2008 ANNUAL REPORT

MICHELIN
A better way forward

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This Reference Document includes the Annual Financial Report:

The English language version of this Annual Report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinion expressed therein in the original language version of the document in French takes precedence over the translation.

Tire Lifecycle: a technological and environmental challenge

1 **Research & Development**
Michelin's R&D capabilities make it one of the best placed companies to tackle the challenges of mobility.

2 **Raw Materials**
Michelin takes action to ensure the sustainability of natural rubber production and make the best use of raw materials.

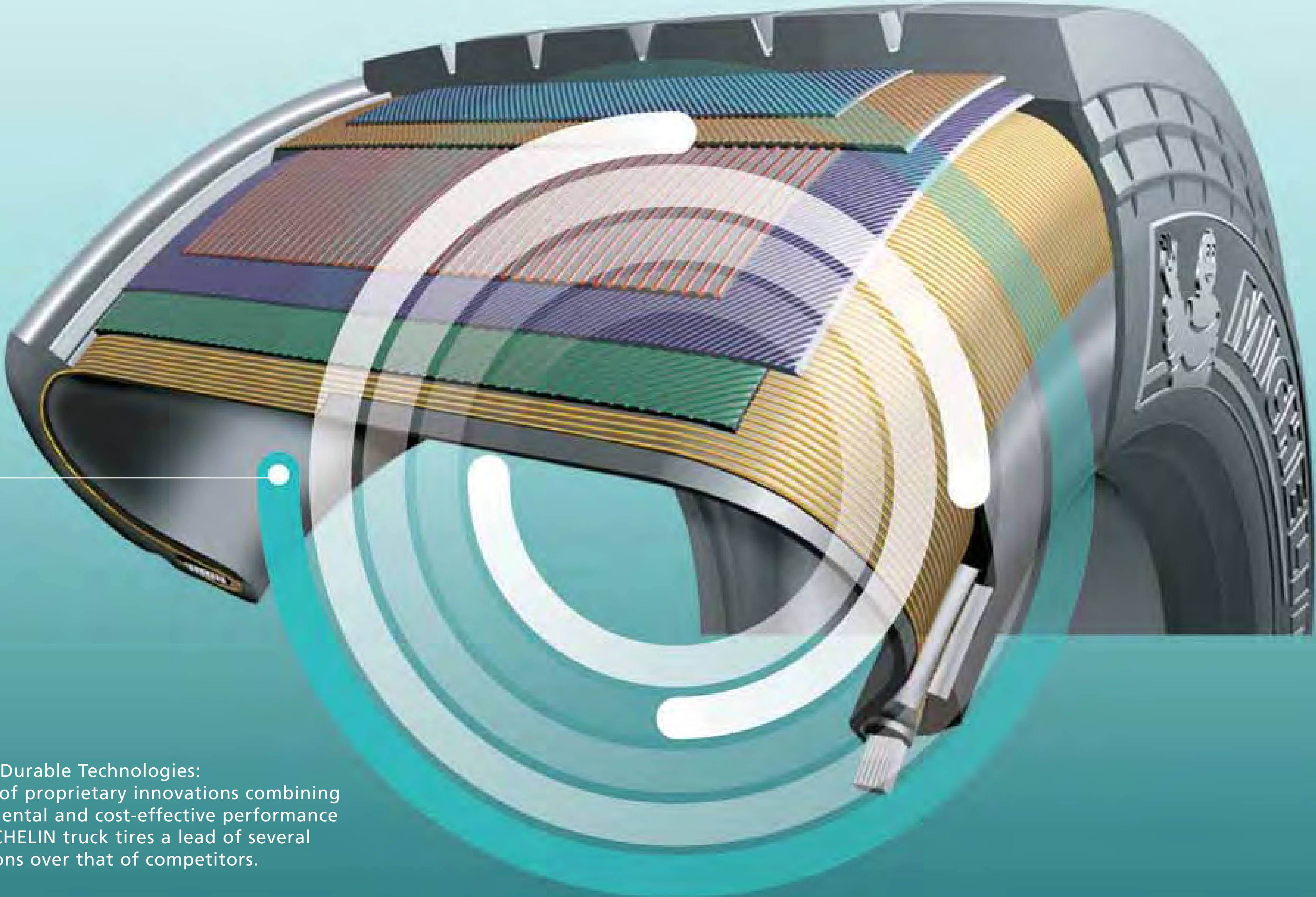
3 **Manufacturing**
The environmental impact of tire building is limited and Michelin is committed to reduce this further. Objective: -30% in 2013 versus 2005.

4 **Usage**
As the developer of Green X technology, Michelin plays a pioneering role in lowering tire-related fuel consumption.

5 **Valorization**
Michelin plays an active role in organizing the tire recycling industries including collection of end-of-life tires, in all the countries where it operates.

Michelin's mission is to improve the mobility of goods and people, reflected in its tagline 'A Better Way Forward'. Limiting vehicle fuel consumption, and therefore, CO_2 emissions, increasing tire service life, and therefore, using fewer raw materials, lowering braking distance, and therefore, increasing vehicle safety, are the driving force behind Michelin's new tire lines.
Manufacturing the best tires at the best cost while preserving the environment is a major issue as well as a powerful driver of progress and innovation.
A global analysis of tire lifecycle reveals that the usage phase accounts for 85% of the environmental impact. Michelin has always led the field in this area through its ongoing fuel efficient tire technology developments. And it is equally determined to reduce the environmental footprint of its plants and to promote end-of-life tire recycling.

This report sets forth the different challenges corresponding to every phase of a tire's lifecycle, together with the solutions Michelin introduced to address them.



Michelin Durable Technologies:
a cluster of proprietary innovations combining environmental and cost-effective performance gives MICHELIN truck tires a lead of several generations over that of competitors.

Tire Lifecycle

Phase 1: **Research & Development**

Product and Process Innovations: Intimately entwined

Lateral thinking: this approach has enabled Michelin to keep the lead for more than a century. Innovation is at the very heart of the Group's genes and central to the Group's processes and business lines. Its creative research and development approach gives the Group a unique ability to anticipate customer expectations and shape the tire market.

Being a market opener means being able to imagine what is not yet in existence: the vehicles of the future, tomorrow's mobility. Michelin's pioneering spirit has been carefully fostered since 1889. With approximately 6,000 persons working in Research, Development and Industrialization in Europe, America and Asia and a budget of 500 million euros, Michelin is well positioned to address the sustainable mobility challenge and transform it into profitable growth opportunities.

Serve today, imagine what tomorrow will be like

Research must deliver quick responses to customers' expectations, find innovative and economically relevant solutions, and invent related industrialization processes. It must also deliver breakthrough innovations and probe into avenues other than the tire technologies to contribute to the progress of mobility, the Group's mission. And this dual aspect pervades all the activities as these involve a mix of applied and fundamental research, product related and industrial issues.

Innovate better and faster

The greater the tire's performance, the more complex the design and difficult the building process. From materials to industrial processes and integrated electronics, Michelin's research involves multidisciplinary teams in projects that can last anywhere from one to ten years. A program was launched to accelerate the Group's Research, Development and Industrialization process. New organizations were introduced to innovate better and faster and obtain an early confrontation of Michelin's ideas and projects to customers and markets. The objective: cut innovation time-to-market by half.

CO_2 emissions during the lifecycle of a set of 4 passenger car tires

	4 MICHELIN Green X tires	4 standard tires
• Raw material production	60 kg	60 kg
• Production of the four tires	35 kg	35 kg
• Tire distribution	6 kg	6 kg
• Tire usage	1,435 kg	1,675 kg
• End-of-life processing	-17 kg	-17 kg
Total	1,519 kg	1,759 kg

Source: based on the Lifecycle Assessment of an average Passenger car tire, carried out by PRé Consultants B.V in 2001.

Focus

MICHELIN Active Wheel: all in the wheels, nothing under the hood!

Michelin Active Wheel is one of the recent technological leaps that testifies to the Group's ability to transform the mobility market. Wheels house the suspension, the brake and the engine. With an outstanding power/weight ratio, the wheel is powered by an accumulator or a fuel cell.
The electronic suspension automatically corrects roll and pitch. Integrating the motor in the wheel does away with the gearbox, the drive shaft and differential gear. In other words, an altogether different approach to cars. This technological focus was adapted to two vehicles presented at the Paris Auto Show 2008: Venturi Volage, a sporty roadster, and Heuliez Will, a small van – a noise- and a pollution-free urban vehicle that uses five times less energy than a conventional vehicle.

Michelin's research led to the development of more resistent rubber trees offering a better yield and to improved, environmentally friendly farming practices.

Tire Lifecycle

Phase 2: **Raw Materials**

Protect natural rubber production, save raw materials

Up to 200 different natural or synthetic materials are used to make a tire. Their properties and quality, particularly in the case of natural rubber, play a key role in tire performance. Raw materials are becoming scarce: they need to be used more wisely.

Michelin produces or transforms a large variety of materials either to retain technological control over the process or to open new progress avenues. It is strongly committed to the preservation of quality natural rubber resources.

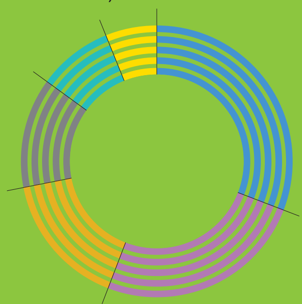
Natural rubber, a renewable raw material

The robustness and plasticity of natural rubber make it an indispensable ingredient for the tire industry which accounts for close to 70% of world production. Michelin owns three rubber production sites (two plantations and three plants) in Brazil and plays a technical management role in 53,000 hectares and eight processing plants in Africa. Technical assistance, auditing, training: it offers its expertise to natural rubber producers and processing industries around the globe.
Michelin is committed to multiple scientific programs in connection with rubber tree farming, and particularly in the fight against *microcyclus uleï,* a plant illness that could spread from Brazil's rubber trees to plantations in Asia or Africa. The aim of this research is to select more resistent rubber tree strains.

Design and produce better

Michelin is keen to make the best of the materials it uses in order to streamline its raw material and energy consumption while guaranteeing the same high level of end-user performance. From tire design to tire building, this is underpinned by a number of approaches. *"Value to Design"* involves marketing and development teams in defining the product performance that best matches customer expectations; *"Design to cost"* helps make tires lighter by finding the appropriate ingredients to obtain a particular performance; the *'right the first time'* quality system reduces scrap through fine-tuned production processes.

Michelin raw material cost in 2008
(in euros)



EUR 4,726 M

- **31%** natural rubber
- **25%** synthetic rubber
- **16%** fillers
- **13%** chemicals
- **9%** steelcord
- **6%** textile fabric

Focus

Fighting the *microcyclus uleï* fungus

Victim of the South American fungus, production at Michelin's Bahia plantation was declining. Rather than stopping production, in 2004 the Group launched its *Ouro Verde program*.
As early as 1992, Michelin had begun, in partnership with Cirad(1), a genetic study of the rubber tree's resistence, together with a selection program aimed at creating new strains. Three hundred rubber tree strains were tested and three, highly resistent ones were planted on a large scale. This paved the way for the revival of the plantation: with a mere 1,000 hectares earmarked for research, Michelin transferred the ownership rights for 5,000 hectares to 12 employees, now fully dedicated to their respective plantations. The Group will purchase their production. The annual production target is 5,000 tons of rubber and 4,500 tons of cocoa(2) by 2015. The same approach was used for a further 500 family farms that will enjoy Michelin's support for 10 years. Housing, a health center, a school and an occupational training school were built in order to contribute to local social development. And last but not least is the biodiversity preservation and enrichment across 3,000 hectares of rainforest concerning 8,000 endemic animal and plant species.

(1) International cooperation centre for agronomic research and development.
(2) Cocoa trees planted for the financial viability of the project as it takes seven years for a rubber tree to yield enough rubber for production purposes.

All Group industrial sites (except for one acquired in 2006), are ISO 14001 certified.

Tire Lifecycle

Phase 3: **Manufacturing**

Energy savings and reduced emissions

The environmental impact of tire building is limited and Michelin is committed to reduce this further. The Group developed internal standards, applied in all the countries where it operates, to monitor the environmental performance of its industrial sites.

More than 80% of the raw materials purchased by the Group originate from ISO 14001 certified production sites. Michelin's Environmental Management System (MEMS) is operational in 94% of its sites acquired more than five years ago (rubber tree plantations, R&D and production) and is being deployed in the logistics centers.

Achieve 30% environmental footprint reduction

The MEF, *Michelin sites Environmental* Footprint performance indicator, has been integrated into the Group's scorecard and is reported on quarterly. MEF integrates water and energy consumption, carbon dioxide (CO_2), volatile organic compound (VOC) emissions and the generation of waste and its disposal in landfills by metric ton of finished product.

In 2008, the initial objective MEF of -20% by 2011 versus 2005 was raised to -30% by 2013 versus 2005.

Stringent Environmental Management

In 2008, MEF was reduced by 21.4% versus 2005. 77 sites were subjected to an energy audit and drew up an action plan. Each site identifies the locally available and cost-effective sources of renewable energy. The deployment of solvent-free manufacturing processes together with stringent vapor processing led to further VOC emission reductions.

For the third year in a row, Michelin was featured in the *Climate Leadership Index France* of companies selected for integrating in their strategies global warming-related risks and for the measures they take to reduce greenhouse gas emissions.

MEF* 2005 - 2008 results

** Michelin sites Environmental Footprint.*

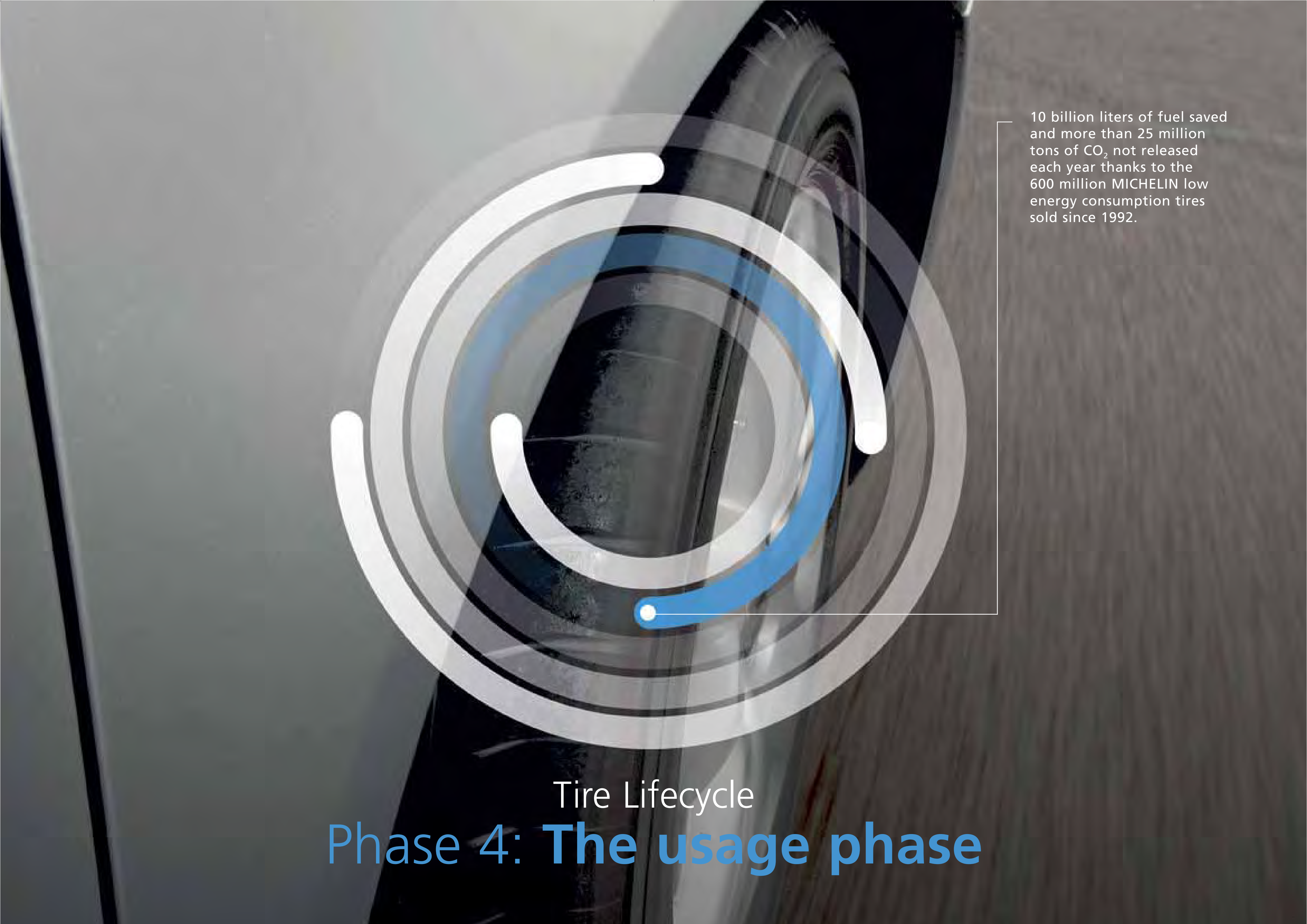
	Unit**	2005	2008	2005-2008
• Energy consumption	Gj/t PP	17.40	15.3	-12.1%
• Water consumption	m³/t PP	15.00	12.8	-14.7%
• VOC emissions	g/kg PP	4.27	3.13	-26.7%
• CO_2 emissions	t/t PP	1.53	1.35	-11.8%
• Waste generated	kg/t PP	140	128	-8.9%
• Landfill	kg/t PP	33	16.2	-50.9%

Data calculation process and data reviewed by PricewaterhouseCoopers.
*** t PP = ton of tire produced.*

Focus

The Bassens (France) plant: A concentration of good practices

The first Michelin France site to have achieved ISO 14001 certification, Bassens produces synthetic rubber, one of a tire's key components. The plant meets around 15% of its energy needs by using the steam generated by two nearby incinerators. The heat collected at the incinerators is conveyed down a 1.5 kilometer pipe to the plant that turns it into energy for production. The initiative results from a partnership among Michelin, Dalkia France (the energy division of Veolia Environnement) and the Bassens townhall. Results: more than 20,000 tons of CO_2 not released each year.



10 billion liters of fuel saved and more than 25 million tons of CO_2 not released each year thanks to the 600 million MICHELIN low energy consumption tires sold since 1992.

Tire Lifecycle

Phase 4: **The usage phase**

Lowering fuel consumption thanks to low rolling resistance tires[1]

**More than 85% of tire environmental impact is related to usage.
The main factor: the fuel that it takes to overcome tire rolling resistance.
Rolling resistance accounts for one out of five fuel tanks for cars
and one out of three tanks for trucks.**

Reducing tire rolling resistance, therefore, enhances vehicle fuel efficiency and reduces CO_2 emissions as well as local pollutants[2]. In this light, the tire and tire brand choice of every consumer is not at all neutral: indeed the rolling resistance performance gap between the tires available in the market for any vehicle can be as much as 50%!

Low energy consumption tires: leading the race

In 1992, Michelin launched a major innovation, the first Green X label tire, that delivered 20% lower rolling resistance than the previous technology, enabling a 0.15 liter fuel saving per 100 km or 3 g of CO_2 per kilometer. In addition, the MICHELIN Green X label guarantees reduced rolling resistance as well as improves the other performance criteria for the tire, and in particular service life, as well as grip, which is key for safety. Since 1992, Michelin has introduced four generations of Green X tires, one always outperforming the other, and is committed to achieving a further 25% rolling resistance reduction over the next 10 years.

Truck: Exclusive solutions

As early as 1994, Michelin developed low rolling resistance truck tires. Fitted with MICHELIN Energy tires, a 50-truck fleet covering 120,000 km each per year, saves 60,000 liters of fuel and 160 metric tons of CO_2 not released into the atmosphere! This performance is, in fact, enhanced by regrooving and MICHELIN RemiX retreading, and these moreover multiply tire life by 2.5, while delivering the same performance as new tires. This benefits heavy road haulers, of course, as well as the environment as thousands of tons of CO_2 are not emitted and tire recycling volumes are reduced.

(1) With each turn of the wheel, tires are compressed by the load and adhere to the road, which generates heat and a corresponding loss of energy. This loss of energy is also called rolling resistance and is one of the forces a vehicle has to overcome in order to move forward.
(2) VOC, nitrogen oxide and carbon monoxide.

The performance of MICHELIN Energy Saver, 4[rth] generation of Green X tires

• Fuel consumption	-0.2 l/100 km
• CO_2 emissions	-4 g/ km
• Service life	+40%
• Wet braking	-2.4 m at 80 km/h
• Weight	-800 g*

Tests including tires from the main competitive offerings.
** Versus the previous line-up (MICHELIN Energy 3A).*

Focus

MICHELIN Energy Saver, MICHELIN X Energy SaverGreen: simply irresistible

Fuel efficient, safe, long-lasting: these are the outstanding features of the MICHELIN Energy Saver Passenger Car tire. Launched at the end of 2007, Michelin's latest energy-efficient tire further reduces rolling resistance by 20%! Bottom line: fuel consumption is further reduced by 0.2 liter per 100 km and 4g of CO_2 per km are not released into the atmosphere, topped by shorter braking distance and longer service life. This result was achieved through simultaneous action on three levers: weight reduction, rubber blend, assembly and building process. Exclusive, the latter achieves enhanced homogeneity of texture resulting in outstanding service life. The MICHELIN X Energy SaverGreen offering for trucks, for its part, boasts an Energy Flex casing that delivers 500 liters worth of fuel saving per year or 1,000 liters in the course of its 'first life'[3]!

(3) For a rolling loaded assembly, versus the MICHELIN A2 lineup.

Michelin plays an active role in organizing the tire recycling industries including collection of end-of-life tires.

Tire Lifecycle
Phase 5: **Valorization**

Road surfacing, noise barriers, playgrounds, caddy rollers… the other life of tire components

Michelin collaborates closely with national authorities worldwide to recycle end-of-life tire flows each year and gradually absorb legacy stocks. Europe now counts 12 tire recycling firms so as to fully eliminate tire dumping.

Elasticity, solidity, durability, draining properties, high calorific value, high carbon contents… end-of-life tires afford multiple recycling opportunities. Main recycling industries: substitute fuel, public works, granulation. They are also increasingly used in steelworks as both energy and raw material.

Use as energy source

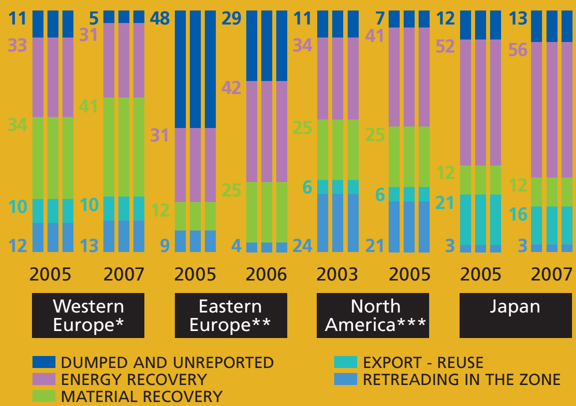
The calorific value of an end-of-life tire is similar to that of high-grade coal: one ton of tire generates as much energy as 0.7 ton of oil and its low sulphur content is synonymous with reduced environmental impact.
In the United States and Japan end-of-life tires are widely used as fuel: in thermal plants to generate electricity, in industrial boilers and waste-incineration plants.
Very energy-intensive industries, such as cement manufacturing, use tires as energy and additionally integrate their carbon and steel contents to concrete.

Recycling materials

Used whole, tires are used in landfills, sound barriers and bumpers along banks. Split up, they are used under railways to reduce vibration and noise. Shredded, they serve as draining substrate or light road landfill. Finely ground in aggregates or powder, they are used in the surfaces of stadiums, playgrounds and equestrian grounds. Tire powder enhances road surface life and reduces rolling noise. Powder can also be reheated to manufacture molded objects.

End-of-life tire recycling

As a % of total volume



** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.*
*** Bulgaria, Croatia, Cyprus, Czech republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia + Malta.*
**** Canada, Mexico, United States*
North America: 2007 figures not available.

Sources : ETRMA (European Tyre and Rubber Manufacturers' Association), RMA (Rubber Manufacturers' Association), JATMA (Japan Automobile Tyre Manufacturers' Association). 2008 data to be published at the end of 2009

Aliapur gives tires a new lease on life

In France, since 2002, new tire distributors are bound to recover end-of-life tires within the limit of their annual sales.
The regulation provides for tire makers to finance each year the cost of end-of-life tire collection and recycling according to the 'one for one' principle, capped to the volumes sold by them during the previous year.
Set up by Michelin (founding shareholder) and six manufacturers together accounting for 70% of annual end-of-life tire flows, Aliapur is in charge of this mission since 2003.
The end-of-life tires are collected by 44 collecting firms certified to operate with more than 43,000 tire storage and distribution agents. They are then sorted, collected and processed in 20 sites before being recycled by 33 industrial operators.
Some 300,000 tons of tire were collected in 2008.

Innovation, safety, quality, performance and reliability lend the MICHELIN brand its strength everywhere in the world.

EUR 1.4 billion

is the financial value of the MICHELIN brand, estimated by Interbrand in 2007.

Michelin listed in the DJSI World index for the 4th year in a row and in the DJSI Stoxx European index for the 5th year running. They recognized Michelin's commitment to sustainable development and the results achieved by the Group's Performance and Responsibility approach.

Michelin at a Glance

Profile

117,565 employees (110,252 full-time equivalent) • Net Sales:

World Tire Sector Leader [1],
Michelin is at the forefront of all tire markets
and traveling related service markets.

Leading edge technology, innovation capacity, quality of products and services, powerful brands:
Michelin is pursuing a global growth strategy
and strengthening its efficiency across the board.

In a nutshell, Michelin's mission is to contribute to the Progress of Mobility while applying its fundamental values: Respect for Customers, Respect for People, Respect for Shareholders, Respect for the Environment and Respect for Facts.

(1) Accounting for 17.1% of world tire sales according to Tire Business, September 2008.

Simplified Corporate Organization Chart

Compagnie Générale
des Etablissements Michelin (CGEM)
France

↓ 100% — Compagnie Financière Michelin (CFM)* **Switzerland**

↓ 40% — Manufacture Française des Pneumatiques Michelin **France**

Compagnie Financière Michelin (CFM) → 60% → Manufacture Française des Pneumatiques Michelin

Compagnie Financière Michelin (CFM) ↓ Industrial, trading and research companies located outside France

Manufacture Française des Pneumatiques Michelin ↓ Industrial and trading companies located in France

** CFM is an intermediate holding company and the Group's financing arm: it handles financial transactions with banks and the financial markets.*

EUR 16.4 bn • **68** production sites(2) in **19** countries • and a sales network covering **170** countries

(2) Excluding the Toul site that stopped producing at the end of 2008 and is in the process of being converted.

Corporate Structure

- **8 Product Lines**
deploying specific marketing, development, production and sales resources;
- **2 Integrated Tire Distribution Networks:**
Euromaster and TCI;
- **2 Business Subsidiaries:**
ViaMichelin and Michelin Lifestyle,Ltd.;
- **6 Geographic Zones:**
Europe, North America, South America, Asia and Pacific, China, Africa and the Middle East;
- **10 Group Services** supporting the other entities;
- **3 Performance Departments:**
Commercial, Industrial, Research – Development – Industrialization.

Highly Reliable Products and Services

Tires for cars, light trucks, trucks, tractors, handling equipment, industrial and construction earthmovers, motorcycles, scooters, bicycles, aircraft, subway trains, trams... a full range of innovative solutions to match very different needs and expectations.

Distribution and services: two integrated networks, Euromaster in Europe and TCI in the United States: benchmarks in their respective markets for quality advice and service.

Mobility Enabling Services: Michelin OnWay, Michelin Euro Assist.

Fleet Management and Support: Michelin Fleet Solutions in Europe, Michelin Business Solutions and Tire Advisor in North America.

Suspension and Pressure Monitoring Systems: state-of-the art solutions developed in partnership with world-class specialists.

MICHELIN **Maps and Guides,** ViaMichelin **services and mobility enabling products.**

Michelin Lifestyle Products, designed in partnership with licensees: automotive and cycle accessories, work, sport and leisure gear and collectibles.

A Balanced Brand Portfolio

A global brand: MICHELIN.
A major brand dedicated to sporty and SUV applications: BFGoodrich®.
Strong regional brands: UNIROYAL in North America, KLEBER in Europe, WARRIOR in China.
Leading national brands, private brands and retread solutions.

Michel Rollier's Message

Dear Madam, Dear Sir, Dear Shareholder,

The year 2008 was marked by a sharp increase in raw material prices and a financial crisis which quickly degenerated into an unprecedented global economic crisis. All Group activities were impacted and net sales were up a mere 1.1% at constant exchange rates. The specialty businesses alone posted sales growth, though at a reduced pace over the last two months of the year.

In such an environment, Group net result was down 53% versus 2007. Operating margin* fell 4.2 points, due to a sudden and sharp fall of the replacement markets and a dramatic reduction of original equipment manufacturers' demand in the last quarter; the strong negative impact of raw material and energy price inflation in the first half, the effects of which were felt throughout the year, was only partly offset by the price increases implemented by us. The Group nevertheless benefited from the positive results of its competitiveness plan (Horizon 2010) which helped cushion the effect of the crisis.

The MICHELIN brand was able to win market share across the board and in all regions, confirming its attractiveness in an increasingly competitive environment. This goes to show that the short-term difficulties should not detract us from our mid to long-term strategy: strengthen our competitiveness, accelerate our exposure to the high-growth markets and leverage innovation to achieve greater brand differentiation.

Indeed, economic development and the mobility of goods and people go hand in hand. Road mobility is a large and supportive market with long-term growth prospects. With fuel efficiency and environmental protection

** Before non-recurring items.*

considerations emerging as key market issues, Michelin's innovative clout makes it one of the best placed to turn these challenges into profitable growth opportunities. Such breakthrough innovations as the Michelin Durable Technologies for trucks and the MICHELIN Energy Saver (Green X label) tire for passenger cars, synonymous with lower fuel consumption and increased safety and longevity, clearly illustrate Michelin's competitive edge in this area.
All of the services that facilitate and make transportation safer and optimize our customers' costs enable Michelin to make all the difference.
We therefore decided to explain in this report why tire lifecycle is a technological and environmental challenge and how Michelin addresses it, as this is key for its continued leadership, now and in the future.

What is the Group's outlook for 2009?
The year 2009 is bound to be particularly difficult and we must deal with the situation while remaining poised to benefit as soon as the first signs of economic recovery appear, probably during the second half.
We have tightened up our steering in order to be reactive and flexible and have taken a number of measures designed above all to protect the Company's financial standing. We have accordingly reduced our investments while maintaining the programs that will help us bounce back and adjusted our production to avoid accumulating inventories.

Based on these results we will submit to the next Annual Shareholders Meeting a proposition to distribute one euro (EUR 1) dividend per share. Though down 37% versus last year, this distribution was maintained, which is a strong sign of confidence for the future.

A company's strength is best revealed in times of hardship. Crises are trying times, but they also offer opportunities. The Group's history is one of daring, challenges and shared values. We know we can rely on the commitment of all Michelin teams and we thank them for their achievements throughout the year and especially for all of their efforts to adjust to this critical period.

I thank you for your support and confidence, which we need now more than ever.

Michel Rollier

Management

The Company is led by Messrs Michel Rollier, Managing General Partner, Didier Miraton and Jean-Dominique Senard, both Non-General Managing Partners.
The Managing Partners are assisted by the Group's Executive Council (GEC) appointed from seven heads of Product Lines, Group Services and Performance Departments.

In order to optimize Group management consistency, shared information and concentration of resources on top priorities, a wider GEC includes the six Geographic zone heads and the eight heads of Purchasing, Corporate Development, Research – Development – Industrialization Performance, Prospective and Sustainable Development, Quality, Financial Affairs, Legal Affairs and Information Systems.

Michel Rollier, Didier Miraton and Jean-Dominique Senard.

The Managing Partners

Michel Rollier
• Born in 1944.
• Paris IEP and MA law graduate.
• Joined the Aussedat-Rey (member company of International Paper Group), in 1971, successively Financial controller, Business department Head, Chief Financial Officer (1987-1994) and Deputy Chief Executive Officer (1994-1996).
• Joined Michelin Group in 1996.
• Head of Legal and Financial Affairs Departments.
• Appointed CFO and Group Executive Council Member in October 1999.
• Managing Partner since May 20, 2005.

Didier Miraton
• Born in 1958.
• Ponts et Chaussées (civil engineering school) graduate.
• Joined Michelin in 1982 and dedicated his career to Research and Innovation, in both France and North America in particular in the area of Truck tire technologies and later in Earthmover and handling equipment tire technologies.
• Appointed Head of Michelin's Technology Center and Member of the Group's Executive Council in 2001.
• Managing Partner since May 11, 2007.

Jean-Dominique Senard
• Born in 1953.
• HEC (Business School) and MA law graduate.
• From 1979 through 1996, exercised various operational and financial responsibilities with Total and Saint-Gobain.
• Pechiney Group CFO in 1996, Executive Council Member then head of the Primary Aluminium operations until 2004.
Later appointed Alcan Group Executive Committee member and Chairman of Pechiney SA.
• Joined Michelin Group in 2005, in his capacity as CFO and Group Executive Council member.
• Managing Partner since May 11, 2007.

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

Group Executive Council

Eric de Cromières
Commercial Performance
Euromaster, TCI
Maps and Guides, ViaMichelin,
Michelin Lifestyle
Supervises Information Systems

Claire Dorland-Clauzel
Communication and Brands

Jean-Christophe Guérin
Industrial performance
Supervises Quality and the Supply Chain

Jean-Michel Guillon
Personnel Department
Organization

Florent Menegaux
Passenger Car and Light Truck
Supervises Racing

Pete Selleck
Truck and Bus

Bernard Vasdeboncœur
Specialty Product Lines:
Agricultural, Aircraft, Two Wheel,
Earthmover, Components,
Supervises Purchasing

Control

The Supervisory Board monitors Michelin's corporate management on behalf of the Shareholders and reports to them annually on its mission.
The Supervisory Board comprises eight members.
In the exercise of its control functions, the Supervisory Board enjoys the same powers as the Statutory Auditors; it has access to the same information and documents.
The Supervisory Board in plenary session performs the Compensation Committee's function and has set up a four-member Audit Committee, all independent.

Eric Bourdais de Charbonnière
Born in 1939 – French national
Independent Member
Chairman of the Supervisory Board
Member of the Audit Committee
1,074 shares held

After 25 years with JP Morgan and serving as the bank's CEO for France, Eric Bourdais de Charbonnière acted as Michelin's CFO beginning in 1990 and retired in 1999. He has been chairing Michelin's Supervisory Board since 2000.

Other mandates and functions:
Member of the Supervisory Board of Oddo et Cie
Member of the Board of Directors of Thomson SA
Member of the Supervisory Board of ING Group

Pat Cox
Born in 1952 – Irish national
Independent Member
250 shares held

Former Member of the Irish Parliament and of the European Parliament, Pat Cox acted as Chairman of the European Parliament from January 2002 to June 2004.

Other mandates and functions:
Chairman of International European Movement
Board Member of Trustees of the International Crisis Group
Board Member of Trustees Friends of Europe
Director of UCD Michael Smurfit Graduate School of Business
Member of the Consultative Committee to the Chairman of University College Cork
Blue Box Creative Learning Centre sponsor
Member of the European Supervisory Board of Microsoft
Member of the Supervisory Board of Pfizer Europe
Director of Tiger Developments Europe
Member of the Supervisory Board of APCO Worldwide International

Barbara Dalibard
Born in 1958 – French national
Independent Member
350 shares held

Barbara Dalibard is Member of Groupe France Télécom's General Management Committee, in charge of Corporate customer communication. Her previous positions included a number of management positions in the same group and in Groupe Alcatel.

Other mandates and functions:
Member of Groupe France Télécom's General Management Committee
Chief Executive Officer of Equant
Director of Globecast Holding

Louis Gallois
Born in 1944 – French national
Independent Member
250 shares held

Louis Gallois is currently Chief Executive Officer of EADS and Chairman of the Shareholders Committee of Airbus. Before this he was Chairman of SNCF and occupied a number of functions in the aeronautics industry and in France's Economics and Finance Ministry, in the Research and Industry Ministry and the Ministry of Defense.

Other mandates and functions:
Chief Executive Officer of EADS NV
Member of the Executive Committee of EADS NV
Chairman of the Shareholders Committee of Airbus
Director of École Centrale des Arts et Manufactures
Chairman of Fondation Villette-Entreprises

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

François Grappotte

Born in 1936 – French national
Independent Member
Chairman of the Audit Committee
1,000 shares held

After acting for 20 years as Groupe Legrand's CEO, François Grappotte was appointed non-executive Chairman in 2004 and Honorary Chairman on March 17, 2006.

Other mandates and functions:
Honorary Chairman of Legrand
Director of BNP Paribas

Pierre Michelin

Born in 1949 – French national
Independent Member
Member of the Audit Committee
1,481 shares held

After joining Philips' IT department, Pierre Michelin became head of a Bull division. Since 2003, he is also an IS technology professor at the Reims Management School (RMS).

Other mandates and functions:
No mandate held in other companies

Laurence Parisot

Born in 1959 – French national
Independent Member
500 shares held

Laurence Parisot headed the Louis Harris France polling Institute (1986) before joining Institut Français de l'Opinion Publique (IFOP) in 1990 in her capacity as CEO; Chairwoman of Optimum until March 2006, elected Chairwoman of France's Employers association (MEDEF) in July 2005.

Other mandates and functions:
Vice-Chairwoman of Ifop's Directoire
Director of BNP Paribas
Director of Coface SA
Chairwoman of MEDEF

Benoît Potier

Born in 1957 – French national
Independent Member
2,509 shares held

Benoît Potier joined L'Air Liquide 25 years ago, and was appointed CEO in 1997, Chairman of the Directoire (Executive Board) in November 2001, and Chief Executive Officer in May 2006.

Other mandates and functions:
CEO of L'Air Liquide, Air Liquide International, American Air Liquide Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings Inc.
Chairman of Air Liquide Fundation
Chairman of the Audit Committee of Danone
Director of Ecole Centrale des Arts & Manufactures
Member of the Council for France of Insead
Director of ANSA
Director of AFEP
Director of Cercle de l'industrie

Statutory Auditors

Statutory

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

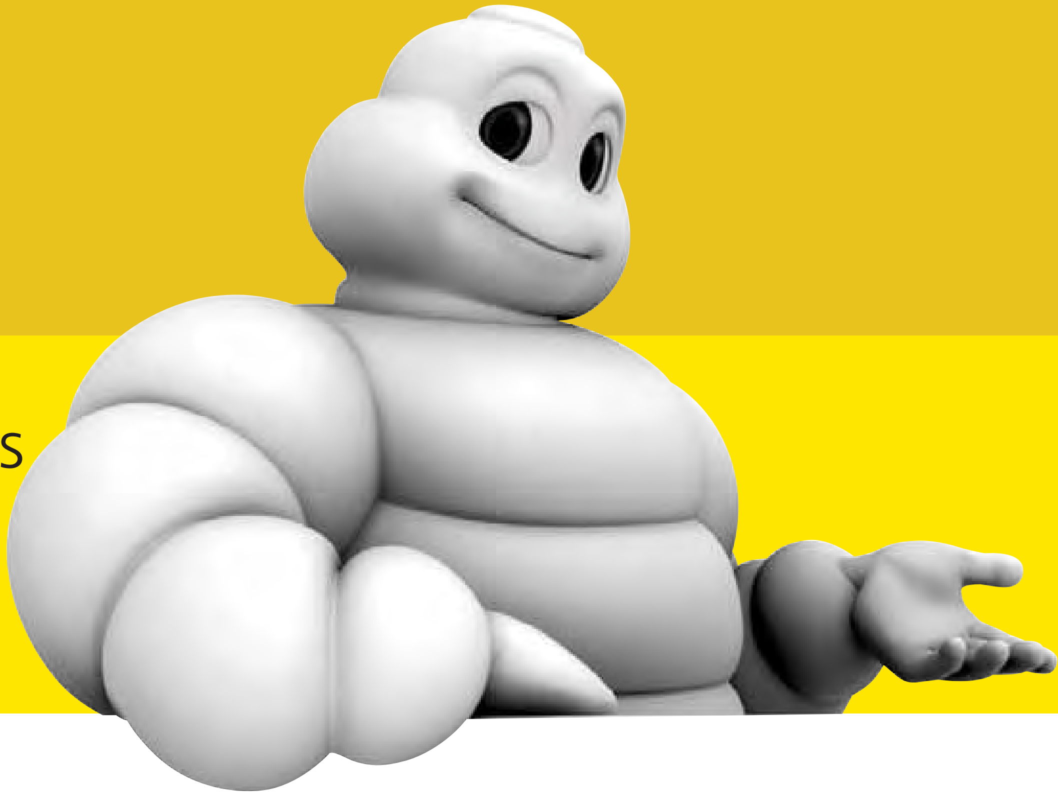
Corevise
Represented by **Stéphane Marie,** Partner

Substitutes

Pierre Coll, Partner of PricewaterhouseCoopers Audit
Jacques Zaks, Partner of Corevise

Strategy

Competitive Edge, Growth, Differentiation: Michelin stays the course to strengthen its world leadership



Mobility of goods and people and economic development go hand in hand. Predominant in the developed countries, booming in the emerging countries, road mobility is a large and supportive market with long-term growth prospects. Tire industry World No.1, present in all tire markets, Michelin intends to strengthen its world leadership in an increasingly competitive environment, marked by highly volatile raw material and energy prices, growth driven by the emerging countries, increasingly demanding conditions concerning the social and environmental impact of corporate activities.

In line with its ambition, the Group launched in 2006 the Horizon 2010 Plan focusing on three main objectives:
• strengthen competitiveness through continuous productivity gains, cost reductions and operational excellence;
• accelerate its expansion in the higher-growth markets;
• enhance differentiation of its products and services through innovation.

Group teams are strongly mobilized to deploy this strategy whose 2010 objectives are:
• minimum 3.5% annual volume growth;
• minimum 10% operating margin*;
• inventory capped at 16% of net sales;
• minimum 10% Return On Capital Employed;
• significantly positive and recurring free cash flow.

Halfway through the plan, results are encouraging. Powerful innovations were introduced. The improvements achieved through the Group's competitiveness plan will enable Michelin to emerge stronger from the current crisis.

Note, however, that the current circumstances marked by a sharp fall of demand, together with the significant reduction in investments decided by the Group for 2009, might delay the attainment of the Horizon 2010 program's objectives.

** Before non-recurring items.*

1,000,000 km

added to the road network, more than 100 million cars in China by 2020.

Group Markets

Tires: A World Market Worth Some USD 130 bn

The world tire market is worth USD 127 billion[1]: 60 % for passenger cars and light trucks and close to 30 % for trucks and buses[2].

The market amounted to 1.1 billion passenger car and light truck tires and 150 million truck and bus tires[3]. Three quarters of all tires are sold in the Replacement market that has historically been less cyclical than the Original Equipment market. And the replacement market accounts for 75% of Michelin's sales.

Strong Competition

The world's three largest tire makers together account for 49% of the market[1]. Michelin recovered its world No.1 rank ahead of Bridgestone, but Asian manufacturers continue to gain ground. They are growing strongly in their regional markets, are gaining a strong foothold in North America and beginning to penetrate Europe.

Sustainable Prospects

In the United States, the number of cars is close to 800 per 1,000 inhabitants. China has fewer than 20, the rest of Asia excluding Japan fewer than 30 and Mexico, for example, has reached more than 200: the growth potential therefore remains huge. Despite the current crisis, the world's car fleet should grow by around 500 million vehicles by 2030, mainly in China, India, Brazil and Russia, to reach 1.3 billion light vehicles[2].

A Market Undergoing Far-Reaching Change

For the first time ever, in 2008, fuel efficiency has become equally important as reliability and safety in the eyes of consumers[4]. This results both from towering fuel price increases and from greater awareness of environmental issues.

All tire makers are initiating profound changes dictated by the need to save energy and raw materials, reduce greenhouse gas emissions and better meet growing expectations in terms of road safety and health.

To rise to these challenges and win market share, innovative capability is a major strategic asset.

(1) Tire Business – September 2008.
(2) Michelin estimates.
(3) New tires.
(4) Capgemini Cars Online 2008/2009 – 10th edition. Survey among more than 3,000 consumers in Brazil, China, France, Germany, India, Russia, the UK and the USA.

Number of Passenger Cars per 1,000 Inhabitants

	Number of Passenger Cars per 1,000 inhabitants	Inhabitants in million
• Western Europe	548	406
• Central and Eastern Europe	182	433
• United States	796	306
• Mexico	234	107
• Brazil	147	188
• Other South American countries	87	263
• Asia	40	2,900
• Africa & the Middle East	40	1,400

Michelin Estimates.

Breakdown of the 2007 World Market Sales by Manufacturer in value (US dollars)

- 17.1% Michelin
- 16.9% Bridgestone
- 14.9% Goodyear
- 5.9% Continental
- 4.5% Pirelli
- 3.2% Sumitomo
- 2.9% Yokohama
- 2.7% Hankook
- 2.3% Cooper
- 2.1% Kumho
- 1.7% Toyo
- 1.7% Cheng Shin
- 1.4% GITI Tire
- 1.0% Triangle
- 21.7% Other

Tire Business – September 2008.

Regulations that promote fuel-efficient tires

The United States and Europe will soon introduce regulations requiring OEMs to lower CO_2 emission levels for new vehicles.
Simultaneously, a standard labeling system will become compulsory to inform consumers on tire fuel efficiency as well as on noise level and wet grip.
Number one maker of low-energy consumption tires in the world, with tire solutions for all vehicle types and rim sizes, Michelin is particularly well placed to benefit from these new regulations.

Passenger car and light truck replacement tire market growth expected in the BRIC countries[2] over the next 10 years will be twice that recorded in Europe and North America.

Passenger Car and Light Truck Tires: a highly demanding market
Passenger Car and Light Truck tires account for 60% of global sales and 1.1 billion units, 73% of which are replacement tires.
In volume terms, Europe accounts for 34% of the market, North America 29% and Asia 24%[1].
For the first time ever, more passenger cars were registered in the BRIC countries[2] than in the United States in 2008, with an estimated total of 14 million registrations[3].
The High performance[4], Recreational[5] and Winter segments now account for 400 million tires or 40% of the global tire market.

Consumers are looking for lower cost of ownership (in other words, lower fuel consumption and longer lasting tires), more safety and an enhanced driving experience, while respecting the environment. In the emerging countries, they prefer products with long tread life.
The automotive manufacturers are accelerating new vehicle platform development in response to increasingly competitive markets and stringent regulations in the area of safety and the environment, two areas in which tires play a key role.

More than 70% of tire replacement sales are made by specialist dealers, although the situation varies from country to country. In Europe, tire specialists account for only 50% of volumes, while car dealers, which have a marginal share elsewhere, account for more than 20% of the market.

Truck and Bus Tires: a strategic piece of equipment for truck fleets
The world truck tire market represents more than 150 million units[6] each year and accounts for nearly 30% of the overall tire market value. 82% of truck tires are sold in the replacement segment. Dominated by China, Asia accounts for almost half of the market. The expansion and modernization of road infrastructure and 'Just-in-Time' logistics and delivery contribute to the attractiveness of road transportation, a business that is highly correlated to economic trends.
67% of all truck tires are radial tires. Completed in Western Europe and North America, the radialization process keeps gaining ground in South America, Asia, particularly in India, and Russia.
Retreading doubles tire life. In North America, volume-wise, the retread market is equivalent to the new tire replacement market.

(1) Michelin estimates.
(2) Brazil, Russia, India, China.
(3) The Economist – Courrier International n° 942 20.11.2008.
(4) V-speed rated and above Passenger car tires.
(5) Tires for SUV, 4wd and Crossover vehicles.
(6) New tires.

90%
of respondents quote fuel efficiency as important when selecting a vehicle, especially in emerging countries[1].
(1) *Capgemini* Cars Online 2008/2009 – 10th *edition.*

20%
For a 20% reduction of tire rolling resistance, a truck fleet will cut its fuel consumption by up to 6%, translating into 1% to 2% overall fuel bill cost savings.

50%
of the large Western European fleets have entered into tire management contracts.

Tires account for 2-3% of a truck fleet's operating costs, a significant cost since it is roughly the equivalent of the sector's operating margin. But above all, tires have a major impact on fuel consumption, which alone accounts for up to 30% of truck fleet operating costs.
The larger fleets manage their tire resources professionally. Their original equipment procurement policies are brand-oriented and their tire choice is maintained at replacement time. The overall cost, which includes mileage performance, retreaded life and fuel savings, is key to this choice. Solutions that combine tire products, maintenance and services clearly enhance the truck fleet operators' competitive edge by improving vehicle mobility and uptime.

In developed countries, truck tire distribution is mainly handled by specialist dealers and through direct sales to large fleets. Trends in this sector are for truck-side maintenance services aimed at minimizing downtime.

Specialty Tire Markets: increasingly radialized
The Specialty tire markets, covering highly different sectors, account for a little over 10% of world tire sales. Specialty tires are highly technical products and a segment where offering is constantly enriched.

Raw material demand, the development of infrastructure and international trade all support earthmover tire demand, especially in the mining, public works and handling segments.
Due to the gradual build up of industrial capacity by the principal tire manufacturers and the current market slowdown, the gap between supply and demand is narrowing.

