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Horizons

ISSUE No 03
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MICHELIN'S LETTER TO ITS SHAREHOLDERS

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EDITORIAL



Dear Shareholder,

I am pleased to have this opportunity to share with you the Group's strategy during these difficult times.

At the beginning of 2009, we adopted a policy designed to address short-term issues while also preserving Michelin's long-term strategic vision.

For the short term, we tightened management of our operations with the goal of maintaining the Group's cash flow through strict inventory management and a revised investment strategy.

As for the long term, we will pursue our strategy, which is based on three priorities:

- **Improving our competitiveness** through a leaner cost structure.
- **Expanding in the new high-growth markets** of China, India and Brazil, where planned investment levels will be maintained.
- **Leveraging our technological edge** to address transportation industry challenges. Michelin is stepping up its research and innovation programs to support automotive manufacturers in their efforts to develop safer vehicles that are also quieter and more environmentally-friendly.

Backed by its outstanding teams, MICHELIN is prepared to meet the crisis head-on and rise to future challenges.

Michel Rollier,
Managing Partner



MICHELIN

A better way forward

“ The Group’s priority for 2009 is to preserve its major business and financial metrics ”



Jean-Dominique Senard,
Managing Partner

What measures are you taking to attain these objectives?

We’re taking action simultaneously on three fronts: First, we’re continuing to optimize our management of manufacturing operations in order to effectively control inventory levels. Second, we’ve considerably scaled back capital expenditure, which is capped at €700 million for 2009 – 50% less than normal spending levels.

And third, we’re carefully managing our cash position.

How are you optimizing management of manufacturing operations?

The process involves fine-tuning all our operations. The Managing Partners consult with the Group Executive Council once a week in order to stay in touch with developments and ensure maximum responsiveness. Inventory control is key as we must dispose of the right level of inventory to maintain our overall economic balance. It also involves cutting back our manufacturing operations substantially and introducing short-time working hours in a number of countries. We support a range of initiatives intended to limit the financial impact on employees concerned by these measures. We are fully aware of the hardship caused to our employees. However, we have no choice since each day of

unsold production increases our debt by €30 million.

In the area of innovation and product design, Michelin claims to be one step ahead of the competition. Do you believe this can be maintained even though Group investment levels were halved?

The Group’s long-term mission is to be a key contributor to better mobility around the world. This has not changed. World markets will continue to grow over the long term, provided that our offering is tailored to new expectations in terms of environmental protection and customer needs. Michelin enjoys many assets in these areas thanks to its ongoing capacity for research and innovation, which we will continue to vigorously support. We will leverage this advantage by pursuing our strategy, with the goal of remaining the industry

leader. Our focus on expanding our activities in new markets is unchanged and all our key projects are proceeding according to plan.

What does careful management of the cash position mean?

In today’s volatile markets, this involves protecting Michelin’s cash and cash equivalents. In other words, stabilizing cash flows by lengthening the average maturity of debt. To this end, we placed an €750 million bond issue that was well received by the financial community. In short, we are making sure that under no circumstances will Michelin be faced with a cash crunch.

Tire market trends

• Passenger Car and Light Truck

Market change at end-June 2009 (%)
First-Half 2009 / First-Half 2008

	Europe (including CIS)	North America	Asia	South America	Africa Middle East	Total
Original Equipment	-33.1	-51.0	-17.3	-20.7	-25.0	-29.1
Replacement	-12.1*	-10.7	-4.6	-7.4	-5.2	-9.4

* Europe (excluding CIS) -6.5%

• Truck (radial market)

	Europe (including CIS)	North America	Asia	South America	Africa Middle East	Total
Original Equipment	-67.4	-47.8	-21.9	-30.7	-25.1	-44.5
Replacement	-31.4	-18.2	-12.0	-22.3	-7.1	-17.2

Seen from within



A Michelin technician recording track temperature

Competition: Part of Michelin's Genetic Code

For more than a century, Michelin has been involved in all forms of racing to demonstrate the superior strength of its products and transfer the technologies developed on the track to series-produced tires. Racing, therefore, is a genuine passion that Michelin teams share with their partners – racing teams and automotive manufacturers.

Following their victory in the 1891 Paris-Brest-Paris bicycle race with the first removable tires, Edouard and André Michelin, the Group's founders, realized that racing was the best platform to highlight the superior performance of their products. Since then, Michelin has won thousands of titles and victories worldwide, always bearing in mind that racing would enhance the visibility of its brand and the value of its tires while supporting its partners and meeting current technological challenges with tire solutions that could be transferred or adapted to the tires used by the public. This, in particular, was the case with radial technology.

