



Horizons

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MICHELIN'S LETTER TO ITS SHAREHOLDERS

TOPICAL REVIEW

2011 - 2015: A New Phase of Dynamic Growth

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EDITORIAL



Ladies and Gentlemen,
Dear Shareholders,

2010 was an excellent year,

when Michelin reported historically high margins thanks to both the dedicated efforts of all our teams, who successfully captured the recovery in tire demand, and the improvements in competitiveness and efficiency delivered by our Horizon 2010 plan. Michelin has emerged from the recession stronger than ever and is ready to embark on a new phase of dynamic growth.

The growth in the global tire market and the transportation industry's ongoing response to the challenges of sustainable development present historic opportunities for your company's future.

Geographically, we have begun to re-align the business base with the shift in demand, through a vast capital expenditure program in fast growing countries. Technologically, we have proactively responded to changing demand by bringing to market tires that take less and less raw material to make, while still offering greater safety, longer tread life and better fuel efficiency.

Our strategy for the next five years is ambitious and hinges on three main objectives: to drive strong, diversified growth, to become more competitive and to maintain our business performance.

To succeed, we can leverage main competitive advantages, including our ability to satisfy the real needs of our customers through innovation, the Michelin brand and its capital of trust, as well as our other brands and the portfolio of services that we plan to enhance and diversify. Lastly, there's the professionalism and dedication of our employees, who have enabled Michelin to grow and become a leader.

I am confident that we will succeed.

Michel Rollier,
Managing Partner



Jean-Dominique Senard,
Managing Partner

“2010: **historically high profitability**”



➤ Tire markets in 2010

• PASSENGER CAR AND LIGHT TRUCK TIRES

Overall, original equipment markets rebounded by 25% but remained below 2007 levels in Europe and North America. Replacement markets gained 9% during the year, with demand in mature markets returning close to 2007 levels.

• TRUCK TIRES (radial market only)

Original equipment demand surged by 33% but was still substantially below 2007 levels in Europe and North America. Replacement markets rose 17% overall, lifted by dealer restocking in Europe and North America.

➤ 2010 sales and earnings

• NET SALES

Consolidated net sales amounted to €17,891 million, up 20.8% at current exchange rates compared with 2009.

The increase was led by a 13.4% improvement in sales volumes and a 1.7% gain from the price mix, as higher prices amply offset the impact of an unfavorable product mix. The favorable 2.6% price effect gathered momentum on price increases in every region. Exchange rates had a positive 4.8% impact on reported sales.

• EARNINGS

Operating income before non-recurring income and expenses amounted to €1,695 million or 9.5% of net sales, compared with €862 million and 5.8% in 2009. The €833 million increase in operating income and 3.7 point improvement in operating margin mainly reflected the favorable impact of higher volumes (€914 million), the price mix (€278 million, including €391 million from higher prices) and the currency effect (€184 million). Higher raw materials prices reduced operating income by €544 million.

Net income for the year came to €1,049 million.

• NET FINANCIAL POSITION

Free cash flow stood at a positive €426 million for the year, despite the upswing in capital expenditure to €1.1 billion and a prepaid contribution to pension plans totaling €270 million.

Following the success of the €1.2 billion rights issue in October, **gearing declined to 20%** at December 31, 2010.

➤ Outlook for 2011

Michelin is committed to driving a new phase of faster, more dynamic growth, at a time of steadily increasing global tire demand and rising raw materials prices.

In this environment, Michelin enjoys a number of **differentiating competitive strengths**, including a powerful brand and the premium pricing power it confers, the technological leadership and balanced performance delivered by its tires, the flexibility of its manufacturing base, and a robust balance sheet capable of supporting its growth ambitions and weathering the ups and downs of the business cycle.

Backed by these strengths, and barring any major change in the economic environment, Michelin has set ambitious objectives for 2011.

