,938	
- Negotiated redundancies	5,514	5,513	6,693	4,381	4,937	
- Pre-retirement	1,446	1,932	2,673	2,988	2,872	
Part-time contracts (in %)	1.8%	2.0%	2.2%	4.5%	3.0%	

* Excluding distribution.

** Data related to these indicators have been reviewed by PricewaterhouseCoopers.

	2009	2008	2007	2006	2005	GRI
Training						
- Percentage of training hours per total hours worked	3.9%	4.2%	3.7%	3.1%	2.8%	LA10
- Percentage of employees who received training	83%	83%	77%	70%	n/a	
- Number of training hours per employee per year	66	69	63	52	50	LA10
Type of training						
- Specific professional training	80%	78%	80%	77%	n/a	
- Management training	8%	12%	11%	14%	n/a	
- General training	12%	10%	8%	9%	n/a	
Absenteeism (production workers)	3.9%	4.2%	4.0%	4.0%	3.8%	
- Sick leave	2.1%	2.3%	2.5%	2.2%	2.4%	
- Injury leave	0.1%	0.2%	0.2%	0.7%	0.2%	
- Long-term leave	1.7%	1.8%	1.3%	1.1%	1.2%	
Occupational accidents						
- Number of lost-time injuries, Groupwide	217	311	390	438	626	
- Lost time injury frequency rate**	1.41	1.85	2.39	2.55	3.61	LA7
- Severity rate**	0.18	0.21	0.21	0.21	0.25	LA7
- Number of plants with zero recordable incidents	32	30	18	7	8	
Percentage of disabled employees	2.5%	2.2%	2.6%	2.8%	2.5%	
Percentage of women in management positions	15.8%	15.9%	15.1%	14.8%	14.3%	LA13
Percentage of women in International executive positions	6.5%	5.2%	4.9%	4.8%	3.4%	LA13
Percentage of non-French nationals in executive positions	45.7%	44.2%	43.5%	43.6%	34%	LA13
Number of employees entitled to supplementary compensation	72,000	74,000	73,000	73,000	54,000	
Number of collective bargaining agreements	49	48	35	39	42	

** Data related to these indicators have been reviewed by PricewaterhouseCoopers.

ENVIRONMENTAL DATA

Unless otherwise indicated, the following environmental data have been reported from all of the companies controlled by Michelin worldwide. The list of consolidated companies may be found in the Registration Document.

	2009	2008	2007	2006	2005	GRI
Environmental management						
- Number of production facilities	72*	68	69	69	71	
- % of tires produced in ISO 14001-certified facilities**	99.5%	99.5%	99.5%	99.4%	94.8%	
Raw materials used (in value)						
- Natural rubber	28%	31%	32%	31%	27%	
- Synthetic rubber	26%	25%	22%	22%	24%	
- Reinforcing fillers	16%	16%	15%	16%	15%	
- Chemicals	13%	13%	14%	13%	13%	
- Steelcord	10%	9%	9%	10%	12%	
- Textile fabric	7%	6%	8%	8%	9%	
Energy consumption (Gj/t PP)**						
- Michelin fixed sources	9	8.5	9	10.5	10.6	EN3
- Electricity	5.9	5.5	5.4	5.6	5.7	EN4
- Outsourced steam	1.2	1.3	1.2	1.1	1.0	EN4
Renewable energies						
-CO ₂ emissions avoided (t)	23,300	30,000	12,400	----	----	
Water consumption (m3/t PP)**	13.3	12.8	13.3	14.9	15	EN8
Emissions						
- VOC (kg/t PP)**	3.04	3.13	3.48	3.97	4.27	EN20
- CO ₂ (t/t PP)**	1.43	1.35	1.37	1.48	1.53	EN16
- NO _x (kg/t PP)	0.82	0.82	0.89	0.85	1.01	EN20
- SO _x (kg/t PP)	1.17	1.08	1.27	1.22	1.65	EN20
Waste produced (kg/t PP)**						
- Waste produced (kg/t of finished product)	121.2	127.5	128	130	140	EN22
- Quantity of waste sent to landfill (kg/t of finished product)	13.3	16.2	20	26	33	EN22
Recovery and reuse of end-of-life tires						
- Western Europe (% of total volume)	n/a	96%	95%	89%	89%	EN27
- North America (% of total volume)	n/a	n/a	83%	n/a	84%	EN27
Environmental expenditure (capital expenditure and operating expenses) (in thousands of euros)						
- Air pollution prevention	2,237	6,808	19,181	18,582	9,897	
- Surface water pollution prevention	1,996	3,392	4,809	3,399	4,857	
- Underground water and ground pollution prevention	1,439	2,064	3,192	4,137	3,840	
- Other preventive actions	8,231	10,727	7,273	6,963	8,612	

* Beginning in 2009, the number of production facilities includes component and semi-finished product plants

** Data related to these indicators have been reviewed by PricewaterhouseCoopers.

REVIEW REPORT FROM PRICEWATERHOUSECOOPERS

Review report from one of the statutory auditors, PricewaterhouseCoopers audit, on the processes used to compile certain social and environmental information, and on certain social, and environmental indicators.

This is a free translation into English of the Statutory Auditor's review report issued in the French language and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Further to your request and in our capacity as Statutory Auditor of the Michelin Group, we have carried out a review for the purpose of enabling us to express moderate assurance on the processes used to compile certain social and environmental information published by the Michelin Group in its 2009 Annual and Sustainable Development Report:

- Social information includes indicators for "Frequency rate" and "Severity rate" for workplace accidents, "Headcount", "Full-time equivalent Headcount", "Absenteeism", "Training access rate", and "Male/female distribution by status and geographic zone";
- Environmental indicators include all indicators shown in the "Data Recap Table".