Always more competitive, modern-day agriculture must address the new requirements of respect for the environment and sustainable development. Farming is increasingly intensive and relies on more and more powerful machinery. To match these requirements, agricultural tires must carry heavier loads while reducing fuel consumption and soil compaction.

The aircraft tire market is quickly switching to radial tire technology with the development of new generation aircraft by Airbus, Boeing, ATR or Embraer. Indeed, the strong increase in oil prices in 2008 has accelerated the replacement of the older more fuel-consuming aircraft by more recent generations, mainly fitted with radial tires.
Turning to motorcycle tires, large motorcycles still prevail in North America while the sports performance segment is most buoyant in Europe, where a new segment of large scooters is booming. The smaller motorcycles, which are the most popular form of transportation there, continue to post strong growth in all emerging markets.

Maps, guides, and digital services for travelers: highly competitive markets
The Guides market is characterized by increasing competition and the number of players has grown in recent years. The Maps and Atlases market has been affected by competition from web-based route finding services and GPS.
Michelin is an active player in Europe's digital travel-enabling market. Its ViaMichelin subsidiary offers a complete range of mobility-enabling products and services to all road users.

Product licensing: worldwide potential
Product licensing accounts for a growing and influential share of the highly competitive retail sector. The industry is very concentrated: the top 100 licensees account for 75% of the licensed product market, which is worth USD 190 billion.
While leisure and sports industries represent the bulk of the market, large industrial players account for a significant share.
In 2008, Michelin Lifestyle, whose mission is to leverage the value of the MICHELIN brand, occupied 61st position in the world.

Facilitating reorganizations

Improve performance while assuming its responsibilities: a choice that guides Michelin's approach. In the event of reorganizations, Michelin proposes to each employee concerned either internal reclassification solutions or individual support. Such measures are launched 8 to 12 months ahead of closure in order to ensure proper preparation to change. Simultaneously, Michelin strives to create new jobs in the regions where it operates. Michelin has created a network of ten Michelin Development companies in charge of this mission across Europe and North America. For instance, immediately upon announcement of closure of the Toul plant (France), Michelin committed to creating 900 jobs by 2012 to make up for the 826 job losses and to reconvert the site. This is already home to a Customer Relations Center that has created 150 new jobs since February 2009 and plans to offer an additional 100 jobs in 2011. 100 to 140 more jobs will be created by 2012 under a project in partnership with a subsidiary of Suez Environnement to develop and manufacture new materials derived from recycling.
33 job creations are also planned within 3 years in connection with SETIA's maintenance and industrial engineering activities, plus 44 jobs under the redeployment of Wig France and Carpentier Constructions.

Streamlining inventory and logistics costs in Europe while enhancing customer service: this is the reason behind the construction of a major logistics hub in the Valenciennes (France) area; the project's second phase was commissioned in April 2008.

Strengthen competitiveness
In 2006, Michelin launched 'Horizon 2010', an ambitious program to improve its competitiveness. The objective: achieve overall EUR 1.5 to 1.7 billion worth of cost savings by 2010[1] through:
• EUR 700 – 800 million industrial cost savings;
• EUR 500 – 550 million raw material cost savings;
• EUR 300 – 350 million selling, general, administrative and logistics cost savings.

Half-way through the program, the Group is in line with its objective. In the 2007-2008 period, it achieved EUR 511 million cost savings, breaking down as follows:
EUR 188 million in industrial operations, EUR 151 million in raw material spending and EUR 172 million in selling, general, administrative and logistics expenses.
Industrial productivity gains were negatively impacted by the sharp decline of production in the fourth quarter 2008. In a "normal" environment where industrial production would have been up 2.5% in the second half 2008 versus the second half 2007, industrial cost savings would have reached EUR 292 million over two years, as opposed to the EUR 188 million reduction actually achieved. Michelin therefore continued to implement its productivity improvement measures in line with its objectives and will fully enjoy the benefit of this progress as soon as its industrial capacities are again used in optimal conditions.

(1) Aggregate at constant scope and exchange rates.

Optimizing the Industrial Base
Michelin is optimizing its industrial infrastructure in order to assure a robust and profitable base in the developed markets.
This program hinges on three aspects:
• concentration of industrial capacity to create large, specialized plants, using more flexible, standardized and streamlined production processes;
• deployment of best practices and thorough improvement of processes and organizations;
• natural attrition of nearly 30,000 employees in the 2008-2012 period, to be only partially replaced.

In Western Europe and North America, Michelin adjusts its investment plan to the weakening automotive and tire markets:
• Specialization of the Bourges (France) plant in Aircraft tire manufacturing, specialization of the Lasarte (Spain) plant in Motorcycle tires and semi-finished products, closure at the end of 2008 of the Toul (France) Passenger Car and Light Truck tire plant.
• Modernization and reorganization of Italian operations: Cuneo will become Europe's

100%
of Group plants committed to implementing MMW good practices.

largest Michelin production plant for premium Passenger Car and Light Truck tires and the production will stop at the Turin Passenger Car tire plant.
• Project to modernize and extend production capacities at the Lexington (South Carolina) industrial site.
• Cancellation of the greenfield project in Mexico, whose production was to serve the North American market. At the same time, productivity gains and additional investments in existing North American production facilities will enable Michelin to satisfy demand for high-performance and large diameter tires.

Identify, standardize and roll out the best practices worldwide
Streamline and standardize processes, identify and globally implement the best practices, pool resources and strengthen cooperation, align all team objectives on priority objectives: Michelin aims at operational excellence across Group operations and re-engineers its practices to gain in quality, speed and cost effectiveness.

Standardizing plant means lowering the cost of investment, accelerating new plant ramp up, which in turn frees teams for other projects and improves profitability quicker.

Through Michelin Manufacturing Way (MMW), the Group is set to align all of its plants on the best practices of its higher-performing factories by 2010. Its key performance indicators include: accidents at the workplace measured by frequency and severity rates (the safest plants generally also post the best performance), customer satisfaction, raw material waste, product quality, together with Michelin-specific cost and productivity indicators including environmental impact (through MEF – Michelin sites Environmental Footprint).

Simultaneously, Michelin is streamlining its key processes with greater focus on speed, efficiency and empowerment. Design, innovation, industrialization, project management, administration, logistics, customer relations: *Michelin Design Way, Michelin Selling Way, Tonus, Callisto* and all the workstreams launched so far have a clear positive impact on performance.

25%
of Passenger Car and Light Truck and Truck tire production came from sites with an annual capacity of 100,000 tons or more in 2005, a figure that should rise to 51% in 2010 and more than 60% in 2012.

A new approach to costs

Buying better, consuming less: Michelin is implementing a number of initiatives to streamline costs while meeting its customers' expectations.
Value to Design and *Design to Cost* combine marketing, development and industrialization to define fair product performance, optimize components and manufacturing and thus lower production costs while maintaining delivered product performance.
Triangle brings together internal customers, specifiers and buyers around specific projects to analyze them in order to achieve optimum cost efficiency.
Process and component standardization as well as global purchasing lower the cost of investments without impacting industrial performance.
The diversification of procurement sources using purchasing platforms in Eastern Europe and China contribute to a competitive offering.
In addition, Michelin is turning to third-party sourcing and subcontracting in non-core areas where justified by a good quality/price ratio.

1988-2008:

with an industrial presence in Asia for the last 20 years, Michelin is the leader of the Passenger Car and Light Truck tire replacement market in China, the world's second largest market.

6%

Group sales volume increase in the emerging countries.

Investing in high-growth regions
Michelin accelerates its development in Central and Eastern Europe, South America, and Asia in order to serve tire demand with local production and to increase its share of sales in those dynamic economies, in line with the geographic breakdown and trends of world tire markets. Michelin's investments in these regions represented EUR 450 million in 2008.

In Central and Eastern Europe, Michelin strengthens the High Performance Passenger Car tire production capacity of its Hungarian facilities.

In South America, the Campo Grande (Brazil) Earthmover tire plant, commissioned in November 2007, has ramped up according to plan. The Group has announced construction of a new plant in Brazil to cater to the Mercosur's demand for passenger car and light truck tires.
On the other hand, its project to build a new plant in Mexico, whose production was to serve the North American market, has been cancelled.

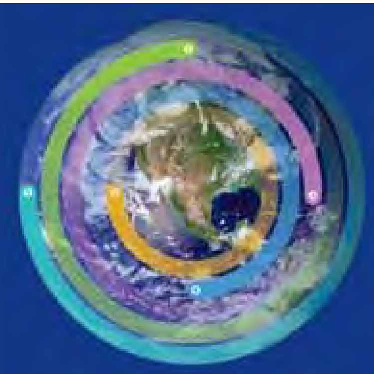
In Asia, Michelin increases its Passenger car and Light truck and Truck tire production capacities in China. It has decided to build a truck and earthmover tire plant in India, Asia's 2nd largest truck tire market with a large potential for radial tires.
Under a cooperation agreement concluded in 2003, Michelin also raised its stake in the Korean tiremaker Hankook Tire (No.8 in the world) to close to 10%.

A highly consistent industrial strategy
In the developed markets, the production of many Michelin sites now enjoys competitive edge compared with products imported from plants relocated to low cost countries.

Michelin's production capacity

in emerging countries should grow an estimated 40% for Truck tires and 100% for Passenger Car and Light Truck and Specialty tires by 2012.

A Global Footprint



Western Europe

14 PC/LT plants(1)
12 Truck plants
8 Specialty tire plants
55,106 employees*

Industrial facilities

• Major productivity gain plans in Europe at the Bamberg and Bad Kreuznach sites (Germany), Cholet (France), Vitoria (Spain), Cuneo (Italy) and Ballymena (Ireland) plants.

Spain

• Specialization of the Lasarte plant in high-performance motorcycle tires.
• Specialization of the Aranda plant in Michelin Durable Technologies Truck tires.
• Expansion of Passenger Car and Light Truck and Earthmover tire production capacity at the Vitoria plant and of Agricultural tire building and Retreading facilities at the Valladolid plant.

France

• Specialization of the Cholet (Light-Truck tire) and Bourges (Aircraft radial tire) plants.
• Closing of the Passenger Car and Light Truck tire production at Toul; ongoing site reconversion.

Italy

• High-end tire production capacity increase at the Cuneo plant.
• Stop of the PC/LT tire production at the Turin plant at the end of 2009.

Eastern Europe

5 PC/LT plants
3 Truck plants
2 Specialty tire plants
12,489 employees*

Industrial facilities

• Project to increase high-performance PC tire capacity in Hungary.

North America

11 PC/LT plants
6 Truck plants
3 Specialty tire plants
22,215 employees*

Industrial facilities

USA

• Expansion of Earthmover tire capacity at Lexington.
• Major productivity gain plans at the Greenville and Lexington sites.

South America

2 PC/LT plants
3 Truck plants
1 Specialty tire plant
5,783 employees*

Industrial facilities

Brazil

• Ramp up of the Campo Grande Earthmover tire plant.
• PC/LT capacity increase project.

Asia

5 PC/LT plants
3 Truck plants
2 Specialty tire plants
13,457 employees*

Industrial facilities

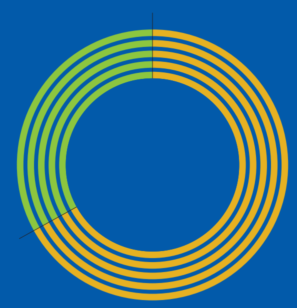
• Major productivity gain plans at the Laem Chabang (Thailand) and Shanghai (China) plants.
• PC/LT and Truck capacity increase projects in China.
• Project to build an Earthmover and Truck tire plant in India.

Africa and the Middle East

1 Truck tire plant
1,202 employees*

(1) Excluding the Toul site.
** Full-time equivalent staff as at December 31, 2008.*
• PC/LT: Passenger Car and Light Truck.

Breakdown of headcount between the mature(1) countries and the emerging countries



66% Mature countries
34% Emerging countries

In full-time equivalent, excluding integrated tire distribution networks.
(1) United States, Canada, Western Europe, Japan.

A brand promise and six commitments

The MICHELIN brand, which is both global and generalist, is key to the Group's leadership. It encapsulates the company's mission: *"Contribute to the progress of mobility for both goods and people"*. Its promise, expressed in its tagline, shared across the world – *A better way forward* – covers six separate commitments: safety, best total cost of ownership, respect for the environment, individual and collective wellbeing, easy and pleasant travel experience. The rich variety of these commitments meets the different needs of diversified markets. Michelin's competitive edge results from the matchless mix of tire performance aspects it is able to deliver, especially the combination of long service life, safety and fuel efficiency.

Product performance and services that make all the difference
Continue to deliver ever higher-performance products and tailor-made, innovative services to enhance safety, total cost of ownership and environmental footprint: to deliver on this commitment, each year, the Group channels 3 to 4% of its net sales in research and development. With some 6,000 persons and a EUR 500 million budget in 2008, the Group's research, development and industrialization operations are the tire industry's largest.

With fuel efficiency and environmental protection considerations emerging as key competitive issues, Michelin's innovative clout makes it one of the best-placed to turn these unprecedented challenges into profitable growth opportunities. Such breakthrough innovations as the Michelin Durable Technologies for trucks and MICHELIN Energy Saver for passenger cars, synonymous with lower fuel consumption, increased safety and longevity, clearly illustrate Michelin's competitive edge in this area.

Other differentiation opportunities include: the travel-enabling services that make transportation safer and optimize operator business and the bottom line. Long haul fleets, farmers, OEMs, mining companies, airlines… Michelin develops for its customers high value-added solutions like truck-side maintenance, mileage-based, per landing or transported ton invoicing and is becoming a genuine business partner capable of optimizing their overall performance.

Enhancing individual professionalism and commitment
In order to retain its leadership, Michelin Group intends to operate in all markets and to win customers' loyalty through superior product and service quality and innovation, operational excellence and powerful brands and its employees' loyalty by fostering their commitment and talent. Respect for People, a strong corporate culture that acts as a social cement and source of motivation – underpinned by a long-term view of personnel growth – are the three mainstays of the Group's management policy, deployed for 117,000 employees of 120 nationalities.

In France, the plan to support the 826 employees of the Kléber site at Toul, together with the Group's commitment to revitalize employment in the Toul area (with 900 new job creations by 2012) are a concrete illustration of the meaning behind the phrase 'Respect for People' at Michelin.

4

The accident frequency rate was divided by four in five years.

Concerning the reclassification of the entire Toul plant personnel, five groups were organized in Occupational Transition Workshops. Of the people who have attended the workshops, 357 have found a new job. Counting the twenty employees who had already found a new position before launch of the workshops and the other nineteen who will be reclassified within Michelin Group, a total of 396 people, or half of the employees affected, have a new professional occupation at the time of writing this Report.

Respecting also means defeating all forms of discrimination and affording all talented people a chance to grow. Indeed, Michelin has long known that diversity boosts creativity and innovation and enhances staff flexibility, adaptability and reactivity. Its Personnel management and development policies are consistent throughout Michelin Group entities. Recruitment, integration and organizational models and management are all geared to achieving a high degree of cohesion. In 2008, Michelin defined a new integration policy to be deployed in early 2009.

The Company values the talents and development of each one of its members and adopts a long-term view. Accordingly, it implements tailored career paths designed to promote individual fulfillment together with ever greater professionalism. Empowering organizations foster initiative, the acquisition of new experience and know-how, recognition, the realization of motivating career paths together with integration of local diversity. Michelin conducts an active training policy that gives individuals a chance to grow and increase their professionalism throughout their careers. More than 80% of employees assuming new functions benefit from an individual training program. In 2008, 83% of Group employees benefited from training for an individual average of 60 hours (or 4.2% of working time/head).

In 2008, under the Group's third Employee Shareholder Plan, 56% of employees in 55 countries across five continents, applied for shares. This high participation rate testifies to its employees' confidence in Michelin's strength and mid-term prospects.

Michelin Performance and Responsibility: a dynamic approach, new edition of the report due in 2009

Since 2002, Michelin's Performance and Responsibility approach has guided the Group's commitment to sustainable, balanced and responsible development. Fully integrated into the ongoing action plans and projects and efficiently supported by teams at every level, the approach reflects the Group's long-term view of its development through its contribution to addressing societal issues based on the implementation of its values: Respect for Customers, Respect for People, Respect for Shareholders, Respect for the Environment and Respect for Facts.
The Group reports on the progress of its approach and on its objectives and results in its *Michelin Performance and Responsibility Report* published every two years, and an update in the interim years. This information is available from the www.michelin.com website and on request from the Investor Relations Department. The fourth full report will be for the 2007-2008 period (publication in May 2009).

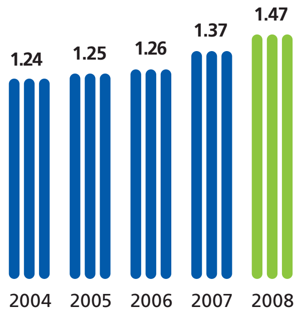
2008 Figures

The Economic Environment

Michelin experienced an unprecedented external cost increase*: EUR 968 million, of which EUR 804 million was for raw materials alone.
The change in currency exchange rates and, in particular, the further appreciation of the euro versus the US dollar, the pound sterling and the Canadian dollar translated into EUR 647 million negative impact.

** Raw materials, energy and logistics.*

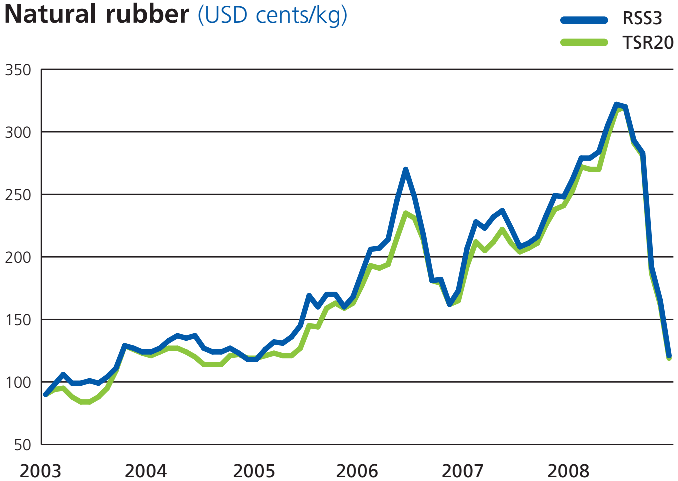
Changes in €/US $ exchange rates
Average exchange rate over the period



40% of Michelin's sales are made in the dollar zone and more than two thirds of its raw material purchases are US dollar (or US dollar-correlated currency) denominated.

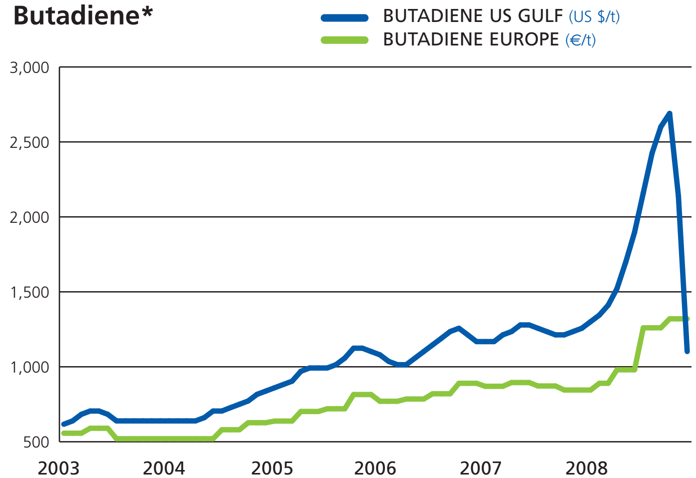
Change in raw material prices
(Monthly average)

Natural rubber (USD cents/kg)

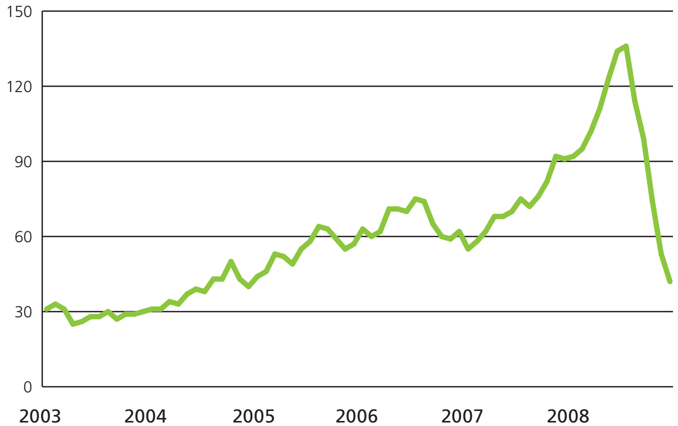


Natural rubber accounts for close to one-third of Michelin's raw material purchases in value terms while carbon black and raw materials used to manufacture synthetic rubber account for 40%. The decline of oil and natural rubber prices recorded in the 2nd half 2008 did not impact Group 2008 financial year accounts due to the time gap between raw material purchases and the sale of tires made from them.

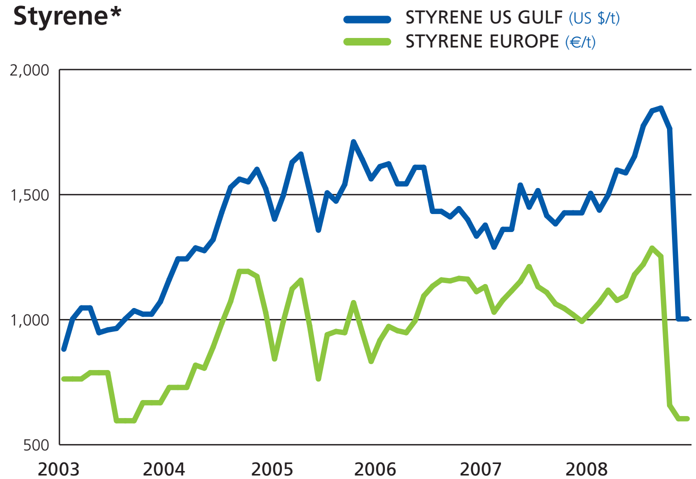
Butadiene*



Brent (US $/barrel)



Styrene*



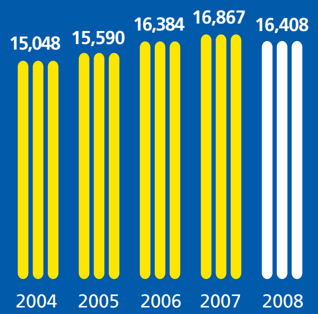
** Oil by-products used in the manufacture of synthetic rubber.*

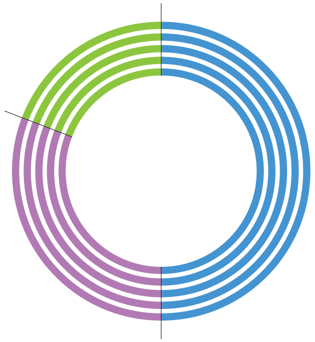
Michelin Key Figures

Sales declined 2.7% as a result of a combination of volumes down 2.9%, 4.2% positive price mix effect and 3.8% negative impact of exchange rates. At constant exchange rates, sales would have been up 1.1%.
External cost inflation and the sharp slump in demand in the second half translated into operating profits* down 4.2 points at 5.6%.
Net result, amounting to EUR 772 million in 2007, was EUR 357 million in 2008, after EUR 77 million restructuring charges.
Capital expenditure accounted for EUR 1,271 million versus EUR 1,340 million in 2007. Free cash flow was negative at EUR -359 million, compared with EUR 433 positive free cash flow in 2007.
The net debt to equity ratio, up 14 points, amounted to 84%.

** Before non-recurring items.*

2008 Net Sales
In EUR million



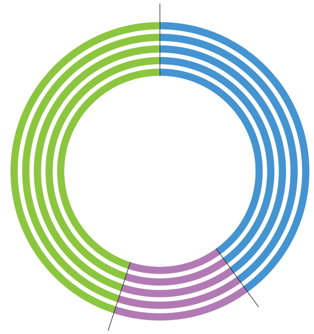


2008 Net Sales by Region
In EUR million and % change

- **8,158 / -4.1%** Europe
- **5,157 / -6.5%** North America and Mexico
- **3,093 / +8.6%** South America, Asia Pacific, Africa & the Middle East

2008 Net Sales by Reporting Segment
In EUR million and % change

- **8,668 / -4.1%** Passenger Car/Light Truck & Related Distribution
- **5,433 / -3.7%** Truck & Related Distribution
- **2,307 / +5.5%** Specialty Businesses



2008 Operating Income* by Reporting Segment
In EUR million and % change

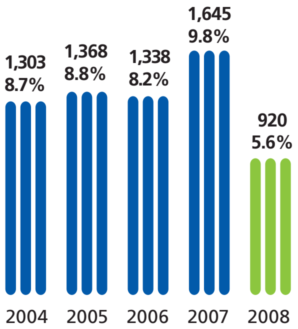
- **370 / -55%** Passenger Car/Light Truck & Related Distribution
- **138 / -68%** Truck & Related Distribution
- **412 / +6%** Specialty Businesses

2008 Operating Margin* by Reporting Segment
As a % of sales and point change

- **4.3% / -4.9 pts** Passenger Car/Light Truck & Related Distribution
- **2.5% / -5.1 pts** Truck & Related Distribution
- **17.9% / +0.1 pt** Specialty Businesses

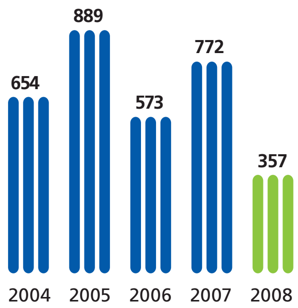
** Before non-recurring items.*

Operating income(1)
In EUR million
Operating margin(1)
As a %

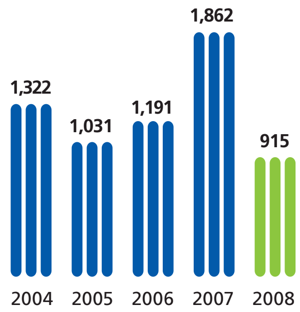


(1) Before non-recurring items.

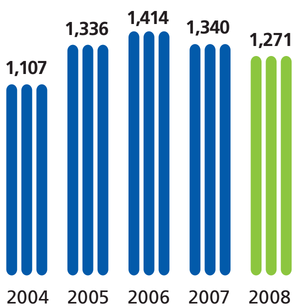
Net income
In EUR million



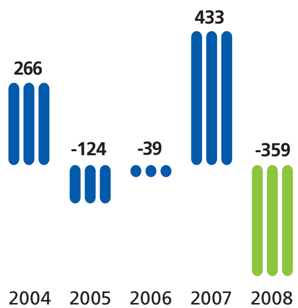
Cash flow from operating activities
In EUR million



Gross Purchases of Tangible and Intangible Assets
In EUR million

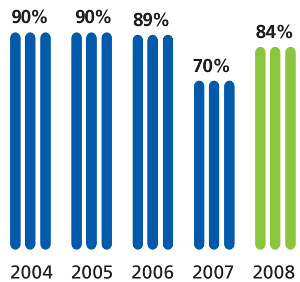


Free Cash Flow(2)
In EUR million



(2) Free cash flow = cash flow from operating activities – Cash flow from investing activities.

Gearing (Net debt/equity)



The Michelin Share

The Michelin Share is listed on Euronext Paris
- Compartment A
- Deferred Settlement Market
- ISIN Code: FR 0000121261
- Par value: 2 €
- Transaction unit: 1

Market Capitalization
- EUR 5.45 bn as at December 31, 2008

Average daily trading volume
- 1,740,267 in 2008

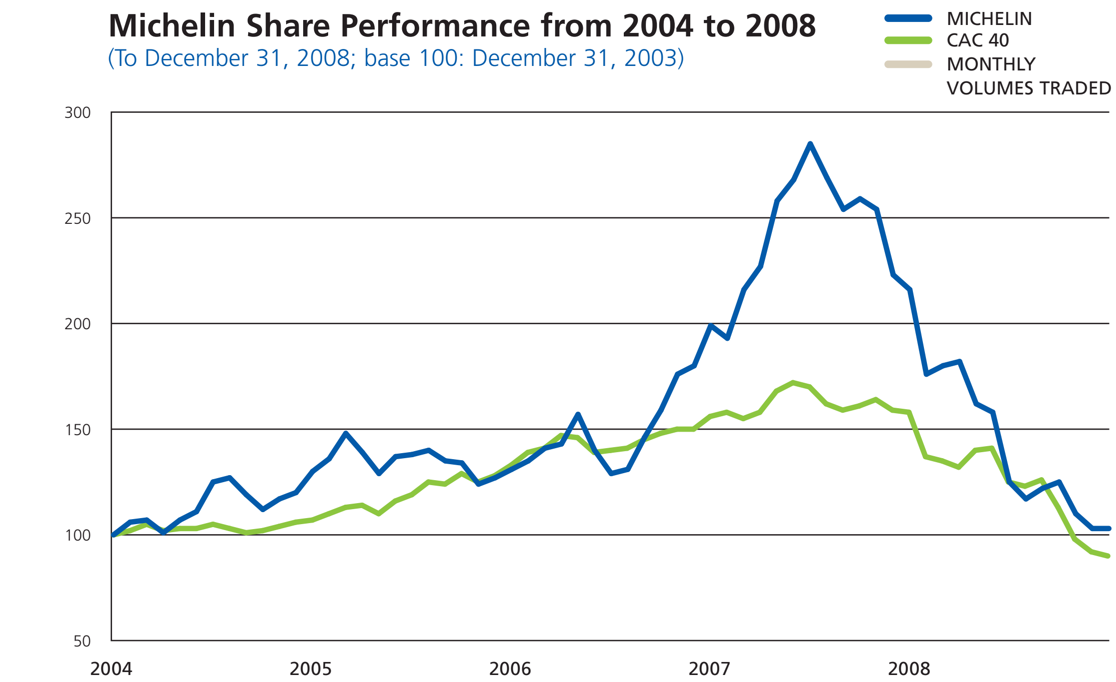
Indices
- CAC 40: 0.79% of the index as at December 31, 2008
- Euronext 100: 0.44% of the index as at December 31, 2008

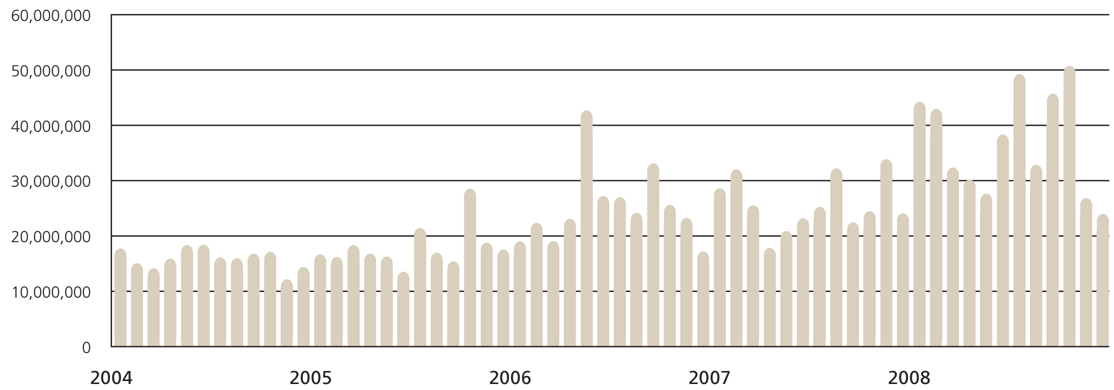
SRI indices
- DJSI (Dow Jones Sustainability Index)
DJSI Stoxx for Europe
DJSI World
- ESI (Ethibel Sustainability Index)
- ASPI (Advanced Sustainability Performance Index)

A dynamic committee

The Consultative Committee (CCA) contributes to enhancing communication between Michelin and its Individual Shareholders through its advice and recommendations. This is illustrated by the new design of the Letter to Michelin's Shareholders and of the revamping of the corporate site's Shareholder section, to make it easier to locate practical information.
With one third of its members renewed yearly, the CCA is made up of 12 members, each with a three-year term. Four new members were welcomed in 2008.

Michelin Share Performance from 2004 to 2008
(To December 31, 2008; base 100: December 31, 2003)





Corporate Capital and Shareholders

As of December 31, 2008
- Group equity: EUR 289,994,844
- Number of shares: 144,997,422
- Total number of voting rights: 186,192,715

Dividend per share In EUR

2008*	2007	2006	2005	2004
1.00	1.60	1.45	1.35	1.25

** Subject to approval by the Annual Shareholders Meeting on May 15, 2009.*

Stock Market Data

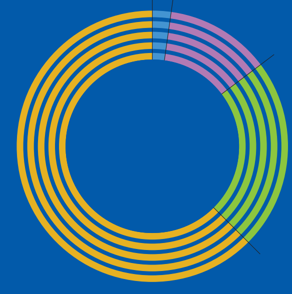
Share prices in euros	2008	2007	2006	2005	2004
Highest	79.90	106.70	73.30	56.20	47.80
Lowest	30.65	67.75	43.21	43.75	34.82
Highest/lowest ratio	2.61	1.57	1.70	1.28	1.37
Last quotation for the year	37.57	78.50	72.50	47.48	47.19
Change over the year	-52.1%	+8.3%	+52.7%	+0.6%	+29.7%
CAC 40 index change over the year	*-43%*	*+1%*	*+18%*	*+23%*	*+7%*
Market capitalization as of December 31 (in EUR billion)	**5.45**	**11.30**	**10.41**	**6.81**	**6.77**
Average daily trading volume for the period	1,740,267	1,217,949	1,191,679	842,053	742,311
Average number of shares making up the capital	144,495,251	143,770,101	143,390,450	143,387,025	143,250,487
Number of shares traded over the year	445,508,266	310,577,078	303,878,126	216,407,691	192,258,470
Share turnover rate	**308%**	**216%**	**212%**	**151%**	**134%**

Data per share

In EUR except for ratios	2008	2007	2006	2005	2004
Net assets	35.2	36.7	32.6	31.5	24.2
Basic Earnings	2.46	5.32	3.95	6.13	4.46
Diluted earnings(1)	2.46	5.22	3.94	6.12	4.46
PER	**15.3**	**13.6**	**18.4**	**7.7**	**10.6**
Dividend payments	1.00*	1.60	1.45	1.35	1.25
Pay-out rate	40.7%	30.1%	36.7%	22.0%	28.0%
Dividend yield(2)	2.7%	2.2%	2.0%	2.8%	2.6%

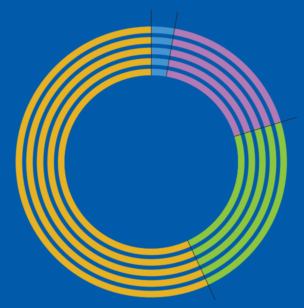
** 2008 dividend subject to approval by the Annual Shareholders Meeting on May 15, 2009.*
(1) Earnings per share adjusted for the effect on net income and the weighted average number of shares of exercise of outstanding dilutive instruments.
(2) Dividend / Share price at 31 December.

Breakdown of Capital
As of December 31, 2008



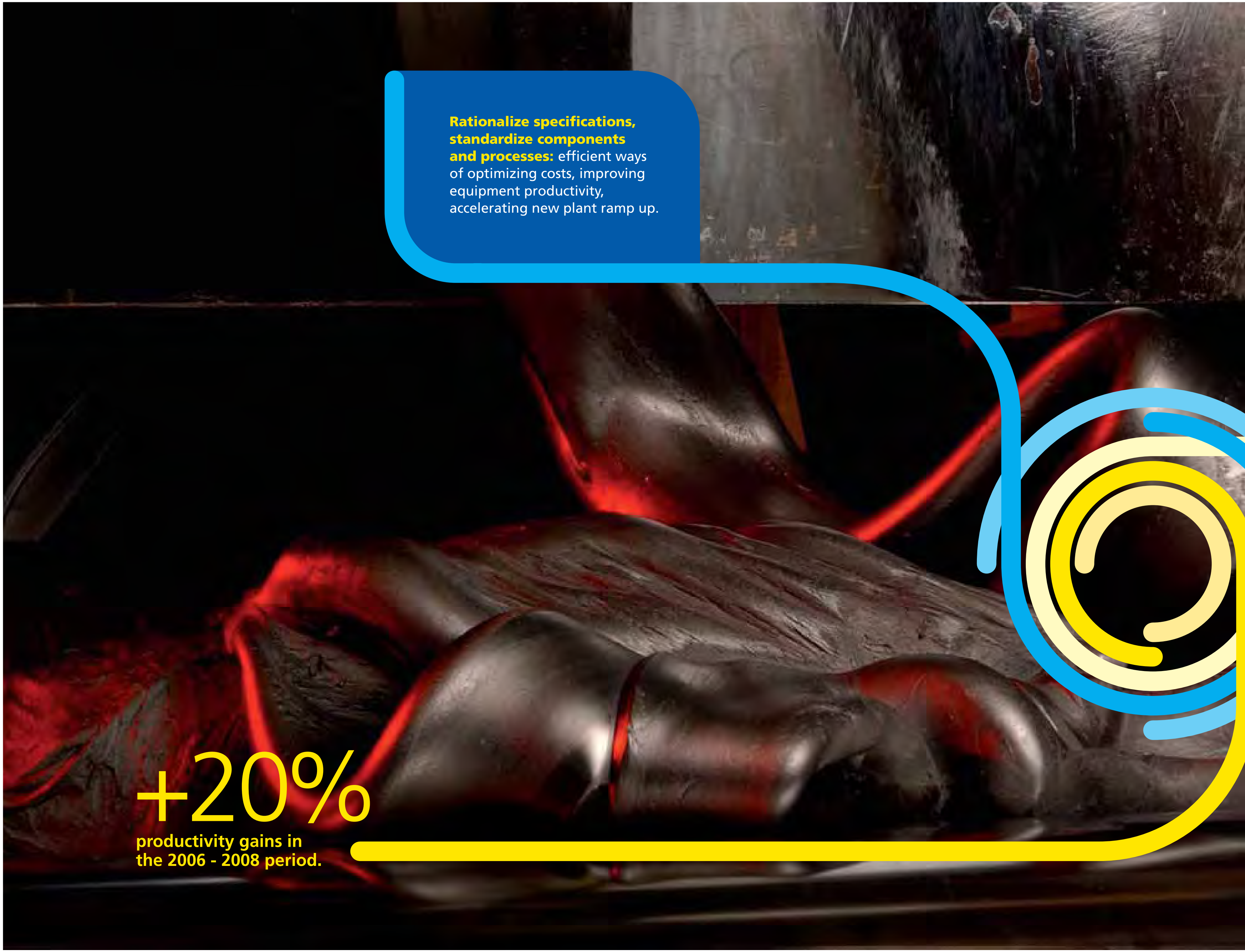
- **2.3%** Employee Shareholder Plan
- **12.5%** Individual Shareholders
- **22.7%** French Institutional Investors
- **62.5%** Foreign Institutional Investors

Breakdown of Voting Rights
As of December 31, 2008



- **2.8%** Employee Shareholder Plan
- **17.5%** Individual Shareholders
- **23.0%** French Institutional Investors
- **56.7%** Foreign Institutional Investors

Double voting rights are attached to shares held for more than four years.



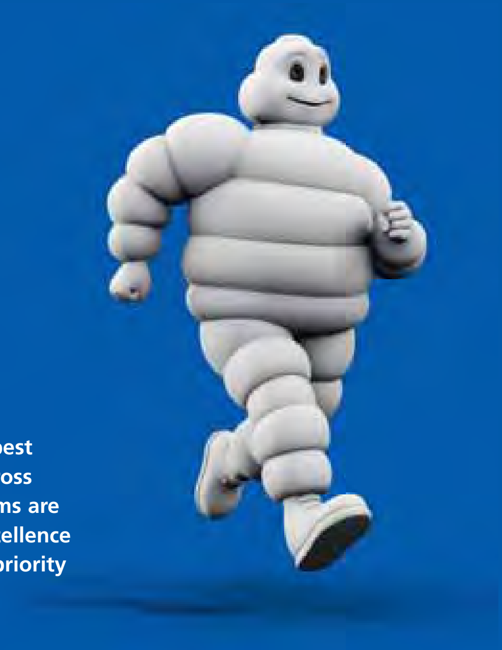
Rationalize specifications, standardize components and processes: efficient ways of optimizing costs, improving equipment productivity, accelerating new plant ramp up.

+20%

productivity gains in the 2006 - 2008 period.

The Managing Partners' Report

on 2008 Operations and Results



Find, share and apply the best standards and practices across the board: all Michelin teams are focused on operational excellence and attainment of shared priority objectives at Group level.

Passenger Car and Light Truck
& Related Distribution

Strategic partner of manufacturers owing to its innovative capacity and global footprint, Michelin wins replacement customers' loyalty through its original equipment fitments as many of them tend to buy the tire brand first fitted on their vehicle.
In replacement, the Group occupies all market segments with a multibrand portfolio and delivers value-added services to end users and retailers to enhance their satisfaction and loyalty.

In all of its markets and for all vehicle types, Michelin focuses on the high tech, premium segments. World leader in fuel efficient tire technology and production, the Group increases its competitive edge in this promising sector and reduces the time-to-market of optimized tire solutions for the vehicles that will be fitted with them in the future, while tailoring its offering to the needs of each country and by leveraging its partnerships with original equipment manufacturers and tire distributors.

Adjusting to a highly competitive environment, Michelin is optimizing its industrial and logistics operations to match the structural change in demand and make sure it remains competitive in the long run, which means gaining greater resilience and better reactivity to market volatility.
The Group is rolling out thorough ambitious productivity gain programs, streamlining costs and improving its organizational efficiency.

Technological Leader
37 facilities in 18 countries
75% of tires sold are replacement tires

Net sales
In EUR million

Passenger Car and Light Truck tires accounted for 53% of Group net sales.

Operating income*
In EUR million

Passenger Car and Light Truck tires accounted for 40% of Group operating income*.

** Before non-recurring items.*

Automobile Racing: The Group Turned to Endurance and Rallies

New materials, ground linkage: racing is a laboratory for state-of-the art innovation and Michelin has always been keen to participate, as long as genuine competition was possible. The Michelin brand is now concentrating on the endurance and circuit championships: 24 Hours of Le Mans, American Le Mans Series, European Le Mans Series, FIA GT. Eager to include energy efficiency challenge in racing, Michelin created the *Michelin Energy Endurance Challenge* in 2007 to reward Le Mans Series and 24 Hours of Le Mans teams that make the most efficient use of their fuel.
BFGoodrich, a brand that garnered 1,000 rally victories, takes part in the Intercontinental Rally Challenge IRC and in the Rally-Raid world cup. Launched in 2008, the *BFGoodrich Drivers Team* invites five teams representing five countries to compete in the Challenge IRC event in their country. It is a great opportunity to discover new champions!

11th

consecutive success for Michelin at the 24 Hours of Le Mans.

Exclusive fitment
For the first six months after its launch, the Peugeot 308 was exclusively fitted with MICHELIN Energy Saver tires. Developed for a wide market, from the smaller town vehicle to minivans, the MICHELIN Energy Saver tire is available in 43 sizes. In just one year, it was certified for 40 vehicles.

Passenger Car and Light Truck Tires: 2008 World Market Trends

	RT*	OE**
Europe	-4.0%	-7.2%
North America[1]	-5.3%	-16.5%
South America	+2.4%	+8.2%
Asia	+2.7%	+1.9%
Africa & the Middle East	+3.2%	+13.8%
Total	-2.2%	-4.0%

Source: Michelin Estimates.
(1) United States, Canada and Mexico.
** Replacement.*
*** Original Equipment.*

Demand Down in the Fourth Quarter and Raw Material Prices Up

The passenger car and light truck **replacement** tire markets declined 4% to 5% in Europe and North America while demand continued to post 2 to 3% growth in the other regions. When the financial crisis spread to the base economy, the **original equipment** markets slumped across the globe, except for Africa and the Middle East where demand was more resilient. During the last quarter of 2008, markets were down 15% to 20% in Asia and South America and 30% in Europe and North America.

In this context, Group net sales declined 4.1%. The strong drop in sales volume reflected market trends, whose deterioration was amplified by inventory reductions on the part of distributors.
The MICHELIN brand, however, resisted well, strengthening its positions in all regions.
Operating Income* amounted to EUR 370 million versus EUR 830 million in 2007.
The price increases implemented throughout the year across markets and further sales mix

** Before non-recurring items.*

Fuel efficiency
Michelin is the preferred supplier of cars featuring an energy efficient label, including Peugeot Blue Lion, BMW Efficient Dynamics, Ford ECOnetic, Mercedes Blue Efficiency, Opel ecoFLEX and Kia cee'd.

Michelin Engineering & Services collaborates with OEMs to optimize vehicle dynamic behavior.

Launched in 1992, the MICHELIN Green X label guarantees reduced tire-related fuel consumption, while delivering all of Michelin's well known safety and longevity.

improvements, as illustrated by the market share gains achieved by the MICHELIN brand, could not make up for the full impact of the strong increases of raw material costs, combined with the drop in volumes sold, idle manufacturing capacity, amplified in the last quarter as a result of falling demand, and the negative impact of currency.

Europe: The MICHELIN Brand Resisted in a Bearish Market
The European **replacement** market was depressed throughout the year and ended down 4%, with the pace of the decline accelerating in the last quarter. Almost all countries in the region experienced this trend, except for the UK and Hungary, up slightly, and except for Russia, Bulgaria and Romania, where demand was sustained until fall.
Towering fuel price increases, lower mileage driven and average vehicle speed, combined with the postponement of tire purchases accounted for the market decline.
The belated onset of cold weather and snow had a negative impact on the winter tire segment, down 9% despite a rebound in December. The market mix was nevertheless further enriched: the "high-performance" V & Z (higher speed rating segments) posted more than 4% year-on-year growth.

In the replacement market, Group sales were globally in line with demand trends. The MICHELIN brand once more proved resilient, unit sales continued to grow in the high performance segments, and Michelin strengthened its positions in Eastern Europe.
As a result of the production stoppages operated at the end of the year by the automotive manufacturers, the European **original equipment** market posted a 7.2% drop.
In this particularly difficult environment, the Group's market share increased slightly as its OEM customers were keen to leverage the benefits of its latest generation of fuel efficient products, the MICHELIN Energy Saver tire lineup.

MICHELIN Energy Saver Collects Awards

In February 2008, a global panel of tire industry experts and professionals including engineers and faculty gave MICHELIN Energy Saver the *"Tire Technology of the Year"* award. Tests conducted in spring 2008 by TÜV SÜD Automotive showed that the MICHELIN Energy Saver tire delivers the highest fuel saving together with one of the shortest braking distance of any tire on the market. In August 2008, French magazine Auto Plus published an environment friendly tire report called *"Environment friendly tires: do they truly reduce the fuel bill?"* The clear winner: MICHELIN Energy Saver.

Versatile by nature
The BFGoodrich® Long trail T/A Tour tire is the best off-road tire. It combines superior comfort and performance on wet and dry roads.

Distribution and Services: TyrePlus extends its footprint

124 TyrePlus centers opened in 2008: the network is accelerating its global expansion. Present in 10 countries, it counted 843 centers at the end of 2008. In May 2008, Michelin opened its first TyrePlus distribution center in India, in the southeastern state of Tamil Nadu. The center sells MICHELIN, BFGoodrich® and competitor brands as well as related services and automotive accessories. The Group aims to open some 70 TyrePlus centers in India over the next four years, in line with the dynamic growth of the automotive market. In June, Michelin opened in Jeddah its first TyrePlus distribution center for Saudi Arabia. Five additional TyrePlus centers will be opened in this country and seven in other Gulf countries: in the United Arab Emirates, Bahrain, Qatar, Oman and Kuwait. In September, TyrePlus went west and opened its first center in Mexico. Simultaneously, in China the network crossed the bar of the 600 centers in 2008, confirming its leading position among the country's specialist tire dealers.

North America:
All-Time Market Decline

The 5.3% full year drop of the North American **replacement** markets, down 9% in the second half, reflected the decline in mileage driven combined with the postponement of tire purchases as car owners reacted to a worsening economic environment and rocketing fuel prices over the first nine months of the year.
The slump was nevertheless somewhat cushioned by growth in the Canadian market where new regulations have made winter tires compulsory in Quebec.

The Group retained its share of the replacement market.
The MICHELIN brand in fact strengthened its position, reflecting a focus on quality as well as on safety and total cost of ownership on the part of American vehicle owners.

The **original equipment** tire markets plummeted as demand for new cars, triggering production stoppages by OEMs, plunged a historic 16.5%, a level never witnessed since the early 80's.
In this poor trading environment, the Group maintained its market positions overall.

500,000

customers in China for the roadside assistance service Michelin Sui Ni Xing.

Distinguished
Launched in 2006, the Michelin Sui Ni Xing assistance service was awarded the *China Best Customer Service Award* by Chinese trade associations.

Premiere!
MICHELIN tires will be fitted on the Corvette ZR1 2009, one of the world's most powerful sports cars ever. For the first time Michelin equips the prestigious American car brand.

Asia: Healthy Momentum
Although a trend reversal was noted at the end of the year (demand edged back 2% in the fourth quarter, versus the year-earlier period), Asian markets were up almost 3% overall, supported by the momentum of the Chinese and Indian markets up 18% and 8% respectively. The region's other markets were stable, but Japan was substantially down (-4%).

Group **replacement** sales were up significantly, with double-digit growth for the MICHELIN brand throughout the region.
The Group is actively increasing its footprint in China and opened new TyrePlus centers, bringing the Chinese network to 605 outlets by end 2008.
In India, the still modest sales volumes shot up. The successful launch of the MICHELIN X Ice 2 winter tire range enabled the Group to gain market share in Japan.