"Over and above the technical aspects, racing is a strong vehicle for building brand image among consumers as well as a powerful cement binding all of our teams, as it high-

lights their day-to-day work," said Claire Dorland-Clauzel, head of Communication and Brands, speaking at the Annual Shareholders Meeting. *"When the Peugeot Sports team visited our plant in Clermont-Ferrand," she added, "Michelin employees were very pleased and proud to take the drivers on a tour of their workshop and display their know-how."*

"During a race, tires play a key role that over the years has created a powerful relationship among drivers, engineers and technicians," said Matthieu Bonardel, Four Wheel Competitions Manager. *"With their years of racing success, Michelin and its partners have developed a kind of moral contract based on mutual trust." For the latest running of the Le Mans 24hours, Michelin equipped 75% of*

Michelin Competition at the Le Mans 24hours

- ▶ **26** semi-trailers transporting **8,000** tires
- ▶ **2** tents on **800** m²:
 - one for storage,
 - one for fitting
- ▶ Michelin equips **41** out of **55**
- ▶ The Michelin Competition team at Le Mans includes
 - 30** technicians,
 - 4** developers and
 - 4** chemists
- ▶ Every partner team has a Michelin tire technician at its disposal



Michelin team at Le Mans

the racing teams, deployed more than 100 technicians and shipped some 8,000 tires." Throughout the year, Michelin Competition engineers, technicians and fitters work every weekend, driven by the same passion and the shared goal of helping Michelin to win.



www.michelinsport.com

Over the last
eighteen months,



Optimal tire performance balance: our core competitive advantage

With tires that deliver a unique combination of longevity, safety and fuel efficiency, Michelin is committed to enhanced mobility by lowering a tire's environmental footprint and raising mileage performance while guaranteeing optimum safety.

While black on the outside, Michelin tires contain a good deal of "gray matter" as they are in fact very high-tech products. Over the past 15 years, Michelin has striven to push the envelope further and enhance fuel efficiency while preserving and, in fact, improving tire safety performance (wet braking in particular) and longevity. "This is all about achieving optimal performance balance," says Pierre Menendes, head of Michelin Technical Communication.

"For Michelin, there is no question of improving tire fuel efficiency at the expense of service life, or worse, tire safety. Tires that lower fuel consumption but wear faster end up having a negative environmental impact and turn out to be more expensive for customers."

Technological Breakthroughs

Because of rolling resistance, tires account for up to 20% of a car's fuel consumption. The challenge Michelin has set for itself is to reduce tire-related fuel consumption through innovative technologies. "Innovative technology is indeed Michelin's watchword," adds Pierre Menendes.

"With conventional tire technologies, it's hard to improve a parameter for a given tire without adversely affecting another parameter. For instance, grip can easily be enhanced but at the cost of reduced longevity. On the other hand, using innovative technologies enables several parameters to be improved simultaneously. The introduction of silica in passenger car tires, for example, is a well-known example of a technological breakthrough."

Integrating silica and reducing weight

In the latest MICHELIN Energy Saver tire range, 99% of the carbon black in the tread is replaced by silica. Silica both reduces tire heating and improves fuel efficiency (through lower fuel consumption) while preserving previous-generation tire longevity and in fact improving wet grip. "85% of product performance improvements result from innovative material compounds," says Pierre Menendes. "The balance is accounted for by a combination of reduced weight (25% weight reduction since 1992) and an improved contact patch. But the introduction of silica involved a lengthy process calling for in-depth research and the development of



the **23** million
MICHELIN Energy Saver tires
sold in Europe have saved

65.6 million liters of fuel and more than
131,000 tonnes of CO₂, or the equivalent of the
average annual consumption of **73,000** cars.



Using innovative
technologies enables several
parameters to be improved
simultaneously. ”

Pierre Menendes
Head of Technical Communication

innovative mixing and curing processes.” Since 1992, it is estimated that Green X technology has enabled MICHELIN tires to reduce overall fuel consumption by 11 billion liters and CO₂ emissions by 28 million tonnes.

From Earthmover tires to Passenger Car tires

Regardless of the Product Line, performance balance and reduced environmental impact are uppermost in Michelin's mind. The Michelin Durable Technologies package of innovations revolutionized the truck tire market. The MICHELIN Energy tire line was launched in 1995 and featured the MICHELIN X One tire, with its entirely new profile. With a single MICHELIN X One tire replacing two rear tires on the tractor unit, the new offering delivered equal load-bearing capacity. MICHELIN X One tires, therefore, by reducing moving mass, generate fuel savings while delivering equal longevity, and in fact deliver greater payload and optimized cost per mile.