We have also carried out a review for the purpose of enabling us to express moderate assurance on certain of the social and environmental indicators listed above (marked "***" on pages 65, 71, 94, 112, 113 and 114 of this 2009 Annual and Sustainable Development Report).

These processes, together with the indicators set forth in this 2009 Annual and Sustainable Development Report, are the responsibility of the "Prevention and Industrial Performance Department", the "Personnel Group Service", and the Michelin Group "Michelin Performance and Responsibility Department", in accordance with the Group's internal reporting standards. These standards are available on request from the Group's head office. Our responsibility is to express our conclusion on these data compilation processes as well as on these indicators, based on our work.

● NATURE AND SCOPE OF OUR WORK

We performed our works in accordance with the doctrine of the Compagnie Nationale des Commissaires aux Comptes relative to this mission.

We performed the procedures described below to obtain moderate assurance that no material irregularities exist with regard to the processes used to compile certain social and environmental information as well as certain social and environmental indicators published. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

We performed the following procedures with regard to the processes used to compile the social and environmental information:

- We assessed the procedures used to report the above-mentioned social and environmental information in light of the relevance, reliability, objectivity and understandability of such information;

- We conducted interviews with the persons responsible for compiling and consolidating the data and applying the procedures at Group level, in order to verify that the procedures had been properly understood and implemented. We also met with people from the following divisions and departments: the "Finance Group Service", the "Personnel Group Service / Training"; the "Personnel Group Service / Global Compensation", the "Prevention and Industrial Performance Department / Environment and Hygiene", the "Prevention and Industrial Performance Department / Persons and Goods Safety";
- We also compiled and sent a questionnaire to 19 Group sites in 9 countries, in order to determine whether social and environmental reporting procedures were properly applied;
- We performed consistency checks on a test basis in order to verify that the data had been correctly centralized and consolidated.

In addition to the work regarding the above-mentioned reporting procedures, for the social and environmental indicators marked "***" in this 2009 Annual and Sustainable Development Report we selected a sample of industrial plants (Alessandria, Bassens, Cholet, Columbia, Fort Wayne, Lasarte, Olsztyn, Shanghai TME, Vitoria) on the basis of their contribution to the Group's consolidated data. We checked, on site, that the procedures had been properly understood and implemented at these selected sites and performed in-depth checks on a test basis to verify

the calculations and reconcile the data with the supporting documents. The contribution of these sites to the consolidated data was as follows:

- Contribution to overall social indicators: 15% of the Group's total headcount, expressed as full time equivalents and 13% of hours worked;
- Contribution to overall environmental indicators: energy consumption: 25%; water consumption: 27%; SOx emissions: 58%; NOx emissions: 46%; VOC emissions: 22%; tire manufacturing: 22%; Waste production: 27%; Waste disposal volume: 18%.

We were assisted in our work by experts from our Sustainable Development department.

● CONCLUSION

Based on our work, no material irregularities came to light causing us to believe that the following processes and indicators do not comply with the Michelin Group's reporting indicators for 2009:

- the processes used to compile social and environmental information for the above-mentioned indicators in accordance with the Group's internal reporting standards applicable in 2009; and
- the indicators reviewed (marked "***" in this 2009 Annual and Sustainable Development Report) in accordance with the Group's internal reporting standards applicable in 2009.

Neuilly-sur-Seine, February 25, 2010

PricewaterhouseCoopers Audit

Christian Marcellin
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable Development Department

Design and production: **W & CIE** ☺
Copy Writing: Michelin, Information et Conseil


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FINANCIAL AGENDA FOR 2010

 Annual Shareholders Meeting May 7, 2010

 2009 Annual Results February 12, 2010

 Quarterly information for
the three months ending March 31, 2010 April 29, 2010


 First-half 2010 results July 30, 2010

 Quarterly information
for the nine months ending September 30, 2010 October 26, 2010

 Shareholder information meetings:

- Perpignan
- Bordeaux
- Reims
- Nice
- Nantes
- Strasbourg

March 16, 2010
March 31, 2010
June 21, 2010
November 9, 2010
November 30, 2010
December 15, 2010

 Investor Fair:
Actionaria – Paris

November 19-20, 2010

INVESTOR RELATIONS

Valérie Magloire

Alban de Saint Martin

+ 33 (0) 1 45 66 16 15

46, avenue de Breteuil

75324 Paris Cedex 07 – France

investor-relations@fr.michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS

Jacques Engasser

+ 33 (0) 4 73 98 59 00

12, cours Sablon

63040 Clermont-Ferrand Cedex 9 – France

Toll-free calls in France: 0 800 000 222

actionnaires-individuels@fr.michelin.com

ADVANCED RESEARCH AND SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT

Patrice Person

+ 33(0) 4 73 32 20 18

23, place des Carmes - Déchaux

63040 Clermont-Ferrand Cedex 9 - France

performance-responsabilite@fr.michelin.com

COMMUNICATION AND BRANDS

MEDIA RELATIONS

Fabienne de Brébisson

+ 33 (0) 1 45 66 22 22

46, avenue de Breteuil

75324 Paris Cedex 07 - France

MICHELIN

+ 33 (0) 4 73 32 20 00

23, place des Carmes-Déchaux

63040 Clermont-Ferrand Cedex 9 – France

www.michelin.com