South America: Fine Performance
In South America, the strong market growth recorded at the beginning of the year slowed down in October against the background of an economic downturn and tighter access to credit.
Over the full year, demand remained relatively supportive versus 2007.

For Michelin, **replacement** sales growth was very satisfactory. The Group won market share, particularly in Brazil and the Caribbean countries.

Africa and the Middle East: Growth and Mix Enrichment
In Africa and the Middle-East, markets remained supportive until November 2008.

Group sales were up substantially in both value and volume terms. The price increases and enrichment of supply in the higher value-added segments translated into unit sales price increases.

Light Trucks don new tires

- MICHELIN Agilis delivers a full 3 meters shorter braking distance on wet surfaces, 30% longer service life AND is more fuel efficient*; and MICHELIN Agilis Camping is even more robust.
- KLEBER Transpro and Transalp 2 guarantee safety, reliability and assistance 365 days a year.
- BFGoodrich® Activan and Activan Winter, the brand's first tire range for light trucks, deliver unparalleled endurance and grip on dry and wet roads as well as on icy and snow-covered roads.

** Compared to the previous MICHELIN Agilis tire solution.*

Truck and Bus
& Related Distribution

Michelin is strengthening its sweeping technological leadership in original equipment, replacement and retreaded tires by accelerating the introduction of breakthrough innovations.
It keeps fine-tuning its product offering to the requirements of multiple road market segments dedicated to the transportation of people and goods. It fosters close ties with OEMs and distributors, helping them to achieve high professional standards in developing countries.

Michelin is increasing the size and productivity of its plants, tailoring its facilities to meet demand for the Michelin Durable Technologies new generation tires, strengthening its retread offering, improving its supply chain and expanding its tire building capacities in emerging markets.

In what is an increasingly difficult environment for transportation firms, the Group offers tire and service solutions designed to increase its customers' return on investment by increasing safety and vehicle uptime and minimizing operating expenditure.

World No.1
28 facilities in 16 countries
70% of tires sold are replacement tires*

** Radial market.*

Net sales
In EUR million

Truck tire sales account for 33% of Group net sales.

Operating income*
In EUR million

Truck tires account for 15% of Group operating income*.

** Before non-recurring items.*

Michelin Fleet Solutions: more than 300,000 trucks under contract in Europe

In February 2008, Michelin and ATS Euromaster signed a Michelin Fleet Solutions three-year contract with the U.K.'s largest privately owned trucking company, Eddie Stobard Ltd. Michelin supplies the tires and ATS Euromaster performs the tire-related services. European leader of integrated tire and service offerings, Michelin Fleet Solutions manages end-to-end truck fleet tire equipment. Optimized preventive maintenance, efficient budget control through cost per mile invoicing: the offering is attracting many loyal customers. The delegated tire management market is posting double the growth of the overall truck tire market. With this new customer, Michelin Fleet Solutions serves more than 300,000 buses and trucks under some 500 contracts. With operations in 21 European countries, the business alone accounts for 600,000 tire treads per year.

The Dutch army chose Michelin
Following a strict certification procedure for tires deemed "critical from an operational point of view", Michelin became the sole truck tire supplier to the Dutch armed forces for a four-year term.

Truck and Bus Tires: 2008 World Market Trends

	RT*	OE**
Europe	-9.7%	-0.9%
North America[1]	-8.2%	-16.5%
South America	+11.9%	+10.2%
Asia	+5.7%	-1.8%
Africa & the Middle East	+5.1%	+3.0%
Total	-0.2%	-3.9%

Source: Michelin Estimates.
(1) United States, Canada and Mexico.
** Replacement.*
*** Original Equipment.*

Raw Material Cost Inflation and Sluggish Demand in the Fourth Quarter

The tire **replacement** market further declined 8% to 10% in Europe and in North America, with a major slump at year-end.
In the developing countries, the double-digit growth of the first nine months suddenly deteriorated in the last quarter in Asia and South America, that nevertheless remained up 6% and 12% respectively over the full year.
In Africa and the Middle East, demand remained strong until the end of 2008.
In the **original equipment** market, world regions evolved differently: slightly down in Europe, and record decline in North America, decline in Asia and sustained growth in South America.

In this environment, Group net sales were down 3.7% and sales volume declined slightly. Michelin gained market share in Asia (reflecting its good performance in China) and in North America, underpinned by the success of the Michelin Durable Technologies tire offering, which also did well in Europe.

Plants tuned to the market
In Europe, in 2009, Michelin aims to cut its inventory by 8% in selling days, by deploying its new Callisto application, developed to inform plants daily of Michelin's general warehouse requirements. The objective: speed up the supply chain and enhance Group reactivity to market fluctuations.

Retreading
In a world market that comprises 70 million tires each year, Michelin is the tiremaker with the largest retreading operations. Its R&D focuses on the reliability and performance of retread solutions.

24/7
The Michelin Euro Assist truck breakdown service covers 27 European countries.

Operating margin* slipped 5.1 points to 2.5%. This change was the outcome of a multiple unfavorable factors: raw material cost inflation, especially strong in the second half and only partly offset by the price increases passed throughout the year. The major market slump at year-end dragged unit sales down and pushed up industrial overheads as a result of the production adjustment measures implemented in the second half. Lastly, the currency effects were negative.

Europe: Michelin Durable Technologies Potential Confirmed
The European **replacement** market was down nearly 10% after a 27% plunge in the last quarter with all of Europe engulfed in the bearish environment, Russia included. Regional transportation, accounting for 35% of overall freight business, held its ground relatively well. The larger fleets resist better to the crisis than the smaller ones, dogged by severe cash flow issues. The market decline was amplified by inventory reductions on the part of distributors.

** Before non-recurring items.*

The retread market was down -3.5%.

The Group's performance was in line with markets in both the new and retread tire segments.
The Michelin Durable Technologies offering, and in particular the MICHELIN XDN2 Grip tire, that delivers enhanced traction and mileage performance for trailer drive axles, was highly successful.
Michelin Fleet Solutions operations resisted better than the markets and cushioned the effect of the crisis somewhat.
500 fleets were covered by the end of 2008.
The price increases passed in the reporting period were successful.

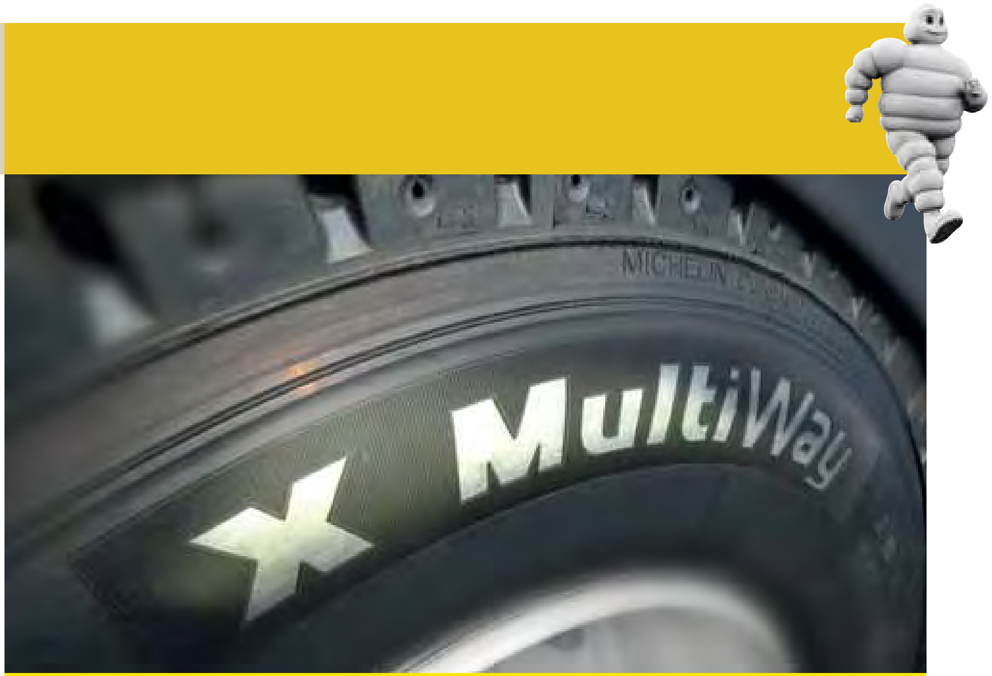
The **original equipment** market was down 0.9%. After 14% first half growth, the market plunged in the second half. In the last quarter, it was down a dramatic 32%.
The power unit tire segment was up 4.8% year-on-year, but the plunge is deep in the last quarter and OEM order books quite low.

The trailer tire market declined 13% year-on-year, with a record 50% drop in the last quarter.

MICHELIN X Energy™ SaverGreen reduces transportation costs

With enhanced fuel efficiency throughout its exceptionally long service life, the MICHELIN X Energy™ SaverGreen tire also delivers increased safety: it is **THE** tire solution for long haul transportation. Michelin Durable Technologies benefits: "heat stable" Energy™ Flex casing, "Infinicoil" technology to increase load bearing capacity and wear resistance, double-wave sipes for increased grip and the four MICHELIN tire lives (new, regrooved, MICHELIN Remix retreaded, and then regrooved again). The result: 500 liters worth of fuel savings per truck per year*.

** For an annual mileage of 80,000 miles.*



MICHELIN X MultiWay: incredibly versatile

Carry more, faster, safer and cheaper: MICHELIN X MultiWay is the tire solution that addresses the new constraints facing the road transportation industry. Latest addition to the Michelin Durable Technologies offering, the tire combines versatility, safety and long service life. It is equally tailored to motorway and long haul applications in any weather conditions and may be fitted on all vehicle types: bulk, tank, refrigerated, general cargo and vehicle carriers. This high versatility implies outstanding robustness, which was achieved thanks to a new rubber compound and a stone retention-free tread. This delivers enhanced reliability and safety. This benefit is reinforced through the use of double sipe tread technology. Michelin's ultimate performance: combine the above improvements with longer service life.

MICHELIN X One wins America Over…
The wide tire designed to replace the drive axle dual mounts not only delivers a 360 kg payload gain and greater fuel efficiency but also increases available space. MICHELIN X One sales were up again significantly in North America in 2008.

North America: Market Share Gain in a Depressed Market

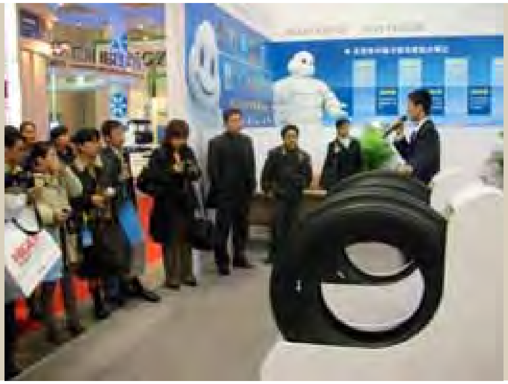
The **replacement** market fell for the third straight year, down more than 8% after a slump in the last quarter. Distribution channels resorted to massive inventory reductions, which amplified the consequences of the reduction of transported tonnage.
In this poor trading environment, Group sales resisted well despite significant price increases. With implementation of new regulations in a number of Canadian provinces authorizing use of extra wide tires, MICHELIN X One tires, that benefit from the Michelin Durable Technologies cluster of innovations, posted strong sales growth.

The **original equipment** market, down 32% in 2007, further shrank by 16.5% over the year.
The fact that fleets were recently updated and that the trucking industry is adopting a wait-and-see attitude in reaction to the poor trading environment account for this all-time low market level.
Michelin sales were in line with the Group's commercial objectives.

South America: Fine MICHELIN Brand Performance

Over the full year, the **replacement** market posted 12% growth, but it was down by the same order of magnitude in the last quarter (-12%) and as much as 18% in Brazil after such raw material prices as iron and soya beans saw their prices fall, which weighed on hauling industry income. The Brazilian real's depreciation put a brake on tire imports from Asia.

The **original equipment** market was up more than 10% year-on-year but posted a 22% drop in the fourth quarter.
The economic slowdown, combined with more expensive borrowing terms, dragged new truck sales down.
Sales were up, mainly thanks to the fine performance of the MICHELIN brand.



50

Michelin Service Center for Trucks across China.

... and is launched in China
Showcased at the Beijing International Bus Trade Show, the MICHELIN X One tire was elected as the original equipment of the new bus fleet serving Beijing International Airport. The key benefits built into the urban version of the tire are comfort, grip and a noiseless ride.

MICHELIN XDN2 Grip makes a hit in Russia
Especially designed to address challenging climate with 30% more grip on wet and slippery road, +15% more grip on snow and ice-covered roads coupled with 25% longer service life*, the MICHELIN XDN2 Grip tire won many Russian drivers over.

** Versus the MICHELIN XDN GRIP tire.*

Asia: Michelin Posted Further Sustained Growth

The **replacement** market, up nearly 6% over the full year, was down 12% in the last quarter. Over twelve months, China and Thailand were up 8%, while Japan declined 9%.
The Group's activities were boosted by accelerating market radicalization in the developing countries. Sales increased significantly in China, Korea, India and most of the ASEAN countries.
In Japan, winter tire sales were hit by weak snowfalls; on the other hand, retread tire activities boomed.

In **original equipment**, after a first half up more than 30%, driven by market radialization, demand was down sharply in the last quarter and the year was down nearly 2% overall. China, nevertheless posted 3% growth while Japan was up 11%, boosted by truck exports.
Michelin continues its dynamic growth and strengthens its positions.

Africa and the Middle East: Good Vintage

The market kept trending up, +5% for **replacement** tires and +3% for **original equipment.**
Michelin benefited from accelerating market radialization. Moreover, its key distributors replenished their inventories as 2007 had been characterized by shortages.

Michelin increased its U.S. distribution footprint

In May 2008, Michelin and Love's Travel Stops signed a cooperation agreement that will expand Michelin's product and service offering to truck tire users.
Thanks to Love's Travel Stops distribution network, Michelin will benefit from more than 150 new locations coast to coast.

Specialty Businesses

Active in all specialty tire markets, Michelin leverages its radial tire technology edge to serve the most technically demanding segments.
High performance coupled with customer focus: in the Earthmover and Aircraft tire segments, Michelin builds capacity and is developing advanced services to help its customers optimize the use and service life of their tire resources.
In the Agricultural tire market, the Group is strengthening its ties with the larger OEMs and its partnership with agricultural tire specialist retailers in an effort to raise the quality of service provided to farmers.
For motorcycle and scooter riders, Michelin proposes high performance tires benefiting from a full range of innovations designed to improve control and riding experience.

Maps and guides and ViaMichelin digital services play a key role in Michelin's mobility-enabling mission by making travel safer, easier and more enjoyable. Michelin Lifestyle contributes to making the Michelin brand a household name through its international co-licensing program.

World No.1 Radial Earthmover and Aircraft tire manufacturer
Europe No.1 Agricultural Tire Maker
Europe No.1 Motorcycle Tire Brand
Europe No.1 for Maps and Guides and Mobility-Enabling Web Sites
16 facilities in 7 countries

Net sales
In EUR million

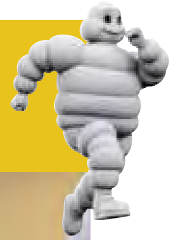
Specialty sales accounted for 14% of Group net sales.

Operating income*
In EUR million

Specialty businesses accounted for 45% of Group operating income*.

** Before non-recurring items.*


MT 975B



An Innovative Solution for a Mining Giant: China Coal Pingshuo

Michelin signed a three-year contract with China Coal Energy, China's largest coal producer. It covers supply and maintenance for the 63-inch giant tires that equip the dumpers used in China's largest open coal mine at Pingshuo. As Mr Li Zhihong, head of Procurement, noted: *"We are not just looking to buying tires or services. What we expect Michelin to do for us is to optimize the way we use our tire resources, to gain productivity, and therefore reduce costs, as well as to better preserve our environment. With its engineers on site, Michelin's expertise will help optimize the way we use our tires. Not only we will be able to use them longer, but also we will reduce equipment downtime considerably."*
In May 2008, China Coal Energy elected Michelin its Best Supplier 2007 out of 162 suppliers.

Quality rewarded
Caterpillar delivered its Quality Excellence Certification to Michelin. Caterpillar's certification is reserved to suppliers who have a certified quality system supported by a continuous progress approach encompassing their entire operations.

Specialty Businesses

Operating Margin is Stabilizing at a Remarkably High Level
Net sales rose 5.5% to EUR 2,307 million.
Full-year operating income* was up 6.2% to EUR 412 million.
Operating margin* reached 17.9%.

The Specialty tire activities were remarkable in terms of both growth and results.
Sales volumes rose throughout the year across segments, although the Original Equipment segment slackened in the fourth quarter.
The price increases combined with the mix improvements served to offset the negative impact of raw material costs and exchange rates.
The rationalization of industrial capacity and a policy of flexible manufacturing and supplies were pursued.

** Before non-recurring items.*

The rebalancing between Original Equipment and Replacement production enabled the Group to benefit from the growth opportunities.

Maps and guides and ViaMichelin digital services as well as Michelin Lifestyle licensed products experienced a very dynamic year in terms of developments and new product and service launches.

$ 60,000 a piece
the average price of MICHELIN's giant Earthmover tires.

Select mining customers enjoy a new service offering which is invoiced based on the number of tons transported and miles covered. The service includes integrated tire management within the mine. Michelin thus enjoys a share of the customer's productivity gains.

Port vehicles
A consumption test conducted by Michelin's engineers at the Tanjung Pelepas (Malaysia) port showed that the MICHELIN X-TERMINAL T tire delivered 8.4% fuel saving (vs solid/trailer and bias/power unit tires).

Specialty Tires

Earthmover: Fine Vintage

In the first 9 months of the year, global tire demand remained strong. The Mines and Quarries segments were booming, and so largely offset the protracted downturn in the Construction segments of North America and Europe. In the fourth quarter, original equipment markets fell suddenly.
Infrastructure related tire markets dropped substantially, particularly in Europe.
The mining segment showed some signs of slowing down.

In this context, Group sales were up significantly. New capacity ramp ups underpinned strong year-on-year sales growth.
In Original Equipment, Group sales declined somewhat year-on-year due to the impact of the sharp fall in the last quarter, but Michelin won market share.

Earthmover: Michelin increases capacities

The USD 85 million investment announced in 2005 to extend earthmover tire production capacities at the Lexington (South Carolina) industrial site has enabled Michelin to increase the production of 51-, 57- and 63-inch tires in 2008. The Group invested EUR 320 million to build the Campo Grande plant in Brazil, whose annual production target by 2010 is 40,000 tons of 25- to 49-inch tires. In India, Michelin is in the closing stages of negotiation to purchase land to build an Earthmover tire plant.

New Michelin Anakee 2 Tire for Trail Motorcycles

Designed for trail motorcycles, the MICHELIN Anakee 2 tire delivers outstanding longevity combined with superior wet grip.
The new tire will cover at least 29% more mileage than the tires made by its two closest competitors on this market*, without compromising rider safety, thanks to its new silica compound derived from motorcycle racing technology.
Launched in May 2008 in Germany and in June in the UK and Italy, the MICHELIN Anakee 2 tire will be available worldwide by 2009.
It is fit for the highest performance trail motorcycles. It has been certified for BMW R 1200 GS, Europe's most popular trail motorcycle.

** Test carried out in 2008 by CERM (Centre d'Essais Routiers Mécaniques) on the 110/80 R 19 and 150/70 R 17 sizes.*

Soil protection, lower fuel consumption, time savings, improved yields, greater load bearing capacity and longer service life... all these are the benefits delivered by Michelin Ultraflex technology.

700

More than 700 Michelin Exelagri distributors in 11 European countries deliver top class services to farmers.

Agricultural: Strong Growth in the Premium Segments

Farming income remained robust and world demand for agricultural machinery tires remained strong. This was particularly true in the Original Equipment segment for high-power tractors (150 HP and more).
The imbalance between supply and demand that appeared in 2007 remained throughout the year.
The replacement markets were up slightly in both Europe and North America.

Against this background, original equipment sales posted volume growth, and the MICHELIN brand mix was enriched. This trend was underpinned by strong demand for high horse power equipment.
Replacement sales volumes also progressed, particularly in Europe.
Both the MICHELIN and KLEBER brands benefited from this change.

Two-Wheel: Satisfactory Performance

The main motorcycle markets posted slight overall year-on-year growth.
Trends were favorable in Europe and buoyant in the emerging countries, where the utility motorcycle market posted double-digit growth. In North America and Japan, demand remained stable.

Group sales also progressed satisfactorily. Michelin achieved market share gains in the European and North American replacement markets, driven by launch in 2007 of a new range of "Leisure" products.
Turning to the utility motorcycle segment, Michelin recorded significant sales growth particularly in Brazil and Thailand.

The bicycle tire sales did well too, boosted by the success of the new MICHELIN Pro 3 Race top-of-the-range products.

The new Superjet 100 regional aircraft built by Russian aircraft manufacturer Sukhoi, benefits from MICHELIN radial OE tire fitments.

The 850 cm³ GP 800 Gilera is the world's largest scooter. It is fitted with MICHELIN Pilot Sport SC Radial tires, an exclusive fitment for the scooter.

MICHELIN Pro3 Race, first product of a new tire lineup for bicycle racing, delivers 27% more cornering grip and very low rolling resistance, as well as a small 200-gram mass.

Aircraft: Michelin Benefited from Growing Radialization

The commercial and general aviation markets were hit by towering jet fuel prices and then by the economic crisis from the second half. No region was unscathed.

The radial tire market, benefiting from the value delivered to airlines in terms of longer life and fuel efficiency, resisted better.

Michelin's sales were pushed up by the full effect of the contractual price arrangements and were also up in volume terms.

Emirates Airlines chose Michelin

Michelin will be fitting the Emirates airline's fleet of A380 aircraft with the latest generation of NZG tires. Highly shock and aggression-resistent, the tires will deliver 30% to 40% more landings than bias tires while reducing overall aircraft weight by 360 kg (800 pounds), thereby lowering fuel consumption. Michelin will be single tire supplier for this aircraft. Emirates, which is set to operate the world's largest A380 fleet, has ordered 58 aircraft.

650 publications and 15.5 million maps and guides sold yearly in 90 countries
1.3 million hotel and restaurant guides
2.3 million tourist guides
7.7 million city maps, road maps and atlases
and 4.2 million B2B maps and guides

Hong Kong and Macao, MICHELIN guide's first stops in China.

"Etoile", the new MICHELIN Guide Magazine.

Maps and Guides

Tourist Publication Leader
Michelin holds 32% of the French tourist maps and guides market, and more than 75% of the road maps market. The Group publishes maps and guides in 12 languages, a figure that should rise to 18 languages by 2010.

In France, the MICHELIN fine cuisine guide collection has developed two theme guides, the MICHELIN France *Bonnes Petites Tables*, the second edition of which was published in 2008 after a very successful launch, and the first edition of the *Chambres d'hôtes* guide.
In May 2008, in partnership with Glénat publishing, the Group launched the MICHELIN Guide magazine, *Etoile**, the latest benchmark fine cuisine magazine. Every issue offers four major themes: news, fine cuisine, travels and wine and takes the reader on a tour of the special places to discover in the "la route de l'inspecteur" section.

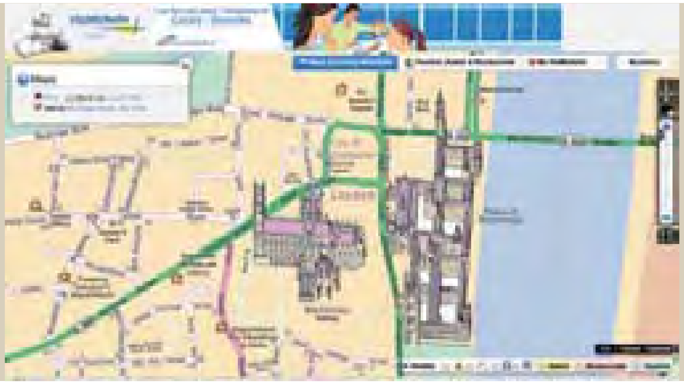
** Bimonthly available at newspaper stalls in France, Belgium, Switzerland and Canada.*

Innovation and Internationalization
After the United States with New York, San Francisco, Los Angeles and Las Vegas, then Japan with Tokyo, the MICHELIN Red Guide went further afield to Hong Kong and Macao. China became the 23rd country covered by the MICHELIN Guide.
The MICHELIN guide selection will soon be available from multifunction cell phones.

Some 18 new Green Guides were published, two of which cover new destinations. The collection therefore pursues its international career, with three new Green Guides in Chinese, six in Polish, eight in Italian and nine in Dutch. The MICHELIN Green Guide collection proposes a host of tips and information to discover the natural and tourist spots of towns, regions or countries, through a selection of the most remarkable sites, rated one to three stars, as well as the most scenic routes.

The *Voyager Pratique* MICHELIN traveler's guide collection features five new titles in French, with one on 'Beijing' published in February 2008 to coincide with the Olympic Games and 10 in Spanish. In just three years, the collection now spans 45 titles in French, 20 titles in Spanish and one in Portuguese.
Finally the new guide to tour France, *Escapades en Camping-car,* was launched, featuring 100 circuits.

In the road maps segment, Michelin innovated with thorough revamping of the French 'Departments' maps, featuring a 1/150,000th scale, against *a satellite relief background.* The maps also pinpoint the most spectacular tourist sites selected by Michelin as well as routes from the MICHELIN Green Guide.



400 million hits per year
Europe's N°2 cartography website
1.6 million subscribers of the online magazine's newsletter

ViaMichelin

Europe's most visited travel information(1) website
ViaMichelin caters to all European private and professional road users.
Available in eight languages, www.ViaMichelin.com features every piece of information needed to get around in a town or travel by car.
In France, ViaMichelin is No.1 real time traffic information provider for integrated navigation systems and portable GPS devices.

ViaMichelin upgrades to web 2.0
The website was thoroughly revamped in order to leverage the "Web 2.0" improvement opportunities.
Many new functionalities are offered: key word based search engine, high definition satellite and aerial photographs, hybrid maps, on demand traffic information display overprinted by street or section in both traffic directions, hotel booking for 70,000 establishments, five-day weather forecast, etc. With a very interactive slant, it enables web users to create travel books and share their personal comments.
The business geolocation solutions were enriched and now feature a cell phone based offering.

(1) Top European Travel-Information Sites by Unique Visitors in Europe, Age 15+ September 2008 – Total Europe – Home and work locations (excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs) – Source comScore.

85 licensed partners
1,500 different products
more than 12 million units sold in 85 countries

Michelin Lifestyle

MICHELIN brand licensed products
MICHELIN brand licensed products contribute to make the Michelin brand a household name among consumers. They support the MICHELIN brand's mobility-enabling mission and embody its values of safety, performance and reliability. Products are developed in three main categories:
• Vehicle and cycle accessories such as pressure monitoring devices, snow chains and road safety kits;
• Footwear, clothing, accessories, gear and equipment for leisure and sports, which benefit from tire technological progress;
• collectibles reflecting Michelin and the Michelin Man's cultural heritage.
Since May 2008, www.michelin-boutique.com has been offering some 150 items online and operates a delivery service that covers 37 countries.

New sports and leisure partnerships
Sports and leisure appeal to a wide, young public, making them a major focus for development.
New products were launched in 2008 through the following partnerships:
• with Le Coq Sportif (France) – a range of gear for rugby players;
• with golf equipment manufacturer Crews (Japan) – golf balls and accessories;
• with Li-Ning group (China) – high-performance footwear delivering enhanced grip and longevity thanks to Michelin's know-how.

Change in Results

In a highly demanding environment, marked by dwindling demand in most major markets and widespread production stoppages in the fourth quarter by the automotive OEMs, sales were up slightly at constant exchange rates thanks to the strength of the MICHELIN brand and the price increases passed in 2008.
Operating margin* amounted to 5.6% of net sales, down 4.2 points versus 2007, reflecting the drop in volumes sold, raw material price increases and the cost of idle manufacturing capacity.
In 2009, Michelin will focus on managing its cash by optimizing production program management and sharply reducing capital expenditure.

** Before non-recurring items.*

Net Sales Up Slightly at Constant Exchange Rates

Net sales amounted to EUR 16,408 million, up 1.1% at constant exchange rates but down 2.7% at current exchange rates.
The change resulted from the following factors:
• Sales volumes were down 2.9%, reflecting the drop in replacement tire demand and the slump in the original equipment market, spectacular in the last quarter, after automotive OEMs cut production.
• The price/mix was up 4.2% at constant exchange rates, reflecting good MICHELIN brand performance and the efficiency of the price increases implemented in 2008 across markets to offset the raw material price increases.
• The exchange rates change translated into a negative 3.8% impact mainly resulting from depreciation versus the euro of the U.S. dollar, -6.8%, the Pound Sterling, -14.1%, and the Canadian dollar, -5.8%, based on average rates for the year.

Operating Margin* Down at 5.6%

Gross margin, down EUR 723 million, amounted to 26.7% of net sales.
Operating expenses were stable at EUR 3,464 million.
Operating income before non recurring items amounted to EUR 920 million, down EUR 725 million despite a positive price/mix effect of EUR 683 million.
In addition to the drop in sales volumes, with a negative impact of EUR 244 million on operating income*, this change mainly resulted from raw material price increases, to the tune of EUR 804 million and from additional energy and transportation costs accounting for EUR 164 million.

The impact of idle manufacturing capacity as a result of ad hoc production adjustment measures taken in most Group plants translated into a EUR 224 million one-off expense, of which EUR 170 million was in the last quarter alone (versus EUR 35 million for the full year 2007). This amount includes the effect of idle capacity on productivity, depreciation and external costs.

** Before non-recurring items.*

2008 Net Sales Change versus 2007

As a percentage and in EUR million

Change versus 2007	2008 €m	2008 as a %	H1 €m	H1 as a %	H2 €m	H2 as a %
Volumes	-496	-2.9%	+171	+2.0%	-667	-7.9%
Price/mix	+683	+4.2%	+180	+2.1%	+503	+6.5%
Exchange	-647	-3.8%	-514	-5.9%	-133	-1.6%
Scope	-	-	-	-	-	-
Total	**-459**	**-2.7%**	**-163**	**-1.9%**	**-296**	**-3.5%**

Payroll expenses
As a % of sales

2005	2006	2007	2008
30.7%	28.8%	28.1%	28.1%

110,252 full-time equivalent employees as at December 31, 2008: -3% versus 2007.

2008 Operating income change before non recurring items
In EUR million

	Full year	H1	H2
2007 operating income*	**1,645**	**861**	**784**
Volumes	-244	+86	-330
Price/mix	+683	+180	+503
Exchange	-44	-66	+22
External costs	-968	-334	-634
Other expenses	-152	-19	-133
2008 operating income*	**920**	**708**	**212**

Operating income before non-recurring items by reporting segment
As a % and in EUR million

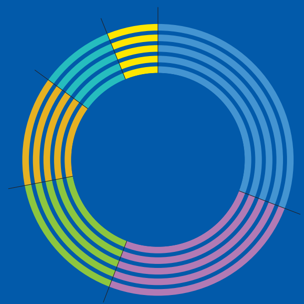
	Net Sales			Operating income*		Operating margin*	
	€m	% of total	2008/2007	€m	% of total	2008	2007
Passenger Car and Light Truck & Related Distribution	8,668	53%	-4.1%	370	40%	4.3%	9.2%
Truck & Related Distribution	5,433	33%	-3.7%	138	15%	2.5%	7.6%
Specialty Businesses	2,307	14%	+5.5%	412	45%	17.9%	17.8%
Group total	16,408	100%	-2.7%	920	100%	5.6%	9.8%

** Before non-recurring items.*

2008 operating expenses by nature EUR 15,488m

- **45%** Raw materials and consumables
- **30%** Personnel expenses
- **6%** Transportation costs
- **6%** Depreciation
- **13%** Other expenses

Raw material cost in 2008 EUR 4,726m: +6.2%, 28.8% of net sales



- **31%** Natural rubber
- **25%** Synthetic rubber
- **16%** Fillers
- **13%** Chemical products
- **9%** Steelcord
- **6%** Textile

Restructuring of Italian operations

The amount of restructuring charges incurred in 2008 was EUR 77 million, in connection with industrial conversion of the Stura site and revitalization of the Turin area where Passenger car and Light Truck tire production will end at the end of 2009, under a competitiveness improvement plan for Italy.

These charges are to be compared with EUR 326 million for 2007 accounted for by industrial optimizations measures taken in France, Spain and Japan, and with EUR 220 million in 2006.

Net income amounted to EUR 357 million versus EUR 772 million in 2007

In addition to the EUR 723 million decline in operating income, the EUR 415 million drop of net result is accounted for by the following items:

– The EUR 249 million decrease in restructuring charges versus 2007, which amounted to EUR 77 million.

– The EUR 68 million increase in net financial expenses, mainly on account of the EUR 36 million increase in the cost of net debt, largely due to the mark-to-market value of the derivated financial instruments used by the Group to secure a low cost for part of its long-term debt; this had no impact on cash. The reduction in value of the securities portfolio amounted to EUR 17 million.

– The EUR 136 million decrease in income tax, in line with the reduction of earnings before tax, which amounted to EUR 520 million.

Increased financing requirements

Free cash flow was negative at EUR -359 million, compared with EUR +433 positive free cash flow in 2007.

This change resulted from the following factors:

– EUR -620 million EBITDA decrease, mainly attributable to change of operating income before non-recurring items;

– The deterioration in working capital requirement leading to a negative (EUR -300 million) contribution, resulting mainly from the following factors:

• change in inventory value in 2008 (up EUR +419 million) due to the impact of raw material price increases, versus EUR +132 million in 2007;

• a positive contribution of EUR 308 million resulting from the reduction in trade receivables after negotiation of improved payment terms as well as the decline of sales volume recorded at the end of the year;

• the effect of change in tax liabilities, excluding income tax (down EUR -122 million in 2008) resulting in particular from business slowdown at the end of the year and the related impact on VAT amounts. Note that tax liabilities were only down EUR 7 million in 2007.

– The EUR 155 million decline in investment cash flow utilization including:

• EUR -69 million in gross tangible and intangible investments amounting to EUR 1,271 million;

• EUR -41 million in financial investment: EUR 52 million invested in 2008, mainly to increase Michelin's stake in Hankook Tire from 6.3% to nearly 10%, versus EUR 93 million in 2007.

Shareholders' equity amounted to EUR 5,113 million, down EUR 177 million year-on-year. This change was mainly accounted for by the profit for the period (EUR +357 million), the contribution of share option calls (EUR +61 million), dividend payments (EUR -240 million), the currency impact (EUR -238 million) and the mark to market value of available-for-sale investments (EUR -130 million).

Net financial debt to December 31, 2008 amounted to EUR 4,273 million, up EUR 559 million.

The change resulted from:

– EUR +359 million: negative free cash flow financing,

– EUR +240 million: dividends paid,

– EUR -30 million for recognition as debt of interest payable upon maturity of the OCEANE (convertible or swappable with new or existing shares) bond issue of March 2007,

– EUR -63 million reduction in the put option commitments to certain minority shareholders in Group subsidiaries.

Gearing amounted to 84% versus 70% at December end, 2007. The Group's objective is still to achieve 50% to 60% gearing, in order to optimize its financial structure.

2008 Change in Net Debt

In EUR million

	2008	2007
Net debt at January, 1	**3,714**	**4,178**
Exchange rate changes	-73	-107
Free Cash Flow	+359	-433
Distributions	+240	+215
Other changes in Shareholders capital	+47	-107
Share purchase commitments	-63	-55
New lease purchase contracts	+10	+26
Scope and miscellaneous	+39	-3
Net debt at December, 31	**4,273**	**3,714**
Change	**+559**	**-464**

Net Debt

In EUR million as at December 31

	2008	2007
Net debt	4,273	3,714
Equity	5,113	5,290
Gearing	**84%**	**70%**
Net debt/EBITDA	**2.31**	**1.50**

Breakdown of Michelin's net financial debt

As a %, at December 31

	December 31, 2008	December 31, 2007
Under one year	19.6%	21.6%
1-5 years	55.0%	40.1%
More than 5 years	25.4%	38.3%

Breakdown in rate and currencies of Michelin's net financial debt

(after interest hedging, excluding currency derivatives)

	December 31, 2008	December 31, 2007
Fixed rate	50%	52%
Variable rate	50%	48%
Euro and European currencies	72%	79%
US dollar	15%	10%
Other currencies	13%	11%

ROCE (Return On Capital Employed)
Achieving ROCE above 10% is one of Michelin Group's key objectives for 2010. Other key Group performance indicators for the 2006-2010 period are year-on-year sales volume growth, operating margin before non-recurring items, inventory level and free cash flow generation.

ROCE measures the Return On Group Capital Employed. This ratio includes:
• in the numerator, operating income before non-recurring items less Group companies' theoretical tax burden, also called NOPAT (Net Operating Profit After Tax). Until fiscal 2007, the tax rate applied for ROCE calculation corresponded to a 34% average standard tax rate. Since 2008, as a result of a lower Group effective tax rate, the standard tax rate is 31%. The impact on ROCE is 0.4 point: using the 31% standard rate, the ROCE for 2007 would have amounted to 10.1%.
• in the denominator, the average between the Assets employed at the beginning of the year and at the end of the year (assets employed being the sum of tangible and intangible fixed assets, plus long-term financial assets and working capital requirement).

Applicable exchange rates are year-end rates for the balance sheet items and average rates for the income statement items.
A comparison between ROCE and WACC, that measures the weighted average cost of capital and debt, shows whether the Group has created value for the period (where ROCE is greater than WACC).

EUR million

	2008	2007
Operating income before non-recurring income and expenses	920	1,645
Average standard income tax rate used for ROCE calculation	31%	34%
Net Operating Profit before non-recurring items After Tax (NOPAT)	**635**	**1,086**
Intangible an tangible fixed assets	7,757	7,725
Loans and deposits	140	152
Investments in associates and joint ventures	65	62
Non-current assets subtotal	7,962	7,939
Working capital requirement	3,517	3,353
Employed assets (end of period)	11,479	11,292
Average employed assets	**11,386**	**11,218**
ROCE	**5.6%**	**9.7%**

Outlook for the Year 2009

In 2009, Michelin will focus on managing its cash by optimizing production program management and sharply reducing capital expenditure.

At this stage, Michelin's working assumptions are as follows:

• Tire markets will remain well below prior-year levels in the first half, before firming up as replacement market inventories are replenished and business activity begins to recover.

• In 2009, Michelin's profitability will be supported by the full-year combined effect of the price increases passed in 2008 and the decline in raw materials prices, in particular for natural rubber and oil derivatives.

• Plant flexibility will be enhanced, while capital expenditure will be cut to around EUR 700 million, with an emphasis on driving further expansion in the new, high growth potential markets.

Michelin is therefore focused on improving its profitability and preserving its robust financial position.

CONSOLIDATED KEY FIGURES AND RATIOS - IFRS GAAP

EUR million	2008	2007	2006	2005	2004
Sales	**16,408**	16,867	16,384	15,590	15,048
% change	**-2.7%**	+3.0%	+5.1%	+3.6%	N. App.
Total employee benefits costs	**4,606**	4,732	4,718	4,780	4,837
as a % of sales	**28.1%**	28.1%	28.8%	30.7%	32.1%
Number of employees (full time equivalent)	**110,252**	113,529	115,755	119,030	120,456
Research and development expenses (1)	**499**	561	591	565	576
as a % of sales	**3.0%**	3.3%	3.6%	3.6%	3.8%
EBITDA (2)	**1,848**	2,468	2,209	2,171	2,030
Operating income before non-recurring income and expenses	**920**	1,645	1,338	1,368	1,303
Operating margin before non-recurring income and expenses	**5.6%**	9.8%	8.2%	8.8%	8.7%
Operating income	**843**	1,319	1,118	1,574	1,239
Operating margin	**5.1%**	7.8%	6.8%	10.1%	8.2%
Cost of net debt	**(330)**	(294)	(315)	(310)	N. App.
Other financial income and expenses	**(3)**	29	135	(280)	(235)
Income before taxes	**520**	1,071	942	1,300	985
Income tax	**(163)**	(299)	(369)	(411)	(331)
Effective tax rate	**31.3%**	27.9%	39.2%	31.6%	33.6%
Net income	**357**	772	573	889	654
as a % of sales	**2.2%**	4.6%	3.5%	5.7%	4.3%
Dividend distributions (3)	**240**	215	205	221	185
Cash flows from operating activities	**915**	1,862	1,191	1,031	1,322
as a % of sales	**5.6%**	11.0%	7.3%	6.6%	8.8%
Gross purchases of intangible assets and PP&E	**1,271**	1,340	1,414	1,336	1,107
as a % of sales	**7.7%**	7.9%	8.6%	8.6%	7.4%
Capital expenditure, net of disposals	**1,237**	1,378	1,277	1,208	951
Cash flows from investing activities	**(1,274)**	(1,429)	(1,230)	(1,155)	(1,056)
as a % of sales	**7.8%**	8.5%	7.5%	7.4%	7.0%
Net debt (4)	**4,273**	3,714	4,178	4,083	3,292
Total equity (5)	**5,113**	5,290	4,688	4,527	3,647
Gearing	**84%**	70%	89%	90%	90%(6)
Net debt / EBITDA	**2.31**	1.50	1.89	1.88	1.62
Cash flows from operating activities / Net debt	**21.4%**	50.1%	28.5%	25.3%	40.2%
Net interest charge average rate (7)	**6.0%**	6.4%	6.3%	6.9%	N. App.
Operating income before non-recurring items / Net interest charge (7)	**3.5**	6.1	4.2	4.4	N. App.
Free cash flow (8)	**(359)**	433	(39)	(124)	266
ROE (9)	**7.0%**	14.7%	12.2%	19.7%	18.5%
ROCE – Return on capital employed (10)	**5.6%**	9.7%	8.0%	N. App	N. App
Per share data (in euros)					
Net assets per share (11)	**35.2**	36.7	32.6	31.5	24.2
Basic earnings per share	**2.46**	5.32	3.95	6.13	4.46
Diluted earnings per share	**2.46**	5.22	3.94	6.12	4.46
P/E (12)	**15.3**	14.8	18.4	7.7	10.6
Dividend per share	**1.00***	1.60	1.45	1.35	1.25
Distribution rate (13)	**40.7%**	30.1%	36.7%	22.0%	28.0%
Dividend yield (14)	**2.7%**	2.0%	2.0%	2.8%	2.6%
Share turnover rate (15)	**308%**	216%	212%	151%	134%

(1) Pursuant to switch to IFRS, part of the Group's research and development expenses are integrated into the cost of goods sold in the income statement by function.
(2) EBITDA: earnings before finance costs, income tax, depreciation and amortization.
(3) Aggregate dividends distributed to Group Shareholders in the period.
(4) Net debt after implementation of IAS 32 and IAS 39, effective January 1, 2005: financial liabilities - cash and cash equivalents +/- derivative assets.
(5) Total equity after implementation of IAS 32 and IAS 39, effective January 1, 2005.
(6) As of December 31, 2004, the gearing ratio in IFRS was 93%. Following implementation of IAS 32 and 39, effective since January 1, 2005, the ratio was 90%.
(7) Net interest charge: interest financing expenses - interest income from cash and equivalents + discount/premium amortization on forward foreign exchange contracts.
(8) Free cash flow: Cash flows from operating activities - Cash flows from investing activities.
(9) ROE: net income attributable to Shareholders / Shareholders' equity excluding non-controlling interests.
(10) ROCE: Net Operating Profit After Tax (NOPAT) / capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement).
(11) Net assets per share: net assets / number of shares outstanding at the end of the period.
(12) P/E: Share price at the end of the period / earnings per share.
(13) Distribution rate: dividend per share / basic earnings per share.
(14) Dividend yield: dividend per share / share price at December 31.
(15) Share turnover rate: number of shares traded during the year / average number of shares outstanding during the year.

N. App.: Non applicable

** 2008 dividend subject to approval by the Annual Shareholders Meeting of May 15, 2009.*

FRENCH GAAP

EUR million	2004	2003	2002	2001	2000
Sales	15,689	15,370	15,645	15,775	15,396
% change	+2.1%	-1.8%	-0.8%	+2.5%	+11.9%
Payroll cost	4,872	4,997	5,152	5,242	5,137
as a % of sales	31.1%	32.5%	32.9%	33.2%	33.4%
Average number of employees	126,474	127,210	126,285	127,467	128,122
Research and development cost	674	710	704	702	645
as a % of sales	4.3%	4.6%	4.5%	4.4%	4.2%
EBITDA (1)	2,043	1,992	1,978	2,091	2,170
Operating income	1,299	1,143	1,225	1,040	1,162
Operating marging	8.3%	7.4%	7.8%	6.6%	7.6%
Net interest expense	(213)	(225)	(260)	(321)	(314)
Net non-recurring income and expense	(206)	19	75	(29)	(76)
Of which restructuring costs	*(55)*	*(192)*	*(17)*	*(340)*	*(67)*
Income before tax	843	590	997	644	729
Income taxes	(316)	(261)	(382)	(330)	(290)
effective tax rate	37.5%	44.3%	38.4%	51.2%	39.9%
Net income before minority interest	527	329	614	314	438
as a % of sales	3.4%	2.1%	3.9%	2.0%	2.8%
Dividends (2)	133	131	113	105	93
Net cash provided by operating activities (3)	1,337	1,542	1,534	1,263	1,017
Cash flow (4)	1,353	1,407	1,225	1,323	1,416
as a % of sales	8.6%	9.2%	7.8%	8.4%	9.2%
Capital expenditure (5)	1,117	1,118	967	1,150	1,201
as a % of sales	7.1%	7.3%	6.2%	7.3%	7.8%
Capital expenditure, net of disposals (5)	1,025	1,017	809	1,089	1,091
Acquisition of investments, net of disposals	106	229	62	(184)	166
Net debt (6)	3,223	3,440	3,818	4,881	4,926
Shareholders' equity including minority interests (7)	4,677	4,409	4,502	4,326	4,155
Debt-to-Equity ratio	69%	78%	85%	113%	119%
Average borrowing costs	5.9%	5.8%	6.2%	6.1%	6.5%
EBITDA / Net debt	63.4%	57.9%	51.8%	42.8%	44.1%
Net cash provided by operating activities / Net debt	41.5%	44.8%	40.2%	25.9%	20.7%
Interest expense (8)	209	219	273	311	324
Interest cover (operating income / Interest expense)	6.2	5.2	4.5	3.3	3.6
Free cash flow (9)	226	299	637	309	(241)
ROE (10)	11.2%	7.3%	13.4%	7.4%	10.4%
Per share data (in euros)					
Net assets per share (11)	32.1	30.2	30.5	29.7	28.5
Basic earnings per share	3.59	2.23	4.28	2.20	2.96
diluted earnings per share	3.59	2.23	4.28	2.20	2.96
P/E (12)	13.1	16.3	7.7	16.8	13.0
Net dividend per share	1.25	0.93	0.93	0.85	0.80
Pay-out rate(13)	34.8%	41.7%	21.7%	38.6%	27.0%
Net dividend yield (14)	2.6%	2.6%	2.8%	2.3%	2.1%
Capital turnover rate (15)	134%	144%	145%	108%	97%

(1) EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization.
(2) Dividends paid to parent company Shareholders.
(3) Net cash provided by operating activities: cash flow + change in working capital.
(4) Cash flow: net income before minority interests + depreciation, amortization and charges to allowances for impairment in value of fixed assets - changes in provisions -/+ net gains/losses on disposal of assets.
(5) In 2001, excluding external growth transactions (SMW, EUR 167 m).
(6) Net debt: long and short-term debt (including securitisation) - cash and cash equivalents.
(7) Shareholders' equity including minority interest: common stock + paid-in capital in excess of par + retained earnings + net income + minority interests.
(8) Interest expense; borrowing costs for the year.
(9) Free cash flow: cash flow - change in working capital - net investments.
(10) ROE: net income attributable to the Group / Shareholders' equity excluding minority interest.
(11) Nets assets per share: net assets / number of shares outstanding at December 31.
(12) P/E: share price at December 31 / earnings per share.
(13) Pay-out rate: net dividend / earnings per share.
(14) Net dividend yield: net dividend / share price at December 31.
(15) Capital turnover: number of shares traded during the year / average number of share outstanding during the year.

Proposed Resolutions

As part of the Ordinary Shareholders Meeting, you are invited to approve the operations reflected in the Company's income statement and balance sheet submitted to you and to decide on the appropriation of the EUR 286,147,074.19 profit.

After allocation of the statutory share of the General Partners, in an amount of EUR 3,573,000.00 and of the legal reserve for EUR 199,651.00, the balance of EUR 282,374,423.19, plus retained earnings of EUR 281,207,005.56 amounts to a total of EUR 563,581,428.75 available for distribution to the Shareholders.

On this basis, we propose the distribution of a total amount of EUR 144,997,422.00 which will allow the distribution of a EUR 1.00 dividend per share, payable in cash or in shares according to the Shareholder's choice.

The dividend will be paid in cash from June 22, 2009. The shares issued as dividend payment will carry rights as of January 1st, 2009 and will be fully assimilated to the shares already issued.

Dividends paid in respect of the three preceding financial years are shown in the following table:

Financial Year	Dividends distributed (in EUR)	Dividend per share
2005	193,573,293.75	1.35
2006	208,295,861.11	1.45
2007	230,398,670.40	1.60

Moreover, you will be asked to approve the Group's consolidated accounts showing a net profit of EUR 357 million.

Regarding the composition of the Supervisory Board, subject to approval by the Extraordinary Shareholders Meeting of the amendment to the bylaws providing for a reduction of the members' term of office to four years, you will be asked to renew for a four-year term the mandates of Messrs Eric Bourdais de Charbonnière and François Grappotte that are due to expire, at the end of this Meeting.