1. The Group expects to increase unit sales by at least 6.5%, in line with the 2011-2015 growth targets.
2. Michelin will maintain a highly responsive pricing policy in the face of rising raw materials costs:

The full-year impact of raw materials costs on operating income is estimated at €1,500 million. Already, 75% of this additional cost has been offset by the full-year impact of the 2010 price increases, the 2011 implementation of the raw materials-based price indexation clauses and the new price increases announced in 2011. Beyond 2011, the Group will continue to manage prices so as to pass along all of the additional raw materials costs.

3. Michelin expects to see higher operating income in 2011, despite the temporary cost of stepping up its presence in new markets.
4. In light of the increase in raw materials costs and the unprecedented €1.6 billion capital expenditure program, **free cash flow is expected to be temporarily negative in 2011**. Nevertheless, Michelin confirms its objective of generating positive free cash flow over the entire 2011-2015 period.



Some 3,000 people gathered in the Grand Auditorium of the Palais des Congrès in Paris

Selected quotes:

- ▶ *"A feeling of renewal and pride"*
- ▶ *"We're moving forward and I like that message"*
- ▶ *"I felt Michelin's full force"*
- ▶ *"An extraordinary opportunity to see Michelin's diversity"*

The 2010 International **BIB FORUM**

For the first time in its history, Michelin held a meeting attended by 3,000 managers from all its businesses around the world. The unique, international event was designed to focus all our energies on a shared future and to emphasize our geographical diversity and Michelin's power as the global leader.

Held at the Palais des Congrès convention center in Paris last October 14-15, the International Bib Forum lived up to its advance billing as a unique, multi-faceted event, in terms of both the issues covered and the many opportunities for interpersonal contact. At the plenary sessions, participants reviewed the results of the Horizon 2010 corporate project with the Managing Partners, shared ideas about future challenges and discussed the role of management and innovation within the Group. To present Michelin's different cultures and markets, an exhibition was organized around eight pavilions, each of which showcased the specific features of one of our eight operating regions. A special section devoted to the major transformation programs introduced the new operating processes and procedures that managers should apply to increase competitiveness, control costs and constantly improve customer satisfaction, both now and in the future. In his closing remarks, Michel Rollier shared his ambitious goals for the Group and his strategic vision for 2011-2015: "First, Michelin has a bright future with a wealth of opportunities and challenges.

Secondly, Michelin will experience profound demographic change. From a Company with international operations, we will grow to be a truly global Group. Thirdly, let's keep in mind that we will only succeed if we can adapt our behavior to a fast changing world. None of that will happen without growth. And this is why we are accelerating the pace of our investments and actively pursuing our strategic goals for 2015."

Michelin can rise to this challenge provided that all employees embrace the same ambition, understood and shared by all, since a company cannot succeed without a common vision and values. Following the meeting, internal communication documents were distributed in every country, to support buy-in for the key messages. In this way, our 110,000 employees around the world were invited to share the content of the Bib Forum in meetings led by their managers, so that they fully understand the importance of their actions and their direct contribution to Michelin's performance. That was the challenge successfully met by the 2010 International Bib Forum.



Exhibition of pavilions showcasing the operating regions

An event acclaimed by employees

According to a survey conducted by CSA, 87% of participants in the International Bib Forum said they were satisfied or very satisfied with the event. One aspect they especially appreciated was the choice of a single venue to bring together people from around the world, which facilitated extensive, rewarding discussion. Michel Rollier's closing speech was the event's most popular presentation. Participants also left the Forum with the impression that the Group was deploying an assertive strategy. Among the messages that resonated most strongly were Michelin's capacity for innovation, commitment to dynamic growth and ability to evolve and adapt to the modern world while maintaining its core values. All in all, the Forum bolstered the participants' confidence in their Group and its development.



2011 - 2015: A New Phase of Dynamic Growth

Michelin is looking forward to 2015 with enthusiasm and confidence, thanks to the competitiveness gains made in recent years, the dedication and professionalism of its teams and the value of its brands. Today, there are 800 million vehicles on the road around the world, a number that will probably increase to 1.5 billion by 2030. The development of new markets and the structural changes underway in mature markets represent an historic opportunity.