“The optimal performance balance struck by Michelin also benefits farming and earthmover operations,” continues Pierre Menendes. *“The new MICHELIN XHA2 tire for loaders combines improved productivity, safety and environmental protection. It features a sophisticated tread design that enhances mud traction. In addition, the massive tread features new shields for improved abrasion resistance. The previous generations of MICHELIN earthmover tires were already benchmarks. And the MICHELIN XHA2 tire clearly raises the bar even higher.”*

In agricultural applications, the same is true of Ultraflex technology, first developed by Michelin in 2003 for the Xeobib and Axiobib tire lines. These new tires require lower inflation pressure for a given load than previous-generation tires, enabling them to reduce soil compaction and thus deliver better plant yield. The tires require less traction power and torque (meaning less fuel), while increasing yield and productivity.

500

Every
MICHELIN X One
tire saves
500 liters
of fuel
per year.

The Michelin Man changes everything!



Starting on October 5 in North America, MICHELIN launched its first global advertising campaign, which will be extended to Europe, Asia and the rest of the world.

To strengthen its leadership and set itself apart from competitors, MICHELIN is focusing on a key message: only by choosing MICHELIN can motorists be sure that their tires deliver three key benefits: longevity, safety and fuel efficiency.

The message is summed up in a punchy catch phrase: ***The right tire changes everything.***

The originality of this innovative, bold campaign lies in its style – the use of animation – as well as in its content: The Michelin Man helps drivers by replacing inadequate tires with MICHELIN tires that he plucks from his body.

Partners looking for the right balance

In its drive to strike an ever more demanding performance balance between safety, longevity and a reduced environmental footprint, Michelin works in close collaboration with its OEM partners. By 2012, under the new applicable standards, automotive OEMs will have to lower their CO₂ emissions from a maximum of 160 g/km to 130 g/km.

Thanks to the latest range of MICHELIN Energy Saver tires, carbon dioxide emissions can be cut by 4 g/km. To achieve this 4-gram reduction by acting on the engine would require engineering development that would cost OEMs between €500 million and €1 billion. No wonder MICHELIN Energy Saver tires are already certified for use on more than 100 vehicles.



AUTO SHOW

Michelin at the Frankfurt Auto Show

Electric vehicles were showcased at the 63rd Frankfurt International Auto Show held in late September. Once again, Michelin was clearly ahead of the curve.

The rationale for presenting clean vehicles is clear: fuel consumption and CO₂ emissions must be reduced. No wonder then that this year's Frankfurt Auto Show was greener than ever. In fact, in these times of crisis, stakes are high for all carmakers, particularly German manufacturers, who produce large, powerful vehicles.

With close to 1 million visitors and more than 14,000 journalists of all nationalities attending, the Frankfurt show is considered the most representative showcase of technical developments in the global automotive industry.

Close to Peugeot and the Toyota booths, Michelin showcased two innovations that match new OEM expectations:

- The concept tire for electric vehicles, which came under the spotlight this year. This fuel-efficient GREEN X-labeled tire delivering outstanding fuel efficiency clearly shows that Michelin's latest moves fully match its customers' emerging needs,

- The MICHELIN Active Wheel with or without an integrated active suspension system. By reinventing the wheel, Michelin signals a revolution in automotive design as MICHELIN Active Wheel eliminates not only the need for an engine under the hood but also a traditional suspension system, transmission components and the gear box.

The Michelin stand also featured part of the GREEN X-labeled lineup. Visitors were invited to take part in a game enabling them to experience first-hand the properties of GREEN X tires, which deliver three benefits: greater longevity, safety and fuel efficiency.

Many MICHELIN tires currently integrate these three benefits, simultaneously providing enhanced safety, longer life and greater fuel savings. The GREEN X logo on their sidewall reaffirms Michelin's commitment to the future of mobility.

EARTHMOVER

Better than the benchmark

The MICHELIN XHA2 tire for quarry loaders and construction works was showcased at the Intermat 2009 show. The tire replaces the MICHELIN XHA lineup and lasts 10% longer than its predecessor. The previous-generation tire was the benchmark tire for major works projects around the world, accounting for 15% of the Earthmover Product Line unit sales, with 1.5 million MICHELIN XHA tires sold worldwide since its launch in the 1980s.



EVENT

A glamorous centennial edition

The MICHELIN Guide France celebrated its 100th edition in the spring. For the occasion, a special cover and collector casing were created. To celebrate the event, 100 artists and art school students, sponsored by Michelin-starred chefs, were asked to offer a personal interpretation of the cover. The result was an outstanding artistic success.



INTERNET

Michelin among the 5 best French recruitment sites

Michelin France's recruitment site (www.michelinrecrute.fr) was ranked 5th out of 100 corporate sites reviewed in the latest survey by Swedish agency Potentialpark. The survey involved 3,000 students from French business and engineering schools and universities.