In this connection, we note that Mr. François Grappotte wishes to retire in 2011.

Moreover, we ask you to renew for 18 months the authorization to buyback the Company's shares up to a maximum of 10% of equity for a maximum purchase price of EUR 100 per share.

This authorization would replace that granted for the same purpose by the Annual Shareholders Meeting of May 16, 2008. Note that this authorization was not used in 2008 and that, todate, no liquidity contract has been concluded by the Company with an investment bank.

In the Extraordinary session, in order to improve the Company's governance and to make it fully compliant with the listed company corporate governance code prepared by AFEP and MEDEF, we have decided to submit to your approval a reduction from five to four years of the term of office of Supervisory Board members. This shorter term would apply to renewals and appointments to the Supervisory Board starting on the Joint Shareholders Meeting of May 15, 2009.

In addition, in order to enable the pursuit of the reasonable and cautious stock option allocation policy conducted by the Group since 2002, we ask you to authorize possible Company stock option or share purchase programs benefiting employees of its French and foreign subsidiaries, other than Company directors. With respect to share subscription options, this authorization provides for a cancellation of your pre-emptive subscription right for shares so issued, subject to a ceiling of 3 million shares, or 2% of current issued capital.

The call period for both classes of options shall not exceed ten years after the allocation date.

The subscription or purchase price will be at face value, within the legal price bracket in force at the time of allocation and will, under no circumstances, be lower than the average of the opening share prices quoted during the twenty trading days prior to the option allocation date.

This authorization does not replace the May 12, 2006 Annual Shareholders Meeting's decision on the same subject, which remains in force until its expiry in July 2009. Note that, pursuant to the authorization referred to above, three share subscription option plans were set up in 2006, 2007 and 2008, leading to the granting of a total of 1,609,150 options giving rights to the same number of shares as described in further detail on page 189 of this report.

The term of this authorization, if granted, would be 38 months starting from this Annual Shareholders Meeting.

After hearing the reports of the Statutory Auditors and of the Supervisory Board, you will be asked to adopt the resolutions submitted to your vote.

Finally, as announced by your Supervisory Board in a press release dated December 8, 2008, we remind you that the Corporate Governance Code prepared by AFEP and MEDEF for listed companies was adopted as your Company's reference code.

Clermont-Ferrand, February 09, 2009

Michel Rollier Didier Miraton Jean-Dominique Senard

Supervisory Board Report

Ladies and Gentlemen,

The Managing Partners' Report and accounting and financial statements communicated to you show developments in Group operations and results for Financial Year 2008.

We have no comments on the Statutory Auditors General Report for the year.

The consolidated financial statements show net income of EUR 357 million versus EUR 772 million in 2007. This 54% drop results mainly from the degradation of operating income before non recurring items, while the restructuring charges (non-recurring) and corporate tax were lower than in 2007.

Group net sales were up 1.1% at constant scope and exchange rates.

Operating income before non-recurring income and expenses dropped 44.1% to EUR 920 million and, at 5.6%, operating margin was down 4.2 points versus 2007. At 84%, the net-debt-to-equity ratio rose 14 points versus December 31, 2007.

In these circumstances, the Supervisory Board agrees with your Managing Partner's recommendation to set at 1 euro per share the amount of the dividend distribution.

With reference to the other resolutions, an amendment of the bylaws is submitted to your vote, providing for a reduction of the Supervisory Board members' term of office from five to four years. This shorter term will apply to renewals and appointments made starting on the Joint Shareholders Meeting of May 15, 2009.

Your Supervisory Board is in favor of this amendment which will improve its governance and align it fully with the current standards.

Regarding the make-up of the Supervisory Board, you will be asked to vote on the renewal for a four year term, of the mandates of Messrs François Grappotte and Eric Bourdais de Charbonnière that are due to expire at the end of this Meeting.

Assuming that their terms are renewed, and in line with good governance principle, in order to ensure a proper timing of future appointments and seamless transition, Mr. François Grappotte has indicated that he did not wish to extend his term of office beyond the Annual Shareholders Meeting to be held in 2011 to decide upon the financial statements of the financial year ending December 31, 2010.

You will also be asked to vote on the renewal, in similar terms to those granted on May 12, 2006, of the authorization to grant, without discount, share subscription or purchase options reserved to Group employees, with the only change being that the corporate directors will be excluded from the scope of the potential beneficiaries.

Finally, the Company wishes to renew its share buyback program with a EUR 100 purchase price ceiling per share, identical to the price set under the current authorization.

In these circumstances, we recommend you to adopt the proposals submitted for your approval and, accordingly, to vote in favor of the corresponding resolutions.

The Supervisory Board enjoys full independence to fulfill its control mission and benefits from exhaustive, reliable and transparent information on the Company, with respect, in particular, to its financial statements and commitments, its operational and environmental risks, as well as to the Group's strategy.

February 09, 2009

Eric Bourdais de Charbonnière
Chairman of the Supervisory Board

Report of the Supervisory Board's Chairman

on the make-up, preliminary work and organization of the Supervisory Board's Operations and on Company internal control and risk management procedures

Ladies and Gentlemen,

In my capacity as Chairman of the Supervisory Board, I am pleased to report on Board make-up, preliminary work and organization for financial year 2008 and on the Company's internal control and risk management procedures.

Pursuant to Law No 2008-649 of July 3, 2008 transposing EU law into French corporate law, the Chairman's report henceforth includes a statement on corporate governance with reference to the Corporate Governance Code for listed companies prepared by AFEP and MEDEF, which was adopted as its reference code by your Supervisory Board as announced in a press release dated December 8, 2008.

Finally, this report has been approved by your Supervisory Board at its meeting held on February 9, 2009 [(1)].

Supervisory Board make-up, preliminary work and organization

Make-up

In accordance with applicable law and Company Articles of Incorporation, the Supervisory Board comprises three to ten members appointed by the Annual Shareholders Meeting for a term of five years (four years for appointments and renewals starting in 2009) [(2)] and appointed exclusively from among Shareholders.

The maximum age for serving as Supervisory Board member is set at 75 years by the bylaws and applies to two thirds of the members of the Board serving.

The Supervisory Board is currently made up of eight members, enumerated below along with their current main functions, all of whom are deemed independent with reference to the criteria set forth in the Board's code of conduct [(3)]:

Mr. Eric Bourdais de Charbonniere, Chairman of the Supervisory Board, Member of the Supervisory Boards of Oddo et Cie, Thomson SA, ING Group, and former CEO of JP Morgan for France;

Mr. Pat Cox, Chairman of International European Mouvement, Member of the Board of Trustees of the International Crisis Group, former Chairman of the European Parliament and former Member of the Irish Parliament;

Mrs. Barbara Dalibard, Member of groupe France Télécom's General Management Committee;

Mr. Louis Gallois, Chief Executive Officer of EADS NV;

Mr. François Grappotte, Honorary Chairman of Legrand and Director of BNP Paribas;

Mr. Pierre Michelin, head of a Bull division;

Mrs. Laurence Parisot, Vice-Chairwoman of Ifop and Chairwoman of Medef;

Mr. Benoît Potier, Chief Executive Officer of L'Air Liquide.

Mission

In 2008, the Supervisory Board fulfilled its mission of ongoing control of the Company, pursuant to the scope set forth [(4)] in its code of conduct as detailed below:

- Review of annual and semi-annual corporate and consolidated accounts approved by the Managing Partners;
- Assessment of the fairness and the relevance of management decisions;
- Assessment of internal control systems and risk management;
- Assessment of strategic orientations;
- Assessment of respect of Shareholder rights.

Assessment of operations

Pursuant to the Board's Code of Conduct, as each year, I ensured that the Board assessed its own organization. After consultation with the Supervisory Board members, the findings of this evaluation were discussed at the meeting of February 11, 2008. The Board appreciated the high quality information and presentations made to it as well as the quality of its exchanges with the Managing Partners.

The Audit Committee reviewed the consolidated and corporate accounts and communicated its conclusions to the Supervisory Board.

The Supervisory Board thus considered that it was fully able to fulfill its role.

Supervisory Board's Report for Financial Year 2008

The Supervisory Board met in four occasions in 2008 (on February 11, April 25, July 25 and December 4 and 5), in all five days with working sessions lasting seven hours on average. The attendance rate was 93%.

On each occasion, the Board was presented a detailed review of Group results. On February 11, and July 25, the Supervisory Board examined respectively consolidated and corporate financial statements for the full year 2007 and financial year 2008 interim accounts and reviewed financial communication items for the period.

(1) Each year since 2003, the Company has been preparing this report, which only became compulsory for Partnerships limited by shares by virtue of Law No 2008-649 referred to above, which also provides for the Supervisory Board to approve the report.
(2) A resolution providing for a reduction of members' term of office to four years will be submitted to the Extraordinary Shareholders Meeting of May 15, 2009.
(3) These criteria are identical to those set forth in the Corporate Governance Code prepared by AFEP and MEDEF, except for the overall duration of service (see section "Corporate governance statement" of this report on page 73).
(4) See the main provisions on page 147 of the Reference document.

A number of specific presentations were made to the Supervisory Board by the Managing Partners or by top executives, including:

- The analysis of Group results by the Managing Partners;
- The product/market environment;
- The objectives and status of the Group's strategy under the Horizon 2010 Plan;
- The management and control of the different types of risk relevant to the Company;
- Governance;
- Industrial strategy;
- Research and development.

The Supervisory Board has in particular dedicated a full working session to a review of the Group's strategy.

Audit Committee Work

The audit Committee [(1)] is exclusively made up of independent members:

- Mr. François Grappotte, Chairman of the Audit Committee, Honorary Chairman of Legrand and Director of BNP Paribas;
- Mr. Eric Bourdais de Charbonniere, Member of the Supervisory Boards of Oddo et Cie, Thomson SA, ING Group, and former Chief Executive Officer of JP Morgan for France;
- Mr. Pierre Michelin, head of a Bull division;
- Mr. Benoît Potier, Chief Executive Officer of L'Air Liquide.

The Audit Committee performs the tasks of a specialized committee that monitors all issues with respect to the preparation and control of accounting and financial information pursuant to the new articles L.823-19 and L.823-20-4° of the Commercial Code introduced by order n°2008-1278 of December 8, 2008.

The Audit Committee met on four occasions in 2008 (February 11, April 21, July 25 and November 24). The attendance rate was 86%.

It focused on:

- Review of full-year 2007 and interim 2008 financial statements;
- Review and evaluation of Internal Control;
- Analysis of the Group' audit plan management;
- The Group's risk map;
- The Statutory Auditors' annual audit agenda.

During its meetings, the Audit Committee heard in particular the Group's head of Financial Operations and the heads of Accounting Affairs, Internal Audit, Financial Operations Quality and the Group's Risk Manager.

The Audit Committee also met the Statutory Auditors and heard their comments.

The Audit Committee's Chairman reported to the Supervisory Board on the Committee's work on February 11, July 25 and December 05, 2008.

Compensation Committee Work

Pursuant to its code of conduct, the Supervisory Board as a whole performs the functions generally delegated to a Compensation Committee.

The Compensation Committee met three times in 2008 (February 11, April 25 and July 25), with a 95% attendance rate.

In 2008, the Board reviewed the components of manager variable pay policy as they relate to the Group's performance. It also advised the Managing Partners on stock option policy. It confirmed that the 2007 operational and financial performance criteria to determine payment (in 2008) of the variable compensation paid to the Non-General Managing Partners had been attained, and approved the compensation of Group Executive Council members for 2008.

To ensure an efficient assessment of the above compensation policies, the Compensation Committee reviewed a benchmark prepared by third party consultants.

In addition, with reference to the appointment policy, the Committee also reviewed the composition of the Management Partnership and of the Supervisory Board. The Supervisory Board decided to draft a formal code of conduct for the Compensation Committee (to become the "Compensation and Appointment Committee") setting forth its role in the Company's appointment policy.

Finally, the Board reviewed the position of the Managing Partners with reference to the recommendations made by AFEP/MEDEF in October 2008 concerning the compensation of listed companies' executive directors.

Corporate Governance Statement

As a preliminary, the Supervisory Board notes that, during its meeting of December 4, 2008, it reviewed the recommendations of AFEP/MEDEF dated October 6, 2008 regarding the compensation of listed companies' executive directors.

The Board has considered that said recommendations were complied with and that they were relevant to the Company's own corporate government approach [(2)].

On the one hand, although these recommendations include all the "*managers of Limited Partnership by Shares companies*" in the list of officers concerned, from a legal and economic standpoint, these recommendations do not directly apply to the statutory share of profits paid to the Managing General Partner. The amounts received by the Managing General Partner are solely drawn from the statutory share allocated to the General Partners which are:

- designed to compensate for the risk of joint and several liability on their own assets for the Company's liabilities,
- exclusively variable and based on the profit made in the previous fiscal year,
- determined by the shareholders during the Annual Shareholders Meeting.

The combination of legal and statutory provisions bars Managing Partners from receiving any other form of compensation without the prior specific approval of the Shareholders at a General Meeting.

(1) See the main provisions on page 147 and 148 of the Reference document.
(2) On December 8, 2008, the Board issued a press release to inform its Shareholders and investors of this situation.

Nevertheless, in practice, the characteristics of CGEM's statutory share of profits are in line with the spirit of the letter of AFEP/MEDEF's recommendations:

- either to the extent that these withholdings already comply with some of the constraints provided under the recommendations:
  - conformity with the criteria for setting the compensation,
  - transparency of the information;
- or, to the extent that the other bans or ceilings are already reflected in the Partnership by Shares approach as implemented by Michelin for its General Partners:
  - no employment contract,
  - no severance package,
  - no retirement scheme (including complementary) borne by the Company,
  - no Stock-option or free share allocations, or other form of incentive.

On the other hand, concerning the Non-General Managing Partners, following review of the recommendations by the Supervisory Board, the latter noted the Company's decision, under its progress approach designed to improve its governance over and beyond the recommendations of AFEP/MEDEF, to apply the following measures in 2009.

Firstly, *the Long term incentive* part of the Non-General Managing Partners' compensation (1) set by the General Partners, subject to review by the Supervisory Board, will be amended. Its current basis for calculation with reference to the share or purchase options granted to Group employees will be replaced by a formula which largely reflects the Group's long term operational and financial performance.

Additionally, the compensation for forced termination of the Non-General Managing Partners' office, capped at two years compensation, will be amended in order to:

- include in the above ceiling all benefits, in particular, conventional or transactional, currently payable upon termination of the employment agreement,
- enhance the legibility of the current performance criteria currently required and recorded over the full duration of their term in office.

Finally, the status of the Non-General Managing Partners appointed in 2007 for a five-year mandate and whose former employment contract was suspended, is in line with AFEP/MEDEF's recommendation for the compulsory termination of the employment contracts of corporate officers of listed companies, where their mandate was given or renewed after October 6, 2008 (2).

Beyond compliance, the current situation has an equivalent result from the point of view of the main drawbacks of a situation of cumulated functions. On the one hand, the risk of multiple unlimited severance packages will be removed as a result of the capping of all severance compensations. On the other hand, the risk of multiple complementary retirement benefits or retirement caps will also be removed, as the Non-General Managing Partners have access to no specific additional retirement scheme: they only enjoy, under their suspended employment contract, and in the same terms, the collective scheme applicable to all MFPM and CGEM employees (3).

Moreover, pursuant to the provisions of Law No 2008-649 of July 3, 2008, the Supervisory Board confirms that the Company has adopted as its reference the Corporate Governance Code for listed companies prepared by AFEP/MEDEF (4).

The Supervisory Board states that the Company applies all of the principles of this Code and has made the necessary adjustments in view of its corporate structure as a Partnership Limited by Shares, subject to the two exceptions listed below (5):

- Recommendation concerning the independent directors (6): conformity to all independence criteria excluding only the maximum 12 years term of office.

The Board considers that the total term of office of a Supervisory Board member in a Partnership Limited by Shares is not an obstacle to his or her free judgment in relation to the Company. Quite the reverse, it helps understand the Company in all its complexity and efficiently control its management on an ongoing basis.

- Recommendation on compensation for Supervisory Board members (7): conformity to the principles other than with respect to a variable portion.

On account of the active involvement of the Supervisory Board members and, more particularly, high attendance rate to its meetings and committee meetings, the Board did not deem it necessary to introduce a variable portion for attendance in the calculation of directors' fees.

Finally, the specific rules concerning the attendance of Shareholders at Annual Meetings are set forth on page 183 of the Reference Document for the financial year ended December 31, 2008 and in the Shareholders Guide 2009 (section "Your rights as a Michelin Shareholder") accessible from the "Shareholder Section" of the www.michelin.com/corporate website.

(1) Component detailed on page 152 to 154 of this Annual Report.
(2) Recommendation N° 19 of the Code.
(3) The Non-General Managing Partners enjoy the additional retirement scheme open for all MFPM and CGEM employees since its creation in 1996, subject to serving in the Company at the time of retirement, and the gross replacement rate for statutory contributions is below 55%. The cost for this complementary and capped scheme is provisioned under IAS19 (post-employment benefits). On account of their seniority within the Group and of current retirement assumptions, the impact of this scheme would represent an 11.6% gross replacement rate for Mr. Didier Miraton and 3.0% for Mr. Jean-Dominique Senard at the time of their retirement.
(4) Source: consolidated version dated December 2008, available from the website www.medef.fr
(5) Subject to approval by the Extraordinary Shareholders Meeting of May 15, 2009, of the draft resolution presented by the Managing Partners aimed at reducing the Supervisory Board members' term of office from five to four years, for appointment or renewals with effect from the date of this Annual Shareholders Meeting (see the Managing Partners' Report on page 70).
(6) Recommendation N° 8.4 of the Code.
(7) Recommendation N° 18.1 of the Code.

Internal control and risk management procedures implemented by Michelin Group

Michelin Group adopted AMF's Reference framework definition for internal control published in January 2007, which is very close to COSO's definition used in 2006. Internal control is a set of measures designed and implemented by the company under its own responsibility.

It covers all means, conducts, procedures and actions tailored to the specificities of each company and of the Group as a whole to:

- help monitor its operations, efficiency and efficacy of resources, and
- deal with its significant risks, at operating, financial or compliance level.

The Internal Control's objective is to ensure:

- Legal and regulatory compliance;
- Implementation of the instructions and guidelines set by the Managing Partners;
- Smooth working of corporate internal processes, in particular in connection with preservation of assets;
- Reliability of financial information.

Internal control operations, however, are not a full-proof guarantee that all objectives will be achieved. Any internal control system has its intrinsic limitations in connection with uncertainties about the external environment, the exercise of judgment and the cost/benefit analysis of introducing new controls.

Within the Michelin Group, the parent company makes sure that its subsidiaries have implemented internal control procedures. These procedures are adapted to the subsidiaries' specific features and to the relations between the parent and the consolidated companies.

The Control Environment

Michelin Group is organized into Product Lines, each dedicated to a specific business and benefiting of their own marketing, development, production and sales resources to which are associated two product distribution networks (Euromaster in Europe and Tire Centers Inc. – TCI in North America).

The Product Lines are supported by ten Group Services, in charge of support functions (Purchasing, Legal, Personnel…). At regional level, Group consistency and synergy are guaranteed within entities based in the Group's six Geographic Zones: Europe, North America, South America, Asia and Pacific, China, Africa and the Middle East. The Technology Center handles Group research and development. The Industrial Performance Department and the Marketing and Sales Performance Department monitor Group initiatives in these fields.

The Group has defined the mission, organization and contribution to critical decisions of each entity as well as the measure of their performance and their exchanges with the other entities.

To complete this organization, the Group has laid down formal criteria and conditions for the appointment of Group subsidiary directors and the renewal of their terms as well as the conditions for exercising and delegating their powers.

The Group is strongly attached to the values of responsibility, integrity and ethics. These are set forth in Michelin's Performance and Responsibility Charter, which is widely circulated within and outside the Group. The Charter spells out the way in which the Group strives to put into practice its key values of respect for its customers, shareholders, people, the environment and facts. A full Michelin Performance and Responsibility report is published every second year, followed by an interim summary update every alternate year.

Risk Assessment and Risk Control Policy

The Group's objectives are defined by the Managing Partners. These relate not only to economic performance but also to the areas in which the Group aims at a particular level of excellence, such as people management, quality, innovation, working conditions and the environment.

General objectives, updated and communicated every year to the different entities, set forth the guidelines which are developed and translated into 5-year strategic orientations and annual plans by all the entities described above. Such plans include an operational plank as well as a progress plank designed to enhance the performance and quality of services rendered.

Objectives are based on past performance, in-depth business reviews as well as new operating environment trends.

Operational risk assessment forms an integral part of the planning process which provides for an identification of key success factors and a sensitivity analysis of the main assumptions drawn up to achieve these objectives. Strategic risks are specifically addressed in this approach.

The Group also ensures that its operational risks are properly controlled.

These were arranged into eleven classes of risk: Protection of people and property, products and services, continuity of Supply / Production / Deliveries, Accounting and Finance, Legal and Tax, Environment, Social, Knowledge and Know-how, Fraud and Ethics, IS/IT and Communication.

Group risks are controlled through three tiers of responsibility:

- Operational management (Operational Units, Product Lines, Geographic Zones) identify and manage risks pertaining to their respective entities. Their responsibility encompasses:

- risk-prevention measures,
- personal, asset and equipment protection measures, to mitigate the consequences of their possible occurrence of a risk,
- plans to restore operational continuity in the event of major dysfunction.

- For each of the eleven classes of risk, the relevant Group Services (Purchasing, Legal, IT systems, Environment and Prevention…) analyze the risks, define the applicable standards for prevention and protection and manage and monitor implementation of these standards.
- Ultimately, the Internal Audit Department independently controls the efficiency of the overall system in its audit missions.

The Group's Risk Manager drives this approach, defines the methodology, organizes its deployment, promotes a risk management culture across the Group and ensures that the entities concerned have their major risks under control. He guarantees the efficiency of the Group's risk control policy, with special emphasis on major risks.

In the course of the reporting period, such continuity plans were further formalized and the entities' ability to cope with potential crises was strengthened through the introduction of additional crisis management units and simulation drills.

The Group's Risk Committee, made up of Heads of Product Lines or Group Services, reviews the most significant risks to recommend to the Managing Partners measures to address them, in other words, to significantly reduce the probability of their occurrence and their potential consequences.

The Group's Risk Committee met three times in 2008; the more complex business continuity plans, the Group's risk map and the most significant risks, in particular, were reviewed.

Finally, the Audit Committee examined in November 2008 the map of the Group's main risks. The map is a compilation by the Group's Risk Manager of the risk analysis conducted by the operating entities. The Group uses the risk map to identify the priority risks calling for possible action plans, to closely monitor the higher-intensity risks and support internal audit work schedules.

The Audit Committee reviewed a set of listed risks, including for example synthetic rubber, semi-finished or parts procurement, Finance Department internal control, commercial IS/IT recovery plans, epidemics (for employees operating in risk-prone regions), total or partial failure of plants supplying other sites in semi-finished or key products for specific types of small run series or the risks arising from fast-changing laws in a number of countries, etc.

It was able to assess the level of prevention-protection and the efficiency of business continuity plans developed to enable entities to honor their commitments to their customers even when facing occurrence of high-impact risks, and, on this basis, to make recommendations.

Control Procedures

As part of Michelin's Quality System, the Group's processes are described; procedures and instructions allocate respective responsibilities and set forth the relevant procedures and controls.

Moreover, as part of this Risk Management System, audits are performed to ensure proper compliance with Group quality standards, largely derived from the relevant international standards. Quality Auditors are trained to perform this task. In addition to such internal audits, a number of certifications are granted by external bodies.

Finally, the system provides for periodic management reviews to assess the efficiency and performance of the system and highlight progress avenues.

Information

Information generated by the Group's management system is analyzed and reported to the relevant managers who draw up management charts to monitor their operations. A score card is also submitted to the Group's Executive Council for monthly Group reporting purposes. The Group Service guarantees the accuracy and consistency of such management data.

The Information Systems Group Service is in charge of monitoring IT policy and technology. As part of the Group's Quality System, rules are defined in the area of access control, information protection, application development, organization and separation of such functions as development, industrialization and production.

Internal Control Management

Group managers have at their disposal applications to monitor their operations and detect any dysfunctions in their internal control process. This is complemented by internal entity reviews ordered from their own experts.

Strict procedures are in place to escalate customer product quality claims, including analysis and appropriate remedial action.

Moreover, the Internal Audit Group Service is an independent non-operational body that reports directly to the Managing Partners. It is made up of a Group-level team in charge of auditing worldwide Group operations, complemented by local teams in North and South America and a number of auditors in several Asian and African countries. The Internal Audit Group Service makes regular reviews of internal control and risk management covering operational, accounting, IT, industrial and product quality risk. The scope of its operations matches that of Group operations and processes. Based on the observations made on the ground, the Internal Audit Group Service makes recommendations to the entities, which are to follow up with corrective action plans. Internal Audit then monitors implementation of the relevant actions. Periodic reviews of audit mission results and implementation of recommendations are presented at the different levels of the hierarchy, to the Managing Partners and ultimately to the Audit Committee.

Finally, local external auditors issue their own internal control recommendations to the local accounting department managers who are to implement them.

Description of internal control procedures regarding accounting and financial information production and processing

Description

The Managing Partners are responsible for publication of reliable financial and accounting information. The accounting, consolidation, management control and financial communication departments: all play a part in the process of producing such financial information. This report was discussed with the Managing Partners and at a Supervisory Board meeting.

Within the Group's organization, the accounting teams mainly report to the Geographic Zones, while management controllers are typically attached to the different Product Lines.

Corporate and consolidated financial statements are produced on a monthly basis, in conditions similar to the year-end closing.

Necessary internal control procedures governing production of reliable accounting information are in place at local level. These include in particular physical inventory (for both fixed assets and inventory), segregation of duties and reconciliation with independent information sources.

A dedicated team is in charge of standardizing Group accounting policies and of monitoring the development of new standards, updating applicable accounting reference documentation for all Group subsidiaries and following up all of the issues raised by the latter.

General accounting and management accounting data are submitted simultaneously by the subsidiaries. The systems verify the consistency of the main aggregate figures (sales, operating income…).

General accounting data received from the subsidiaries is controlled for consistency and consolidated into Group financial statements.

Monthly changes in consolidated financial statements are carefully analyzed. The gap between plan and actual data, drawn from management information, forms the subject of monthly detailed review by the Group's Executive Council and Product Lines.

At each interim and annual closing, Geographic Zone Heads certify in writing that, to the best of their knowledge, the accounts submitted by the companies in their respective Zones are a fair reflection of their operations. The statement covers all the compliance issues which, if not respected, could significantly impact financial statements (applicable law and agreements) as well as relevant particular events (litigation, fraud).

The Internal Audit Group Service proposes to the Managing Partners and carries out yearly a number of specific missions to control the Group's financial and accounting information.

The Group's Statutory Auditors, as part of the organization of annual and consolidated financial statements auditing, direct the local auditors to apply the international auditing standards.

The review of consolidated financial statements is carried out jointly by Group Statutory Auditors and local auditors. Their collaboration takes the form of audit instructions, drawing up and analysis of audit questionnaires, emission by local auditors of a review certificate for the period to June 30, and an audit report to December 31, complemented by ad-hoc control reports and regular communication throughout the year on specific points or topical issues.

Group Statutory Auditors' operations are complemented by yearly visits to a number of sites worldwide. On these occasions, the Statutory Auditors meet their local counterparts and gain a clear understanding of some of the issues at hand.

The Investor Relations Department, which forms an integral part of the Group's Finance Department, is responsible for the preparation and distribution throughout the financial community of the Group's financial communication. Financial communication takes three main forms:

- The Annual Report and the Reference Document;
- The financial press releases;
- Support documentation produced for meetings with analysts and investors.

The Investor Relations Department in consultation with the Group's Legal Department, and after validation by the Managing Partners, coordinates publication of the Annual Report and the Reference Document. Both Reports include contributions from different experts in the Group's main fields of operation, thus ensuring they are information-rich and quality documents. The Annual Report and the Reference Document are reviewed and validated by the Managing Partners before publication.

Financial communications and press releases are systematically reviewed by the Head of Investor Relations; those in connection with the Group's results are also submitted to the Supervisory Board for review.

Documents produced for analyst and investor meetings are drawn up by the Investor Relations Department and approved by the Managing Partners.

Evaluation of the Processes Impacting the Reliability of Financial Information

The financial and accounting information carried in Group consolidated financial statements is analyzed for materiality and level of risk based on different criteria (underlying operation complexity, level of decentralization…).

A sample of companies representing around 80% of Group accounting balances was first selected. The sample covers all Geographic zones and operations (industrial, trading, financial and distribution networks).

15 key processes were initially identified for Michelin Group as a whole. They are gradually integrated into the approach due to be completed in 2010.

The approach adopted for the 2004-2007 phase

A group of 6 processes was selected for the first phase evaluation. These include the following cycles: Purchasing (from purchase to pay), Sales (from order to cash) and Inventory Management, as well as Group Financing, Financial Risk Management, Intra-Group Transactions and Commitments Identification. The Group's Internal Control operations to cover the IT management and administration issues underlying the above processes are also part of the scope.

For each of these processes, an evaluation questionnaire is used to list existing controls and test their efficiency.

Where necessary, action plans were drawn up in line with the progress areas identified, in each company and implemented by their operational staff.

Work carried out in 2008

In 2008, all the internal control referentials covering existing processes were updated (purchasing and sales cycles, inventory management, Group financing and financial risk management, intra-group transactions and Commitments Identification).

Referentials were drawn up for new processes (closing of the accounts, project and fixed asset management, management of general IS/IT control).

The deployment of the above internal control handbooks involved strengthening the role of process owners by making them accountable for implementing the control activities and accompanying self-assessments. 2008 saw self-assessments and subsequent tests being conducted on the following processes: Purchasing, Inventory, Sales, Financial Risks, Intra-Group Transactions, Commitments general IS/IT control and Closing of accounts.

The training aspect too was strengthened with special emphasis on test preparation and planning.

The outcome of this work is in the process of being summarized and the relevant action plans are being developed.

Outlook

2009 will also see a further drive to formalize the Group's key control operations conducted over the previous reporting periods.

The following processes will be covered by self-assessments and tests: projects fixed assets management and taxes and duties management.

The other processes to be covered in the 2009-2010 period include Human Resource Management, Accounts Consolidation, Financial Communication and Acquisitions.

Overall, by end 2009, 15 processes will be covered to ensure implementation of these control activities in the selected sample of companies.

Self assessments will be performed by the operational teams under the responsibility of the process owners concerned. Effective implementation of the key controls and the quality of the self-evaluations will then be tested by the Internal Control teams.

The Audit Committee regularly reports to the Supervisory Board on the status of this Group evaluation process and its results.

This report, presented by the Chairman of the Supervisory Board, was approved by the Supervisory Board members on February 9, 2009.

Eric Bourdais de Charbonnière
Chairman of the Supervisory Board

Statutory Auditors' Report

prepared in accordance with article L.225-235 of the French Commercial Code, on the Report prepared by the Chairman of the Supervisory Board

For the year ended December 31, 2008

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

To the Shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, and in accordance with article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with article L.226-10-1 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman of Supervisory Board responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

• to report to you on the information set out in the Chairman Supervisory Board's report on internal control procedures relating to the preparation and processing of financial and accounting information, and

• to attest that the report sets out the other information required by article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

The professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman Supervisory Board's report. These procedures mainly consisted of:

• obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman Supervisory Board's report is based, and of the existing documentation;

• obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;

• determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman Supervisory Board's report.

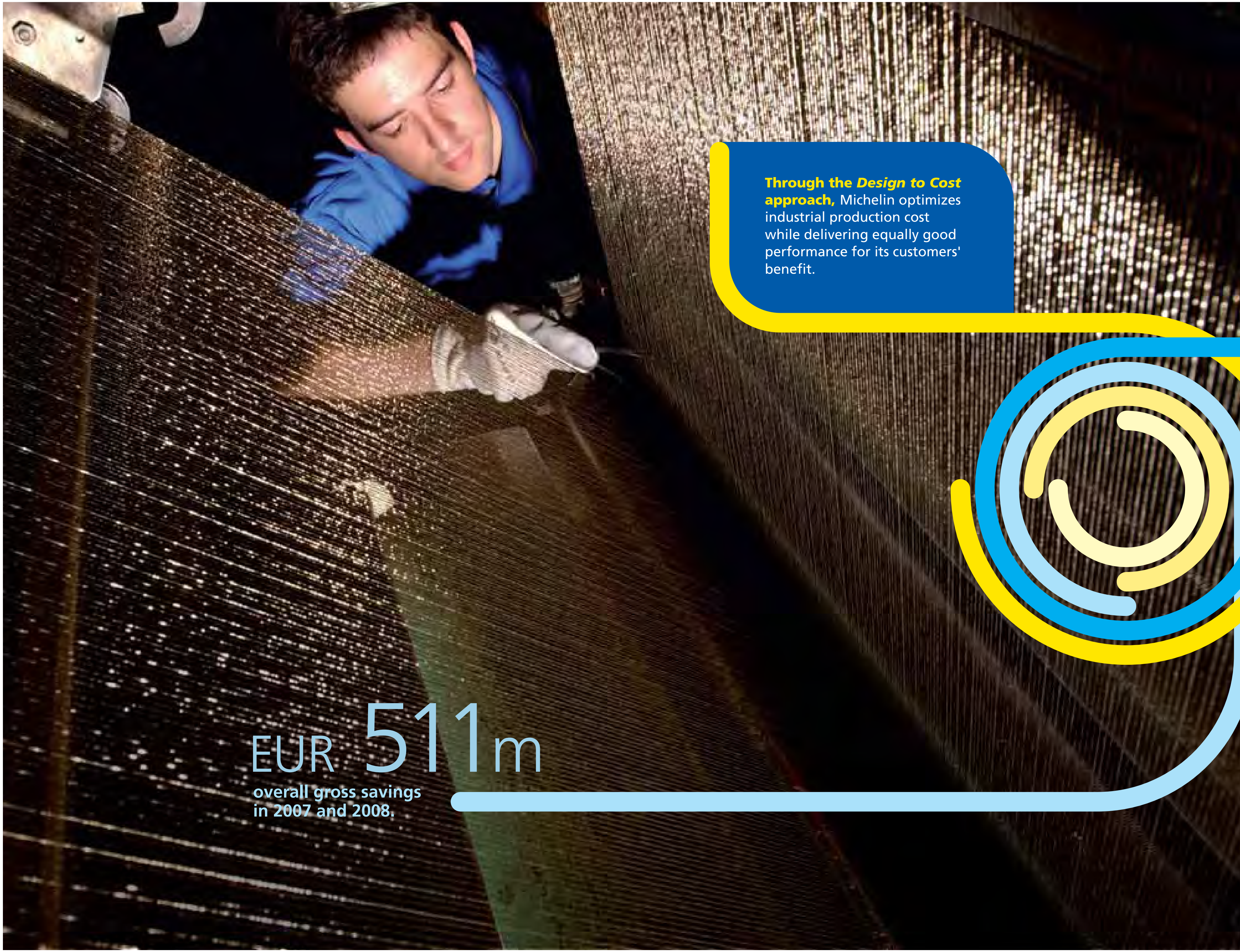
On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman Supervisory Board's report, prepared in accordance with article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine and Paris, February 9, 2009'

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of "Compagnies Régionales" of Versailles and Paris



Through the *Design to Cost* approach, Michelin optimizes industrial production cost while delivering equally good performance for its customers' benefit.

EUR 511m

overall gross savings in 2007 and 2008.

Through the programs it introduced to improve its competitiveness, Michelin targets EUR 1.5 to 1.7 billion cost reductions by 2010*, of which EUR 500 - 550 million for raw materials, EUR 700 - 800 million in industrial costs and EUR 300 - 350 million in structure and logistics costs.

** Aggregate at constant scope and euros versus 2006.*

Consolidated Financial Statements

Notes to the consolidated financial statements

Consolidated income statement

(in EUR million, except per share data)	*Note*	**Year ended 31 December 2008**	**Year ended 31 December 2007**
Sales	*5*	**16,408**	**16,867**
Cost of sales		(12,024)	(11,760)
Gross income		**4,384**	**5,107**
Sales and marketing expenses		(1,730)	(1,738)
Research and development expenses		(499)	(561)
General and administrative expenses		(1,161)	(1,069)
Other operating income and expenses	*8*	(74)	(94)
Operating income before non-recurring income and expenses	*5*	**920**	**1,645**
Non-recurring expenses	*9*	(77)	(326)
Operating income		**843**	**1,319**
Cost of net debt	*10*	(330)	(294)
Other financial income and expenses	*10*	(3)	29
Share of profit/(loss) from associates		10	17
Income before taxes		**520**	**1,071**
Income tax	*11*	(163)	(299)
Net income		**357**	**772**
Attributable to Shareholders		360	774
Attributable to non-controlling interests		(3)	(2)
Earnings per share (in euros)	*12*		
Basic		2.46	5.32
Diluted		2.46	5.22

The notes 1 to 35 are an integral part of these consolidated financial statements.

Consolidated balance sheet

(in EUR million)	Note	31 December 2008	31 December 2007
Goodwill	13	401	401
Other intangible assets	13	310	200
Property, plant and equipment (PP&E)	14	7,046	7,124
Non-current financial assets and other assets	15	382	452
Investments in associates and joint ventures	17	65	62
Deferred tax assets	18	896	926
Non-current assets		**9,100**	**9,165**
Inventories	19	3,677	3,353
Trade receivables	20	2,456	2,993
Current financial assets	21	173	35
Other current assets	22	732	573
Cash and cash equivalents	23	456	330
Current assets		**7,494**	**7,284**
Total assets		**16,594**	**16,449**
Share capital	24	290	288
Share premiums	24	1,944	1,885
Reserves		2,874	3,109
Non-controlling interests		5	8
Total equity		**5,113**	**5,290**
Non-current financial liabilities	25	3,446	2,925
Employee benefits	26	2,448	2,567
Provisions and other non-current liabilities	28	760	895
Deferred tax liabilities	18	39	61
Non-current liabilities		**6,693**	**6,448**
Current financial liabilities	25	1,440	1,145
Trade payables		1,504	1,642
Other current liabilities	29	1,844	1,924
Current liabilities		**4,788**	**4,711**
Total liabilities and equity		**16,594**	**16,449**

The notes 1 to 35 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Share capital	Share premiums	Treasury shares	Reserves: Translation differences	Reserves: Fair value and other reserves	Reserves: Retained earnings	Non-controlling interests	Total equity
Total as at 31 December 2006	**287**	**1,863**	**–**	**32**	**80**	**2,415**	**11**	**4,688**
Change in fair value of available-for-sale investments (net of income tax):								
– unrealised gain / (loss)	–	–	–	–	43	–	–	43
– (gain) / loss recognized in income statement	–	–	–	–	(9)	–	–	(9)
Employees share option schemes:								
– cost of service rendered	–	9	–	–	–	–	–	9
– proceeds from shares issued	1	13	–	–	–	–	–	14
Equity component of convertible bonds (note 25)	–	–	–	–	82	–	–	82
Dividends and other allocations	–	–	–	–	–	(215)	–	(215)
Net income	–	–	–	–	–	774	(2)	772
Currency translation differences and other	–	–	–	(90)	(5)	2	(1)	94
Total as at 31 December 2007	**288**	**1,885**	**–**	**(58)**	**191**	**2,976**	**8**	**5,290**
Change in fair value of available-for-sale investments (net of income tax):								
– unrealised gain / (loss)	–	–	–	–	(130)	–	–	(130)
– (gain) / loss recognized in income statement	–	–	–	–	18	–	–	18
Change in fair value of cash flow hedges	–	–	–	–	(4)	–	–	(4)
Employees share option and purchase plans:								
– cost of service rendered	–	25	–	–	–	–	–	25
– proceeds from shares issued	2	34	–	–	–	–	–	36
Equity component of convertible bonds (note 25)	–	–	–	–	(1)	–	–	(1)
Dividends and other allocations	–	–	–	–		(240)	–	(240)
Net income	–	–	–	–	–	360	(3)	357
Currency translation differences and other	–	–	–	(242)	4	–	–	(238)
Total as at 31 December 2008	**290**	**1,944**	**–**	**(300)**	**78**	**3,096**	**5**	**5,113**

The notes 1 to 35 are an integral part of these consolidated financial statement

Consolidated cash flow statement

(in EUR million)	Note	Year ended 31 December 2008	Year ended 31 December 2007
Net income		**357**	**772**
EBITDA adjustments			
– Cost of net debt	*10*	330	294
– Other financial income and expenses	*10*	3	(29)
– Income tax	*11*	163	299
– Amortization, depreciation and impairment of intangible assets and PP&E		928	823
– Non-recurring income and expenses	*9*	77	326
– Share of loss / (profit) from associates		(10)	(17)
EBITDA adjusted (before non–recurring income and expenses)		**1,848**	**2,468**
Non-cash other income and expenses	*30*	10	(26)
Change in provisions, including employee benefits		(268)	(175)
Net finance costs paid	*30*	(266)	(277)
Income tax paid		(275)	(294)
Change in value of working capital, net of impairments	*30*	(134)	166
Cash flows from operating activities		**915**	**1,862**
Purchases of intangible assets and PP&E	*30*	(1,289)	(1,484)
Proceeds from sale of intangible assets and PP&E		52	106
Acquisitions of consolidated shareholdings, net of cash acquired		(1)	(106)
Proceeds from sale of consolidated shareholdings, net of cash disposed		5	–
Purchases of available-for-sale investments		(62)	(5)
Proceeds from sale of available-for-sale investments		6	19
Cash flows from other financial assets	*30*	15	41
Cash flows from investing activities		**(1,274)**	**(1,429)**
Proceeds from issuance of shares	*24*	36	14
Dividends paid to Shareholders		(230)	(208)
Proceeds of the issuance of convertible bonds		0	694
Cash flows from financial liabilities	*30*	768	(1,262)
Other finance cash flows		(93)	(12)
Cash flows from financing activities		**481**	**(774)**
Effect of the change of currency rates		4	(9)
Increase / (decrease) of cash and cash equivalents		**126**	**(350)**
Cash and cash equivalents as at 1 January		**330**	**680**
Cash and cash equivalents as at 31 December	*23*	**456**	**330**

The notes 1 to 35 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 • General information

Compagnie Générale des Etablissements Michelin (CGEM or the "Company") and its subsidiaries (together "the Group") manufactures, distributes and sells tires all around the world.

The Company is a Partnership Limited by Shares incorporated in Clermont-Ferrand (France).

The Company is listed on Euronext Paris (Eurolist Compartment A).

After review by the Supervisory Board, these consolidated financial statements have been authorized for issue by the Managing Partners on 9 February 2009.

Except as otherwise stated, all amounts are presented in EUR million.

2 • Basis of preparation

Statement of compliance

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with the IFRS as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the measurement of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss.

Accounting policies

The principal accounting policies applied in the preparation of the Group consolidated financial statements are set out in note 3. These policies have been consistently applied to all the years presented, unless otherwise stated.

However, to improve the presentation of its financial statements, the Group decided in 2008 to record all Information Technologies (IT) expenses in general and administrative expenses. Before 2008, some of these IT expenses were split in the main operating expenses. The comparative information has been updated accordingly.

Interpretations effective in 2008

IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

IFRIC 11, "IFRS 2 – Group and Treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any impact on the Group's financial statements.

Interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IFRIC 12, "Service concession arrangements",
- IFRIC 13, "Customer loyalty programmes".

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, "non owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity are shown in two statements: the income statement and the statement of comprehensive income.

- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows" (effective from 1 January 2009) dealing with the presentation of selling assets part of ordinary renting activities. Management does not anticipate any significant effect in 2009.

- IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increase is a curtailment, while an amendment that changes benefits attributable to past services gives rise to a negative past services cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, "Provisions, contingent liabilities and contingent assets" requires contingent liabilities to be disclosed. IAS 39 has been amended to be consistent. Management does not anticipate that this will result in any significant changes.

- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance" (effective from 1 January 2009), dealing with the measurement of below-market rate government loan. Management does not anticipate any significant effect in 2009.

- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs, calculated using effective interest rate method, directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) to new qualifying capital expenditure projects validated from 1 January 2009. Management does not anticipate any significant effect in 2009.

- IAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gain and losses.

• IFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes regarding measurement and recognition of payments, contingent payments, non-controlling interests and acquisition-related costs.

• IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. Management does not anticipate that this will result in any significant changes, as existing segment information reflects information provided to management.

Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

• IAS 1 (Amendment), "Presentation of financial statements", dealing with the classification of some financial assets and liabilities as held for trading.

• IAS 27 (Amendment), "Consolidated and separate financial statements", dealing with the measurement of investments in a subsidiary that is accounted for under IAS 39 and classified as held-for-sale under IFRS 5.

• IAS 28 (Amendment), "Investments in Associates" (and consequential amendments to IAS 32, "Financial instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures"), dealing with impairment testing and disclosures required when an investment in associates is accounted for in accordance with IAS 39.

• IAS 29 (Amendment), "Financial reporting in hyperinflationary economies".

• IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7) dealing with disclosures required when an investment in joint venture is accounted for in accordance with IAS 39.

• IAS 32 (Amendment), "Financial Instruments: Presentation" and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation".

• IAS 36 (Amendment), "Impairment of assets" dealing with disclosure when fair value less cost to sale is calculated on the basis of discounted cash flows.

• IAS 38 (Amendment), "Intangible assets", dealing with prepayment recognition and wording deletion.

• IAS 39 (Amendment), "Financial instruments: Recognition and measurement", dealing with movements into and out the fair value through profit and loss category, with the definition of financial assets or financial liabilities through profit and loss, with the current guidance on designating and documenting hedges, and clarifying the remeasurement of the carrying amount of a debt instrument on cessation of fair value hedge accounting.

• IAS 40 (Amendment), "Investment property, dealing with the reliability of fair value measurement.

• IAS 41 (Amendment), "Agriculture", dealing with fair value calculation.

• IFRS 1 (Amendment), "First time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements".

• IFRS 2 (Amendment), "Share based payment", dealing with vesting conditions and cancellations.

• IFRS 5 (Amendment), "Non current assets held-for-sale and discontinued operations" (and consequential amendment to IFRS1, "First-time adoption"), dealing with classification of assets and liabilities in case of a partial disposal with a loss of control.

• IFRIC 15, "Agreements for construction of real estates", dealing with the clarification of its inclusion in IAS 18 scope.

• IFRIC 16, "Hedges of a net investment in a foreign operation" clarifying the accounting treatment in respect of net investment hedging.

• Other minor amendments part of the IASB's annual improvement project to IAS 7, "Financial instruments disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the reporting period", IAS 18, "Revenue", IAS 20, "Accounting for government grants and disclosure of government assistance", IAS 29, "Financial Reporting in hyperinflationary activities", IAS 40, Investment properties" and IAS 41, "Agriculture".

Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods described in the accounting principles and makes assumptions that are based on market conditions existing at each balance sheet date.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS stipulates that management should use assumptions and estimates reflected in the value of assets and liabilities at the balance sheet date and in the amount of income and expenses for the reporting period. The final results could differ from those estimates.

The main critical accounting estimates requiring key assumptions and judgements are the impairment of non-financial assets and the employee benefits.

Impairment of non–financial assets

The cash generating units (CGU) future cash flows used in the calculation of the value in use (note 3 – Impairment of non-financial assets) are derived from the Group rolling five-year strategic orientations. The construction of the strategic orientations is an effort involving the various actors of the CGU's validated by their management. It requires critical estimates and judgements, especially in the determination of market trends, raw material costs and pricing policies. Therefore, the actual cash flows may differ from the estimates used in the calculation of the value in use.

Quantitative information is provided in notes 13 and 14.

Employee benefits

The Group provides to its employees and retirees various pension plans, jubilees and other post-employment benefits. The valuation of these benefits is carried out annually by independent actuaries. The actuarial method used is the Projected Unit Credit Method.

According to this method, several statistical information and assumptions are used in calculating the expense, the liability and the asset related to the benefit plans. Assumptions include mainly the discount rate, the long term salary increase rate, the expected rate of return on plan assets and the expected rate of future medical costs. Statistical information is principally related to demographic assumptions such as mortality, employee turnover, disability and early retirement.

Assumptions and statistical information used are determined by the Group management according to internal guidelines in relation with the actuaries.

The actuarial assumptions used may differ significantly from the actual results due to the modification of market, economic and social conditions. The resulting difference is recognized as gains or losses in the income statement, over the expected average remaining working lives of the employees participating in the plans, only to the extent that the net cumulative difference exceeds 10% of the greater of (1) the present value of the defined benefit obligation or (2) the fair value of the plan assets.

Quantitative information is provided in note 26.

3 • Summary of significant accounting policies

Consolidation

Group consolidated financial statements include all subsidiaries, associates and joint ventures of Compagnie Générale des Etablissements Michelin.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions and balances as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits and losses is recognized in the income statement until the date that significant influence ceases.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

Joint ventures are entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for by the equity method of accounting as described in the Associates section above.

Shareholdings in companies which are not subsidiaries, associates or joint ventures are not consolidated. They are accounted for as non-derivative financial assets (see the related accounting policy).

Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary format for segment reporting is business segments and the secondary format is geographical segments, in accordance with the risks and returns profile of the Group's operations.

This is reflected by the Group's divisional management and organizational structure and the Group's internal financial reporting systems.