The transportation market is expanding (or will expand) quickly in such fast-growing markets as China, Brazil, South America, India, Russia, the Middle East and soon Africa. At the same time, in mature markets, rising raw materials and energy costs are making customers more sensitive to environmental performance. Michelin's strategy for the next few years is both ambitious and assertive, with a focus on four priority objectives.

Growth in sales volume of 25% by 2015 and 50% by 2020

Michelin is committed to driving strong, diversified growth led by innovation, which has always been our strength. It's what makes our products and services different from the competition's. Current research on materials and lighter tires is promising. Growth will be led by the Michelin brand, with its commitment to quality and the balanced performance

delivered by its products, which resonates strongly with the expectations of customers and society alike. Capturing a strong position in the affordable high-performance tire segment will also be a source of high margins. This segment already accounts for more than 40% of the worldwide market and is growing faster than sales of the leading brands. Our portfolio of other brands will spearhead our future growth in this important segment. Our market access strategy will also play a key role in the success of this new phase of dynamic growth. It will be based on creating mutually trusting, highly professional, demanding relations with the entire distribution sector. Growth will also come from our services, which will no longer merely support tire sales but also act as a real source of new value. A major capital expenditure program will increase production capacity in fast-growing markets, make our plants in mature markets more competitive, and develop information systems to support a services portfolio.



Our financial targets for 2015: Growth in sales volume of 25% by 2015 and 50% by 2020 Operating income significantly exceeding €2 billion in 2015

Improved competitiveness through a widespread, ongoing commitment to operating excellence

Thanks to the efforts deployed since 2005, Michelin now has the best-performing plants in the mature markets in terms of size and production costs. By 2015, however, we are going to double our flexibility and increase productivity by more than 30%. This process will be backed by improvements in ergonomics and the work environment, as well as by stronger measures in the areas of health and safety, because respect for people is one of our core values.

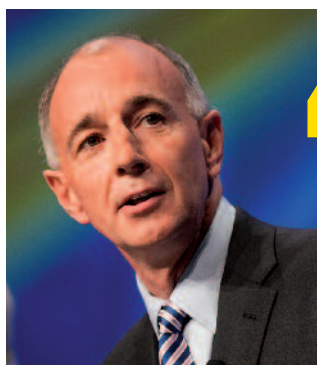
Two projects will be undertaken over the period. The first is designed to improve our supply chain and logistics, so as to increase the order fill rate. A program called Michelin Supply Chain and Logistic Way will involve close synergies between our supply chain, logistics, production and marketing teams. The second project is intended to reduce the cost and complexity of our information systems.

Sustainable business and financial performance

The outcome of this strategy is our sustainable business and financial performance, which also determines our ability to drive future growth. Our target for 2015 is operating income well in excess of €2 billion, a ROCE of more than 9% and positive free cash flow generated over the entire period. These are ambitious objectives that require tight capital spending discipline, full use of our assets and the continued careful management of corporate overheads.

A mutual commitment by the Company and its employees to "Moving Forward Together"

From now through 2015, Michelin's core priority will be to enhance the commitment of its teams, hire and integrate new capabilities and improve the quality of management. This represents a challenge that is both generational, as it involves meeting the expectations of younger employees, and cultural, given the growing percentage of employees from new countries in which we will develop.



“Growth will also come from our services, which will no longer merely support tire sales but also act as a real source of new value.”

Didier Miraton
Managing Partner

Rights issue successfully completed

Final gross proceeds from the share issue with pre-emptive subscription rights launched last September 28 amounted to €1.2 billion, corresponding to the creation of more than 27 million new shares.

This capital will be used to:

- Finance more rapid expansion, beginning this year, which will lead to an increase in annual capital expenditure to approximately €1.6 billion.

- Strengthen Michelin's credit rating and ability to raise funds on the financial markets.
- Generally improve the Group's financial flexibility.