SUSTAINABLE DEVELOPMENT

Michelin's latest PRM* Report

In late July, Michelin published the progress report for its Performance and Responsibility approach. Structured around the different stages of a tire's life cycle, the report details the many measures and achievements stemming from Michelin's commitment during the 2007-2008 period. The report is available on request or can be downloaded from www.michelin.com/corporate.

*Michelin Performance and Responsibility



LAUNCH

Welcome to L'Aventure Michelin

L'Aventure Michelin museum was inaugurated in Clermont-Ferrand in late March. Covering over 2,000 sq.m, some 1,000 items drawn from the Michelin collection are presented in an exhibition space combining modern design with tire-related themes and showcasing Michelin's past, present and future.

PERFORMANCE

A new Porsche with new tires

Welcome to the world of high performance! Porsche's latest car, the Panamera, will be fitted with customized MICHELIN Pilot Sport and MICHELIN Pilot Alpin tires. Whether on dry or wet roads, or in summer or winter weather, Michelin has harnessed its finest technologies to offer Porsche's latest sedan

the best grip in all conditions.

This achievement is the result of three years of close cooperation between Porsche and Michelin, involving hundreds of tests around the world and thousands of prototypes.



LOOKING FORWARD

Heading for the moon

Michelin was selected by NASA, one of its most demanding customers, to equip the next generation of lunar vehicles. This means that MICHELIN Lunar Wheel, derived from the famous MICHELIN Tweel tires, will someday be driven on the moon.

MEETING

Michelin at Actionaria

Michelin will take part in the Actionaria investor show held at Palais des Congrès in Paris on November 20-21. The event will give the Group a valuable opportunity to meet its current and future shareholders residing in the Paris region.

Registering your shares with the Company

What does it mean to register your shares with the Company?

Registering your shares with Compagnie Générale des Établissements Michelin means that they are registered directly in your name in the Company's share registry. In this case, our Shareholders' Relations Department is your single point of contact for all matters concerning your Michelin shares.

What are the benefits of registering your shares with the Company?

There are two main benefits: better service and lower costs

When you want to buy, sell, transfer, bequeath or gift Michelin shares, for example, you enjoy a direct relationship with our team, who can provide personalized support. At the same time, you don't have to pay any custody or management fees, your brokerage fees are charged at a reduced rate and your dividends are paid directly into your bank account, free of charge.

How do you open a securities account with the Company Registrar?

A securities account is opened in your name with the Company Registrar in any of the following cases:

- Prior to processing a buy order to the Shareholders Relations Department (contact details below).
- When you transfer shares from your bank or broker account to the Company Registrar. The related transfer form letter may be downloaded from our website.
- When you receive the shares as an inheritance or gift.

In each case, we will send you an advice confirming that the shares have been registered in your name with the Company. You will also receive a securities account agreement, which you must fill in and return to us as soon as possible to complete the account opening process.

Frequently asked questions concerning registered accounts

I have a French personal equity plan (PEA). Can I register my Michelin shares in the plan with you?

The Michelin share is eligible for inclusion in a PEA. However, issuing companies are not authorized to act as custodians for PEA accounts and, given the complexity of the governing regulations, we recommend that Michelin shares held in your PEA be registered through your bank or broker rather than with the Company.

What about tax returns?

Every February, you will receive a tax reporting statement with information about the proceeds and capital gains realized on transactions carried out during the previous year.

How quickly are buy and sell orders processed?

Buy and sell orders received by fax, post or phone are transferred immediately to our broker, which processes them right away.

What types of buy or sell orders may I make?

- Limit Order: an order that specifies a maximum buy price or a minimum sell price. Depending on the price limit, the order may be only partially fulfilled at a given time.
- Market Order: an order to buy or sell at the price prevailing when the order reaches the marketplace. The order will be executed in full, although possibly at different prices.
- Market-to-Limit Order: an order to buy or sell at the best bid or ask price prevailing when the order reaches the marketplace

Agenda

Forthcoming financial press releases

- **October 26, 2009**
3rd quarter net sales

Forthcoming meetings with Shareholders in France

- **November 20-21, 2009** Salon Actionaria / Paris / Palais des Congrès
- **November 25, 2009** Lyon
- **December 8, 2009** La Rochelle

Share Data

Figures to August 31, 2009

ISIN Code: FR0000121261

Number of shares: 147,370,738

Closing rate: €52.49

Change since 01/01/2009: + 40%

Market capitalization: €7.7 bn

Daily trading volume: 1,300,000

Breakdown of Capital

- Employees **2.2%**
- Individual Shareholders **12.3%**
- Resident Institutional Investors **26.2%**
- Non-resident Institutional Investors **59.3%**



A team at your service

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MICHELIN SHARE PRICE CHANGE

(base 100: December 31, 2004)