The primary segments are:
• Passenger Car and Light Truck tires and related distribution activities,
• Truck tires and related distribution activities,
• The other activities including speciality tires, earthmover and agricultural, aircraft tires, 2 wheels, maps and guides, ViaMichelin, Michelin LifeStyle and others.

The secondary segments are:
• Europe (Western and Eastern),
• North America (including Mexico),
• Others (Asia, South America, Middle-East and Africa).

Segment assets consist of goodwill and other intangible assets, PP&E, trade receivables and finished products inventories.

Corporate intangible assets and PP&E are allocated to each segment in proportion of directly attributed assets.

No operating liabilities are allocated to the segments in the Group's internal financial reporting.

Transfer prices between geographic segments are set on an arm's length basis.

Foreign currency translation

Presentation and functional currency

The financial statements of the Group's entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate and which corresponds for most of them to their local currency.

The consolidated financial statements are presented in euros (EUR), which is the Company's functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange differences on equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity until the investment is sold.

Translation

The financial statements of Group entities that have a functional currency different from the Group's presentation currency are translated into euro as follows: assets and liabilities are translated at the closing rate at the date of the balance sheet, income and expenses are translated at the average rate of the period (as it is considered a reasonable approximation to actual rates), and all resulting exchange differences are recognized as a separate component of equity.

Cash flows are also translated at the average rate of the period.

When an entity is disposed, the translation differences accumulated in equity are recycled in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of an entity are treated as assets and liabilities of the entity and translated at the spot rate of the transaction date.

Exchange rates of major currencies

Against the euro:	Closing rates		Average rates	
	31 December 2008	31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
US dollar (USD)	1.413	1.475	1.471	1.371
Swiss franc (CHF)	1.493	1.656	1.587	1.643
British pound (GBP)	0.977	0.738	0.797	0.684
Canadian dollar (CAD)	1.720	1.442	1.561	1.469
Polish zloty (PLN)	4.171	3.603	3.515	3.783
Brazilian real (BRL)	3.295	2.627	2.677	2.666
Japanese yen (JPY)	127.5	165.1	152.4	161.2
Chinese yuan (CNY)	9.648	10.77	10.23	10.42

Derivatives

Derivative financial instruments are used to manage financial exposures.

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as an hedging instrument, and if so, the nature of the item being hedged (hedging policy below).

All changes in fair value of derivatives not designated as hedging instruments are recorded as financial income or expense in the period in which they arise.

Fair values are based on market values for listed instruments or on mathematical models, such as option pricing models and discounted cash flow calculations for unlisted instruments. These models take into account market data.

Embedded derivatives are recognized separately if not closely related to the host contract.

Hedging

Some derivative financial instruments are eligible for hedge accounting and are therefore designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges);
- hedges of highly probable forecast transactions (cash flow hedges); or
- hedges of net investments in foreign operations.

Some other derivatives, while providing effective economic hedges under the Group's financial policies, cannot qualify or have not been designated for hedge accounting (derivatives policy). Fluctuations of these derivatives fair values must therefore be accounted for in the income statement. For example, foreign currency derivatives that are used to hedge the currency exposure of financial assets and liabilities are not designated as hedging instruments.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives are accounted for differently depending on the type of hedge:

- **Fair value hedges**

Changes in fair value of derivatives are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

• Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in equity. The gain and loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

• Hedges of net investments in foreign operations

These hedges are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

EBITDA adjusted

The Group defines EBITDA adjusted as operating income before (i) non-recurring income and expenses and (ii) depreciation of property, plant and equipment (PP&E) and amortization of intangible assets, including goodwill, and any related impairment charge.

Revenue recognition

The amount of revenue is measured at the fair value of the consideration received, or receivable, taking into account the amount of any trade discounts allowed by the Group entities or any commercial incentives linked to sales. Deferred rebates are accrued based on past experience and expected payments.

Sales are recognized as follows:

• Sales of goods

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and will receive the economic benefits associated to the transaction. Due to the nature of the products, the general sales conditions, the logistics incoterms and the insurance contracts, the revenue is usually recognized when the goods leave the Group premises.

• Sales of services

Revenue from sales of services is recognized by reference to the stage of completion of the transaction at the balance sheet date, when this stage can be measured reliably and if the economic benefits associated with the transaction will flow to the Group.

Financial income is recognized as follows:

• Interest income

Interest income is recognized on a time-proportion basis using the effective interest rate method.

• Dividend income

Dividend income is recognized when the right to receive payment is established.

Cost of sales

Cost of sales comprizes the costs of manufacturing products and the costs of goods purchased for resale.

It includes the cost of purchase of material, the cost of production directly related to the manufactured products and all the production overheads, based on the normal capacity of production facilities.

Production overheads include depreciation of property, plant and equipment, amortization of intangible assets relating to production and write-downs of inventories.

Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present location and condition.

Research and development

Research cost cannot be capitalized. Development cost shall be capitalized as intangible assets when the conditions relating to the commercial and technical feasibility, the ability to allocate reliably the costs and the probability to generate future economic benefits are fulfilled.
Development costs are annually reviewed in order to determine whether the criteria of recognition as intangible assets are met.

Non recurring income and expenses

Unusual, abnormal or infrequent significant items of income and expenses are separately disclosed on the face of the income statement. They are fully described in the notes.

Income tax

Income tax expense includes both current and deferred taxes, plus any withholding tax on the royalties and the distribution of retained earnings within the Group, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is based on the results of Group companies and is calculated according to local rules including any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

No deferred tax asset or liability is recognized on initial recognition of transactions that are not business combinations and that do not affect taxable profit.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses carried forward and the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in a foreseeable future.

Intangible assets

Goodwill

Goodwill includes both the excess of the cost of an acquisition over the fair value of the acquired assets and liabilities at the date the acquisition is committed and the excess of the cost of purchased minority shares over the carrying value of the purchased non-controlling interests.

Goodwill is not subject to amortization. It is carried at cost less any accumulated impairment losses.

Adjustments to contingent considerations (estimated exercise prices) are recognized against goodwill.

Other intangible assets

Other intangible assets are capitalized to the extent that the future economic benefit related to these assets will flow to the Group and their costs are reliably identified.

They are amortized on a straight-line basis over their useful life which generally does not exceed 7 years.

Property, plant and equipment (PP&E)

Property, plant and equipment are measured at cost less accumulated depreciation and, when necessary, impairment.

The gross carrying amount includes cost of acquisition or production cost and other costs directly attributable to the acquisition or the construction. Borrowing costs are expensed during the period in which they are incurred. Investments grants are initially accounted for as deferred income and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance are expensed as incurred. Other subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land which is not depreciated. Depreciation on property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed. Depreciation is allocated to the cost of goods sold, selling and marketing expenses, research and development expenses or general and administrative expenses.

The following depreciation periods, based on the expected useful lives of the respective assets, are applied throughout the Group:

• Building and general installations of land and buildings	25 years
• Industrial and commercial equipment	5–12 years
• Computer and telecommunication equipment	5 years
• Transport equipment	5 years
• Other	2–12 years

The useful lives of the assets and their respective residual value are reviewed annually.

When assets are sold or disposed, the difference between the net proceeds and the net carrying amounts of the assets is recognized in other operating income and expenses.

Property, plant and equipment which are financed by leases giving the Group substantially all of the risks and rewards of ownership are capitalized at the lower of the fair value of the leased item and the present value of the minimum lease payments at the inception of the lease. The leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets if the transfer of the ownership of the leased assets is uncertain.

The payment obligations arising from the future finance lease payments are discounted and recognized as a financial liability in the balance sheet. The payments related to operating leases are expensed as incurred.

Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (intangible assets and property, plant and equipment) may be less than its carrying amount, the recoverable amount of the asset is measured and an impairment assessment is carried out.

At individual asset level, such indications generally come from a market value decrease, a technical obsolescence or an anticipated change of utilisation. The recoverable amount is usually based on the market value.

At Group level, non-financial assets are combined for impairment testing purposes into the lowest level for which there are separately identifiable cash flows (Cash Generating Units – CGU). All CGU's are tested annually, since goodwill is allocated to them. For most of the CGU's, the recoverable amount is based on the value in use, equal to the future cash flows discounted with a Weighted Average Cost of Capital (WACC). Future cash flows are based on the five years CGU's cash flow forecasts plus a terminal value, measured with cash flow forecasts divided by the WACC.

The discount rates are based on the equity rate derived from the market expected returns on the Company shares, the debt rate and the risks of the countries where the assets are located. Those rates are adjusted in order to determine a pre-tax discount rate, consistent with the pre-tax cash flows forecasts.

When the value in use of the distribution CGU's is lower than the CGU's assets value, the recoverable amount is measured based on a fair value less costs to sell method. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

Should an impairment need to be recognized, goodwill is impaired first and any remaining impairment charge is allocated among the other assets, based on their net carrying amounts at the closing date.

When the circumstances which previously caused non-financial assets to be impaired no longer apply, the impairment losses are reversed accordingly. However, goodwill impairment can never be reversed.

Changes in impairment balances are recognized in other operating income and expenses unless classified as non-recurring items.

Non derivative financial assets

The Group classifies its non-derivative financial assets in one of the following categories: loans and receivables, available-for-sale financial assets, financial assets at fair value through profit and loss, and held-to-maturity investments. The classification depends on the purpose for which the assets have been acquired. Management determines the classification of its non-derivative financial assets at initial recognition and re-evaluates this designation at every reporting date.

• Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

• Available-for-sale financial assets are non-monetary securities designated in this category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

• Financial assets at fair value through profit and loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

• Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Purchases and sales of non-derivative financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss.

Non-derivative financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value determined essentially by reference to a published price quotation in an active market. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity unless the gains and losses are incurred as part of fair value hedges and therefore included in the income statement in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss -measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments cannot be reversed.

Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of raw material, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprizes direct labour, other direct costs and production overheads based upon normal capacity of production facilities.

Borrowing costs are expensed as incurred.

Inventories are measured using the weighted-average cost method.

Net realizable value is the estimated selling price less the estimated cost to completion and the estimated selling expenses.

A write-down is recognized when the net realizable value is lower than the cost and is reversed when it becomes apparent that the circumstances which previously caused inventories to be written down below cost no longer exist.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

When payment terms are shorter than one year, the initial fair value and the subsequent amortized cost are equal to the nominal amount.

An impairment of trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Bankruptcy, process of legal protection against the creditors, notorious insolvency of the debtor, disappearance of the debtor, payment overdue more than 6 months (except if a payment plan has been signed and met, and the debtor is authorized to buy on credit), economic or political debtor country risk, credit deterioration of the debtor are considered indicators that the trade receivable is impaired.

The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Prior to recognizing an impairment, the quality of the guarantees potentially obtained, as well as the ability to realize them, have also to be assessed. In the case of an overdue of more than 6 months, the credit department determines if the amount at risk is the overdue amount at more than 6 months, or if it has to be extended to the other credits. For economic and/or political risk, and for credit deterioration of the debtor, the impairment is also determined by the credit departments. For all other cases the full credit amount will be impaired. The impairment charge is recognized as sales and marketing expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sales and marketing expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital, directly or through a liquidity contract with an investment services provider, the consideration paid, including any directly attributable incremental costs, is classified as treasury shares and is deducted from equity.

Where such shares are subsequently sold, any consideration received, net of any directly attributable costs, is included in equity.

Non–derivative financial liabilities

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Equity financings are classified as non-derivative financial liabilities when there is a repayment obligation.

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

To the extent that borrowings are hedged under qualifying fair value hedges, the carrying value of the hedged item is adjusted for the fair value movement attributable to the risk being hedged.

Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the employees of the Group have rendered the associated services.

Where long-term employee benefits, such as pension and other post-employment benefits, are provided by the Group, a liability or an asset and the related cost are recognized.

Pension and other post–employment benefits

Post-employment benefits are benefits payable after the completion of employment. Group companies provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds. The benefits provided by the Group vary according to the legal, tax and economic circumstances of each country and usually are based on one or more factors such as employees' remuneration, age and years of service. The obligations relate both to existing retirees and to entitlements of future retirees.

Group companies provide post-employment benefits under defined contribution plans and defined benefit plans.

In the case of **defined contribution plans**, the company pays fixed contributions to state or private insurance companies. Once the contributions have been paid, the company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay to all employees the corresponding benefits.

The regular contributions are recognized as a periodic expense for the year in which they are due and, as such, are included in the cost of goods sold, selling expenses, research and development expenses or general administration expenses.

As of today most of post-employment benefit plans are **defined benefit plans** with a distinction to be made between externally funded plans (mainly pension plans) with the assets of the plan held separately in independently administered funds and unfunded plans such as healthcare benefit plans and retirement indemnities.

The measurement of the post-employment benefit liabilities, and the related current service cost, is based upon the Projected Unit Credit Method.

A defined benefit plan is a plan that defines an amount of benefits that the Group is committed to pay to current and former employees.

All defined benefit plans are subject to actuarial calculations carried out annually for the largest plans and on regular basis for other plans. These actuarial valuations are provided by independent actuaries. Actuarial assumptions primarily regarding discount rates, projected rates of remuneration growth, expected growth of healthcare costs and long-term expected rates of return on plan assets are incorporated in the actuarial valuations and annually reviewed.

The liability or the asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets taking into account any unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the country of the obligation and that have terms of maturity approximating to the term of the related benefit liability.

A net asset is recognized only to the extent that it represents a future economic benefit which is actually available to the Group in the form of refunds from the plan or reductions in future contributions to the plan.

When a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group determines whether paying these contributions may give rise to a surplus in that defined benefit plan. To the extent that the surplus in the plan exceeds the economic benefits available, the Group recognizes immediately a decrease in the defined benefit asset or an increase in the defined benefit liability.

Actuarial gains or losses arise mainly from changes in actuarial assumptions and differences between assumptions and actual experiences. They are recognized in the income statement as a component of the Group's net periodic benefit plan cost only to the extent that, as of the beginning of the year, their net cumulative amount exceeds 10% of the greater of (1) the present value of the defined benefit obligation or (2) the fair value of the plan assets. In such case, the portion of actuarial gains or losses recognized in the income statement is the resulting excess divided by the expected average remaining working lives of the employees participating in the plan.

Past service costs may arise when a new defined benefit plan is set up or changes on payable benefits under an existing defined benefit plan are introduced. They are recognized immediately in the income statement if the benefits are vested. They are amortized on a straight-line basis over the average period until the benefits become vested if the benefits are not yet vested.

The Group's net periodic benefit plan cost charged to the operating income consists of current service cost, interest cost, expected return on assets, curtailments and settlements, past service costs as well as actuarial gains and losses to the extent that they are recognized.

Share based payments

Employee share option plans

Benefits related to share options granted to the Managing Partner and to some Group employees are measured, at grant date, using a binomial model.

Grant date is the date the decision of the Partners on the number of options is passed to the eligible employees including the document describing the conditions attached to them.

The binomial model is based on the spot rate of the Company shares (average quotation over the 20 days before grant date), the exercise price, the historical volatility (over a period equal to the expected lifetime of the option), a risk-free interest rate (zero coupon state bonds with a maturity equal to the expected lifetime of the option), and a stream of dividends based on market expectations.

Benefits are spread over the period during which the services are rendered. They are recognized in other operating income and expenses.

Employee share purchase plans

The Group may offer to substantially all of its employees to subscribe to a share purchase plan that allow them to purchase Michelin shares through a reserved capital increase.

These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by the employees at the subscription price measured as the average of the opening market price for Michelin shares over the 20 days preceding the date the price is set with a maximum discount of 20%. The benefit to the employees equals the difference between the fair value of the purchased shares (after allowing for the five-year lock-up cost) and the price paid by the employee, multiplied by the number of shares subscribed.

The benefit granted to the employees is immediately expensed by the Group as no vesting period applies and is booked under *Employee benefit costs – Equity compensation benefits*.

Provisions

Provisions are recognized when a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

Restructuring provisions are recognized when the Group has a detailed formal plan that has been announced.

Provisions are recorded at the net present value for the estimated cash outflows.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

4 • Financial risk management

4.1. Financial risk management policy

Organization of financial risk management

Financial risk control, measurement and supervision is carried out under the responsibility of the Group's finance function, at the company and geographic zone level, and at the Group level by the Group Finance Department. The Group Finance Department reports directly to the Group's financial management.

One of the Group Finance Department's ongoing missions includes the formulation of financial risk management policy, monitored on the basis of a full array of internal standards, procedures and referentials. Geographic zone financial managers are in charge of the implementation of the Group's financial risk management policy by the company finance managers. In addition, compliance with financial risk policy is assessed through internal audit reviews to evaluate risk control efficiency and identify means of improvement.

All strategic decisions concerning Group financial risk hedging policy are taken by the Group's financial management. As a general rule, the Group strictly limits the use of derivatives to the sole purpose of hedging clearly identified exposures.

In 2008, a financial risk committee was created whose mission is to establish and validate policies governing the management of financial risk, the identification and evaluation of this risk and the validation and control of financial hedging instruments. The risk committee meets on a monthly basis and includes members of the Group's financial management and of the Group Finance Department.

4.1.1. Liquidity Risk

The Group Finance Department is responsible for ensuring the financing of the Group's liquidity position at the lowest cost. The Group raises financial resources on the capital markets through long–term financial instruments (bond issues), bank resources (loans and credit lines), as well as commercial paper programs and the securitization of accounts receivables. The levels of the confirmed credit lines and available cash in-hand are fixed by taking into account the forecast for treasury requirements including a security margin to cope with economic uncertainties. These long-term backup credit lines are essentially concentrated at the financial holding company. Except in the case of particular obligations related to the specificities of local financial markets, Michelin's operating subsidiaries have access to ample short-term non-confirmed credit lines from banks to meet their day-to-day financing requirements, as well as access to the financial holding company's confirmed credit lines in order to deal with major contingencies.

The management of liquidity risk is based on management rules and standards defined at Group level in order to meet the financing needs in the normal course of business as well as in the event of exceptional circumstances.

Short–term financing requirements are managed at local level by each treasury entity. Medium, long term and strategic financing requirements are managed by the financial holding company.

As a matter of prudent financial policy, the Group has always guarded against the inclusion in its financial contracts of covenants providing for ratios or "material adverse change" that could affect its ability to mobilize loans or affect their term. As at 31 December 2008 no such clause featured in Group borrowings whatsoever. A number of contracts, however, included "negative pledge" and "cross default" clauses, but these were qualified by thresholds and exemptions.

4.1.2. Currency risk

Transaction Currency Risk

Group subsidiaries continually calculate their accounting foreign exchange exposure in relation to their functional currency and hedge it systematically. A number of temporary exemptions can, however, be granted by the Group Finance Department where justified under exceptional market conditions. Foreign currency payables and receivables of the same type and with similar maturities are netted off and only the net exposure is hedged. This is normally carried out through the financial holding company, or, alternatively, through a bank. The financial holding company in turn assesses its own resulting exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts, of which the majority have short maturities of around three months. Constant monitoring of exchange gains and losses as well as regular audits ensure that the hedging policy is adhered to by all Group entities.

Currency risk monitoring and hedging is based on Group internal referentials.

A transactional exchange risk alert system is in place through out the Group and implemented by the Group Finance Department, whose responsibility includes ensuring proper monitoring and management of exchange risk. These exposures are followed on a monthly basis on a detailed management report.

Currency Translation Risk

Equity investments in foreign subsidiaries are booked in the functional currency of the holding company. These investments, which are not included in the holding company foreign exchange position, are financed in the currency of the holding company.

Future cash flows from these long-term investments (dividends, fees for R&D services and trademark licenses and capital increases) are hedged on a selective basis according to the probability of the cash flows occurring.

Available-for-sale investments are not hedged for currency exchange risks.

4.1.3. Interest Rate Risk

The interest rate management is carried out at Group level with an objective of minimizing financing costs whilst protecting future cash flows against unfavorable movements in interest rates. For that purpose, the Group uses various financial instruments available in the market, but restricts itself to the use of "plain vanilla" instruments (interest rate swaps, caps, collars, etc).

Interest rate exposure is analyzed and monitored by the Group through monthly performance indicators and management reports.

4.1.4. Equity Risk

Equity investments are made with a strategic rather than trading approach.

Equities are held for medium and long term prospective, and not for a short term trading portfolio management.

This investment portfolio is managed at Group level.

4.1.5. Counterparty Risk

The Group chooses its banks extremely carefully and even more so with respect to cash investments. Indeed, considering it to be inappropriate to add financial risk to the industrial and trade risks that are associated with its operations, Michelin gives priority to the security and the liquidity of all its cash investments. These are invested in the short term (less than three months) with blue chip banks and on investment-type (deposit certificate, UCITS) financial instruments while avoiding significant concentration levels. When investing in monetary funds, the Group systematically assures itself of the liquidity of the investments made and ensures that they meet the criteria of standard IAS 7 and the stipulations of the French Stock Exchange regulator (AMF).

4.1.6. Credit Risk

Trade receivables represent about 15% of annual sales. In each legal entity, the Credit Department, which is part of the Group Finance Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls the credit activity, risk and results, and is also responsible for accounts receivable and collection.

The main policies and procedures are defined at Group level and are monitored and controlled at both the zone and Group level. A monthly credit reporting system operates within the Group.

In 2008, the Group Credit Department contributed to the introduction of projects aimed at a progressive reduction of accounts receivables over the coming years. It also focused on improving credit management systems, and enhancing the skills of credit managers in the Group.

4.2. Financial risk facts and figures

4.2.1. Liquidity Risk

The Group's liquidity position can be analyzed as follows:

(in EUR million)	31 December 2008	31 December 2007
Financial liabilities (note 25)	**4,886**	**4,070**
– less, liability derivative instruments (notes 16 and 25)	(38)	(24)
Financial liabilities excluding derivative instruments	**4,848**	**4,046**
– including current debt	1,436	1,122
– including non–current debt	3,412	2,924
Cash and cash equivalents (note 23)	**(456)**	**(330)**
Undrawn, confirmed credit lines (more than 1 year)	**1,397**	**1,753**

The difference in cost between carrying a treasury surplus and the present level of commissions on confirmed credit lines is to prefer confirmed credit line-based financing.

In order to meet its short term commitments, notably a bond issue of EUR 470 million coming to maturity in april 2009, the Group has sufficient committed credit lines at 31 December 2008 and has moreover, put into place a bridge loan for an amount of EUR 480 million in January 2009 with a maturity date of 31 December 2009.

The schedule of non-current financial debt and undrawn credit lines breaks down as follows:

(in EUR million)	31 December 2008						31 December 2007					
	2010	2011	2012	2013	2014	2015 and more (*)	2009	2010	2011	2012	2013	2014 and more (*)
Non-current financial liabilities	786	66	878	596	14	1,072	620	355	16	512	281	1,141
Long-term undrawn credit lines	115	–	1,182	100	–	–	6	247	–	1,500	–	–

(*) Includes the lowest ranking subordinated notes issued by CGEM in 2003 and redeemable in cash (TSDR) for an amount of EUR 353 million, which have a reimbursement date in December 2033. However CGEM is entitled, at its discretion, to redeem early all the notes in cash at par in December 2013, and thereafter every three months after this date until the maturity date of the notes in December 2033.

4.2.2. Currency Risk

Transaction Currency Risk

The following tables set forth the Group's transactional exchange positions (when a monetary asset or liability is denominated in a currency other than the company's functional currency), before and after hedging.

(in EUR million)	31 December 2008						31 December 2007					
	USD	CNY	THB	GBP	EUR	Other	USD	CNY	THB	GBP	EUR	Other
Monetary assets	3,385	41	3	69	8,045	1,780	3,568	25	5	54	8,159	1,848
Monetary liabilities	(2,726)	–	(23)	(21)	(8,442)	(1,143)	(2,381)	–	(1)	(71)	(9,280)	(1,176)
Net position before hedging	**659**	**41**	**(20)**	**48**	**(397)**	**637**	**1,187**	**25**	**4**	**(17)**	**(1,121)**	**672**
Hedges	(754)	(111)	(1)	(33)	414	(629)	(1,154)	–	–	25	1,011	(638)
Net position after hedging	**(95)**	**(70)**	**(21)**	**15**	**17**	**8**	**33**	**25**	**4**	**8**	**(110)**	**34**

A decrease in the value of the Euro against all other currencies would represent a negative aggregate impact of EUR 2 million (2007: EUR 1 million) in the consolidated income statement, after hedging, for every cent change. An increase in the value of the Euro against all other currencies would represent a positive impact of EUR 2 million for every cent change (2007: EUR 1 million).

Currency Translation Risk

A breakdown of consolidated equity risk by currency is provided in the following table:

(in EUR million)	31 December 2008	31 December 2007
EUR	1,899	1,823
USD	839	768
BRL	585	522
CHF	411	675
PLN	367	438
CAD	262	281
GBP	157	176
THB	105	82
CNY	96	101
RSD	68	66
MXN	63	79
HUF	50	73
Other	211	206
Total	**5,113**	**5,290**

4.2.3. Interest Rate Risk

The interest rate risk net exposure both before and after hedging was the following:

(in EUR million)	31 December 2008				31 December 2007			
	Floating rates	Fixed rates		Total	Floating rates	Fixed rates		Total
		1 – 5 years	> 5 years			1 – 5 years	> 5 years	
Liabilities	3,239	592	1,055	4,886	1,884	1,044	1,142	4,070
Assets	(535)	(52)	(33)	(620)	(381)	(38)	(86)	(505)
Net exposure before hedging	**2,704**	**540**	**1,022**	**4,266**	**1,503**	**1,006**	**1,056**	**3,565**
Hedges	(550)	550	–	–	220	(220)	–	–
Net exposure after hedging	**2,154**	**1,090**	**1,022**	**4,266**	**1,723**	**786**	**1,056**	**3,565**

Sensitivity analysis

A 1% change in the parallel shift on the yield curves would represent:

(in EUR million)	Cash impact (a)	Fair value impact			
		Booked in income statement (b)	Booked in equity (c)	Not booked	Total (d)
A 1% downward shift	22	(29)	(2)	(82)	(113)
A 1% upward shift	(22)	25	2	82	109

(a) Assuming the debt remains constant, a 1% change in short-term interest rates would translate into a EUR 22 million (2007: EUR 17 million) change in the consolidated income statement.
(b) The Group interest rate policy aims at hedging perfectly identified future cash flows. However, IFRS rules prevent some of the derivative instruments to qualify for a hedge accounting treatment. For this reason, part of the derivative instruments are not booked using hedge accounting but are booked at fair value through the income statement. For those derivatives instruments, a 1% downward (upward) parallel shift on the yield curves would represent a negative (positive) impact of EUR 29 million (EUR 25 million) in the consolidated income statement.
(c) For derivatives booked under hedge accounting, a 1% downward (upward) parallel shift on the yield courves would represent a negative impact of EUR 2 million (positive of EUR 2 million) on the equity.
(d) Furthermore, a 1% downward (upward) parallel shift on the yield curves would translate into a EUR 113 million (EUR 109 million) change in the fair value of the financial assets (loans and deposits in note 15), financial liabilities (financial liabilities in note 25) and derivative financial instruments (note 16). Part of these changes would not be accounted for since the underlying financial assets and liabilities are essentially measured at amortized costs (except mainly for derivative instruments).

4.2.4. Equity Risk

Equity risk is the risk for a 10% unfavorable change in the price of the Group's investment portfolio.

(in EUR million)	31 December 2008	31 December 2007
Carrying amount (note 15)	218	265
Impact on equity	**(20)**	**(23)**

4.2.5. Counterparty Risk

More than 80% of the Group's cash and cash equivalents are distributed amongst 15 major international banking Groups that are all rated single A or above.

4.2.6. Credit Risk

As at 31 December 2008, net receivable balances from the ten largest customers, amount to EUR 345 million (2007: EUR 602 million). Seven of these customers are located in North America and three in Europe.

At the same date, forty two customers (2007: forty two) have been granted credit limits in excess of EUR 10 million. Out of these, twenty are located in Europe, nineteen in North America and three in Asia.

There was no significant amount of collateral received to limit credit risk.

In 2008, credit losses represent 0.11% of sales (2007: 0.12%).

4.2.7. Commodities derivatives

In 2008, the Group did not have any significant derivative hedging purchases of commodities.

4.3. Capital risk management

The Group's objectives when managing its capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group thoroughly assesses its working capital needs and the expected return of its capital expenditures to minimize its debt requirements. Ultimately, the Group may also issue new shares to increase equity or sell assets to reduce debt.

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as net debt divided by total equity.

The Group's strategy is to optimize its net debt in order to secure access to financial resources at a reasonable cost by maintaining its investment grade credit ratings (note 25). The debt ratios at 31 December 2008 and at 31 December 2007 were as follows:

(in EUR million)	31 December 2008	31 December 2007
Net debt (note 25)	4,273	3,714
Total equity (as shown in the balance sheet)	5,113	5,290
Debt ratio	**0,84**	**0,70**

The fluctuation of the ratio has not been impacted by any exceptional transaction on debt or equity.

5 • Segment reporting

Business segments

(in EUR million)	2008				2007			
	Passenger Car and Light Truck tires*	Truck tires*	Other activities**	Total	Passenger Car and Light Truck tires*	Truck tires*	Other activities**	Total
Profit and loss information								
Sales	8,668	5,433	2,307	16,408	9,041	5,639	2,187	16,867
Operating income before non-recurring income and expenses	370	138	412	920	830	427	388	1,645
In percentage of sales	*4.3%*	*2.5%*	*17.9%*	*5.6%*	*9.2%*	*7.6%*	*17.8%*	*9.8%*
Segment assets								
Intangible assets and PP&E	4,079	2,451	1,227	7,757	4,031	2,596	1,098	7,725
Finished products inventories	1,205	859	403	2,467	1,199	710	345	2,254
Trade receivables	1,233	900	323	2,456	1,630	977	386	2,993
Total segment assets	**6,517**	**4,210**	**1,953**	**12,680**	**6,860**	**4,283**	**1,829**	**12,972**
Other information								
Depreciation and amortization charge	519	285	123	927	507	268	103	878
Impairment charge / (reversal)	2	(2)	1	1	–	(6)	(49)	(55)
Capital expenditure	635	353	283	1,271	579	436	325	1,340

** And related distribution activities.*
*** Speciality tires (earthmover, agricultural, aircraft and 2 wheels), maps and guides, ViaMichelin, Michelin LifeStyle and others.*

As mentioned in note 3, no operating liabilities are allocated to the segments in the Group's internal financial reporting.

Geographical segment

(in EUR million)	2008				2007			
	Europe	North America	Other zones	Total	Europe	North America	Other zones	Total
Sales	8,158	5,157	3,093	**16,408**	8,503	5,517	2,847	**16,867**
Segment assets	7,200	3,111	2,369	**12,680**	7,451	3,315	2,206	**12,972**
Capital expenditure	709	280	282	**1,271**	699	280	361	**1,340**

6 • Expenses by nature

The following recurring items are allocated in the appropriate headings of expenses by function in the income statement.

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Raw materials and consumables used and changes in finished products inventories	(7,031)	(6,686)
Employee benefit costs (note 7)	(4,606)	(4,732)
Transportation of goods	(979)	(933)
Depreciation, amortization and impairment charges	(928)	(823)
Other expenses	(1,944)	(2,048)
Total expenses by nature	**(15,488)**	**(15,222)**

7 • Employee benefits costs

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Wages and salaries	(3,411)	(3,475)
Social charges	(927)	(955)
Costs related to defined benefit plans (note 26.1)	(173)	(232)
Costs related to defined contribution plans (note 26.2)	(69)	(61)
Equity compensation benefits (note 27)	(26)	(9)
Total employee benefits costs	**(4,606)**	**(4,732)**

The charges for employee benefits are allocated to the appropriate headings of expenses by function in the income statement.
The average number of employees in 2008 is 120,067 (2007: 122,050).

8 • Other operating income and expenses

The following recurring items are recognized within the other operating income and expenses in the income statement.

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Gain/(loss) on disposal of intangible and PP&E	(2)	19
Net restructuring costs	36	(49)
Income/(expense) on impairment of intangible and PP&E	(1)	55
Retiree benefit costs	(39)	(55)
Other operating income and (expenses)	(68)	(64)
Total other operating income and (expenses)	**(74)**	**(94)**

9 • Non–recurring income and expenses

2008

Italy

On October 28, 2008 Michelin presented a plan intended to make its operations more competitive, by modernizing its Italian plants, reorganizing the Turin Stura site and revitalizing the Turin employment area.

A non-recurring provision of EUR 77 million is recognized to cover severance costs and impairments equipment.

2007

Japan

The Group announced the specialization of the tire production at its plant in Ota. A provision of EUR 62 million was recognized to cover severance costs, intangible as well as plant and equipment impairments.

Europe

The Group announced the shut-down of the Toul plant and the specialization of the production at the Lasarte site. A provision of EUR 264 million was recognized to cover severance costs, plant and equipment impairments.

10 • Cost of net debt and other financial income and expenses

The cost of net debt and other financial income and expenses are broken down in the table below.

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Cost of net debt		
Gross financing expenses		
Interest financing expenses	(255)	(258)
Currency remeasurement	(32)	(36)
Interest rate risk management	(30)	(1)
Other financing expenses	(14)	(11)
	(331)	**(306)**
Interest income from cash and cash equivalents	1	12
Total cost of net debt	**(330)**	**(294)**
Other financial income and expenses		
Net income from financial assets (other than cash and cash equivalents)		
Interest income	6	8
Gains on disposal of available-for-sale financial investments	1	10
Other	(6)	7
	1	**25**
Expense from unwinding the discount of provisions	(16)	(4)
Other	12	8
Total other financial income and expenses	**(3)**	**29**

Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group financing activities are mostly centralized (see note 4.1.1. "Liquidity Risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (see note 4.1.3. "Interest Rate Risk").

As a consequence:
- The financial debts are essentially raised in euros as evidenced in note 25 "Financial Liabilities";
- Part of these debts are subsequently swapped in foreign currencies to finance the foreign subsidiaries; and
- Derivatives are contracted to manage the foreign currency interest rates as evidenced in note 16 "Derivative Financial Instruments".

Although these transactions provide effective economic hedges, they cannot qualify for hedge accounting under IFRS (and therefore they cannot be recognized as cash flow hedges as described in note 3 "Summary of Significant Accounting Policies – Hedging"). Fluctuations of the derivatives fair values must therefore be accounted for in the income statement. The fair value decrease during the year amounts to EUR 27 million (2007: nil) and is included in the line Interest rate risk management (cost of net debt).

Hedge accounting ineffectiveness

Fair value hedge ineffectiveness amounting to EUR 3 million (2007: EUR 1 million) is included in the line Interest rate risk management (cost of net debt). No cash flow hedge ineffectiveness has been recognized in the income statement (2007: nil).

11 • Income tax

The income tax expense is detailed as follows:

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Current tax expense	(172)	(283)
Deferred tax income/(expense) (note 18)	9	(16)
Total income tax	**(163)**	**(299)**

Current tax includes EUR 26 million of withholding tax on royalties and distribution of retained earnings between Group companies (2007: EUR 27 million).

Reconciliation of the Group effective income tax:

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Income before tax	**520**	**1,071**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(173)	(339)
Tax effect from:		
– untaxed transactions	(3)	(24)
– variances of unrecognized temporary differences	7	7
– variances of unrecognized tax losses	(30)	(2)
– change in tax rates	(5)	(39)
– tax credits and withholding tax	40	77
– other items	1	21
Income tax	**(163)**	**(299)**

12 • Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Shareholders of the Company by the weighted average number of shares outstanding during the year, excluding shares purchased by the Group and held as treasury shares.

Diluted earnings per share are calculated adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has two types of potential dilutive shares: share options (note 27) and convertible bonds (note 25). The convertible bonds are assumed to have been converted into ordinary shares, and the net income is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Components of the basic and diluted earnings per share calculations are presented in the table below.

	Year ended 31 December 2008	Year ended 31 December 2007
Net income (EUR million), excluding the non-controlling interest	360	774
– less, propositions of attributions to General Partners	(4)	(9)
Net income attributable to Shareholders used in the calculation of the basic earnings per share	356	765
– plus, interest expense on convertible bonds	–	18
Net income attributable to Shareholders used in the calculation of the diluted earnings per share	**356**	**783**
Weighted average number of shares (thousands of shares) outstanding used in the calculation of basic earnings per share	144,495	143,770
– plus, adjustment for share options plans and convertible bonds	183	6,228
Weighted average number of shares used in the calculation of diluted earnings per share	**144,678**	**149,998**
Earnings per share (in euros)		
– basic	2.46	5.32
– diluted	2.46	5.22

Since the convertible bonds are antidilutive in 2008, they have not been considered in the calculation of the diluted earnings per share.

13 • Intangible assets

Changes in intangible assets are as follows:

(in EUR million)	Goodwill	Other intangibles	Total
Gross carrying amounts			
At 1 January 2007	**438**	**739**	**1,177**
Exchange differences	(12)	(14)	(26)
Additions (including emission rights)	6	88	94
Disposals	–	(45)	(45)
Changes in the scope of consolidation	–	10	10
Transfers and other	1	1	2
At 31 December 2007	**433**	**779**	**1,212**
Exchange differences	(3)	2	(1)
Additions (including emission rights)	6	159	165
Disposals (including emission rights)	(33)	(6)	(39)
Changes in the scope of consolidation	–	1	1
Transfers and other	(2)	1	(1)
At 31 December 2008	**401**	**936**	**1,337**
Accumulated amortization and impairment			
At 1 January 2007	**–**	**(558)**	**(558)**
Exchange differences	–	11	11
Amortization	–	(55)	(55)
Net impairment	(32)	–	(32)
Disposals	–	24	24
Changes in the scope of consolidation	–	–	–
Transfers and other	–	(1)	(1)
At 31 December 2007	**(32)**	**(579)**	**(611)**
Exchange differences	(2)	(2)	(4)
Amortization	–	(49)	(49)
Net impairment	–	–	–
Disposals	33	4	37
Changes in the scope of consolidation	–	–	–
Transfers and other	1	–	1
At 31 December 2008	**0**	**(626)**	**(626)**
Net carrying amounts at 31 December 2008	**401**	**310**	**711**
Net carrying amounts at 31 December 2007	*401*	*200*	*601*

Goodwill

The amounts allocated to the CGU are:

(in EUR million)		31 December 2008	31 December 2007
CGU Passenger car and light truck	North America and Mexico	109	105
CGU Passenger car and light truck	Asia	101	99
CGU Passenger car and light truck	Other zones	61	61
Other CGU's		130	136
Total goodwill		**401**	**401**

Other intangible assets

There are no intangible assets with indefinite useful life.
In 2008, additions in intangible assets, amounting to EUR 159 million (2007: EUR 88 million) are broken down into the following categories of intangible assets:

- Emission rights – allowances granted EUR 46 million
- Rights to use a land in China EUR 34 million
- Software and other EUR 79 million

Software

The net carrying amount at 31 December 2008 relates to software and amounts to EUR 192 million (2007: EUR 162 million).
Software is initially recognized at cost. Cost includes cost of acquisition or production cost and other cost directly attributable to the acquisition or the production.

Emission rights

The allowances granted are recognized as an intangible asset by using the daily rate of their attribution. The counterpart is recognized as a government grant.
The expense and the related liability for actual emissions and the income corresponding to the use of the grant are accounted for using the rate in force at the grant date.

The balance of the rights granted at 31 December 2008 amounts to 2.5 million of tons representing a value of EUR 46 million. The liability linked to the actual emissions in 2008 amounts to 0.8 million of tons representing a value of EUR 18 million. It will be offset by the delivery of the allowances granted.
For the period 2008-2012 there is a global balance between the allowances granted and the expected emissions. So there is no expectation to buy a significant amount of rights.

Development costs

In 2008 and 2007, no development costs were capitalized since the criteria of recognition as intangible assets are not met.
To be recognized as an asset, the development costs incurred within the context of a new product or a significant product renewal project must fulfil six recognition criteria.
One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of the market is demonstrated only when the Group has obtained the manufacturer approval and when the level of profitability generated from the business plan proposed by the manufacturers is in line with Group objectives.
In practice, the corresponding development costs are incurred at a stage of the project which is prior to the manufacturer approval.

Impairment of assets

The accumulated impairment for intangible assets at 31 December 2008 amounts to EUR 15 million (2007: EUR 45 million).

14 • Property, plant and equipment

Changes in property, plant and equipment were as follows:

(in EUR million)	Land and Buildings	Industrial equipments	Other equipments	Total
Gross carrying amounts				
At 1 January 2007	**3,814**	**11,291**	**1,371**	**16,476**
Exchange differences	(70)	(272)	(27)	(369)
Additions (including new finance lease contracts)	270	942	71	1,283
Disposals	(91)	(363)	(75)	(529)
Changes in the scope of consolidation	2	(9)	(4)	(11)
Transfers and other	13	(24)	11	–
At 31 December 2007	**3,938**	**11,565**	**1,347**	**16,850**
Exchange differences	(146)	(297)	(45)	(488)
Additions (including new finance lease contracts)	196	909	65	1,170
Disposals	(34)	(352)	(36)	(422)
Changes in the scope of consolidation	–	(2)	–	(2)
Transfers and other	(15)	7	–	(8)
At 31 December 2008	**3,939**	**11,830**	**1,331**	**17,100**
Accumulated amortization and impairment				
At 1 January 2007	**(1,790)**	**(6,865)**	**(973)**	**(9,628)**
Exchange differences	41	180	21	242
Amortization	(104)	(646)	(73)	(823)
Net impairment	2	18	–	20
Disposals	43	337	70	450
Changes in the scope of consolidation	1	9	2	12
Transfers and other	1	–	–	1
At 31 December 2007	**(1,806)**	**(6,967)**	**(953)**	**(9,726)**
Exchange differences	49	134	34	217
Amortization	(112)	(695)	(71)	(878)
Net impairment	–	(21)	(9)	(30)
Disposals	15	317	36	368
Changes in the scope of consolidation	–	2	–	2
Transfers and other	–	(7)	–	(7)
At 31 December 2008	**(1,854)**	**(7,237)**	**(963)**	**(10,054)**
Net carrying amounts at 31 December 2008	**2,085**	**4,593**	**368**	**7,046**
Net carrying amounts at 31 December 2007	*2,132*	*4,598*	*394*	*7,124*

Net property, plant and equipment of EUR 40 million are pledged as security of financial liabilities (2007: EUR 42 million).
Net property, plant and equipment include EUR 1,013 million of assets under construction (2007: EUR 1,263 million).
The accumulated impairment of PP&E at 31 December 2008 amounts to EUR 150 million (2007: EUR 114 million).
The pre-tax discount rate used to discount the future cash flows of the CGU ranged between 11% and 14%.

Finance leases

Capitalized property, plant and equipment held under finance leases at 31 December 2008 amounts to EUR 133 million (2007: EUR 159 million). The gross carrying amounts of these assets total EUR 257 million (2007: EUR 311 million).
The future minimum payments under finance leases by maturity are shown in the following table:

(in EUR million)	31 December 2008		31 December 2007	
	Present value	Not discounted	Present value	Not discounted
Within one year	38	47	47	55
Between one and five years	81	100	101	119
More than five years	59	77	70	94
Total of future minimum payments (note 25)	**178**	**224**	**218**	**268**

Operating leases

Total operating lease rents recognized in the income statement at 31 December 2008 are EUR 251 million (2007: EUR 235 million).
Future minimum payments under non-cancellable leases by maturity are as follows (not discounted):

(in EUR million)	31 December 2008	31 December 2007
Within one year	139	117
Between one and five years	284	242
More than five years	113	103
Total of future minimum payments	**536**	**462**

15 • Non-current financial assets and other assets

The carrying amount of the long-term financial assets is detailed in the table below:

(in EUR million)	31 December 2008	31 December 2007
Financial assets		
Available-for-sale investments	218	265
Loans and deposits	140	152
Derivative instruments (note 16)	8	14
Other	11	17
	377	448
Other assets		
Benefits – asset portion (note 26)	5	4
Total non-current financial assets and other assets	**382**	**452**

Available-for-sale investments

Available-for-sale investments consist essentially of a portfolio of equities, which is intended to be disposed as follows:

(in EUR million)	31 December 2008	31 December 2007
Non-current portion	218	265
Current portion (note 21)	–	–
Total portfolio of available-for-sale investments	**218**	**265**

Movements in the portfolio during the year are broken down in the table below.

(in EUR million)	2008	2007
At 1 January	**265**	**248**
Exchange differences	19	(6)
Additions	63	5
Disposals	(5)	(21)
Fair value changes	(124)	39
At 31 December	**218**	**265**

The portfolio can be broken down by currency as follows:

(in EUR million)	31 December 2008	31 December 2007
KRW (Korean Won)	131	123
EUR	66	75
Other currencies	21	67
Total	**218**	**265**

Loans and deposits

The carrying amount of loans and deposits is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Gross loans and deposits	229	247
– less impairment	(65)	(72)
Net loans and deposits	**164**	**175**
– less current portion (note 21)	(24)	(23)
Non-current portion	**140**	**152**

Loans and deposits include essentially bank deposits (more than three months) as well as loans to employees and customers. The fair value, which is calculated in accordance with note 2 (Basis of preparation: Fair value of financial instruments), amounts to EUR 157 million (2007: EUR 161 million).
At 31 December 2008 the effective interest rate is 0.97% (2007: 1.63%).

The breakdown by currency and maturity is presented in the tables below.

(in EUR million)	31 December 2008				31 December 2007			
	Within one year	Between one and five years	More than five years	Total	Within one year	Between one and five years	More than five years	Total
EUR	19	71	33	123	17	7	66	90
CHF	–	2	–	2	–	36	–	36
GBP	1	15	–	16	1	5	15	21
Other	4	19	–	23	5	17	6	28
Total	**24**	**107**	**33**	**164**	**23**	**65**	**87**	**175**

16 • Derivative financial instruments

As mentioned in note 3 (hedging policy), some derivatives, while complying with the Group's financial risk management policies do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

Derivative assets

(in EUR million)	31 December 2008		31 December 2007	
	Fair values	Contractual amounts	Fair values	Contractual amounts
Total derivative assets (note 25)				
Interest-rate derivatives in fair value hedges	13	280	8	220
Derivatives not designated as hedging instruments				
– Currency derivatives	141	2,002	12	1,921
– Interest-rate derivatives	3	227	–	204
– Other derivatives	–	–	6	21
	157	**2,509**	**26**	**2,366**
Less long-term portion included in non-current financial assets (notes 15)				
Interest-rate derivatives in fair value hedges	(5)	(60)	(8)	(220)
Derivatives not designated as hedging instruments				
– Interest-rate derivatives	(3)	(227)	–	(204)
– Other derivatives	–	–	(6)	(21)
	(8)	**(287)**	**(14)**	**(445)**
Short-term portion included in current financial assets (note 21)	**149**	**2,222**	**12**	**1,921**

Derivative liabilities

(in EUR million)	31 December 2008		31 December 2007	
	Fair values	Contractual amounts	Fair values	Contractual amounts
Total derivative liabilities				
Interest-rate derivatives in cash flow hedges	4	61	–	–
Derivatives not designated as hedging instruments				
– Currency derivatives	2	54	23	655
– Interest-rate derivatives	32	962		
– Other derivatives	–	–	1	11
	38	**1,077**	**24**	**666**
Less long-term portion included in non-current financial liabilities (note 25)				
Interest-rate derivatives in cash flow hedges	(4)	(61)	–	–
Derivatives not designated as hedging instruments				
– Interest-rate	(30)	(820)	–	–
– Other derivatives	–	–	(1)	(11)
	(34)	**(881)**	**(1)**	**(11)**
Short-term portion included in current financial liabilities (note 25)	**4**	**196**	**23**	**655**

The contractual amounts of currency derivative financial instruments, essentially forward exchange contracts are set forth by currency in the tables below.

(in EUR million)	31 December 2008								31 December 2007							
	Currencies purchased forward								Currencies purchased forward							
	EUR	USD	CHF	THB	SGD	PLN	Other	Total	EUR	USD	CHF	THB	SGD	PLN	Other	Total
Currencies sold forward:																
EUR	–	–	–	3	–	19	13	35	–	–	23	6	–	–	20	49
USD	283	–	165	83	31	–	21	583	557	–	364	24	14	–	27	986
PLN	367	–	–	–	–	–	–	367	339	–	2	–	–	–	–	341
THB	197	22	–	–	–	–	–	219	11	12	–	–	–	–	257	280
JPY	179	–	–	–	–	–	–	179	377	–	–	1	1	–	–	379
CNY	3	109	–	–	–	–	–	112	–	–	–	–	–	–	–	–
GBP	96	–	–	–	–	–	–	96	–	–	–	–	–	–	–	–
Other	363	63	–	3	2	3	11	445	294	237	–	1	–	–	9	541
Total	**1,488**	**194**	**165**	**89**	**33**	**22**	**45**	**2,036**	**1,578**	**249**	**389**	**32**	**15**	**–**	**313**	**2,576**

The contractual amounts of the non currency derivative financial instruments are set forth by currency in the tables below.