Michelin thanks all of its shareholders for the confidence they have demonstrated in its strategy and growth prospects



PARIS AUTO SHOW

The global ad campaign goes to the show

At the 2010 Paris Auto Show, which this year focused on sustainable mobility solutions, the Michelin booth showcased our global ad campaign, with an innovative set design and 3-D animations to educate visitors that “the right tire changes everything.”

The booth was organized around the balanced performance of safety, durability and fuel efficiency delivered by MICHELIN tires, with special effects raising the impact of visuals from the associated advertisements.

The booth also displayed a selection of “Green X” labeled passenger car tires, including the recently launched MICHELIN Pilot Sport 3 and MICHELIN Alpin 4.

PERFORMANCE

ADAC awards 3 stars to the new snow tire

In September 2010, in its first year on the market, the MICHELIN Alpin 4 tire was awarded the highest distinction – a three-star “highly recommendable” rating – in a test conducted by ADAC, the German Automobile Association, in partnership with its Austrian and Swiss counterparts. The tire outperformed all of the 12 others tested, earning the top score.

The MICHELIN Alpin 4 delivers an unrivaled balance of grip, tread life and energy efficiency performance in all winter driving conditions, including rain, snow or freezing weather.



GIANT

The world's biggest tire

Standing four meters high and weighing five tonnes, the MICHELIN XDR 59/60R63 earthmover tire, the market leader in the 63-inch segment, can carry loads of up to 100 tonnes per tire.

INTERNATIONAL EXPANSION

Welcome to Vietnam

A subsidiary has been created in Vietnam to strengthen our presence in Southeast Asia. The new unit's employees will focus on expanding our product and service portfolio in line with the economic growth and development of infrastructure that is encouraging the wider use of radial tires in the region.



TRUCK TIRES

One million X One tires sold

Acclaimed by truckers for its weight-saving and fuel-efficient performance, the MICHELIN X One truck tire has passed the one-million sales mark.

According to a study in real conditions of use by an independent organization, the Super Single helps to reduce fuel consumption by at least 7% compared with the most fuel-efficient competing dual-mount tires.



AIRCRAFT TIRES

Taking off with Air France-KLM

Last summer, two long-term contracts were signed with Air France and KLM. In all, MICHELIN tires will be fitted on nearly 425 aircraft operated both by the Air France-KLM Group and by other airlines for which Air France and KLM provide maintenance services. Michelin's end-to-end solution, based on the quality of its products and of its innovative services, played a decisive role in the signing of the contracts, which are invoiced on a per-landing basis.

RACING



Michelin Group tops the podium in the 2011 Dakar rally

MICHELIN motorcycle and truck tires and BFGoodrich car tires topped the podium at the 33rd Dakar cross-country rally, held in South America from December 30, 2010 to January 16, 2011, with more than 400 starters. The rally, which is one of the world's most challenging, stands out as a

first class, full-scale proving ground for tires. The extreme conditions delivered by the Dakar allow new technologies to be put through their paces in a uniquely exacting environment and provide a laboratory for innovations that directly benefit users.

VIAMICHELIN

Prepare your trip on your iPhone

The ViaMichelin iPhone catalogue now includes 26 applications, enabling users to select a Michelin Guide restaurant, book a hotel, get real-time traffic information in France* and the United Kingdom, peruse travel guides and watch Tourism and Gastronomy magazine videos.

*Also available as an iPad app.

TWO WHEEL TIRES

A really all terrain mountain bike tire

To serve the needs of today's increasingly demanding enthusiasts, Michelin has optimized and streamlined its mountain bike offering with a single range called MICHELIN Wild. It comprises three complementary models for different types of terrain: the MICHELIN WildRace'R for hardpack, the MICHELIN WildGrip'R for mixed terrain and the MICHELIN WildRock'R for extreme terrain. A fourth version – the MICHELIN WildRun'R – was created for on-road training during the winter.