(in EUR million)	31 December 2008				31 December 2007		
	EUR	USD	THB	Total	EUR	USD	Total
Interest-rate derivatives	284	1,002	244	1,530	220	204	424
Other derivatives	–	–	–	–	4	28	32
Total	**284**	**1,002**	**244**	**1,530**	**224**	**232**	**456**

17 • Investments in associates and joint ventures

The investments in associates and joint ventures of EUR 65 million (2007: EUR 62 million) include essentially MC Projects B.V. in the Netherlands and the SIPH Group in France.
The associates and joint ventures' financial statements include the following amounts:

(in EUR million)	2008	2007
Assets	433	409
Liabilities	186	168
Net sales	777	873
Net income	33	53

18 • Deferred tax assets and liabilities

The amounts of the deferred tax in the balance sheet are:

(in EUR million)	31 December 2008	31 December 2007
Deferred tax assets	896	926
Deferred tax liabilities	(39)	(61)
Net deferred tax assets	**857**	**865**

The detail in deferred tax assets and liabilities at the end of the periods, without taking into account the offsetting of balances, is as follows:

(in EUR million)	31 December 2008	31 December 2007
Deferred tax assets by type of temporary difference		
– Intangible assets	31	26
– Financial instruments	107	109
– Inventories	41	44
– Receivables/payables	180	197
– Employee benefits	764	775
– Provisions	108	149
– Unused tax losses	101	74
– Unused tax credits	(25)	(65)
	1,307	**1,309**
Deferred tax liabilities by type of temporary difference		
– Property, plant and equipment	(450)	(444)
	(450)	**(444)**
Net deferred tax assets	**857**	**865**

The gross movement on the net deferred tax assets is as follows:

(in EUR million)	2008	2007
At 1 January	**865**	**947**
– Exchange differences	(12)	(54)
– Deferred tax income/(expense) (note 11)	9	(16)
– Tax recognized in equity	(1)	(15)
– Other	(4)	3
At 31 December	**857**	**865**

The deferred income tax recognized in equity during the year is as follows:

(in EUR million)	31 December 2008	31 December 2007
Fair value reserves in Shareholders' equity:		
– compound financial instruments (convertible bond)	(16)	(15)
Total deferred tax income recognized in equity	**(16)**	**(15)**

(-) means a negative effect on equity.

Deferred tax assets are recognized to the extent that the realization of future taxable profits is probable and will offset tax losses carried forward and deductible temporary differences.

The detail of unrecognized deferred tax assets is as follows:

(in EUR million)	31 December 2008	31 December 2007
Deductible temporary differences	78	85
Tax losses	151	124
– of which expire in less than one year	27	5
– of which expire between 1 to 5 years	39	46
– of which expire in more than 5 years	30	16
– of which do not expire	55	57
Tax credits	83	84
Total unrecognized deferred tax assets	**312**	**293**

19 • Inventories

Inventories include the following:

(in EUR million)	31 December 2008	31 December 2007
Raw materials and supplies	975	845
Work in progress	272	290
Finished goods	2,549	2,328
Less write-downs	(119)	(110)
Net inventory	**3,677**	**3,353**

Movements in inventory write-downs are as follows:

(in EUR million)	2008	2007
At 1 January	**(110)**	**(99)**
Exchange differences and other	3	3
Write-downs of inventories recognized as an expense in the period	(72)	(77)
Reversal of write-downs	60	63
At 31 December	**(119)**	**(110)**

Inventory write-downs, amounting to EUR 119 million as at 31 December 2008 (2007: EUR 110 million) are broken down into the following categories of inventories:

- Raw materials and supplies EUR 37 million (2007: EUR 35 million)
- Work in progress EUR 1 million (2007: EUR 1 million)
- Finished products EUR 81 million (2007: EUR 74 million)

20 • Trade receivables

The carrying amount of the trade receivables is detailed in the table below:

(in EUR million)	31 December 2008	31 December 2007
Gross trade receivables	2,586	3,089
Impairment	(130)	(96)
Trade receivables, net	**2,456**	**2,993**

All trade receivables are due within twelve months.

Trade receivables as at 31 December 2008 are detailed by maturity in the table below:

(in EUR million)	Gross	Impairment	Net
Current	2,235	(53)	2,182
Overdue			
– less than 3 months	252	(6)	246
– between 3 and 6 months	29	(6)	23
– more than 6 months	70	(65)	5
Trade receivables	**2,586**	**(130)**	**2,456**

Movements of the impairment balance are broken down in the table below:

(in EUR million)	2008	2007
At 1 January	**(96)**	**(125)**
Exchange difference	2	6
Impairment	(74)	(27)
Reversal of impairment	38	50
At 31 December	**(130)**	**(96)**

2008 reversal of impairment includes write-offs of EUR 18 million (2007: EUR 20 million).

Collateralized receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in their eligible trade receivable portfolios. The characteristics of the programs are as follows:

	Maximum financing
Europe	EUR 366 million
United States of America	USD 375 million
	EUR 631 million

As at 31 December 2008, the programs provide an overcollateralization of EUR 132 million (2007: EUR 186 million) to the financial institutions. This covers the portfolios' credit losses that could occur.

Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to EUR 627 million as at 31 December 2008 (2007: EUR 625 million), has been accounted for as collateralized loans (note 25).

21 • Current financial assets

The carrying amount of the current financial assets is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Loans and deposits (note 15)	24	23
Derivative instruments (note 16)	149	12
Total current financial assets	**173**	**35**

22 • Other current assets

The carrying amount of the other current assets is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Employees	3	2
Suppliers	112	88
Current tax – Advance payments	152	99
Other tax receivables	337	264
Other	137	127
Less impairment	(9)	(7)
Total other current assets	**732**	**573**

Other tax receivables mainly relate to VAT.

23 • Cash and cash equivalents

The carrying amount of cash and cash equivalents is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Cash at bank and in hand	169	205
Short-term bank deposits (less than three months) and other cash equivalents	287	125
Total cash and cash equivalents	**456**	**330**

The effective interest rate on short-term bank deposits was 3.17% in 2008 (2007: 3.39%).

Cash and cash equivalents are denominated in the following currencies:

(in EUR million)	31 December 2008	31 December 2007
EUR	310	143
USD	105	38
CNY	26	14
MXN	14	11
Other	1	124
Total cash and cash equivalents	**456**	**330**

24 • Share capital and premiums

(in EUR million)	Ordinary shares	Share premiums	Treasury shares	Total
143,652,318 shares outstanding as at 1 January 2007	**287**	**1,863**	**–**	**2,150**
Employee share option and purchase plans				
- proceeds from 346,851 shares issued	1	13	–	14
- cost of services rendered		9	–	9
143,999,169 shares outstanding as at 31 December 2007	**288**	**1,885**	**–**	**2,173**
Employee share option and purchase plans				
- proceeds from 998,253 shares issued	2	34	–	36
- cost of services rendered	–	25		25
144,997,422 shares outstanding as at 31 December 2008	**290**	**1,944**	**–**	**2,234**

The total authorized and issued number of ordinary shares is 144,997,422 shares as at 31 December 2008 (2007: 143,999,169 shares) with a par value of 2 EUR per share (2007: 2 EUR per share).
The increase is due to the exercise of options granted to Group employees, and the issuance of an employee share purchase plan.
All shares issued are fully paid and registered. Shares held for more than 4 years have a double voting right.
Dividend proposed to the shareholders at the 15 May 2009 Annual General Meeting is EUR 1.00 per share.

25 • Financial liabilities

The carrying amount of the financial liabilities is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Long-term		
Bonds	1,501	2,051
Loans from financial institutions and other	1,771	702
Obligations under finance leases (note 14)	140	171
Derivative instruments (note 16)	34	1
	3,446	**2,925**
Short-term		
Bonds and commercial papers	763	219
Loans from financial institutions and other	635	856
Obligations under finance leases (note 14)	38	47
Derivative instruments (note 16)	4	23
	1,440	**1,145**
Total financial liabilities	**4,886**	**4,070**

The Group net debt is presented in the table below.

(in EUR million)	31 December 2008	31 December 2007
Financial liabilities	4,886	4,070
Derivative assets (note 16)	(157)	(26)
Cash and cash equivalents (note 23)	(456)	(330)
Net debt	**4,273**	**3,714**

The fair value of long-term financial liabilities which is calculated in accordance with note 2 is presented in the table below.

(in EUR million)	31 December 2008	31 December 2007
Bonds	1,472	2,125
Loans from financial institutions and other	1,778	708
Obligations under finance leases	143	170
Derivative instruments	34	1
Total long-term financial liabilities	**3,427**	**3,004**

Bonds and commercial papers

Bonds and commercial papers issued by the Group have the characteristics mentioned in the table below.

Description	31 December 2008 effective interest rates	Carrying amount (in EUR million)			
		31 December 2008		31 December 2007	
		Current	Non-current	Current	Non-current
Subordinated bonds issued by Compagnie Générale des Etablissements Michelin – nominal value of EUR 353 million (2007: EUR 469 million) – issued in December 2003 and due in December 2033, unless the Group elects to reimburse earlier between December 2013 and due date – nominal interest rate of 6.375% until December 2013 and at Euribor 3 months +2.95% thereafter – deferred coupon payment option when the Company does not distribute dividends – partiallly hedged through a EUR 60 million interest rate swap (2007: nil) maturing in December 2013 (fair value hedge) (note 16)	6.60% (5.41%) (1)	–	355	–	463
Bonds issued by Michelin Luxembourg SCS – nominal value of EUR 500 million (2007: EUR 500 million) – issued in April 2002 and due in April 2012 – nominal interest rate of 6.5%	6.63%	–	498	–	498
Liability component of zero-coupon convertible bonds (Océanes) issued by Compagnie Générale des Etablissements Michelin – net proceeds received of EUR 694 million – annual gross yield of 3.07% – conversion and/or exchange ratio of 1 bond for 1 ordinary share – issued in March 2007 and due in January 2017 – amount redeemable at maturity date: EUR 941 million	4.76%	–	648	–	619
Bonds issued by Michelin Luxembourg SCS – nominal value of EUR 470 million (2007: EUR 470 million) – issued in April 2002 and due in April 2009 – nominal interest rate of 6.125% – partially hedged through a EUR 220 million interest rate swap (2007: EUR 220 million) maturing in April 2009 (fair value hedge) (note 16)	6.24% (6.34%) (1)	471	–	–	471
Commercial papers issued by Compagnie Générale des Etablissements Michelin – nominal value of EUR 294 million (2007: EUR 220 million)	4.39%	292	–	219	–
Weighted average effective interest rate and total carrying amounts	**5.72% (5.55%) (1)**	**763**	**1,501**	**219**	**2,051**

(1) After hedging.

Loans from financial institutions and other

Loans from financial institutions and other include mainly amounts drawn on credit lines, borrowings secured by trade receivables as mentioned in note 20 and liabilities from purchased minority shares. Loans from financial institutions and other have the characteristics mentioned in the tables below (before hedge).

At 31 December 2008

(in EUR million)	EUR	USD	THB	CNY	RUB	BRL	Other	Total
Loans from financial institutions and other	993	668	320	184	63	46	132	2,406
– of which at fixed rates	15	7	56	52	–	–	2	132
– of which at variable rates	978	661	264	132	63	46	130	2,274
Weighted average effective interest rate	4.89%	3.74%	3.85%	6.66%	10.07%	16.06%	9.80%	5.31%

At 31 December 2007

(in EUR million)	EUR	USD	THB	CNY	RUB	BRL	Other	Total
Loans from financial institutions and other	688	294	219	115	14	1	227	1,558
– of which at fixed rates	10	12	65	–	–	–	14	101
– of which at variable rates	678	282	154	115	14	1	213	1,457
Weighted average effective interest rate	4.68%	5.69%	4.40%	5.72%	6.36%	5.37%	7.01%	5.36%

The THB variable rate loans are partially hedged through EUR 61 million interest rate swaps (2007: nil) maturing in 2013 (cash flow hedge) (note 16). The weighted average fixed rate on these swaps is 3.73%.

As mentioned in notes 10 and 16, some additional interest rate derivatives in USD and THB have been contracted but do not qualify for hedge accounting.

The exposure of the loans from financial institutions and other to interest rate changes and the contractual repricing dates are as follows:

(in EUR million)	31 December 2008	31 December 2007
6 months or less	2,250	1,437
6 – 12 months	24	20
1 – 5 years	91	47
Over 5 years	41	54
	2,406	**1,558**

Rating

At 31 December 2008, the corporate credit ratings are as follows:

		CGEM	CFM
Short-term	Standard & Poor's	A-3	A-3
	Moody's	P-2	P-2
Long-term	Standard & Poor's	BBB	BBB
	Moody's	Baa2	Baa2
Outlook	Standard & Poor's	Negative	Negative
	Moody's	Stable	Stable

26 • Employee benefits

According to laws and regulations applicable in each country, the Group contributes to post-retirement benefit, insurance, healthcare plans and retirement bonuses, of which the amount of the benefits paid varies based on a number of factors including seniority, salary and contributions to general insurance schemes.
Such plans can be either defined benefit plans or defined contribution plans.
In the case of defined benefit plans, Group commitments are measured using the Projected Credit Unit method.
In the case of defined contribution plans, the liabilities correspond to the contributions due.

26.1. Defined Benefit Plans

In addition to mandatory social insurance plans, the Group has introduced a number of retirement plans and retiree medical care plans as well as some minor plans as long service award or retirement bonuses.
Summary of the financial situation of the main defined benefit plans:

(In EUR million)	Defined benefit pension plans	Other defined benefit plans (including healthcare)	31 December 2008	31 December 2007
Present value of fully or partly funded obligations	4,067	–	4,067	5,068
Fair value of plan assets	(3,200)	–	(3,200)	(4,744)
Funded status	**867**	–	**867**	**324**
Present value of unfunded obligations	497	1,466	1,963	2,162
Unrecognized past service cost	(2)	65	63	71
Unrecognized actuarial gains and losses	(562)	110	(452)	(2)
Unrecognized asset due to asset ceiling limitation	2	–	2	8
Defined benefit net liabilities	**802**	**1,641**	**2,443**	**2,563**
Amounts recognized in the balance sheet:				
Prepaid benefit cost (note 15)			(5)	(4)
Accrued benefit cost			2,448	2,567
Net liabilities			**2,443**	**2,563**

Unrecognized actuarial gains and losses (corresponding to changes in the present value of the projected defined benefit obligations or the fair value of defined benefit plan assets) arise primarily from:
- changes in long-term actuarial assumptions such as inflation rate, discount rate, future salary levels and mortality tables,
- and differences between actuarial assumptions and actual experience.

Past service cost corresponds to the value of rights not yet vested by employees at the time of changing the benefit rights granted.
The Group does not recognize in the balance sheet any asset in excess of the total of the cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. If a defined benefit plan is subject to a Minimum Funding Requirement (MFR), the Group recognizes immediately a liability for any excess of a surplus resulting from the contributions paid under the MFR which would not be fully recoverable by economic benefits available to the Group.

At 31 December 2008 unrecognized actuarial losses amounted to EUR 452 million (2007: EUR 2 million) and past service cost of non vested benefits amounted to EUR 63 million (2007: EUR 71 million).
At 31 December 2008, the application of the asset ceiling limitation led the Group not to recognize an asset for an amount of EUR 2 million (2007: EUR 8 million).

Movement of defined benefit net liabilities recognized in the balance sheet:

(in EUR million)	Defined benefit pension plans	Other defined benefit plans (including healthcare)	2008	2007
At 1 January	**904**	**1,659**	**2,563**	**2,727**
Exchange differences	(50)	1	(49)	(124)
Expenses recognized in the income statement (recurring items)	55	115	170	230
Contributions paid to the funds	(86)	–	(86)	(93)
Benefits directly paid to the beneficiaries	(21)	(134)	(155)	(144)
Portion of benefit expenses recognized within the non recurring restructuring expenses	–	–	0	(20)
Changes in the scope of consolidation	–	–	0	(13)
At 31 December	**802**	**1,641**	**2,443**	**2,563**

In 2008, the net amount recognized in the consolidated income statement is an expense of EUR 174 million (2007: EUR 212 million), broken down as follows:

Net amount recorded in the consolidated income statement (in EUR million)	Defined benefit pension plans	Other defined benefit plans (including healthcare)	Year ended 31 December 2008	Year ended 31 December 2007
Cost of service rendered during the year	77	38	115	147
Interest cost	302	90	392	404
Expected return on plan assets	(330)	–	(330)	(356)
Amortization of actuarial gain/loss during the year	–	(3)	(3)	7
Past service cost recognized during the year	–	(10)	(10)	59
Effect of reductions or liquidations of benefit plans	8	–	8	(31)
Effect of asset ceiling limitation	2	–	2	2
Portion of benefit expenses recognized within the non recurring restructuring expenses	–	–	–	(20)
Total recorded in the income statement	**59**	**115**	**174**	**212**

Annual charges are determined by independent actuaries at the beginning of each financial year based on the following factors:
- charge corresponding to acquisition of an additional year of rights (“cost of services rendered during the year”),
- charge corresponding to annual discount (“interest cost”),
- income corresponding to estimated return on assets (“expected return on plan assets”),
- income or charge from annual amortization of actuarial gain or loss (“amortization of actuarial gain/loss during the year”),
- gain/loss resulting from changes in plan benefits (“past service cost recognized during the year”),
- gain/loss resulting from any reduction or liquidation of plans (curtailments and settlements),
- gain/loss resulting from the effect of the asset ceiling limitation.

26.1.1. Pensions plans

The Group offers its employees different retirement plans that vary according to applicable laws and regulations in each country and in accordance with the respective collective bargaining agreements relevant to each subsidiary.

Such benefits are provided under defined benefit plans or defined contribution plans.

Under defined benefit plans, the Group guarantees the future level of benefits as provided by the plan regulations. The valuation of such defined benefit plans is carried out by independent actuaries using actuarial techniques.

Defined retirement benefit plans can be funded through payments to external funds specialized in the management of the contributions paid to them. In the case of unfunded plans such as German pension plans, a provision is made in the consolidated balance sheet.

Defined post-retirement benefit plans are mainly found in the United States of America, Canada and the United Kingdom. The future benefits paid by the above plans are generally based on seniority and average end-of-career salaries. Since 2004, Group defined pension benefits paid to the employees of its North American and UK subsidiaries are gradually being phased out in favor of defined contribution pension plans for newly hired employees.

Under defined contribution plans, the Group's obligation is limited to the payment of established contributions. This does not guaranty the future level of benefits paid. Annual charges correspond to the contributions due during the year.

Currently, Group defined contribution plans mainly relate to the 401 K plans in the United States of America and the RRSP plan in Canada.

Change in the financial situation of defined benefit pension plans is as follows:

(in EUR million)	31 December 2008				31 December 2007			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligation at the beginning of the year	2,664	2,889	27	5,580	2,933	3,248	24	6,205
Exchange differences	(53)	(496)	(3)	(552)	(184)	(217)	1	(400)
Changes in the scope of consolidation	–	1	–	1	–	14	–	14
Current service cost	32	36	–	68	49	49	–	98
Interest cost	150	131	1	282	153	147	1	301
Plan reorganization costs generated during the year:								
– Immediately recognized in the income statement	10	–	–	10	(22)	11	–	(11)
– Unrecognized costs	–	–	–	–	–	–	–	–
Benefits paid	(275)	(102)	(1)	(378)	(183)	(114)	–	(297)
Other items	–	1	(1)	–	–	–	–	–
Unrecognized actuarial (gain)/loss generated during the year	(168)	(280)	1	(447)	(82)	(249)	1	(330)
Present value of the obligation at the end of the year	**2,360**	**2,180**	**24**	**4,564**	**2,664**	**2,889**	**27**	**5,580**
Fair value of plan assets at the beginning of the year	2,747	1,983	14	4,744	2,761	2,089	8	4,858
Exchange differences	(57)	(448)	(3)	(508)	(166)	(182)	1	(347)
Changes in the scope of consolidation	–	–	–	–	–	14	–	14
Expected return on plan assets	209	100	1	310	212	125	1	338
Contributions paid to the plans	10	81	1	92	29	72	1	102
Administration costs	–	(7)	–	(7)	–	(7)	–	(7)
Benefits paid	(275)	(83)	–	(358)	(183)	(96)	–	(279)
Other items	–	–	–	–	–	–	–	–
Unrecognized actuarial gain/(loss) generated during the year	(796)	(276)	(1)	(1,073)	94	(32)	3	65
Fair value of plan assets at the end of the year	**1,838**	**1,350**	**12**	**3,200**	**2,747**	**1,983**	**14**	**4,744**
Deficit/(surplus) at the end of the year	***522***	***830***	***12***	***1,364***	***(83)***	***906***	***13***	***836***
Deferred items at the beginning of the year	(88)	24	(4)	(68)	101	258	(2)	357
Exchange differences	1	–	1	2	(9)	(14)	–	(23)
Changes in scope of consolidation	–	–	–	–	–	–	–	–
Unrecognized asset due to the asset ceiling limitation generated during the year	6	–	–	6	(8)	–	–	(8)
Amortization of actuarial gain/loss during the year	–	–	–	–	(2)	(2)	–	(4)
Amortization of plan reorganization costs during the year	–	–	–	–	–	–	–	–
Unrecognized actuarial gain/loss generated during the year	625	(5)	2	622	(171)	(218)	(2)	(391)
Unrecognized plan reorganization costs generated during the year	–	–	–	–	1	–	–	1
Deferred items at the end of the year	***544***	***19***	***(1)***	***562***	***(88)***	***24***	***(4)***	***(68)***
Net liability/(-)asset recognized in the balance sheet at the end of the year	**(22)**	**811**	**13**	**802**	**5**	**882**	**17**	**904**

In 2008, the decrease of the present value of the defined benefit pension plans obligation amounts to EUR 1,016 million. This decrease is due to:

• the effect of the exchange rates between EUR and USD, GBP and CAD	EUR 552 million	(2007: EUR 400 million)
• the actuarial gains due to the change in actuarial assumptions and to the difference between assumptions and actual experience	EUR 447 million	(2007: EUR 330 million)
• the difference between the cost (service cost and interest cost) and the benefits paid during the year	EUR 28 million	(2007: EUR (102) million)
• the changes in plan regulations	EUR (10) million	(2007: EUR 11 million)
• the changes in the scope of consolidation	EUR (1) million	(2007: EUR (14) million)

The fair value of plan assets amounts to EUR 3,200 million at 31 December 2008, showing a decrease of EUR 1,544 million compared to 31 December 2007. The factors being the cause of this variation are the following:

• the effect of the exchange rates between EUR and USD, GBP and CAD	EUR (508) million	(2007: EUR (347) million)
• the difference between the contributions paid to the funds and the benefits paid by the funds	EUR (266) million	(2007: EUR (177) million)
• the actual return on plan asset	EUR (763) million	(2007: EUR 403 million)
• other items	EUR (7) million	(2007: EUR 7 million)

The amounts for current annual period and previous three annual periods of the present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follow:

(in EUR million)	2008	2007	2006	2005
Defined benefit obligation	(4,564)	(5,580)	(6,205)	(6,490)
Plan assets	3,200	4,744	4,858	4,791
Surplus / (deficit)	**(1,364)**	**(836)**	**(1,347)**	**(1,699)**
Experience adjustment on:				
– plan liabilities	(80)	(31)	(2)	(16)
– plan assets	(1,073)	64	192	227

The main actuarial weighted average assumptions used to measure the obligations for pension plans were as follows:

	31 December 2008			31 December 2007		
	North America	Europe	Other	North America	Europe	Other
Discount rate	6.96%	6.09%	11.30%	5.84%	5.57%	11.30%
Rate of salary increases (1)	2.79%	2.96%	7.62%	3.34%	3.44%	7.62%
Average remaining service lives	10.9 years	11.1 years	12.0 years	11.6 years	10.7 years	12.5 years
Expected return on plan assets	8.37%	6.06%	11.30%	8.34%	6.62%	11.30%

(1) Including all assumptions relating to career development, promotions, seniority and other, over the employee's entire service life.

Group obligations are regularly calculated by independent actuaries using the Projected Unit Credit Method with end of career salary.
The assumptions used are determined each year by the management based on recommendations from the actuaries.
The discount rates used to calculate the present value of obligations are based on high-quality corporate or Government bonds having a term consistent with the obligations at the calculation date.
The Group's methodology in setting the discount rates has remained the same as in previous years. The rates are chosen using local markets indicators, as long as they are in line with the guidance of IAS19, and checked with global providers' data such as iBoxx, Reuters and Bloomberg, as well as the benchmarks of the Group's actuary. Due to the recent financial turmoil, a number of these indices may be less relevant as they could include corporate bonds of a lower quality than those required by IAS19. When the information concerning the computation of such indices is available and it is confirmed that such indices are of a lower quality, they have not been retained or averaged with other indices.

The main assumptions (pay increases, retirement age, employee turnover, mortality, invalidity) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force. The expected return of plan assets is determined for each portfolio on the measurement date taking into account market conditions, portfolio composition as well as long-term returns of each class and sub-class.

The discount rate is one of the main assumptions used in the measurement of the defined benefit obligation and its change may have a significant effect on the amounts reported.

A one-percentage-point change in the discount rate compared to those used for 2008 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	-11.7%	+13.9%
Effect on the aggregate of current service cost and interest cost	-0.3%	-0.7%

Net income and charges recognized in the income statement are as follows:

(in EUR million)	Year ended 31 December 2008				Year ended 31 December 2007			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of service rendered during the year	32	43	2	77	51	52	2	105
Interest cost	150	151	1	302	160	156	1	317
Expected return on plan assets	(208)	(121)	(1)	(330)	(220)	(135)	(1)	(356)
Amortization of actuarial gain/loss during the year	–	–	–	–	2	3	–	5
Past service cost recognized during the year	–	–	–	–	–	2	–	2
Effect of reductions or liquidations of benefit plans	8	–	–	8	(23)	6	–	(17)
Effect of asset ceiling limitation	2	–	–	2	2	–	–	2
Portion of benefit expenses recognized within the non recurring restructuring expenses	–	–	–	–	–	2	–	2
Total defined benefit pension expenses	**(16)**	**73**	**2**	**59**	**(28)**	**86**	**2**	**60**
Actual return on plan assets	**(587)**	**(176)**	–	**(763)**	**306**	**93**	**4**	**403**

The asset allocation of fully and partly funded significant pension plans is as follows:

	31 December 2008				31 December 2007			
	Canada	USA	UK	Other	Canada	USA	UK	Other
Equities	49%	32%	52%	6%	62%	47%	57%	6%
Alternative investments [(1)]	9%	26%	0%	1%	3%	17%	0%	3%
Real Estate	0%	8%	0%	3%	0%	7%	0%	3%
Total fixed income and cash	42%	34%	48%	90%	35%	29%	43%	88%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Hedge funds and private equity.

Note that in so far as local law gives the Group some flexibility in weighting on investment fund policy, the Group refrains altogether from placing any Group security in the managed funds. With reference to general funds invested with insurance companies as well as other alternative investments, the Group is not in possession of all information on the underlying assets. The Group has no significant amount invested in its own securities.

Michelin was not occupying nor using any of the real estate assets included in the various portfolios.
Each plan's asset allocation is decided periodically by an independent body acting as fiduciary (Investment Board, Board of Trustees) based on recommendations made by independent actuaries in consultation with banks or investment management firms. The asset allocation takes into account the structure of social liabilities and their terms.

As at 31 December 2008 Group contributions and payments made to pension plans are as follows:

(in EUR million)	North America	Europe	Other	Total
Contributions paid/payments made				
2008	11	105	2	118
Estimates of contributions expected to be paid and payments to be made				
2009	14	78	1	93
2010	253	65	1	319
2011	118	73	1	192
2012	115	78	–	193
2013	110	79	1	190
2014-2018	266	433	3	702

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant management bodies.

The estimates of the future payments for the non financed plans were carried out on the basis of elements included in the calculation of the projected defined benefit obligation based on the leaving dates envisaged each year. The same method was used for the constitutive funds for the partially funded plans paid to insurance companies. For the plans that are financed, the estimations of future contributions have been made taking into account the changes in regulations that are known to date (Pension Protection Act 2006 in the US which will have an impact on funding from 2011 and Pension Act 2004 in the UK).

26.1.2. Other Defined Benefit Plans

In many countries, Group employees receive other post-retirement benefits and long-term benefits throughout their term of employment. The "other post-retirement benefits" mainly include healthcare insurance and retirement bonuses. The "other defined benefit plans" are mainly found in the United States of America, Canada and France. "Other long-term benefits" also include deferred compensations that are mandatory in the countries where the Group operates or provided for under local company-specific agreements. Such defined benefit plans generally relate to Group European companies and are based on seniority.

As in the case of the above-described defined benefit plans, "other defined benefit plans" are valuated by independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets but are fully accounted for in the Group's balance sheet liabilities.

Changes in the financial situation of "other defined benefit plans" are as follows:

(in EUR million)	31 December 2008				31 December 2007			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligation at the beginning of the year	901	747	2	1,650	999	736	19	1,754
Exchange differences	(1)	(2)	–	(3)	(76)	(1)	–	(77)
Changes in the scope of consolidation	–	(1)	–	(1)	–	–	(10)	(10)
Current service cost	12	25	–	37	13	25	–	38
Interest cost	53	38	–	91	51	33	–	84
Plan reorganization costs generated during the year:								
– Immediately recognized in the income statement	–	–	–	–	–	40	(7)	33
– Unrecognized costs	–	–	–	–	–	19	–	19
Benefits paid	(49)	(80)	–	(129)	(54)	(71)	–	(125)
Other items	(2)	(1)	(1)	(4)	4	1	–	5
Unrecognized actuarial (gain)/loss generated during the year	(151)	(24)	–	(175)	(36)	(35)	–	(71)
Present value of the obligation at the end of the year	**763**	**702**	**1**	**1,466**	**901**	**747**	**2**	**1,650**
Fair value of plan assets at the beginning of the year	–	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–	–	–
Expected return on plan assets	–	–	–	–	–	–	–	–
Contributions paid to the plans	–	–	–	–	–	–	–	–
Administration costs	–	–	–	–	–	–	–	–
Benefits paid	–	–	–	–	–	–	–	–
Other items	–	–	–	–	–	–	–	–
Unrecognized actuarial gain/(loss) generated during the year	–	–	–	–	–	–	–	–
Fair value of plan assets at the end of the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deficit/(surplus) at the end of the year	***763***	***702***	***1***	***1,466***	***901***	***747***	***2***	***1,650***
Deferred items at the beginning of the year	(143)	134	–	(9)	(142)	161	(2)	17
Exchange differences	(6)	–	–	(6)	17	–	–	17
Changes in scope of consolidation	–	–	–	–	–	–	2	2
Amortization of actuarial gain/loss during the year	–	(3)	–	(3)	(3)	1	–	(2)
Amortization of plan reorganization costs during the year	21	(10)	–	11	21	(11)	–	10
Unrecognized actuarial gain/loss generated during the year	(151)	(17)	–	(168)	(36)	(36)	–	(72)
Unrecognized plan reorganization costs generated during the year	–	–	–	–	–	19	–	19
Deferred items at the end of the year	*(279)*	*104*	*–*	*(175)*	*(143)*	*134*	*–*	*(9)*
Net liability/(-)asset recognized in the balance sheet at the end of the year	**1,042**	**598**	**1**	**1,641**	**1,044**	**613**	**2**	**1,659**

In 2008, the decrease of the present value of the other defined benefit plans amounts to EUR 184 million. This decrease is due to:

• the effect of the exchange rates between EUR and USD, GBP and CAD	EUR 3 million	(2007: EUR 77 million)
• the change in plan regulations	EUR - million	(2007: EUR (52) million)
• the difference between the cost (service cost and interest cost) and the benefits paid during the year	EUR 1 million	(2007: EUR 3 million)
• the actuarial gains due to the change in actuarial assumptions and to the difference between assumptions and actual experience	EUR 175 million	(2007: EUR 71 million)
• other items	EUR 5 million	(2007: EUR 5 million)

The amounts for current annual period and previous three annual periods of the present value of the defined benefit obligation and the experience adjustments are as follows:

(in EUR million)	2008	2007	2006	2005
Defined benefit obligation	(1,466)	(1,650)	(1,754)	(1,933)
Experience adjustment on plan liabilities	18	19	26	69

The main actuarial weighted average assumptions used to measure the obligations for other defined benefit plans were as follows:

	31 December 2008			31 December 2007		
	North America	Europe	Other (1)	North America	Europe	Other
Discount rate	6.93%	5.74%	–	5.89%	5.19%	–
Average remaining service lives	11.9 years	12.8 years	–	12.9 years	11.8 years	–

(1) The Group has no more "Other Defined Benefit Plans" requiring the use of actuarial assumptions outside North America and Europe.

The discount rates used to calculate the present value of obligations are based on high-quality corporate or Government bonds having a term consistent with the obligations at the calculation date.
The main assumptions (healthcare cost increase trends, retirement age, employee turnover, mortality, invalidity) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force.
The Group's methodology in setting the discount rates has remained the same as in previous years. The rates are chosen using local markets indicators, as long as they are in line with the guidance of IAS19, and checked with global providers' data such as iBoxx, Reuters and Bloomberg, as well as the benchmarks of the Group's actuary. Due to the recent financial turmoil, a number of these indices may be less relevant as they could include corporate bonds of a lower quality than those required by IAS19. When the information concerning the computation of such indices is available and it is confirmed that such indices are of a lower quality, they have not been retained or averaged with other indices.

A one-percentage-point change in the discount rate compared to those used for 2008 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	-8.1%	+9.5%
Effect on the aggregate of current service cost and interest cost	+1.6%	-2.0%

Future assumptions concerning healthcare cost trends are as follows:

	31 December 2008		31 December 2007	
	USA	Canada	USA	Canada
Expected growth of healthcare costs for the first year	7.72%	7.26%	7.93%	6.91%
Minimum long-term growth of healthcare costs	5.00%	5.00%	5.00%	5.00%
Year in which the lowest growth rate will be achieved	2015	2011	2014	2010

The assumed health care cost trend rate has a significant effect on the amounts reported.
A one-percentage-point change in the expected healthcare cost trend compared to those used for 2008 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	+5.42%	-5.00%
Effect on the aggregate of current service cost and interest cost	+6.01%	-5.40%

Net income and charges recognized in the income statement are as follows:

(in EUR million)	Year ended 31 December 2008				Year ended 31 December 2007			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of service rendered during the year	12	26	–	38	14	27	1	42
Interest cost	52	38	–	90	54	33	–	87
Expected return on plan assets	–	–	–	–	–	–	–	–
Amortization of actuarial gain/loss during the year	–	(3)	–	(3)	3	(1)	–	2
Past service cost recognized during the year	(20)	10	–	(10)	(22)	86	(7)	57
Effect of reductions or liquidations of benefit plans	–	–	–	–	–	(14)	–	(14)
Portion of benefit expenses recognized within the non recurring restructuring expenses	–	–	–	–	–	(22)	–	(22)
Total other defined benefit expenses	**44**	**71**	**–**	**115**	**49**	**109**	**(6)**	**152**

As at 31 December 2008 Group payments made and to be made on other defined plans are as follows:

(in EUR million)	North America	Europe	Other	Total
Payments made				
2008	50	82	1	133
Estimates of payments expected to be made				
2009	58	40	–	98
2010	61	47	–	108
2011	61	59	–	120
2012	63	73	–	136
2013	63	87	–	150
2014-2018	323	377	–	700

Such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant management bodies.
Payments made in 2008 are significantly higher than those forecasted for the coming years due to anticipated payments (mostly in France).

26.2. Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-retirement plans. These are mainly found in the United States of America, Canada and the United Kingdom.
In 2008, the contributions paid to such defined contribution plans and charged to the consolidated income statement amount to EUR 69 million (2007: EUR 61 million).

27 • Equity compensation benefits

27.1. Share option plans

Changes in the number of options granted under share option plans and their weighted average exercise price are as follows:

	2008		2007	
	Weighted average exercise price (in euro per option)	Options	Weighted average exercise price (in euro per option)	Options
At 1 January	**61.80**	**3,261,727**	**44.41**	**2,442,057**
Granted	62.00	310,000	91.00	1,188,230
Forfeited	59.91	(57,444)	57.97	(21,730)
Exercised	36.33	(45,520)	39.68	(346,830)
At 31 December	**62.18**	**3,468,763**	**61.80**	**3,261,727**

768,663 of the 3,468,763 options outstanding as at 31 December 2008 are exercisable (2007: 545,177 of the 3,261,727).

Assumptions used to value the share options granted in 2008 are as follows:

Grant date	14 May 2008
Number of options	310,000
Weighted average share price (euros per share)	61.98
Exercise price (euros per share)	62.00
Volatility	32.50%
Risk free interest rate	4.24%
Market value of the option at grant date (in euro per option)	10.27

The maximum gain allowed is limited to 100 % of the exercise price.

Share purchase option plans have the following exercise prices and expiry dates:

Grant dates	Vesting dates	Expiry dates	Exercise prices	Options	
			(in euro per option)	31 December 2008	31 December 2007
May 2002	May 2006	May 2011	44.00	215,451	240,085
May 2003	May 2007	May 2012	32.25	103,897	118,447
November 2003	November 2007	November 2012	34.00	173,515	186,645
May 2004	May 2008	May 2013	40.00	155,700	169,900
July 2004	July 2008	July 2013	44.50	120,100	120,700
May 2005	May 2009	May 2014	48.00	216,000	218,500
November 2005	November 2009	November 2014	48.00	874,950	888,000
May 2006	May 2010	May 2015	58.00	133,900	136,700
May 2007	May 2011	May 2016	91.00	1,165,250	1,182,750
May 2008	May 2012	May 2017	62.00	310,000	–
Total outstanding share options				**3,468,763**	**3,261,727**

27.2. Share purchase plans

In 2008, the Group launched a share offer for all its employees located in countries where the legal and fiscal requirements are met. This share purchase plan (Bib'Action), carried out under the company savings plan (Plan d'Epargne Groupe), is a standard plan in which employees invest in Michelin shares at a discount. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period. For measuring the effect of the five-year transfer restriction, the Group used a valuation technique based on a strategy whereby an employee would sell the restricted shares forward at the end of the five-year period and purchase immediately an equivalent number of unrestricted shares financed by a non affected loan repaid at the end of the lock-up period using the proceeds of the forward sale and the dividends paid during that period.
On may 12, 2008, the Group offered to its employees the opportunity to subscribe to a reserved capital increase at a share price of EUR 51.00 (discount of 19.96% to the reference price of EUR 63.68 corresponding to the average over 20 trading days preceding the date the price is set). The total number of shares purchased amounted to 952.733. The global expense recognised in 2008 in relation with this plan amounted to EUR 15 million after deduction of the effect of the five-year transfer restriction.

The assumptions used for the valuation of the cost linked to the shares subscribed by the Group employees in the first half of 2008 are as follows:

Maturity of the plan	5 years
Number of shares subscribed	952.733
Reference price (in euro)	63.68
Subscription price (in euro)	51.00
Five-year risk-free rate [a]	4.39%
Five-year employee financing rate [b]	7.57%
Dividend yield	2.28%
Cost of the lock-up period (in % of the reference price)	13.95%
Cost recognized (in euro per share)	15.96

(a) The risk free interest rate is based on the yield on the French government debt with the appropriate maturity.

(b) The five-year employee financing rate is an average of non affected 5 year individual loan rates.

28 • Provisions and other non-current liabilities

The carrying amount of the provisions and other long-term liabilities is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Non-current liabilities		
– Deferred income - Government grants	139	121
– Debts towards employees and social security authorities	89	101
Provisions		
– Restructuring provisions	319	442
– Litigations provisions	110	113
– Other provisions	103	118
Total provisions and other non-current liabilities	**760**	**895**

Movements of provisions during the year:

(in EUR million)	Restructuring	Litigation	Other provisions
At 1 January 2008	**442**	**113**	**118**
Additional provisions	81	54	59
Utilized during the year	(163)	(43)	(72)
Unused amounts reversed	(35)	(13)	1
Currency translation effects	(2)	(3)	(1)
Change in scope of consolidation	–	–	–
Other effects	(4)	2	(2)
At 31 December 2008	**319**	**110**	**103**

As at 31 December 2008, the remaining restructuring provisions are mainly located in:

Spain	for	EUR 173 million,
Italy	for	EUR 50 million,
France	for	EUR 81 million.

29 • Other current liabilities

The carrying amount of the other current liabilities is detailed in the table below.

(in EUR million)	31 December 2008	31 December 2007
Customers – Deferred rebates	655	606
Employee benefits	302	356
Social security liabilities	296	305
Restructuring liabilities	65	88
Current income tax to pay	69	125
Other taxes	103	134
Other	354	310
Total other current liabilities	**1,844**	**1,924**

30 • Details of the cash flow statement

Details of the cash flow statement are presented in the table below:

(in EUR million)	Year ended 31 December 2008	Year ended 31 December 2007
Non-cash other income and expenses		
Result on disposal of non-financial assets	1	(19)
Other	9	(7)
	10	**(26)**
Net finance costs paid		
Interests paid and other financial expenses	(307)	(322)
Interests received and other financial income	30	35
Dividends received	11	10
	(266)	**(277)**
Change in value of working capital, net of impairment		
Change in inventory	(419)	(132)
Change in trade receivables	478	166
Change in other receivables and payables	(193)	132
	(134)	**166**
Purchases of intangible assets and PP&E		
Purchase of intangible assets	(112)	(82)
Purchase of PP&E	(1,159)	(1, 258)
Investment grants received	21	16
Change in capital expenditures payables	(39)	(160)
	(1,289)	**(1,484)**
Change in value of other current and non-current financial assets		
Increase of other non-current financial assets	(11)	(39)
Decrease of other non-current financial assets	23	58
Net change of the other current financial assets	3	22
	15	**41**
Change in value of current and non-current financial liabilities		
Increase of non-current financial liabilities	775	325
Decrease of non-current financial liabilities	(127)	(458)
Finance lease debt repayments	(49)	(79)
Net increase / (decrease) of current financial liabilities	291	(1,062)
Derivatives	(122)	12
	768	**(1,262)**

Detail of the non cash transactions:		
– Financial lease	10	26
– Non-controlling interest purchase commitments	(63)	(55)
– New emission rights	47	5

31 • Commitments and contingencies

Michelin Pension Trust Ltd UK

Following the introduction of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension funds, "Recovery Plan", was established between Michelin Pension Trust Ltd U.K. and Michelin U.K. In order to limit the amount of the contributions and to stagger them over more than ten years, the Group issued in 2007 a guarantee towards the pension fund to cover the stream of contributions which its subsidiary will have to make. The discounted amount guaranteed which exceeds the amount already recognized in the financial statements amounts to EUR 119 million.

Other commitments

The Group has various purchase commitments for materials and services as well as for the acquisition of equipments. These commitments primarily concern the purchases in 2008. They are established under normal market conditions and occur in the course of ordinary activities of the Group.

Canadian pension litigation

In June 2005, a group of Michelin pension fund beneficiaries in Canada (the Plaintiffs) started a legal action against the Canadian subsidiary of the Group (Michelin Canada.) In October 2007 and in November 2008 the Nova Scotia's Supreme Court and Court of Appeal dismissed the plaintiff's claim. The legal action is finally closed

Other contingencies

In the course of their ordinary activities, the group companies may be involved in administration proceedings, litigations and claims. Although provisions have been recognized when the risks are established and the cash outflows probable, it exists uncertainties on some of administration proceedings, litigations and claims.

In the opinion of the Group management, the outcome of these actions will not have material impact on the Group's financial situation or cash flows.

32 • Acquisitions and divestments of businesses

There were no significant acquisitions or divestments in 2008.

33 • Related party transactions

Subsidiaries and associated companies

A list of the major Group subsidiaries and associates is included in note 35.
Transactions between the parent company and its subsidiaries and between subsidiaries are eliminated on consolidation.
Transactions and balances between the Group and its associates and joint ventures are detailed in the table below.

(in EUR million)	2008	2007
Income statement		
Income from the sale of goods or supply of services	–	2
Interest income	–	–
Expenses for the purchase of products or supply of services	(155)	(130)
Balance sheet		
Balances receivable	–	–
Loans receivable	–	–
Financial liabilities	(24)	(4)
Balance payable	(10)	(9)
Other current receivables and payables	–	1

Key management and Supervisory Board

The Managing General Partner received in 2008, in connection with financial year 2007, an aggregate amount of EUR 5.3 million, proportional to and dependent upon profit (2007 in connection with 2006: EUR 4.2 million).

The benefits costs, including social contributions, of the non-general Managing Partners in 2008 were EUR 1.8 million (2007: EUR 1.4 million). They are broken down as follows:

• short term benefits	EUR 1.6 million	(2007: EUR 1.2 million)
• post employment benefits	EUR 0.1 million	(2007: EUR 0.1 million)
• share based payments	EUR 0.1 million	(2007: EUR 0.1 million)

They do not include those received as members of the Group Executive Council until 11 May 2007.

The benefits costs, including social contributions, of the members of the Group Executive Council in 2008 were EUR 7.6 million (2007: EUR 6.8 million). They are broken down as follows:

• short term benefits	EUR 6.7 million	(2007: EUR 5.3 million)
• post employment benefits	EUR 0.4 million	(2007: EUR 0.6 million)
• share based payments	EUR 0.5 million	(2007: EUR 0.9 million)

They include those related to the non-general Managing Partners until 11 May 2007.

The following fees were paid in 2008 (for services rendered in 2007) to the Supervisory Board members: EUR 0.3 million (2007 for services rendered in 2006: EUR 0.3 million).

34 • Events after the balance sheet date

The assets and liabilities values at the balance sheet date are adjusted, if needed, up to the date the Supervisory Board has authorized for issue the 2008 consolidated financial statements.

35 • List of main group companies

Countries within the Michelin geographical zones are listed according to the alphabetical order of the French names.

35.1. Fully-consolidated companies

Companies	Registered office	Nature	% of interest
EUROPE			
Germany			
Laurent Reifen GmbH	Oranienburg	Manufacturing & commercial	100.00
Michelin Reifenwerke AG & Co. KGaA	Karlsruhe	Manufacturing & commercial	100.00
EUROMASTER GmbH	Kaiserslautern	Commercial	99.98
ViaMichelin Deutschland GmbH	Griesheim	Commercial	100.00
Austria			
Euromaster Reifenservice GmbH	Vienna	Commercial	97.56
Michelin Reifenverkaufsgesellschaft m.b.H.	Vienna	Commercial	100.00
Belgium			
Michelin Belux S.A.	Zellik	Commercial	100.00
Société pour le Traitement de l'Information TRINFOVER	Zellik	Miscellaneous	100.00
Denmark			
Michelin Gummi Compagni A/S	Brøndby	Commercial	100.00
Euromaster Danmark A/S	Viborg	Commercial	99.94
Spain			
Michelin España Portugal, S.A.	Tres Cantos	Manufacturing & commercial	99.80
Euromaster Automoción y Servicios, S.A.	Madrid	Commercial	99.94
ViaMichelin España, S.L.	Tres Cantos	Commercial	100.00
Estonia			
Michelin Rehvide AS	Tallinn	Commercial	100.00
Finland			
Oy Suomen Michelin Ab	Espoo	Commercial	100.00
Suomen Euromaster Oy	Pori	Commercial	99.94
France			
Compagnie Générale des Etablissements Michelin	Clermont-Ferrand	Parent	–
Manufacture Française des Pneumatiques Michelin	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Avallon	Manufacturing & commercial	100.00
Pneumatiques Kléber	Toul	Manufacturing & commercial	100.00
Simorep et Cie - Société du Caoutchouc Synthétique Michelin	Bassens	Manufacturing	100.00
Société de Développement Mécanique	Wattignies	Manufacturing	100.00
S.O.D.G.	Clermont-Ferrand	Manufacturing	100.00

Companies	Registered office	Nature	% of interest
Euromaster France	Montbonnot Saint Martin	Commercial	98.35
Michelin Aircraft Tyre	Clermont-Ferrand	Commercial	100.00
Recamic Services	Clermont-Ferrand	Commercial	100.00
Transityre France	Clermont-Ferrand	Commercial	100.00
ViaMichelin	Boulogne-Billancourt	Commercial	100.00
Michelin Middle East	Clermont-Ferrand	Financial	100.00
Société des Procédés Industriels Modernes	Clermont-Ferrand	Financial	100.00
Spika	Clermont-Ferrand	Financial	100.00
Société Civile Immobilière Michelin Breteuil	Paris	Miscellaneous	100.00
Société de Technologie Michelin	Clermont-Ferrand	Miscellaneous	100.00
Greece			
Elastika Michelin A.E.	Halandri	Commercial	100.00
Hungary			
Michelin Hungaria Tyre Manufacture Ltd.	Nyíregyháza	Manufacturing & commercial	100.00
Michelin Central Europe Commercial Private Company Limited by Shares	Budapest	Commercial	99.98
Taurus Carbonpack Commercial and Supplying Ltd.	Tuzsér	Commercial	100.00
Ireland			
Oboken Limited	Dublin	Financial	100.00
Mireis Limited	Dublin	Miscellaneous	100.00
Miripro Insurance Company Limited	Dublin	Miscellaneous	100.00
Italy			
Società per Azioni Michelin Italiana	Turin	Manufacturing & commercial	100.00
ViaMichelin Italia S.r.l.	Milan	Commercial	100.00
Latvia			
Michelin Riepas SIA	Riga	Commercial	100.00
Lithuania			
UAB Michelin Padangos	Vilnius	Commercial	100.00
Luxembourg			
Michelin Luxembourg SCS	Luxembourg	Financial	100.00
Norway			
Norsk Michelin Gummi AS	Lørenskog	Commercial	100.00
The Netherlands			
Eurodrive Services and Distribution N.V.	Amsterdam	Commercial	99.94
Euromaster Bandenservice B.V.	Deventer	Commercial	99.94
Michelin Nederland N.V.	Drunen	Commercial	100.00
Transityre B.V.	Breda	Commercial	100.00
Michelin Finance (Pays-Bas) B.V.	Amsterdam	Financial	100.00
Poland			
Michelin Polska S.A.	Olsztyn	Manufacturing & commercial	100.00

Companies	Registered office	Nature	% of interest
Portugal			
Michelin-Companhia Luso-Pneu, Limitada	Lisbon	Commercial	100.00
Serbia			
TIGAR TYRES d.o.o., Pirot	Pirot	Manufacturing & commercial	100.00
Slovak Republic			
Michelin Slovensko, s.r.o.	Bratislava	Commercial	100.00
Czech Republic			
Michelin Ceská republika s.r.o.	Prague	Commercial	100.00
Romania			
Silvania S.A.	Zalau	Manufacturing & commercial	99.94
Victoria S.A.	Floresti	Manufacturing & commercial	99.21
Michelin RomRetreading S.R.L.	Bucharest	Manufacturing	100.00
Michelin Romsteel Cord S.A.	Zalau	Manufacturing	100.00
Michelin Romania S.A.	Bucharest	Commercial	100.00
United Kingdom			
Michelin Tyre Public Limited Company	England and Wales	Manufacturing & commercial	100.00
Associated Tyre Specialists Limited	England and Wales	Commercial	99.94
Michelin Lifestyle Limited	England and Wales	Commercial	100.00
ViaMichelin UK Limited	England and Wales	Commercial	100.00
Michelin Europe (EEIG)	England and Wales	Miscellaneous	99.96
Michelin Services Ltd	England and Wales	Miscellaneous	100.00
XM Services Limited	Scotland	Miscellaneous	100.00
Russia			
LLC "Michelin Russian Tyre Manufacturing Company"	Davydovo village	Manufacturing & commercial	100.00
Michelin Tyres Russian General Agency ZAO	Moscow	Commercial	100.00
Slovenia			
Michelin Slovenija, pnevmatike, d.o.o.	Ljubljana	Commercial	100.00
Sweden			
Euromaster AB	Varberg	Commercial	99.94
Michelin Nordic AB	Stockholm	Commercial	100.00
Switzerland			
Euromaster (Suisse) S.A.	Petit-Lancy	Commercial	99.94
Michelin Suisse S.A.	Givisiez	Commercial	100.00
Compagnie Financière Michelin	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Granges-Paccot	Miscellaneous	100.00
NORTH AMERICA AND MEXICO			
Canada			
Michelin North America (Canada) Inc.	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	New Glasgow	Commercial	100.00

Companies	Registered office	Nature	% of interest
United States of America			
Michelin North America, Inc.	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Wilmington	Commercial	100.00
Tire Centers, LLC	Wilmington	Commercial	100.00
CR Funding Corporation	Wilmington	Financial	100.00
Michelin Corporation	New York	Financial	100.00
Mexico			
Industrias Michelin, S.A. de C.V.	Mexico City	Manufacturing & commercial	100.00
Michelin Mexico Holding, S.A. de C.V.	Mexico City	Financial	100.00
SOUTH AMERICA			
Argentina			
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Buenos Aires	Commercial	100.00
Brazil			
Sociedade Michelin de Participações, Indústria e Comércio Ltda.	Rio de Janeiro	Manufacturing & commercial	100.00
Michelin Espírito Santo – Comércio, Importações e Exportações Ltda.	Espírito Santo	Commercial	100.00
Plantações E. Michelin Ltda.	Rio de Janeiro	Miscellaneous	100.00
Plantações Michelin da Bahia Ltda.	Rio de Janeiro	Miscellaneous	100.00
Chile			
Michelin Chile Ltda.	Santiago	Commercial	100.00
Colombia			
Industria Colombiana de Llantas S.A.	Cali	Manufacturing & commercial	99.94
Peru			
Michelin del Perú S.A.	Lima	Commercial	100.00
Venezuela			
Michelin Venezuela, S.A.	Valencia	Commercial	100.00
ASIA AND OCEANIA			
Australia			
Michelin Australia Pty Ltd.	Melbourne	Commercial	100.00
China			
Michelin Shenyang Tire Co., Ltd.	Liaoning Province	Manufacturing & commercial	100.00
Shanghai Michelin Warrior Tire Co., Ltd.	Shanghai	Manufacturing & commercial	70.00
Michelin (Shanghai) Trading Co., Ltd.	Shanghai	Commercial	100.00
Michelin Asia (Hong Kong) Limited	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd.	Shanghai	Commercial	100.00
Michelin Asia-Pacific Export (HK) Limited	Hong Kong	Miscellaneous	100.00

Companies	Registered office	Nature	% of interest
Michelin Asia-Pacific Import (HK) Limited	Hong Kong	Miscellaneous	100.00
Michelin Asia-Pacific Import-Export (HK) Limited	Hong Kong	Miscellaneous	100.00
Michelin Tire Research and Development Center (Shanghai) Co., Ltd.	Shanghai	Miscellaneous	100.00
South Korea			
Michelin Korea Co., Ltd.	Seoul	Commercial	100.00
India			
Michelin India Private Limited	New Delhi	Commercial	100.00
Michelin India Tyres Private Limited	New Delhi	Commercial	100.00
Japan			
Nihon Michelin Tire Co., Ltd.	Tokyo	Manufacturing & commercial	100.00
Michelin Research Asia Co., Ltd.	Chiyoda-Ku Tokyo	Miscellaneous	100.00
Malaysia			
Michelin Malaysia Sdn. Bhd.	Malaysia	Commercial	100.00
New Zealand			
M. Michelin & Company Limited	New Zealand	Commercial	100.00
Singapore			
Michelin Asia (Singapore) Co. Pte. Ltd.	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte Ltd	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd.	Singapore	Miscellaneous	100.00
Taiwan			
Michelin Chun Shin Ltd.	Taipei	Commercial	100.00
Thailand			
Michelin Siam Company Limited	Bangkok	Manufacturing & commercial	100.00
Siam Tyre Phra Pradaeng Co., Ltd.	Samutprakarn	Manufacturing	100.00
Michelin Research Asia (Thailand) Co., Ltd.	Bangkok	Miscellaneous	100.00
Michelin Siam Group Co., Ltd.	Bangkok	Financial	100.00
AFRICA AND THE MIDDLE EAST			
South Africa			
Michelin Tyre Company South Africa (Proprietary) Limited	Johannesburg	Commercial	100.00
Algeria			
Michelin Algérie SPA	Algiers	Manufacturing & commercial	100.00
Cameroon			
Société Moderne du Pneumatique Camerounais	Douala	Commercial	100.00
Nigeria			
Michelin Tyre Services Company Ltd.	Nigeria	Commercial	60.28
Turkey			
Michelin Lastikleri Ticaret A.S.	Istanbul	Commercial	100.00

35.2. Companies consolidated using the equity method

Companies	Registered office	Nature	% of interest
Société Internationale de Plantations d'Hévéas	Courbevoie	France	20.00
RubberNetwork.com, LLC	Wilmington	United States of America	27.75
MC Projects B.V.	Amsterdam	The Netherlands	50.00

Statutory Auditors' Report

on the Consolidated Financial Statements

For the year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying consolidated financial statements of Compagnie Générale des Etablissements Michelin;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

The financial crisis which has progressively produced an economical crisis has significant consequences for companies in particular for their revenues and their financing. Taking into account this unfavourable economical environment and in accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2 to the accounts related to the basis of preparation of the consolidated financial statements presents the main assumptions and estimates used by management, in particular with respect to impairment of non financial assets and to employee benefits.
We have examined the process applied for the determination by the management of the assumptions used and their implementation, as well as the corresponding information disclosed in the notes to the accounts.
As mentioned in note 2, the actual future cash flows as well as the actual income and expenses may differ from the estimates used, depending upon market trends and significant changes in the economical and social environments.
- Note 9 to the accounts "Non-recurring income and charges" discloses the provisions accounted for in connection with the plan intended to make Michelin operations in Italy more competitive.
As part of our work, we verified that the basis for calculation of these estimates is reasonable.
- Note 18 to the accounts "Deferred tax assets and liabilities" presents deferred tax assets amounting to EUR 857 million.
As part of our work, we verified that the amount of deferred tax assets stated is recoverable.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified the information given in the Group's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, February 9, 2009

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of "Compagnies Régionales" of Versailles and Paris

Experts, managers, cross-sectional team facilitators: people can move from one type of position to another during a career.

3,500

Each day, some 3,500 Group employees benefit from training.

Additional Information

30,000 employees will leave the Group in the next four - five years. Passing on know-how, recruiting fresh talent, growing potential, promoting mobility... these are the challenges to be addressed.

Michelin's Corporate Governance: A Balanced Organization

The organizational principles of Compagnie Générale des Etablissements Michelin (CGEM), a Partnership Limited by Shares (commandite par actions), are implemented in a highly transparent and efficient way by the Company and are fully tuned to Shareholders' expectations and to responsible corporate governance needs. Such principles are designed to favor the pursuit of long-term strategies by a stable and committed management, monitored by an independent Supervisory Board whose functions are clearly separated from those of executive management.

In addition, since all of the Company's shares are registered shares, close and direct ties are maintained with each Shareholder.

A Seasoned, Stable and Responsible Management Team

Experience

Pursuant to its bylaws, Michelin is managed by one or more Managing Partner(s), being individual(s) who may have the status of General Partner or not.

Messrs Michel Rollier (appointed Managing General Partner by the Annual Shareholders Meeting of May 20, 2005), Didier Miraton (appointed Non-General Managing Partner by the Annual Shareholders Meeting of May 11, 2007) and Jean-Dominique Senard (appointed Non-General Managing Partner by the same Annual Shareholders Meeting), jointly assume the Company's leadership.

Mr. Michel Rollier brought a long management experience within a large international group to Michelin Group, when he joined it in 1996. He then acted as Michelin's Legal Department Head and Chief Financial Officer.

Mr. Didier Miraton joined Michelin in 1982 and dedicated his career to Research and Innovation, in both France and North America.

Mr. Jean-Dominique Senard benefits from a long international corporate management experience. He joined Michelin Group in 2005 in his capacity as Chief Financial Officer.

The Managing Partners report to the Shareholders. They are assisted by the Group Executive Council that meets monthly and whose members are presented on page 22 of this Report.

Stability

The stability of the Managing General Partner status promotes the definition of long-term orientations, particularly suited to the tire industry, where return on investment takes time and market adoption of technological innovations is gradual and often slow.

Responsibility

By virtue of his status as General Partner, Michelin's Managing General Partner **is jointly and severally liable on his own assets for the full amount of the Company's liabilities in the event of failure**. This provision offers Shareholders a rarely found level of assurance that the Company is run in their mid- to long-term interests, particularly during times of volatile markets or economic crises. It further strengthens its top executive management's constant watch of corporate risk control issues.

Consistent with this long-term commitment, the Managing General Partner may not relinquish his status as General Partner without the prior approval of an Extraordinary Shareholders Meeting. He is therefore bound to assume the long term consequences of the Group's management decisions.

The Managing General Partner is entitled to a statutory share of the Company's profits for the previous financial year. The fact that he enjoys no other compensation (such as salary, non-cash benefits or director's fees, miscellaneous compensation or retirement scheme) reflects the thorough implementation of the principle of fully variable compensation.

The Non-General Managing Partners are appointed for a five-year renewable term by the Annual Shareholders Meeting upon proposal of the General Partners and after consultation with the Supervisory Board. Their compensation is set each year by unanimous decision of the General Partners, whether Managing Partners or Non-Managing Partners, after consultation with the Supervisory Board.

Independent Controlling Bodies Directly Reporting to Shareholders

Supervisory Board

Make-up

In accordance with applicable law and Company bylaws, the Supervisory Board comprises 3 to 10 members appointed by the Annual Shareholders Meeting for a term of 5 years (4 years for future renewals and appointments (1)); the General Partners are not entitled to take part in this appointment. The Supervisory Board members may be re-elected.

The age limit for serving as Supervisory Board member is set at 75 years by the bylaws and applies to two thirds of the members of the Board.

The Supervisory Board currently comprises eight members: Mr. Eric Bourdais de Charbonnière (Chairman), Mrs. Barbara Dalibard and Mrs. Laurence Parisot, Messrs. Pat Cox, Louis Gallois, François Grappotte, Pierre Michelin and Benoît Potier (2).

The Supervisory Board's and its committees' codes of conduct, whose main provisions are set forth below, defines the Board's mission and organization.

Mission

The Supervisory Board monitors the management of the Company on an ongoing basis on behalf of the Shareholders and reports on its mission to them annually. Its mission includes: reviewing the annual and semi-annual corporate financial statements and the consolidated accounts approved by the Managing Partners, assessing the fairness and adequacy of the Company's

(1) A resolution will be presented to the Annual Shareholders Meeting of May 15, 2009 to reduce the term of Supervisory Board members to four years.
(2) Supervisory Board member biographies are set forth on pp 22 to 23, and 194 to 196, of this Report and the information relative to their compensation is on page 155.

management decisions, the quality of the internal control and risk control systems, the strategic orientations and respect of Shareholder rights. The Supervisory Board is regularly informed of the Group's prospects and strategy.

Independence

The Supervisory Board must be made up of a majority of independent members, without vested interests (ie members having no ties whatsoever to the Company or its management, in a way that might alter their free judgment).

Accordingly, a majority of Supervisory Board Members must not be:

• current or past employees of the Company or one of its subsidiaries within the last five years;

• directors of a company in which the Company is directly or indirectly a board member or in which one of the Company's Directors is a board member;

• an important customer, supplier or banker of the Company or an entity with which it conducts significant business dealings;

• a near kin of one of the Managing Partners;

• current or past auditors of the Company within the last five years.

These criteria fully match those set forth in the AFEP-MEDEF Corporate Governance Code for listed companies, with the exception of maximum term of office (1) .

To date, all Supervisory Board members are deemed independent for the purposes of the above criteria. Moreover, the Supervisory Board members combine between them world-class managerial skills in both industry and finance.

Organization

In order for it to fulfill its control mission, the Supervisory Board benefits from regular detailed presentations on the following subjects:

• Company results analysis by the Managing Partners and the Head of Financial Operations;

• strategic guidelines and key projects;

• review of all types of risk;

• and all other subjects necessary to understand the Group's strategy, operations and outlook in the context of its markets and competitive environment.

The Supervisory Board reviews annually the Group's risk control systems including the systems implemented by the different departments, the main risks they address and the resources available to prevent them and ensure business continuity. On a yearly basis, the Supervisory Board also assesses the Group's internal control systems and hears the Head of the Internal Audit Department.

In order to afford the Supervisory Board optimum visibility on the Group's operations, its Members receive a quarterly management report featuring key indicators and regular information including the most significant press releases by the company and financial analysts' studies together with updates on the Group's environment.

Supervisory Board meetings can be held in videoconference in the terms and conditions stipulated in its internal code of conduct.

Supervisory Board Assessment

Once a year, the Supervisory Board reviews its own organization and the status of each one of its members with respect to the independence criteria.

This review is conducted formally each year by the Chairman of the Supervisory Board.

The conclusions of this annual assessment are set forth in the Supervisory Board Chairman's Report to the Annual Shareholders Meeting on the make-up, preliminary work and organization of the Supervisory Board's operations and on the internal control and risk management procedures implemented by the Company (2).

The Supervisory Board is assisted in its mission by two Committees, set up to enhance its efficiency, each having its own code of conduct, as summarized below.

• *The Audit Committee*

Make-up

The Audit Committee includes at least three members, for their full term as Supervisory Board Members, two thirds of whom must be independent. Todate, its members are Messrs. François Grappotte (Chairman), Eric Bourdais de Charbonnière, Pierre Michelin and Benoît Potier, who are all independent.

Missions

The Audit Committee supports the Supervisory Board in its mission of reviewing the corporate and consolidated accounts and assessing the quality of corporate information and of risk and internal control procedures. In this capacity it performs the following tasks, in particular:

• review the annual and semi-annual financial statements and the Group's consolidated accounts approved by the Managing Partners and audited by the Statutory Auditors;

• ensure the relevance and consistency of accounting methods and policies and the quality of information communicated to the Shareholders;

• analyze and assess the quality of internal control and risk management systems in connection with financial and accounting data;

• review and assess financial, accounting and legal risks as well as the quality of hedges for these risks and their treatment in Group accounts and communication.

The Audit Committee performs the tasks of a specialized committee that monitors all issues with respect to the preparation and control of accounting and financial information pursuant to the new articles L.823-19 and L.823-20-4° of the French Commercial Code introduced by order n°2008-1278 of December 8, 2008.

Organization

The Committee's work schedule and agenda are set by the Supervisory Board.

To fulfill its missions, the Audit Committee can require the Head of Financial Operations or other Group executives to attend its meetings; moreover, once a year, the Committee can discuss matters with the Statutory Auditors without the Group's management attending.

The Committee may choose the place of its meetings as well as their modalities, including videoconference.

The Committee's Chairman reports on the Committee's work to the Supervisory Board.

The Supervisory Board Chairman's Report to the Annual Shareholders Meeting includes an account of the Audit Committee's activities (3).

• *The Compensation Committee*

The Compensation Committee includes all Supervisory Board members, who are all independent, and is chaired by the Supervisory Board's Chairman.

(1) See the corporate governance statement by the Supervisory Board on page 73 of the annual report
(2) This report is included in this Reference document on page 73.
(3) This report is included in this Reference document on page 75.

Mission

The scope of the Committee's control includes:

– Group management executive compensation policy which covers the criteria used to determine

- the fixed and variable compensation paid to the Non-General Managing Partners,
- the fixed and variable compensation paid to Group Executive Council members,
- the variable compensation paid to other top executives;

– the stock option and free share allocation policy.

In addition, this committee has a say in connection with Managing Partner and Supervisory Board Member appointment policy. In 2009, the Board will formalize this mission in the Committee's Code of Conduct to become the "Compensation and Appointment Committee".

Organization

Depending on the matter, the Compensation Committee's meetings may be attended by the Head of the Personnel Department or a Group or third party expert.

The Supervisory Board Chairman's Report to the Annual Shareholders Meeting includes an account of the Compensation Committee's activities [1].

Statutory Auditors

The Statutory Auditors are appointed by the Ordinary Shareholders Meeting for a term of 6 years based on a recommendation from the Supervisory Board after a review by the Audit Committee. They test the fairness of Group financial statements and carry out other inspection missions as provided by law. The other missions assigned to them by Michelin are not such that they might impinge on their independence.

The fees paid to the Statutory Auditors during the financial year are published in the legal conditions and set forth in page 157 of this document.

Respect for Shareholders is one of Michelin's core values

All Shareholders have access to information which is comprehensive, transparent and adapted to everyone's needs.

A wide range of documents is published, including in particular those pursuant to regulated information requirements [2], covering the Company's business, strategy and financial information: Annual Reports (including the Annual Financial Report and the Reference Document), the Semi-annual Financial Report, the Shareholders' Guide, Letters to Shareholders, the Company's bylaws, the Michelin Performance and Responsibility Report and the Factbook. All these documents are readily available from Michelin's website www.michelin.com/corporate in the "Finance" section in the French and English languages and on request from Michelin's Investor Relations Department.

Seven Shareholder meetings were organized in 2008 at Toulouse, Amiens, Rennes, Strasburg, Paris, Dijon and Grenoble.

In addition, the Group's Investor Relations team met institutional investors and financial analysts on 241 occasions including one-to-one meetings thus enabling direct discussions with some 735 members of the financial community in 2008. This was complemented by specific presentations and site tours arranged for analysts, investors and portfolio managers. Michelin also communicates on a regular basis with socially responsible investment investors and rating agencies.

Set up in 2003, the Shareholders' Consultative Committee is made up of twelve members, two of whom are Employee Shareholders. The Shareholder Consultative Committee's mission is to make an active contribution to Michelin's communication with its individual Shareholders with respect to financial and image considerations. The Committee met twice in 2008.

Launched in 2002 and extended in 2003 and then in 2008, the Group's Employee Shareholder Plan was proposed in 2008 to nearly 100,000 employees in 55 countries across the world. Some 55.98% of them became Group Shareholders or increased their holdings. Each year, the Shareholder and Proxy solicitor communities are notified of the date of the Annual Shareholders Meeting and of the procedure to cast their votes. Michelin reminds them in particular that its shares are registered and therefore traded up to the Shareholders Meeting.

Finally, Michelin considers it fair that investors who have a long-term view and are willing to take risks alongside the Company, enjoy greater influence over the Company's strategic choices. Accordingly Michelin's bylaws grant double voting rights to the Shareholders who have retained their shares for more than 4 years.

Directorships, Compensation, Benefits and Stock Options

List of directorships and other functions held in other companies by the Managing Partners in 2008

Mr. Michel Rollier (born in 1944)	
Unlimited Partner and Managing Partner	Compagnie Financière Michelin
Director	Moria
Director (since May 7, 2008)	Lafarge
Mr. Didier Miraton (born in 1958)	
Director	Vilmorin
Mr. Jean-Dominique Senard (born in 1953)	
Executive Vice-President	Compagnie Financière Michelin

(1) This report is included in this Reference document on page 73.
(2) Regulated information is also available in French and in English from the official French site: ww.info-financiere.fr

Compensation Paid to the Managing Partners and Supervisory Board Members [1] (by the Company and its Subsidiaries)

The Managing Partners

1 - Summary Table of Compensation and stock option and share allocations to each director (in EUR)

Michel ROLLIER, Managing General Partner, fully liable on his own assets for the Company's liabilities	Financial year 2007	Financial year 2008
Compensation due for the Financial Year *(see detail in table 2)*	5,342,932 (2)	2,478,760 (3)
Value of the options granted during the financial year *(see detail in table 3)*	0	0
Value of the performance bonus shares granted during the financial year *(see detail in table 5)*	0	0
Total	**5,342,932**	**2,478,760**
Didier MIRATON, Non-General Managing Partner	**Financial year 2007**	**Financial year 2008**
Compensation due for the Financial Year *(see detail in table 2)*	582,963	476,293 (4)
Value of the options granted during the financial year *(see detail in table 3)*	0	0
Value of the performance bonus shares granted during the financial year *(see detail in table 5)*	0	0
Total	**582,963**	**476,293**
Jean-Dominique SENARD, Non-General Managing Partner	**Financial year 2007**	**Financial year 2008**
Compensation due for the Financial Year *(see detail in table 2)*	902,060	663,947 (5)
Value of the options granted during the financial year *(see detail in table 3)*	0	0
Value of the performance bonus shares granted during the financial year *(see detail in table 5)*	0	0
Total	**902,060**	**663,947**

(1) The following tables were drawn up pursuant to the AFEP/MEDEF Corporate Governance Code, and more particularly according to the Recommendations issued on October 6, 2008.

(2) Statutory Share of Profits, fully variable, proportional to corporate profit for financial year 2007. This share of profits was paid by CGEM and by two fully owned companies (Manufacture Française des Pneumatiques Michelin – MFPM – and Compagnie Financière Michelin – CFM) and were approved by their Shareholders at the Annual Shareholders Meetings convened in 2008.

(3) This more than half (-53%) drop in compensation is due to lower income recorded in 2008 versus 2007. This is a total estimated amount subject i) to approval of the statutory share of profits by the CGEM Shareholders at the Annual Shareholders Meeting of May 15, 2009 convened to approve the accounts and appropriate the profits for 2008, and ii) the approval of the other General Partner (SAGES). This amounts includes the statutory share of profit globally estimated at EUR 185,919 to be paid by the two above fully owned companies, fully variable, proportional to corporate profit recorded by these companies for fiscal 2008, subject i) to approval of the statutory share of profits by the Annual Shareholders Meeting to be convened in 2009 to approve the accounts and appropriate the profits for 2008.

(4) This substantial drop in compensation (-18%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in fiscal 2008.

(5) This substantial drop in compensation (-26%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in fiscal 2008.

2 - Summary Table of the Compensation of each top Group executive (in EUR)

Michel ROLLIER, Managing General Partner, fully liable on his own assets for the Company's liabilities	Financial year 2007 amounts		Financial year 2008 amounts	
	due	paid	due	paid
Fixed compensation	0	0	0	0
Variable compensation	5,342,932 (1)	4,225,100 (2)	2,478,760 (3)	5,342,932 (1)
Extraordinary compensation	0	0	0	0
Director's fees	0	0	0	0
Fringe benefits	0	0	0	0
Total	**5,342,932**	**4,225,100**	**2,478,760**	**5,342,932**

	Financial year 2007 amounts		Financial year 2008 amounts	
Didier MIRATON, Non-General Managing Partner (4)	due	paid	due	paid
Fixed compensation	284,509 (5)	284,509 (5)	420,004	420,004
Variable compensation	267,001 (6)	59,918 (7)	0 (8)	267,001 (6)
Extraordinary compensation (9)	0	0	0	0
Director's fees	0	0	0	0
Fringe benefits including				
– foreign mobility bonus	26,176 (10)	20,511 (11)	49,984 (12)	26,176 (10)
– company car	5,277	5,277	6,305	6,305
Total	**582,963**	**370,215**	**476,293 (13)**	**719,486**

(1) Of which EUR 4,760,000 statutory share of profits approved by the Shareholders at the Annual Shareholders Meeting of May 16, 2008, fully variable, proportional to corporate profit for financial year 2007, and EUR 582,932 corresponding to the fully variable and proportional statutory share of profits for financial year 2007 of two wholly owned companies MFPM and CFM.

(2) Of which EUR 3,960,000 statutory share of profits approved by the Shareholders at the Annual Shareholders Meeting of May 11, 2007, fully variable, proportional to corporate profit for financial year 2006, and EUR 265,101 corresponding to the fully variable and proportional statutory share of profits for financial year 2006 of two wholly owned companies MFPM and CFM.

(3) This more than half (-53%) drop in compensation is due to lower income recorded in 2008 versus 2007. This is a total estimated amount subject i) to approval of the statutory share of profits by the CGEM Shareholders at the Annual Shareholders Meeting of May 15, 2009 convened to approve the accounts and appropriate the profits for 2008, and ii) the approval of the other General Partner (SAGES). This amounts includes the statutory share of profit globally estimated at EUR 185,919 to be paid by the two above fully owned companies, fully variable, proportional to corporate profit recorded by these companies for fiscal 2008, subject i) to approval of the statutory share of profits by the Annual Shareholders Meeting to be convened in 2009 to approve the accounts and appropriate the profits for 2008.

(4) Pursuant to the provisions of the Bylaws, the full compensation package was decided by the General Partners after a favorable opinion was issued by the Supervisory Board.

(5) Includes an amount of EUR 85,005 borne by MFPM, corresponding to the salary paid by MFPM in 2007 to Mr. Didier Miraton until his employment contract was automatically suspended on May 11, 2007, when he was appointed Managing Partner of CGEM.

(6) Paid in the second quarter 2008, after a favorable opinion was issued by the Supervisory Board, concerning the attainment of the performance criteria. The increase in compensation paid in 2008 versus 2007 results from a combination of the following factors: on the one hand, a mechanical effect due to the change in the structure of compensation from mid-2007, resulting from Mr. Didier Miraton's assumption of his responsibilities as Managing Partner and, in particular, a larger share of variable compensation in overall compensation, which was raised from 32% of the fixed portion of his compensation in his capacity as Head of the Technology Center, to 100% of his 2007 fixed compensation in his capacity as Managing Partner, and on the other hand, an amplifier effect in absolute value, of the variable portion of compensation, pegged to net consolidated result, sharply up in 2007 versus 2006 (+35%).

(7) Paid by MFPM during the second quarter 2007, for variable compensation for 2007 to Mr. Didier Miraton in his capacity as MFPM employee in 2006.

(8) Full cancellation of the Non-General Managing Partners' variable compensation, the triggering threshold for variable compensation paid to management was not reached in the fiscal year.

(9) Mr. Didier Miraton has access to a long-term incentive scheme that gave rise to no payment in 2007 nor in 2008. The long-term incentive scheme is described in detail in pages 152 and 154 of this Report.

(10) Paid in the second quarter of fiscal 2008.

(11) Borne by MFPM with respect to fiscal 2006.

(12) To be paid in the second quarter of fiscal 2009.

(13) This substantial drop in compensation (-18%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in fiscal 2008.

	Financial year 2007 amounts		Financial year 2008 amounts	
Jean-Dominique SENARD, Non-General Managing Partner [1]	**due**	**paid**	**due**	**paid**
Fixed compensation	447,701 [2]	447,701 [2]	560,001	560,001
Variable compensation	409,405 [3]	96,605 [4]	0 [5]	409,405 [3]
Extraordinary compensation [6]	0	0	0	0
Director's fees	0	0	0	0
Fringe benefits including				
– foreign mobility bonus	40,158 [7]	25,369 [8]	98,463 [9]	40,158 [7]
– company car	4,797	4,797	5,483	5,483
Total	**902,060**	**574,471**	**663,947** [10]	**1,015,047**

(1) Pursuant to the provisions of the Bylaws, the full compensation package was decided by the General Partners after a favorable opinion was issued by the Supervisory Board. In addition, note that Mr. Jean-Dominique Senard receives no compensation in his capacity as CFM Director.
(2) Includes an amount of EUR 141,792 borne by MFPM, corresponding to the salary paid by MFPM in 2007 to Mr. Jean-Dominique Senard until his employment contract was automatically suspended on May 11, 2007, when he was appointed Managing Partner of CGEM.
(3) Paid in the second quarter 2008, after a favorable opinion was issued by the Supervisory Board, concerning the attainment of the performance criteria. The increase in compensation paid in 2008 versus 2007 results from a combination of the following factors: on the one hand, a mechanical effect due to the change in the structure of compensation from mid-2007, resulting from Mr. Jean-Dominique Senard's assumption of his responsibilities as Managing Partner and, in particular, a larger share of variable compensation in overall compensation, which was raised from 32% of the fixed portion of his compensation in his capacity as Chief Financial Officer, to 100% of his 2007 fixed compensation in his capacity as Managing Partner, and on the other hand, an amplifier effect in absolute value, of the variable portion of compensation, pegged to net consolidated result, sharply up in 2007 versus 2006 (+35%).
(4) Paid by MFPM during the second quarter 2007, for variable compensation for 2007 to Mr. Jean-Dominique Senard in his capacity as MFPM employee in 2006.
(5) Full cancellation of the Non-General Managing Partners' variable compensation, the triggering threshold for variable compensation paid to management was not reached in the fiscal year.
(6) Mr. Jean-Dominique Senard has access to a long-term incentive scheme that gave rise to no payment in 2007 nor in 2008. The long-term incentive scheme is described in detail in pages xx and xx of this Report.
(7) Paid in the second quarter of fiscal 2008.
(8) Borne by MFPM with respect to fiscal 2006.
(9) To be paid in the second quarter of fiscal 2009.
(10) This substantial drop in compensation (-26%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in fiscal 2008.

3 - Share subscription or purchase options allocated during the financial year to each company director

Options granted to each director by the issuer and any Group company (namelist)	Plan No. and date	Nature of options (purchase or subscription)	Value of the options calculated with the method used for the consolidated accounts	Number of options allocated during the financial year	Call price	Call period
Michel Rollier	–	–	0	**0**	–	–
Didier Miraton	–	–	0	**0**	–	–
Jean-Dominique Senard	–	–	0	**0**	–	

4 - Share subscription or purchase options called during the financial year to each company director

Options called by the Company directors (namelist)	Plan No. and date	Number of options called during the financial year	Call price	Allocation year
Michel Rollier	–	**0**	–	–
Didier Miraton	–	**0**	–	–
Jean-Dominique Senard	–	**0**	–	–

5 - Performance bonus shares granted to each company director

Performance bonus shares granted to each director by the issuer and any Group company (namelist)	Plan No. and date	Number of shares allocated during the financial year	Value of the shares calculated with the method used for the consolidated accounts	Acquisition date	Date available
Michel Rollier	–	**0**	0	–	–
Didier Miraton	–	**0**	0	–	–
Jean-Dominique Senard	–	**0**	0	–	–

6 - Performance bonus shares becoming available during the financial year for each company director

Performance bonus shares that became available for the Company officers (namelist)	Plan No. and date	Number of shares that became available during the financial year	Conditions for acquisition	Allocation year
Michel Rollier	–	**0**	–	–
Didier Miraton	–	**0**	–	–
Jean-Dominique Senard	–	**0**	–	–

• *Amounts allocated to the Managing General Partner, Mr. Michel Rollier*

In his capacity as General Partner, Mr. Michel Rollier is fully liable on his own assets for the Company's liabilities. As consideration for this responsibility, the General Partners [1] collectively enjoy a statutory capped portion of Company profits [2]. Their interests are therefore fully consistent with that of the Shareholders in so far as they are only entitled to such consideration if the Company posts a profit.

The more than half (-53%) drop in the compensation due for fiscal 2008 is the consequence of lower earnings recorded in 2008 versus 2007.

In addition, in financial year 2008, Mr. Michel Rollier, whether in his capacity as Managing Partner or as Director or General Partner of any controlled company, received no salary, benefits in kind, attendance fees, bonus, free shares or stock options.

Neither the Company nor any of its controlled affiliates:

– have borne the cost of any contribution for any retirement scheme Mr. Michel Rollier might benefit from;

– are committed to paying to Mr. Michel Rollier any severance package should he cease to act as a Managing General Partner.

• *Compensation and Benefits received by the Non-General Managing Partners*

Mr. Didier Miraton

In 2008, the substantial drop in compensation for Mr. Didier Miraton (-18%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in this financial year.

The increase in compensation paid in 2008 versus 2007 results from a combination of the following factors: on the one hand, a mechanical effect due to the change in the structure of compensation from mid-2007, resulting from Mr. Didier Miraton's assumption of his responsibilities as Managing Partner and, in particular, a larger share of variable compensation in overall compensation, which was raised from 32% of the fixed portion of his compensation in his capacity as Head of the Technology Center, to 100% of his 2007 fixed compensation in his capacity as Managing Partner, and on the other hand, an amplifier effect in absolute value, of the variable portion of compensation, pegged to net consolidated result, sharply up in 2007 versus 2006 (+ 35%).

The different components of this compensation, decided by the General Partners after a favorable opinion was issued by the Supervisory Board and for which the figures are provided on page 150, are detailed below.

• A fixed portion.

• A variable portion capped at 120% of the fixed portion, calculated based on the results of financial year 2008 of the Group's operational and financial performance indicators used to set the Group's share of variable compensation for its executives, with payment of this variable portion being subject to attainment of at least 7.8% operating margin. As this result was not achieved, the amount of this variable portion due for fiscal 2008 is equal to 0.

• An incentive scheme introduced as a result of the Non-General Managing Partners being barred by law from holding Company shares [3].

The amount of such incentive scheme, under which no payments were made in either 2007 or 2008, corresponds to the allocation of a number of units, to which is applied a coefficient equal to the difference between (i) the value of the Company's share on the date of the request for the allocation of units and (ii) a share reference value, equal to the call price of the stock options allocated to Group employees on May 29, 2008. The other economic terms and conditions of allocation (in particular the acquisition term and conditions of presence within the Group) are identical to those defined in the stock option plan referred to above, except for minor adjustments required by the legal status attached to the function of Non-General Managing Partners.

(1) The Group has two General Partners: Mr. Michel Rollier, Managing Partner, and SAGES (see presentation on page 183).
(2) See the provisions of article 30 of the bylaws, referred to in the Other Legal and Financial Information section (p. 183).
(3) Pursuant to the provisions of article L.222-6 of Code de commerce (referring to article L.226- 1) Non-General Managing Partners are barred from owning Company shares as Shareholders are not entitled to commit a company vis-à-vis third parties.

Detailed information on this long-term incentive scheme, similar to the information published concerning share subscription options, are set forth in the table on page 154 below.

• Ancillary benefits, identical to those granted to the Group Executive Board members (foreign mission bonus and company car).

Mr. Didier Miraton would have been entitled in 2008, in the event of early termination of his assignment at the initiative of the General Partners (other than faulty management) to a severance package equivalent to the amount of his fixed and variable compensation received for the two years preceding the year when his assignment was terminated. 50% of this severance package would have been based on the Group's economic and financial performance indicators fixed under the Group's strategic plan, recorded during the term of Mr. Didier Miraton's assignment. Such indemnity was not applicable in 2008.

In 2008, the Supervisory Board deemed that the operational and financial performance criteria set for Mr. Didier Miraton had been attained for payment in 2008 of his variable compensation for financial year 2007.

In financial year 2008 Mr. Didier Miraton received no attendance fees from any Group companies, nor any benefits in kind other than those listed above and no Company share, share purchase or subscription plan.

He does not benefit from any retirement scheme specific to the Managing Partners. Mr. Didier Miraton will benefit from the regular additional retirement scheme open for all MFPM and CGEM employees since 1996, if in service in the Company at the time of retirement, and his gross replacement ratio is below 55% from statutory pensions. The cost for this capped additional scheme is provisioned under IAS19 (post-employment benefits). Based on seniority within the Group and on current retirement assumptions, the impact of this scheme would represent a gross replacement ratio of 11.6% for Mr. Didier Miraton at the time of his retirement.

Mr. Jean-Dominique Senard

In 2008, the substantial drop in compensation for Mr. Jean-Dominique Senard (-26%) results from the full cancellation of the Non-General Managing Partners' variable compensation due to the decline of Group earnings in this financial year.

The increase in compensation paid in 2008 versus 2007 results from a combination of the following factors: on the one hand, a mechanical effect due to the change in the structure of compensation from mid-2007, resulting from Mr. Jean-Dominique Senard's assumption of his responsibilities as Managing Partner and, in particular, a larger share of variable compensation in overall compensation, which was raised from 32% of the fixed portion of his compensation in his capacity as Chief Financial Officer, to 100% of his 2007 fixed compensation in his capacity as Managing Partner, and on the other hand, an amplifier effect in absolute value, of the variable portion of compensation, pegged to net consolidated result, sharply up in 2007 versus 2006 (+35%).

The different components of this compensation, decided by the General Partners after a favorable opinion was issued by the Supervisory Board and for which the figures are provided on page 151, are detailed below.

• A fixed portion.

• A variable portion capped at 120% of the fixed portion, calculated based on the results of financial year 2008 of the Group's operational and financial performance indicators used to set the Group's share of variable compensation for its executives, with payment of this variable portion being subject to attainment of at least 7.8% operating margin. As this result was not achieved, the amount of this variable portion due for fiscal 2008 is equal to 0.

• An incentive scheme introduced as a result of the Non-General Managing Partners being barred by law from holding Company shares [(1)].

The amount of such incentive scheme, under which no payments were made in either 2007 or 2008, corresponds to the allocation of a number of units, to which is applied a coefficient equal to the difference between (i) the value of the Company's share on the date of the request for the allocation of units and (ii) a share reference value, equal to the call price of the stock options allocated to Group employees on May 29, 2008. The other economic terms and conditions of allocation (in particular the acquisition term and conditions of presence within the Group) are identical to those defined in the stock option plan referred to above, except for minor adjustments required by the legal statutes attached to the function of Non-General Managing Partners.

Detailed information on this long-term incentive, similar to the information published concerning share subscription options, is set forth in the table on page 154 below.

• Ancillary benefits, identical to those granted to the Group Executive Board members (foreign mission bonus and company car).

Mr. Jean-Dominique Senard would have been entitled in 2008, in the event of early termination of his assignment at the initiative of the General Partners (other than faulty management) to a severance package equivalent to the amount of his fixed and variable compensation received for the two years preceding the year when his assignment was terminated. 50% of this severance package would have been based on the Group's economic and financial performance indicators fixed under the Group's strategic plan, recorded over the term of Mr. Jean-Dominique Senard's assignment. Such indemnity was not applicable in 2008.

In addition, and in order to avoid any redundancy in severance package, and effective from the year when he was appointed Managing Partner, Mr. Jean-Dominique Senard unilaterally waived the contractual termination severance package provided for under his suspended work contract, should he be dismissed by MFPM within 6 months of termination of his service as CGEM Non-General Managing Partner.

In 2008, the Supervisory Board deemed that the operational and financial performance criteria set for Mr. Jean-Dominique Senard had been attained for payment in 2008 of his variable compensation for financial year 2007.

In financial year 2008 Mr. Jean-Dominique Senard received no attendance fees from any Group companies, nor any benefits in kind other than those listed above and no Company share or share purchase or subscription plan.

He does not benefit from any retirement scheme specific to the Managing Partners. Mr. Jean-Dominique Senard will benefit from the regular additional retirement scheme open for all MFPM and CGEM employees since 1996, if in service in the Company at the time of retirement, and his gross replacement ratio is below 55% from statutory pensions. The cost for this capped additional scheme is provisioned under IAS19 (post-employment benefits). Based on seniority within the Group and on current retirement assumptions, the impact of this scheme would represent a gross replacement ratio of 3.0% for Mr. Jean-Dominique Senard at the time of his retirement.

(1) Pursuant to the provisions of article L.222-6 of Code de commerce (referring to article L.226- 1) Non-General Managing Partners are barred from owning Company shares as Shareholders are not entitled to commit a company vis-à-vis third parties.

● *Long Term Incentive*

The status of the Managing Partners long-term incentive scheme as at December 31, 2008 is as follows:

	2007	2008
Date of the decision by the General Partners	10/12/2007	19/05/2008
Total number of units allocated in the financial year		
– Mr. Michel Rollier	0	0
– Mr. Didier Miraton	14,000	17,000
– Mr. Jean-Dominique Senard	18,000	20,000
Total	32,000	37,000
Starting point for the units to be callable	14/05/2011	19/05/2012
Expiry Date	14/05/2016	18/05/2017
Call price (in EUR)	91	62
Valorization (in EUR) (1)	0	0
Number of units called in 2008	0	0
Units cancelled	0	0
Remaining units as at December 31, 2008	32,000	37,000

(1) Being a cash debt, the liability is equal to the difference between the Michelin share price and the incentive call price. Where the stock market price be lower than the call price, the liability will be equal to 0.

● *Stock options* (1)

Out of the 310,000 stock options granted on May 29, 2008, pursuant to the authorization given at the May 12, 2006 Annual Shareholders Meeting, no option was granted to the Managing Partners. Since 2005, no Company Director received Company share subscription or purchase options.

Table of share subscription options granted to/ called by each of the Managing Partners for the relevant year

	2008	2007	2006	2005	2004	2003	2002
Number of options granted:	0	0	0	0	10,000*	15,000*	15,000*
Call price	-	-	-	-	EUR 40	EUR 32.25	EUR 44
Date of 1st call	-	-	-	-	May 17, 2008	May 19, 2007	May 19, 2006
Date of last call	-	-	-	-	May 16, 2013	May 18, 2012	May 18, 2011
Total number of options called/shares subscribed in 2008	-	-	-	-	N/A(1)	5,000	8,000
Michelin share extremes (EUR)	N/A**	N/A**	N/A**	N/A**	47.80 – 34.82	38.11 – 25.02	45.05 – 24.50

** Granted to each then acting Managing Partner: Messrs. Edouard Michelin and René Zingraff.*
*** Not applicable*

(1) The Managing Partners Special Report and the detailed report of the plans in force feature in the Additional Information Concerning the Issuer's Capital section, on pages 188 and 189 below.

Before his appointment as Managing Partner and in his capacity as Michelin Group's Chief Financial Officer, Mr. Michel Rollier had received:

- in the same conditions and call price as set forth in the above table, 8,000 share subscription options in 2002, 10,000 in 2003, 7,000 in 2004, and
- In 2005, 10,000 share subscription options at a call price of EUR 48, callable from May 23, 2009.

Mr. Michel Rollier held, at December 31, 2008:

- 35,000 share subscription options and
- 18,500 Company shares, of which 17,500 under the statutory share ownership obligation collectively imposed to the Company's Managing General Partners.

Before his appointment as Managing Partner and in his capacity as Head of the Michelin Technology Center, Mr. Didier Miraton had received:

- in the same conditions and call price as set forth in the above table, 8,000 share subscription options in 2002, 10,000 in 2003, 7,000 in 2004, and
- in 2005, 10,000 options at a call price of EUR 48, callable from May 23, 2009, and

• in 2006, 6,000 options at a call price of EUR 58, callable from May 15, 2010.

At December 31, 2008, Mr. Didier Miraton held 28,000 share subscription options of the Company and held no Company share.

Before his appointment as Managing Partner and in his capacity as Michelin Group's Chief Financial Officer, Mr. Jean-Dominique Senard had received:

• in 2005, 10,000 options at a call price of EUR 48, callable from May 23, 2009, and

• in 2006, 6,000 options at a call price of EUR 58, callable from May 15, 2010.

At December 31, 2008, Mr. Jean-Dominique Senard held 16,000 share subscription options of the Company and held no Company share.

Group Executive Council

The members of the Group Executive Council, whose list is provided on page 21, as a whole received in 2008 a gross overall compensation amounting to EUR 5,017,390, (of which EUR 1,342,643 for variable compensation for 2007 paid in the second quarter 2008 [(1)]) versus EUR 3,915,534 (of which EUR 680,672 corresponding to variable compensation for 2006 paid in 2007 [(2)]).

The Supervisory Board

The global amount of attendance fees paid to the Supervisory Board is set by the Ordinary Shareholders Meeting and freely allocated between its members pursuant to a collective decision by the Supervisory Board.

The following fees were paid to Supervisory Board members:

(1) and (2): The above amounts include the pro-rata temporis compensation for Messrs. Didier Miraton and Jean-Dominique Senard, in their capacity as Group Executive Council members until May 11, 2007

Director's Fees Summary Table

	Director's fees paid in 2007	Director's fees paid in 2008
Éric Bourdais de Charbonnière	50,000	50,000
Pat Cox	30,000	30,000
Barbara Dalibard *(member since May 16, 2008)*	0	0
Louis Gallois *(member since May 16, 2008)*	0	0
François Grappotte	45,000	45,000
Pierre Michelin	40,000	40,000
Laurence Parisot	30,000	30,000
Benoît Potier	30,000	30,000
Édouard de Royère *(member until November 30, 2007)*	40,000	40,000
Total	**265,000**	**265,000**

Additional information concerning Supervisory Board Members1 [(3)]

Name	First appointed/renewal	Last year of mandate
Éric Bourdais de Charbonnière (Chairman)	June 11, 1999 May 14, 2004	2004 2009
Pat Cox	May 20, 2005	2010
Barbara Dalibard	May 16, 2008	2013
Louis Gallois	May 16, 2008	2013
François Grappotte	June 11, 1999 May 14, 2004	2004 2009
Pierre Michelin	June 12, 1998 May 16, 2008	2003 2013
Laurence Parisot	May 20, 2005	2010
Benoît Potier	May 16, 2003 May 16, 2008	2008 2013

(3) All Supervisory Board members are deemed independent for the purposes of its code of conduct as noted in the Supervisory Board's Chairman Report (pages 72 and 147 of this document).

Statement of operations on Michelin shares conducted by corporate Directors and their kins in financial year 2008

Managing Partners

Mr Michel Rollier
None.

Mr Didier Miraton
None.

Mr Jean-Dominique Senard
None.

Supervisory Board

Mrs Barbara Dalibard

Purchase on April 04, 2008 of 350 shares at a unit price of EUR 68.380.

Mr Louis Gallois

Purchase on April 29, 2008 of 250 shares at a unit price of EUR 62.349.

To the Company's knowledge, no other operations were carried out by the Managing Partners and the Supervisory Board members on Company shares during the reporting period.

Fees paid to the Statutory Auditors

Under French law, the accounts of listed companies are required to be audited by 2 independent Statutory Auditors. The purpose of this permanent control obligation is to obtain assurance that the financial statements have been properly prepared and comply with the true and fair view principle.

The Statutory Auditors are appointed by the Annual Shareholders Meeting for a term of 6 years and may be re-elected.

The Statutory Auditors of Compagnie Générale des Etablissements Michelin, Michelin's holding Company are:

PricewaterhouseCoopers Audit
Member of Compagnie Régionale de Versailles
63, rue de Villiers
92200 Neuilly-sur-Seine
Represented by **Christian Marcellin**, Partner
Substitute Statutory Auditor, Mr. **Pierre Coll**, Partner of PricewaterhouseCoopers Audit

Corevise
Member of Compagnie Régionale de Paris
3/5, rue Scheffer
75016 Paris
Represented by **Stéphane Marie**, Partner
Substitute Statutory Auditor, Mr. **Jacques Zacks**, Partner of Corevise

This audit firm practices in France and does not have offices in any other country.
No legal or financial dependence exists between the 2 Statutory Auditors or their audit firms.
The Statutory Auditors were appointed by the Joint Shareholders Meeting of May 14, 2004. Their term of office expires at the end of the Annual Shareholders Meeting convened in 2010 to approve the accounts of financial year 2009.
The following table sets out the details of fees paid in 2008 by Michelin Group to its Statutory Auditors and contractual auditors. Note that CGEM consolidates 225 subsidiaries in 55 countries. The financial statements of each of these subsidiaries are audited in their respective countries by contractual auditors, who may or may not be members of an international network.