MICHELIN LIFESTYLE

MICHELIN Easy Grip composite snowchain voted product of the year

The MICHELIN Easy Grip composite snow chain has been voted Product of the Year 2010 in France, in the Marketing Innovation category. The prestigious award was based on the results of an independent survey of 10,000 representative French households.



Stock taxation

In the French edition, this section describes the tax treatment of income earned from stocks in 2011 by investors who are French tax residents. This information is not applicable to other countries, each of which has its own tax rules.



Note:

Being qualified as a French tax resident requires more than just an address in France. You are generally considered to be a French tax resident if you fulfill one of the following four conditions:

- You have your household in France.
- France is your primary place of residence (more than 183 days a year).
- You work in France.
- You have most of your assets in France.

These conditions should be interpreted in the light of international agreements governing double taxation.

Agenda

Investor calendar

- **April 21, 2011:**
Quarterly information for the three months ended March 31, 2011
- **May 13, 2011:**
Annual Shareholders Meeting
- **July 29, 2011:**
First-half 2011 results
- **October 26, 2011:**
Quarterly information for the nine months ended September 30, 2011

Forthcoming meetings with Shareholders in France

- **March 21, 2011:** Marseille
- **April 5, 2011:** Toulouse
- **May 31, 2011:** Lille
- **September 22, 2011:** Metz
- **September 27, 2011:** Annecy
- **November 9, 2011:** Rennes
- **November 18-19, 2011:**
Salon Actionaria investor fair, Palais des Congrès in Paris*

* The annual meeting with shareholders in Paris, led by our Managing Partners, will be held at the Actionaria investor fair on November 19.



The Michelin Shareholders' Consultative Committee is looking for new members

*If you are a Michelin shareholder,
You embrace Michelin's corporate culture and values,
And you have the time and energy,*

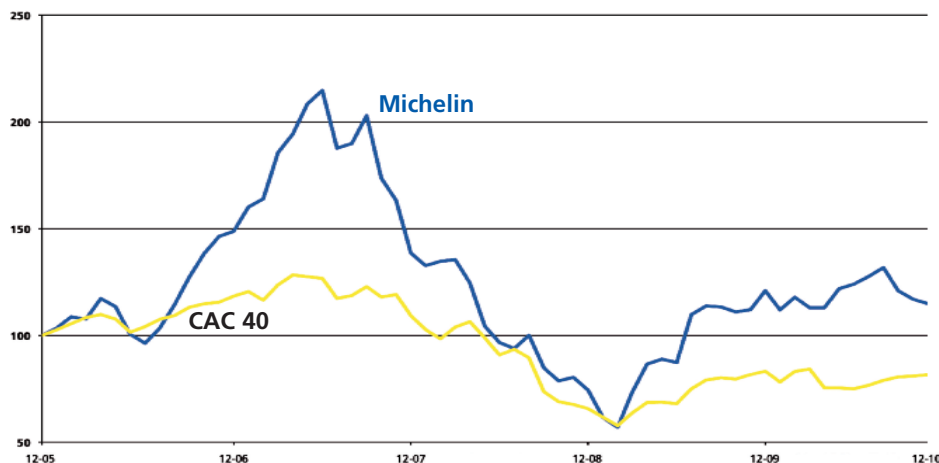
The Shareholder Relations Department invites you to apply to become a member of our Committee and to help us improve the quality of our financial communication with individual investors.

Full details of the application process are posted on www.michelin.com/shareholders

Please note that French is the working language (no translations available).

MICHELIN SHARE PRICE CHANGE

(base 100: December 31, 2005)



Share Data

As of December 31, 2010

ISIN Code: FR0000121261

Number of shares: 176,607,845

Closing price: €53.70

Change since Jan. 1, 2010: +0.22%

Market capitalisation: €9.48 billion

Breakdown of Capital

- Employees **1.8%**
- Individual shareholders **13.2%**
- Resident institutional investors **29.8%**
- Non-resident institutional investors **55.2%**

A team at your service

Individual Shareholder Relations Department

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