Table of fees paid to Compagnie Générale des Etabilissements Michelin (CGEM)'s Statutory Auditors

Years 2008 and 2007	PricewaterhouseCoopers				Corevise				Others				Total			
	EUR thousand		%		EUR thousand		%		EUR thousand		%		EUR thousand		%	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Audit																
Statutory audits, opinions, reviews of standalone and consolidated financial statements																
– CGEM	185	182	4.3%	4.7%	185	182	41.1%	47.1%	–	–	0.0%	0.0%	370	364	4.1%	4.0%
– French subsidiaries	582	552	13.6%	14.2%	150	146	33.3%	37.8%	182	166	4.2%	3.4%	914	864	10.1%	9.5%
– Foreign subsidiaries	2,999	2,675	70.2%	68.9%	–	–	0.0%	0.0%	1,851	1,649	42.8%	34.2%	4,850	4,324	53.6%	47.6%
Other services directly linked to the statutory audit work																
– CGEM	14	36	0.3%	0.9%	–	14	0.0%	3.7%	–	–	0.0%	0.0%	14	50	0.2%	0.6%
– Subsidiaries	126	104	2.9%	2.7%	62	44	13.8%	11.4%	65	94	1.5%	1.9%	253	242	2.8%	2.7%
Sub-total Audit	**3,906**	**3,549**	**91.5%**	**91.4%**	**397**	**386**	**88.2%**	**100%**	**2,098**	**1,909**	**48.5%**	**39.6%**	**6,401**	**5,844**	**70.8%**	**64.3%**
Other services rendered by auditors networks to subsidiaries																
Legal, tax and social	222	264	5.2%	6.8%	–	–	0.0%	0.0%	1,570	2,075	36.3%	43.0%	1,792	2,340	19.8%	25.7%
Others	142	68	3.3%	1.7%	53	–	11.8%	0.0%	659	839	15.2%	17.4%	854	906	9.4%	10.0%
Sub-total Others	**364**	**332**	**8.5%**	**8.6%**	**53**	**–**	**11.8%**	**0.0%**	**2,229**	**2,914**	**51.5%**	**60.4%**	**2,646**	**3,246**	**29.2%**	**35.7%**
Total	**4,270**	**3,881**	**100%**	**100%**	**450**	**386**	**100%**	**100%**	**4,327**	**4,823**	**100%**	**100%**	**9,047**	**9,090**	**100%**	**100%**

Risk Management

Operating Risk Management

Michelin relies on three tiers of independent and highly responsible groups to guarantee the robustness of its risk control policy:

- Operating managers identify and manage risks in their respective entities (prevention, protection and business continuation plan) in line with Group standards.
- Group Services (Finance, Legal, Environment & Prevention…): analyze risks, define prevention and protection standards, manage and monitor implementation of risk policy in their own field of expertise.
- Internal auditors: review overall risk control measures.

Michelin's risk policy is defined, supervised and coordinated by the Group's Risk Manager.

The Group's Risk Committee meets 3 times per year to review a number of risk control measures, in order, more specifically, to support the Managing Partners in their risk control decisions with special emphasis on potentially serious risk.

Financial Risk

Financial risk is dealt with in Note 4 of the Consolidated Financial Statements, on page 95 of this Report.

Industrial Hazards

Industrial hazard control is vital for the continuation of Michelin's operations over the long term while ensuring the protection of its personnel, its assets and its environment.

Michelin's industrial risk map is updated at least once a year. This helps to identify Group risks and assess their criticality. Prioritized multi-annual action plans with a strong emphasis on prevention are drawn up and implemented in the annual plans. They address in particular the issues of safety at the workplace, industrial hygiene, and asset and environmental protection.

Monitoring of the Group's progress in the areas of Environment and Prevention (EP) is based on:

- 5-year orientations and objectives, which are revised each year based on the evolution of the assessments that are carried out. Such orientations and objectives are given concrete expression in progress plans and investment plans for each operating entity.
- a network of experts who are based in each site and bring technical and methodological support to the local site managers. The latter bear ultimate responsibility for the performance of their entity's Environmental and Prevention performance.

The robustness of the approach is based on implementation of an Environmental and Risk Prevention Management System (SMEP). This is an extension to all other EP fields (Asset Protection, Work Safety, Industrial Hygiene, Ergonomics) of the existing Environmental Management System.

The system is being rolled out in the industrial sites. Michelin teams have been auditing sites since 2005 and 2006. The system will be fully deployed by 2011.

Limited Industrial Hazards

The main risk factors arising from Michelin's operations are as follows

Industrial operations	Main risk factors	Michelin action
Synthetic rubber production 2 plants, Bassens in France and Louisville, Kentucky in the USA.	Inflammability of hydrocarbons used in synthetic rubber.	Regular review of safety and site protection measures; ongoing significant investment programs to further enhance risk control and limit the consequences of an event.
Metal reinforcement production Production in 10 sites supplying 68 factories worldwide.	Accidental spillage from electrolytic metal reinforcement processing plant.	Regular inspection of the facilities and processing of effluents at waste water treatment plants.
Rubber mix production Production in 49 sites supplying 68 factories worldwide.	Fire-prone situation.	Pursuit at Group level of a program to equip all facilities with sprinkler devices and risk confinement through fragmented operations.
Textile reinforcement production Production in 3 sites.	Vapor and gas emitted while manufacturing adhesives.	Installation of air purifiers at every plant.

Fire Risk

Fire is the Group's main industrial hazard, both at process and raw material and finished product storage levels. The number of significant fire starts reported Group-wide is, however, very limited.

For more than five years, no fire nor in fact any other industrial accident, resulted in serious damage to personnel, Group or third-party assets or environmental impact for the neighboring communities.

Efficient control of fire hazards hinge on a detailed evaluation approach and proper implementation of means of prevention, protection and intervention.

- **Michelin took the initiative of an ambitious test program**, aimed at improving and sharing technical knowledge in the area of automatic protection by sprinkler systems of tire warehouses and in the area of environmental impact of tire fires.

This series of tests completed between 2001 and 2006 in the United States and in France, involved the main tire manufacturers, supply chain specialists and a specialized parts manufacturer, under the umbrella of SNCP (Syndicat National du Caoutchouc et des Polymères).

This innovative program was conducted on significant quantities of stored tires (2,000 to 4,000 tires per real life test), arranged in actual storage conditions. Some 21 preliminary tests and 12 real life tests were conducted with a variety of tire storage configurations. The tests enabled a benchmarking of different types of sprinklers and to assess the efficiency of wetting agents in conjunction with fire-fighting water.

The findings of these tests have led to improvements in fire protection for existing warehouses and to measure the effectiveness of new technologies for future infrastructures, while safely optimizing their operations. They also produced further information on the environmental impact of such fires based on analysis of smoke components, fire fighting water and atmospheric dispersion.

- **A robust approach to fire risk control:** Michelin developed its own standards of major industrial and fire risk control: the High Protected Risk Michelin (HPRM) standard.

HPRM is based on three mainstays:
- prevention (an array of hazard prevention measures),
- protection (automatic protection devices and passive measures to segregate risks in order to minimize damage in the event of serious damage),
- intervention (early detection, fast-reaction personnel and equipment).

The Group-level risk control expert team is supported by a network of site-based operational counterparts who ensure gradual implementation of Group standards in all facilities. The condition of, and measures taken by, sites were reviewed against HPRM standards. The progress targets that are identified are prioritized as part of multi-annual progress plans drawn up by all industrial and logistics sites.

Moreover, new projects (construction, revamping, expansion, introduction of new manufacturing processes and so on), are subject to prior approval by Environment and Prevention experts who ensure compliance with HPRM standards.

The Group's global internal control approach is based on a proprietary tool (EC-HPRM, High Protected Risk Michelin Compliance Assessment) developed and deployed at central level. This application serves to assess site conformity to internal standards. It entered into mainstream application on January 1, 2008.

- **Leveraging test experimentation and exchanging best practices:** further to the success obtained through use of the Michelin "SECURISTAT" data collection and processing software for events in connection with industrial hazards deployed since 2004, the Group-level fire prevention department developed a system to build on the experience obtained internally and from third parties: events are analyzed and the conclusions drawn from them are shared across the Group to drive further progress.

"Seveso" Classification

The "Seveso III" European directive aims to prevent major chemical hazards at industrial sites and to limit their consequences for man and the environment. It induces site classification with reference to the volume of site hazardous substance inventory. The level of regulatory disclosure requirements and prevention measures is based on this classification. At the end of 2008, out of more than 40 Michelin European sites, 2 were classified "high-level" and 8 "low-level" risk sites.

Risk Transfer to Insurance Companies

In addition to a proactive protection and prevention policy, the Group's insurance strategy is based on the following three principles:

1. Risk Assessment

A Group's risk map, based on a method shared by all entities, is used to assess the level of coverage required.

2. Transfer of High-Intensity Risk

Michelin has set up integrated global insurance programs, within the limits of the insurance and reinsurance markets, to cover high-intensity risks. These address mainly "Property Damages" and "Casualty".

Property Damage

A EUR 500 million limit insurance program has been subscribed. To ensure continued operations under the best financial terms in case of loss, this insurance scheme includes a EUR 50 million ICW (Increased Cost of Work) extension.

Casualty

This program includes three key aspects:
- Product Liability,
- General Liability insurance which is subscribed in FOS (Freedom of Services) in European Union countries and provides Umbrella coverage in excess of local contracts, for all other countries,
- Environmental Impairment Liability coverage for all Group companies.

Legal Fees/Defense Costs and Product Recall Expenses are excluded from these coverages.

Other insurance programs cover lower-level risk.

3. Group captive insurance companies

The Group fully owns several "captive" insurance companies whose role is to cover medium-level risk. This internal mutualisation aims to reduce Group insurance costs.

Captive companies, with limits commensurate with their resources, mainly handle:

- "Property Damages", with a EUR 30 million each and every loss,
- "Product Liability" in the USA and Canada, with a USD 5 million maximum exposure per claim,
- "Product Recall Expenses" with a EUR 20 million per event.

The aggregate premiums for financial year 2008 amounted to EUR 55 million*.

* *This amount includes premiums paid to captive companies.*

Legal Risk

Michelin employs policies and procedures to assure compliance with laws and regulations applicable to its business practices. Management is not aware of any law or regulation (i) presently in effect or (ii) already promulgated and scheduled for implementation, the effect of which would have a material adverse effect on the Company's operations or financial standing.

Group companies can acquire legal liability as a result of operations connected with tire design, development, manufacture, sales and distribution. Michelin's quality systems and ongoing research and development (which is in significant part focused on tire performance and customer safety) are employed by the Group companies, in part, to promote safety – therefore also mitigating risk.

Group companies can be exposed to legal claims in the following areas: products liability claims (chiefly in the United States); claims associated with the sale and distribution of products; claims regarding social obligations (for example, post-retirement benefits); claims associated with intellectual property (for example infringement claims); and, claims regarding alleged occupational disease.

In 2005, a group of Michelin pension fund beneficiaries in Canada started a legal action against the Canadian subsidiary of the Group aimed at forcing that subsidiary to pay a sum of CAD 350 million to said pension fund. The sum was revised downwards to CAD 268.9 million at December 31, 2005.

The Group believes that the Company was entitled to reduce, or not make some of its annual contributions, due to excess capital generated by the management of the defined benefit plan, up to the above-mentioned amount. Nova Scotia's Supreme Court ruled in Michelin Canada's favor on October 30, 2007. The plaintiffs filed an appeal for this decision. By a decision of November 20, 2008, which has become final, Nova Scotia's Court of Appeal dismissed the appeal.

The Group had made no provision for this claim.

As part of their ordinary day-to-day business, certain companies within the Group are parties to legal proceedings. A number of such legal proceedings involve alleged asbestos exposure claims or employment-related discrimination claims. Although the outcome of such pending actions can be unpredictable, the Group currently considers that such claims will not have a materially adverse affect on its financial status.

As at December 31, 2008, there existed no claim, arbitration proceeding or exceptional event which Management deemed likely to have or have had a materially adverse impact on Group financial standing, earnings, business or assets.

Risks arising from competition

Michelin Group is confronted with significant worldwide competition; this is intensifying, particularly on the part of competitors from Asian countries. Although the Group is pursuing a continuous innovation strategy, accelerating the pace of its development in the high-growth markets and enhancing its competitiveness position, this competitive situation could impact Group operations, financial position and results negatively.

Risks in connection with non-completion of the "2010 Horizon" plan

Michelin Group's strategy for the next two years is clear: leverage ongoing innovation, accelerate the pace of development in the high-growth markets and achieve substantial competitiveness gains. The Group's ability to implement this strategy successfully could be jeopardized by external factors having a negative impact on its business. These include (i) increasingly strong worldwide competition characterized by the emergence of new players with improved technological know-how, (ii) lasting industrial overcapacity leading to a general downward pressure on prices, (iii) a bearish economic environment, particularly in the developed economies, (iv) the significant investment reduction measures decided by the Group for 2009 and finally (v) a resumption of significant external cost increases, in particular that of raw materials.

For all these reasons, Michelin is not in a position to guarantee the successful implementation of its horizon 2010 strategy. Should major obstacles prevent this strategy from being implemented, this could have a negative impact on the Group's operations, financial standing and results.

Risks in connection with the raw material environment

Raw material purchases account for a significant share of Michelin Group's charges, representing close to a half of all Group purchases in 2008. Although Michelin's policy has always been one of integrating raw material price increases into its sales prices, one may not take it for granted that a further hike in raw material costs can again be offset by an increase in selling price. Moreover, it is to be noted that the Group is not in a position to hedge its raw material purchases, as hedging instruments have not so far been efficient enough.

Social and Environmental Information for 2008

as per the law on New Economic Regulations (NRE)

Since the beginning of 2002, Michelin has implemented its Sustainable Development approach called Michelin Performance and Responsibility. The basic principles are set forth in its *Performance and Responsibility Charter*, which can be downloaded from Michelin's www.michelin.com website and is also available on request. Proper understanding of the social and environmental issues arising from its operations are a key aspect of Michelin's Sustainable Development approach which makes it possible to identify the most relevant progress areas for a more balanced and responsible approach to its own activities, its industrial sector, and to contribute to a better mobility, a more sustainable mobility.

The update *Michelin Performance and Responsibility Report 2007*, published in May 2008 and the *Michelin Performance and Responsibility Report 2007-2008*, published in May 2009, provide a detailed review of ongoing measures to ensure fully responsible pursuit of the Group's growth and economic performance targets. The reader is highly encouraged to take note of it.

Pages 161 to 176 of this report set forth the information pursuant to the French *Code de commerce*, clause L225-102-1 and relevant application decrees of February 20 and April 30, 2002 which requires French companies to disclosure in their Annual Report "information on the social and environmental impact of their activities".

As in previous years and in the spirit of continuous progress, Michelin continues to deploy its set of global indicators based on data supplied by all of its 68 industrial sites in 19 countries and more than 170 countries with commercial presence. The Group's aim is to obtain as precise as possible an understanding of its social and environmental responsibilities on all of its sites and to make further progress every year in this field. Group scope applies in all instances except for situations where the relevant scope is indicated.

For the third consecutive year, PriceWaterhouseCoopers performed at the request of Michelin a production process and data audit of the published indicators. The audit of certain environmental and social data was expanded in 2007 and then again in 2008. The opinion resulting from this review appears on pages 177-178.

The data related to the indicators followed by two stars in the tables below has been audited during this review.

Social Information 2008

1 A. Number of Group employees, breakdown of male/female employees, change in number of employees, fixed-term contracts, overtime and third-party manpower

Group employees as of December 31, 2008
(all work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle East	Group Total
Headcount**	73,697	22,987	6,201	13,476	1,204	117,565

Group employees as of December 31, 2008
(Full time equivalent, all work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle East	Group Total
Headcount**	67,596	22,215	5,783	13,457	1,202	110,252

*** The data related to these indicators has been audited by PricewaterhouseCoopers (see pages 177-178).*

Breakdown of male and female employees
(all work contracts included)
Female employees as a percentage of headcount as of December 31, 2008

	Europe	North America	South America	Asia Pacific	Africa Middle East	Group
Production workers	7.8%	14.0%	7.6%	4.9%	0.8%	8.6%
Administrative and technical staff	26.0%	28.1%	26.3%	26.3%	24.9%	26.4%
Management	16.9%	13.1%	12.7%	15.7%	9.3%	15.8%

Scope: Group excluding Euromaster and TCI.

Overall, the percentage of women relative to total headcount was 13.9%.

Change in number of employees in 2008
(all work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle East	Group
Natural attrition	4,990	1,071	505	1,021	168	7,755
Negotiated redundancies	3,504	854	299	743	113	5,513
Early retirement	1,385	539	0	8	0	1,932
New hires	5,892	2,412	1,169	1,790	195	11,458

Scope: Group excluding Euromaster and TCI.

Fixed-term contracts

In 2008, fixed-term contracts accounted for 1.3% of total Group payroll.

Overtime, third-party manpower

Overtime can be used to cope with staff availability issues and to adjust to customer needs. In 2008, overtime accounted for 4.7% of the number of hours worked by production workers within the Group. The rate varies from 1.7% in Africa and the Middle East to 9.5% in North America.

In 2008, compensation paid in connection with overtime amounted to 2.1% of Group total payroll (all status).

Third-party manpower working on Group sites accounted for an average of 3.5% of total Group headcount (full-time equivalent), and varied from 0% (no third-party manpower) in Africa and the Middle East to 7.3% in North America (Group data, excluding Euromaster and TCI).

1 b. Information concerning staff downsizing plans, job retention initiatives, retraining and severance support measures

Michelin Group's industrial strategy involves an acceleration of production capacity increases in the growth tire markets (Eastern Europe, Asia, South America) and increasing competitiveness in the developed ones where the markets are mature (Western Europe, North America, Japan).

This growth and consolidation strategy does not go without industrial reorganization and restructuring plans, like those conducted in 2008 in Spain, France (Toul), Hungary, Italy (Turin), Poland, United Kingdom, Canada, USA, Japan, Singapore, Taiwan, where more than 5,500 employees were subject to severance or occupational reclassification plans. Natural attrition (retirement and turnover) of some 20,000 employees in Western Europe and North America from 2006 to 2010 will facilitate such restructurings.

In such circumstances, Michelin Group systematically deploys a full range of initiatives, generally going beyond minimal legal requirements to avoid redundancies if possible and support every staff member individually. These include:

- permanent system to facilitate and anticipate internal and external mobility (France, Italy), with job search training (resumes, interviews, following labor market);
- intra-Group redeployment, at the same location or at another location within the Group, including expatriation: priority was given to these measures, implemented in 2008 particularly in France, Hungary, Italy, United Kingdom; generally accompanied by assistance in locating housing and employment for the spouse;
- use of early retirement and similar provisions including CATS agreement in France, "mobilita corta" and "mobilita lunga" in Italy, standard and "contrato de relevo" gradual early retirement plans in Spain, similar plans in the United Kingdom that have helped reduce departures outside the company;
- Group-financed external job search services by dedicated support offices and outplacement entities.

In Europe and Canada, Michelin Development promotes job creation in the regions where the Group operates (see below paragraph 10 on the territorial impact of job promotion operations and local development); these actions facilitate reclassification outside of the Group but also maintain or increase the local economic dynamism by the creation of many jobs.

In 2008, Michelin introduced, due to the closing of the Kléber site in Toul, involving the suppression of 826 jobs, the Professional Transition Workshop (Ateliers de Transition Professionnelle/ATP) system, to support successive groups of employees who joined the Kléber Mobility Program in their job searchs with a number of ressources inlcuding: advisers, information workshops to discover other trades (robotics, masonry, welding, industrial of domestic electricity...), a parternship with ANPE (National Employment Association in France) and Documentation center. All these means proved their effectiveness: at the end of December 2008, more than 333 employees had found a new activity. In addition, Michelin Development is also in action in the area of Toul and the first three planned and externally developed projects will allow the creation of more than 450 new jobs.

In Italy, a job search office was set up on all the Group sites, to facilitate internal and external evolutions of the employees affected by the implementation of the Industrial Plan. Announced at the end of October 2008, it will extend until 2010 and will concern 680 people. By the end of 2008, 73 employees had found a solution, either in-house, or in another company, or by the creation of their own activity.

2. Labor organization and working hours, part-time work, absenteeism

Labor organization

Working hours in the Group's 68 industrial plants and dozens of research, logistical, sales and administrative sites, are fixed pursuant to legal provisions which vary from country to country. For full-time employees who are not working in shifts, the annual work time varies from 1,661.4 hours in France to 2,304 hours per year in Colombia, or 213 days in France and 262 days in the US.

Shift work serves to optimize industrial facility utilization by enabling maximum production time (up to 360 days/year, 7 days/week). Shift workers enjoy significantly reduced overall work time and additional compensation. On a Group-wide basis, more than 60,000 people work in shifts, mostly 3x8 hour shifts, but also 4x8, 5x8, 2x12 and week-end shifts, reflecting different industrial, legal as well as local practices.

Part-time work

Part-time work contracts are available in most countries where the Group has industrial operations. Overall, 2.0% of the Group's workforce work part time across all job categories.

Percentage of part-time male and female employees, by status, in overall headcount as of December. 31, 2008

	Female	Male	Total
Production workers	3.7%	1.6%	1.8%
Administrative and technical staff	7.6%	0.6%	2.4%
Management	11.0%	0.7%	2.3%
Total	6.2%	1.3%	2.0%

Scope: Group excluding Euromaster and TCI.

Absenteeism

Absenteeism on Michelin sites in the majority of countries concerned tends to be lower than national rates in similar sectors. For the Group, the total, all causes included was 4.2% (actual number of hours worked versus expected number of hours worked).

Sick leave	Injury leave	Long-term sick leave	Total Group
2.3%	0.2%	1.8%	4.2%

3. Change in payroll and welfare costs, equal opportunities for men and women, profit-sharing, bonuses, company savings programs

2008 Total payroll (EUR million)	including production workers	including administrative/technical staff	including Managers	including Fixed-term contracts	including Severance pay and restructuring	Taxes, provisions, pre-payments
4,605.5	1,911.0	1,764.3	584.5	60.8	-6.4	291.3

The total figure "taxes, provisions, pre-payments" includes provisions for retirement benefits, stock-option pre-payments and other long-term pre-payments.

Change in payroll and welfare costs

In 2008, payroll and benefits costs accounted for 28.1% of net sales, amounting to EUR 4,605.5 million, of which EUR 1,024.5 million social charges borne by employers.

Group payroll and social charges breakdown as follows:

(EUR thousands)		
Wages and salaries	3,296,125	71.6%
Social security costs	1,024,522	22.2%
Defined benefit plans and severance costs	274,419	6.0%
Share option plan costs	10,477	0.2%
TOTAL	4,605,543	100.0%

The Group's pay policy is designed to offer competitive compensation in each country, through an optimal balance between employee satisfaction and Group economic performance. This key aspect is the subject of careful management as pay levels have a direct impact on the cost of sales and therefore the Group's capacity to maintain its position against its competitors. The Group's pay policy, managed with a long-term view, rewards individual responsibility, performance in achieving common objectives, career path, and local practice and market developments. All categories of staff, including production workers, benefit from customized pay packages that reflect individual contributions to Group development.

Profit-sharing and variable pay programs were set up in different countries and employee categories. For its managers in particular, Michelin has a dynamic variable pay policy that recognizes the achievement of individual objectives, long-term performance, cooperation ability as well as common goals. For the sake of consistency, Michelin's manager compensation policy is governed by similar rules and processes in the different countries.

Since pay scales are pegged to specific local criteria (inflation from 0.9% to 15.1%), reflecting widely differing situations from country to country, an average figure would be quite meaningless. For reference purposes, taking France (which has the largest headcount with close to 28,000 employees, headcount as at December 31, 2008 including Euromaster) and where inflation ran at 1.0%, pay increases in 2008 were as follows:

Production workers	+3,2%
Administrative and technical staff	+3,9%
Management	+4,5%

(France numbers)

Equal opportunities for men and women

In each country, the average wage differential between men and women is calculated for each employee category, for the three levels of responsibility where women are most represented in order to obtain an indicator as meaningful as possible. A weighted average based on country's headcount is then calculated for the Group.

Group average pay differential between female and male employees

Status	Differential
Production workers	-3.12%
Administrative and technical staff	-2.50%
Management	-5.45%

The differential can be attributed to company seniority, thus experience and responsibility, generally lower among women. In addition, new hires generally at the beginning of their career are replacing older employees who are retiring which make it difficult to follow statistically. Pay policy and the methods of performance evaluations are strictly identical for men and women in each personnel category and country. Performance evaluations based on anything other than professional criteria, listed in internal policies, would be contrary with the group's most fundamental principles of equity.

Profit-sharing, bonuses, company savings programs

In addition to basic and variable pay pegged to individual and corporate results, and in addition to overtime and compensation directly related to the nature of work performed, where applicable, Michelin's employees enjoy different types of bonus depending on local laws and practices. These include profit-sharing agreements, employee health-insurance scheme, collective retirement savings plan and company savings programs (with company contributions up to 50% of employee contributions). Eighteen countries have introduced such programs, benefiting more than 74,000 Group employees. The levels of those complements vary widely from one country to another and can account for up to 30% an individual's salary.

At Manufacture Française des Pneumatiques Michelin, a profit sharing program was concluded with the trade unions for the 2008-2010 period. Multiple indicators are used to calculate bonuses: these include the number and achievement rate of progress ideas, reduction of the Group's environmental footprint per ton of tires produced (reduction in waste generated and discharged, reduction in CO_2 emissions and VOC – Volatile Organic Compounds, reduced consumption of energy and water), the frequency of accidents at the workplace, achievement of production targets. The amount of the bonus, which is paid in the first quarter of the following year, can account for up to 5% of total salary.

The share of profit paid in 2008 in relation to 2007 profit sharing entitlements amounted to approximately EUR 30 million, including an exceptional payment of EUR 9 million, or on average 4.5% of gross salary.

4. Professional relations, collective bargaining

The following countries have one or more branch agreement(s): Belgium, Brazil, Colombia, France, Germany, Hungary, Italy, Japan, Mexico, the Netherlands, Poland, Romania, Serbia, Spain, Sweden, Thailand, the United Kingdom, and the USA. Overall, these agreements apply to more than 62,000 employees, or upwards of 95% of the headcount in the countries concerned.

In 2008, 1,969 official meetings were arranged with employee representatives in 22 countries (2,044 in 20 countries in 2007). These meetings, over and above the formal and informal exchanges they gave rise to, led to multiple agreements.

In 2008, 48 branch agreements were signed with employee representatives in 12 countries, applicable to nearly 53,000 employees. In several countries, collective agreements signed in previous years were in force in 2008.

Examples of agreements signed in 2008:

Europe

- Spain: agreement to exceptional flexibility measures during periods of reduced activity (changes in the worked days, rest days, stops); agreement to increase to five teams for the activity at the Vitoria site and to three teams at Aranda, in order to increase productivity;
- France: at MFPM, modification in employer's contribution to PERCO collective retirement savings plan; at Pneu Laurent Tire, agreement on the Estimated Management of Employment and Competencies (GPEC), on training, agreement on the equality men/women (wages, greater gender balance, conciliation professional life/private life, maternity/adoption leave), on communication, greater gender balance within the personnel representatives, agreement on the elements of total compensation; at Kléber, agreement on the means available to the personnel representatives in the circumstances of the closure of activities at the Toul site;
- Poland: Agreement on internal rules, rights and duties of the employees, in coherence with the Labor Act;
- United Kingdom: agreement on salary increases for production worker pay for 2009 through 2011;
- Serbia (Tigar): general agreements on new hires, non competition, employee guarantees, staffing and overstaffing, working hours, break hours, vacation, pay, turnover.

North America

• Mexico: agreement on salary, hours and working conditions;

• United States: regular meetings with USWA (United Steelworkers of America) representatives to share information on Company business, address topical issues, and discuss themes of common interest.

South America

• Brazil: annual collective agreements setting general working conditions and pay increases with Rio de Janeiro's Rubber Workers Union for 2008 and 2009; annual agreement on the amount and terms for payment of employee profit sharing schemes; in PEM (1) and PMB (2) rubber tree plantations, general annual agreement on working conditions and pay; agreement on general working conditions and pay at the Resende plant;

• Colombia: agreement on a Voluntary profit sharing scheme, open to unionized and non-unionized production workers; introduction of a Collective agreement (without trade union agreement) for a six-month interim period from August 2008.

Asia

• Thailand: agreement with the unions on the salary increases for 2008, 2009, 2010; agreement on medical payment responsibility for the employees and their families.

Numerous methods for communicating

Great importance is attached to employee communications, directly and with employee representatives. Many methods of sharing information and exchanges exist at the Group sites. Every year, they are counted, and their degree of diffusion in the countries.

There are around 20 different channels for diffusing distinct information and around 10 different channels for consultation largely utilized in the Group. Each country concerned uses on average 12 of them, including such media as intranets, e-mail, family days, corporate magazines (sites, countries and entities), specialized pamphlets, daily, weekly and monthly team meetings, video magazines such as the Group's "Forward" video magazine, meetings with employee representatives, surveys and polls on the group intranet, roundtables, forums, bulletin boards/poles and so on.

(1) Plantation Edouard Michelin
(2) Plantation Michelin Bahia

5. Occupational Hygiene and Safety

Risk prevention in the area of industrial hygiene

The Group central team in charge of industrial hygiene relies on the support of a network of hygiene correspondents in the Group, on "Materials" Experts in the Research Center as well as on occupational doctors. It conducts a program to control risks in two main areas: chemical risks at the work post and asbestos risks, and ensure the establishment of risk analysis and follow-up exposure reference documents.

Concerning asbestos, a compliance review was conducted in 2007 on all industrial sites allowing to have a precise inventory of materials containing captive asbestos (i.e. not likely to release fibers in the atmosphere) still present in buildings or equipment. Like many companies, Michelin used asbestos in the '60s and '70s as thermal insulator (heat insulating pipes and curing presses) as well as friction parts (brakes).

A risk analysis tool, developed in conjunction with Bureau Veritas, a certified agency, and based on the Group's situation, enables us to classify the situations and prioritize the extractions of materials containing captive asbestos each year. In order to control the risk from a personnel and environment perspective, these operations are supervised by a Group level manager.

Chemical risk management at the work post remains the highest priority. The core team was strengthened in 2007, continued in 2008. As for asbestos, a work post risk analysis tool was developed with the assistance of Bureau Veritas. Its deployment during 2009 will enable Michelin to characterize the situations precisely and if necessary program actions to manage the risk.

Finally, the company continues the introduction of a centralized expert information system dedicated to industrial hygiene. Guided by the Group best practices, this tool ensures world-wide consistency of all Group finished and semi-finished product safety documentation as well as compliance with both local laws and regulations and Group standards. This safety documentation includes safety fact sheets, Workstation Product Safety Instructions, labels and transportation documents.

Occupational health

Individual health is monitored internally or by third party physicians coordinated by the Group's head physician. A *Guide for health service activities*, defining the organization, priorities and areas for action of medical services for each Geographic Zone was developed based on good internal and external practices. The internal document is expected to be updated regularly.

Where existing public health facilities or services are deemed inadequate, Michelin takes steps to improve them (as in isolated sites located in emerging countries).

In China Michelin is building cooperation with Shanghai's and Shenyang's hospitals to organize better care to local and expatriate employees, notably in the area of nosocomial infection prevention.

In Africa, the Group's health services also act as advisors and service providers to SIPH (Société Internationale de Plantations d'Hévéas). Pursuant to a Michelin physician's mission in Ghana in 2007, a Group nurse performed an additional mission in 2008 at the Ghana-based Takorady plantation on behalf of SIPH, in order to improve the organization of local medical care, and particularly emergency aid, and to improve the medical personnel's training and sanitary education.

In 2008, actions concerning emergency first-aid were pursued:

• finalization of introduction of defibrillators and installation of this equipment in China;

• first-aid training: more than 90% sites have launched training programs with the objective of having 10% of the Group's staff trained in all industrial sites;

• improve the quality of training courses with a minimum 8-hour standard training course, followed up with a 4-hour annual refresher course: since 2008, all of the new training cycles were conducted according to this standard and already account for the bulk of modules.

In 2008, Michelin continued its AIDS prevention action, focusing on the worst-hit countries. In a context where AIDS awareness is often inadequate or difficult, the Group multiplied AIDS public awareness campaigns among Michelin employees and local populations.

In all countries where the Group operates, depending on the needs and specific local requirements, public health campaigns were held for the benefit of Michelin's personnel and their families: coaching on heavy load handling, back and articulation pain prevention, sedentary-related diseases, advice on diet and healthy living, tobacco and alcohol dependence…

With respect to the risk of bird flue, the Group developed an action plan to deal with the epidemic risk, adjusted to local situations based on local authorities' involvement and resources aimed at protection and prevention (medical treatment stocks and masks at certain sites).

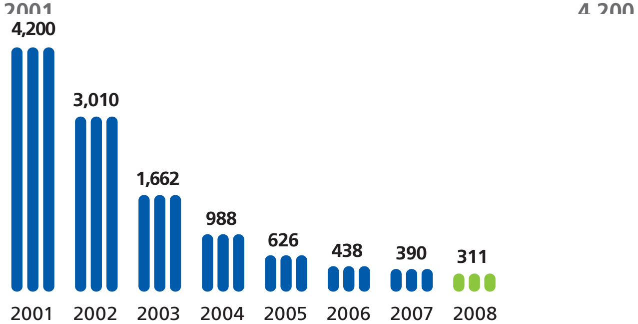
Safety at the workplace

For all Michelin group sites, work accident frequency rate continues to decline, and is, for the first time, below 2:

	2003	2004	2005	2006	2007	2008
Frequency rate**	9.93	5.73	3.61	2.55	2.39	1.85
Severity rate**	0.46	0.32	0.25	0.21	0.21	0.21

*** The data related to these indicators has been audited by PricewaterhouseCoopers (see pages 177-178).*

Number of accidents with work stoppage



The number of accidents was divided by 13 over seven years.

Frequency rate (TF for "taux de fréquence") represents the number of accidents with work stoppage in excess of one day divided by 1 million hours worked. Severity rate (TG) is the number of accidents with work stoppage in excess of one day for the period by thousand of hours worked.

In 2008, 30 sites posted zero accidents (TF=0). The year 2008 saw an improvement of more than 50% in the results of South American plants. In Europe, the improvements were significant in many countries (Germany, Hungary, Poland, Russia, Spain). Elsewhere in the world, the trend is for stabilization or degradation of results.

2008 was a safety progress year, underlined by the following actions:

• employee safety involvement continues to increase, more than one out of two persons in the Group took part in a monthly safety action;

• introduction of specific programs on four risks (traffic, circulation, work at a height, energies confinement and electric distribution) were introduced on all Group sites. These programs integrate the best operational practices on our sites. This approach managed by a Group international steering committee was extremely rich in regards to feedback;

• new training program for first line supervisors "Manage safety in my self managed team". In total, 2,000 people will be trained in 2008 and 2009. This training course is a follow up to the training offered to shop managers "Manage safety in my Workshop" which aims at guaranteeing the accident prevention file at each work post. These training courses make it possible to define the roles and responsibilities for each level of the hierarchy and to train everyone involved on the operational tools developed for all the Group industrial sites;

• progressive introduction of prevention indicators complementing the gravity and frequency indicators. A study was initiated in 2008 to highlight the key success factors and thus determine the right prevention indicator. This indicator will be deployed in all industrial sites in the coming years. Participation rate is of course also a component of this indicator;

• a fire prevention campaign was initiated in 2008. An employee awareness kit was deployed to all industrials sites. This campaign was reinforced by the introduction of a prevention and protection diagnostic tool.

Work post ergonomics

After the first phase of development, the ergonomics professional network is strengthening its operating procedures to accelerate the progress. In particular, the on-site ergonomic steering committees contributed to the deployment of work post action plans. In addition, analytical and tailored decision support tools that take into account the ergonomics of equipment continues with significant results (e.g., the Atlas project improved tire handling in the warehouse). In 2009, it will finally be possible on the seven group benchmark projects initiated in 2007 to build prototypes to validate industrial solutions.

Interim agencies

The preventive approach initiated with interim agencies continues. An action plan has been established and the following actions have been deployed:

• safety charter signed by Michelin and each of the interim agencies;

• self evaluations and action plans created in partnership with local agencies at each site;

• best practices determined from field audits, conducted in partnership with local agencies at each site;

• annual meeting with Michelin and the managing director of the interim agencies.

The results obtained are encouraging because the frequency rate was divided by 2 in three years.

Internal communications for the benefit of workplace safety

Internal communication is key to the Group's safety policy and a number of communication initiatives were launched to help deployment.

In 2008 the main communication themes were: overall safety programs, fire prevention on the four principal reasons for fires start and sharing best practices between sites.

The synergies that exist between the Group's internal communication tools permit maximal effectiveness of actions: TV network, bulletin boards, team meeting presentations, intranet for managers and other specific documents.

The new "Michelin Safety Award" enables us to share "zero accident" best practices by disseminating the specifics of the sites that win in internal communications.

Workplace road safety

A road safety program at the workplace was continued in 2008, consistent with Michelin's action to promote more sustainable and safer mobility. Michelin worked alongside public and private partners under national and worldwide programs aimed at curbing road accidents.

Accident risks for Group personnel commuting to work or traveling on business were covered by internal campaigns in 2008. They encouraged safer driving practices and improved travel management.

With regard to education activities in 2008, Michelin introduced a half day training courses for all of marketing and sales new hires on road safety.

A road safety awareness kit was made available to all employees in Michelin industrial countries. "Driving and Behaving" events in addition to games and competitions continued. Communication campaigns on the video magazine "Forward" were utilized before summer holidays and at the beginning of winter, supplemented by mailings to employee's homes in France and Germany.

All these programs result from implementation of long-term commitments taken by the Group through road safety charters signed alongside national and European bodies.

6. Training

In conjunction with active career management, the Group's training policy aims to offer all employees the training they need to work efficiently and evolve professionally. Particular attention is paid to the quality of initial training upon entry into each function.

The Group's 2008 training access rate (number of training hours compared to number of hours worked) was 4.2% (versus 3.7% in 2007). This rate is indicative of the efforts made in the training area.

From a quantitative point of view, the number of training hours for 2008 was 6.9 million hours, compared with 6.3 million hours in 2007, or an average of 69 hours by employee and 87 hours per trainee, versus 63 and 74 hours respectively in 2007.

Breakdown of training hours by staff category:

	Production workers	Administrative and technical staff	Management	Total
Training hours	5,022,836	1,581,630	273,102	6,877,568
Percentage	73.0%	23.0%	4.0%	100.0%

On-the-job training accounted for the bulk of the Group's training courses in 2008, in line with Michelin's policy of contributing to the development of individual skills and employability.

These statistics were calculated by using average headcount during the year and a quota of 1,700 hours worked for the year.

7. The Group's Diversity approach

Michelin's diversity approach has been structured for several years according to five areas: cultures and nationalities, gender, ethnicity, age and physical abilities. It relies on a network of about 20 people, led by a Group level manager. The network actively shares best practices between countries in the five areas.

The diversity approach continued to be deployed in 2008: a review of the hiring process in France was conducted in order to identify improvement areas, diversity network training on the question of age and aging, many awareness sessions, the Global Diversity Convention was held in the presence of Michel Rollier, network meetings, and many "micro" local actions.

Employment of disabled people

The question of disabled worker employment is highly complex from a legal point of view. As countries have their own regulations on this subject, obligations vary widely. They range from a minimum hiring obligation (fourteen countries, recommending a variable percentage from 0.5% in Thailand to 7% in Italy) to no effective obligation (as in Canada, the USA, Russia and Serbia), with intermediate situations based on incentive programs (as in the Netherlands and Colombia). Several countries apply a financial penalty if the percentage is not respected. Generally speaking, the disabled are protected by law as in the United Kingdom, Canada or the United States, with respect to both the confidential nature of the disability and the right to continued employment.

Handicaps are recognized based on an individual statement which, in certain countries, such as Brazil and Russia, must be validated by an official medical commission. Such individual statements are prerequisites in certain countries like the United States for a person to be included in the statistics. Owing to the dissuading effect of individual declarations, statistics should be interpreted cautiously and are probably underestimated, though to what extent is difficult to determine.

With the above due reservations concerning the reliability of disabled employment statistics, the Group currently counts an estimated 2.2% of declared disabled employees (in the relevant reporting headcount of 99,887 people), with major differences between regions (Europe: 3.3%, North America: 0.8%, South America: 1.4%, Asia: 0.3%, Africa and the Middle East: 0%). The differences between countries too are important, from 0% declared disabled employees in several countries to 6.4% in France, 0.3% in Thailand, 0.8% in China and Hungary, 1.0% in Poland, 1.2% in Spain, 1.4% in Japan and Italy, 1.7% in Brazil, 1.9% in Romania, 4.1% in Germany, and 4.5% in Canada.

Age

For Michelin, the question of older workers takes on added importance. One third of employees, mostly production workers, are more than 50 years old, and this figure will grow in the years to come. In this area, several actions were conducted: work post ergonomic improvements, proposing job changes to enhance the work experience, offering international assignments and mentoring new hires. This last action of mentoring demonstrates concretely two complementary practical aspects of respect for people, taking into account the capabilities of the older employees and the educational concern for new hires. In the USA, for the third time Michelin was named to the AARP (American Association of Retired Persons) list of 2008 best employers for workers over 50.

8. Employee benefits

In all countries where it operates, Michelin contributes to social benefits, by contributing funds to a number of activities or services benefiting staff and their families. Some of them are provided for and defined by local regulations, and others are voluntary. Michelin's action in this area is wide-ranging: health insurance, catering, transportation, cultural events, sports and health campaigns conducted within work councils or similar organizations. The amount of the Group's annual contribution is estimated at a minimum of EUR 25 million.

9. Subcontracting

In 2008, third party services having no connection with production operations (cleaning of facilities, machinery and work outfits, security, handling and storage, waste disposal, IT, telecom and administrative operations) accounted for the equivalent of 16.3% of payroll, versus 16.0% in 2007.

10. Impact of Michelin's activities in the areas of employment and regional development: "Michelin Development" in Europe and Canada

With the help of its subsidiaries (including Société d'Industrialisation et de Développement Economique in France), dedicated to economic activity and employment in the European regions where it has industrial operations, "Michelin Development" further supported small and medium-sized companies along two main lines: with a focus on innovative projects geared to sustainable job creations, it contributed to the award of unguaranteed reduced rate loans and delivered technical expertise. In this connection, Michelin Development was party to a number of "cluster" approaches, facilitating access by innovative companies to Research centers and Universities.

In 2008, in Europe, the Michelin Development mission was conducted by a team of 20 persons servicing nearly 160 missions including 36 technical consultancies in France. It helped to create 2,000 jobs in contributing to the validation and financing of business development projects, mainly in Germany, Spain, France (1,100 jobs), Italy and the UK, but also in Hungary, Poland and Romania. In Canada, Michelin Development intervened at the Kitchener site by supporting the granting of loans, contributing to the creation of 700 jobs.

There is more information in paragraph 1.b on the details of interventions at Toul and Turin in 2008.

In total since its inception in 1990, Michelin Development has provided nearly 1,000 technical advisory missions, including 500 in France, and helped create 18,000 jobs, including 14,000 in France.

11. Relations with communities, schools and associations

Involvement in the local community

Wherever it operates, Michelin Group takes an active part in community life and fosters friendly and fruitful contacts with local organizations including local authorities, municipal services, schools and associations. Where appropriate, Michelin takes part in their activities by contributing advice, funds or hands-on support. The Group distinguishes actions that are related to the mobility of people and goods, to education and all cultural activities, sports and charities.

In 2008, some 16,200 days were spent Group-wide by employees members in community relations, and more than EUR 9.1 million were paid to external groups. These contributions tend to be globally correlated to the actual headcount in the regions concerned.

With regard to the contribution in days, by direct intervention of Michelin employees, education accounts for 37% of the participation (almost 6,000 days); diverse actions represent 46% and mobility represents 17%.

Concerning financial contributions, the bulk was channeled into schools and education (54%), social relief (health, social, charity…) and into sports and cultural events 37%; the balance of 9% was channeled into mobility, road safety issues in particular.

The actions aimed at local welfare (more than 3,100 actions recorded) are extremely varied, defeating any attempt at an exhaustive overview. Following are some examples:

North America: gifts to a large American social solidarity association, direct employee contributions in addition to more than 2 million dollars contributed from the company, local food banks, fire departments, donations and partnerships with schools in the vicinity of each site (including Querétaro, Mexico), partnerships with several universities in South Carolina; many interventions in schools to support students in difficulty or sharing experiences on the life of the business, financial assistance to volunteer organizations assisting the sick, disabled, elderly and needy, to financial support for sports clubs, environmental associations and museums; operations that aid with food delivery like "Meals on Wheels of Greenville", blood donation drives, contribution to the Red Cross, furnishing tires or financing of emergency vehicles and so on.

South America: donations to food banks, in the State of Bahia, support to family farming programs, financial support for research on biodiversity in Bahia, payment of monthly financial contributions to youth educational activities, alcohol and drug abuse awareness campaigns, donated wheel chairs, chairs and school desks for the local jail, donated computers, printers, clothing, renovation of a sensory garden for blind people in Rio de Janeiro and furniture (trunks, tables, chairs, etc) and toys to an orphanage; financing for the second year the development of a game on road safety "*Na pista do meilhor Caminho*" in partnership with Rio de Janeiro Urban Trafic Control Board (DETRAN) to be used in Rio de Janeiro schools; in Colombia, financial contribution to the reconstruction of a hospital and a teaching support program for underprivileged children.

Europe: support to sports clubs, sporting events, "Training Night" in Germany, financing of premises for associations; "Achtung Auto" and "vado a piedi e uso la testa" road safety lessons for schoolchildren, Operation "Pedibus" marking the route on foot for schoolchildren; sponsorship of road safety actions with local car clubs, "your road…your security", actions "Don't drink and Drive!", revamping of homes for disabled people, organization of sporting events, donations to sports associations for the handicap, IT equipment gifts, donations to local Red Cross, blood drives, course for people to reintegrate the job market, musical event by Michelin choirs at charity associations, gifts to the Ligue Contre la Violence Routière (road crime league) for road safety, furniture gifts to a pediatric hospital, tire gifts to emergency services, charity or health organizations, financing of medical equipment, defibrillators or vehicles for hospitals, material support and participation in the life of schools (services such as board of examiners, follow-up on students with difficulties); student meetings; participation in "Girls' Day" operation to encourage young women to acquire technical training, company meetings with students, "Outstanding Women" day in Romania; funding books for local libraries; prizes for contests, raffles, charity events, advertising in local magazines.

In Clermont-Ferrand, since 1911 at the initiation of Marcel Michelin, very strong involvement in the ASM (Association Sportive Montferrandaise) sports club, both through financial contributions and hands-on contributions by Group managers: ASM provides its 3000 members 3 training sites and 15 sports sections facilitated by 400 persons, paying special attention to youth training and monitoring of athletes on health plans.

Africa: tire pressure campaigns, financial support for a disabled people association.

Asia Pacific: In China, donation as a result of climatic disasters, the earthquake in Sichuan, donation to an orphanage, financial support for the building of sports facilities in schools, in Vietnam helmet wearing campaign with the "Asia Injury Prevention Foundation", financial support of schools (buildings, school grants, IT equipment, library), charity donations, local Red Cross, donations for local public campaign "Drunk don't drive" education campaign on climate change, grants for playgrounds and green spaces for children, gift tires for emergency services.

Michelin's contribution to road safety

In line with the commitments of its Michelin Performance and Responsibility approach, the Group intends to contribute to improving road safety by talking directly to road users. This desire is reflected in awareness campaigns, education and training designed to eliminate dangerous behavior. The Road Safety Project was deployed throughout Europe during 2008 and has set a global deployment objective by 2010. The renewal of the European Road Safety Charter signed in 2004 should take place in 2009 and demonstrate the constancy over time of Michelin policy in this subject.

On the one hand, Michelin works in collaboration with other organizations.

Large-scale programs were set up with multiple private and public and national and international partners including GRSP (Global Road Safety Partnership), an association of international organizations and multinational companies and also non-governmental organizations. GRSP focuses its actions on the countries where road safety issues are most acute (Thailand, Vietnam, China, Kuwait, South Africa, Poland, Romania, Hungary, Brazil) and extends technical and legal support and prevention advice to the governments to urge them to address the problem. In addition, Michelin worked in 2008 to create a global youth road safety partnership with WHO that will start its activities in 2009 targeting 16-25 year olds.

And on the other hand, Michelin also acts independently through its campaigns to motorists and local community involvement around its sites.

Michelin has identified the most accident-prone behavior in connection with its core business, tires. In 2008, the "Fill up with air" awareness building campaigns were rolled out in 10 countries (seven in the European Union and Kuwait, Norway and Turkey), giving drivers an opportunity to learn about proper tire inflation pressure. In all, some 9,500 cars were checked: 61% had at least one under-inflated tire.

To facilitate proper inflation pressure maintenance, Michelin has installed 76 free Michelin Man inflation stations (equipment for measuring and adjusting tire pressure in the form of the Michelin Man) in service areas or parking lots accessible to the public in ten countries. In France, 51 Michelin Man inflation stations were installed through a partnership with motorway networks (29 with ASF and 5 with COFIROUTE). Michelin Man inflation stations were also installed in Austria, China, Germany, Hungary, Italy, Poland, Romania, United Kingdom and USA.

Michelin supported road safety promotion through protection measures for the more vulnerable populations: the youth, cyclists, pedestrians.

For schoolchildren, Michelin has developed an outreach program "The safest path" deployed in several countries, e.g. Brazil "Na pista do melhor Caminho", Fossano (Italy) in partnership with the municipality. In France, the company organized at Montceau-lès-Mines, Bassens, Avallon and La Roche-sur-Yon "Michelin Junior Bike" operations, where young cyclists learn through fun road traffic rules. Eight similar operations were conducted in Italy (la Spezia, Pistoia, Santa-Maria-Maggiore, Sauze d'Oulx, Treviso, Carpi, Padova, Verona), affecting more than 7,000 young people from 8 to 12 years old. Since 1998, in Italy alone, more than 184,000 children have participated in Junior Bike events.

For adolescents, helmet awareness campaigns were organized to educate adolescents on the dangers that exist when driving motorcycles, particularly in emerging countries. Michelin, in a 6 year partnership with the German automobile club ADAC, continues the program "Achtung Auto" for 14-15 year olds. The program has already involved one million children.

For young adults, Michelin distributes materials in driving schools on tire safety for new drivers.

12. Supplier Relations

Michelin considers it to be the company's responsibility to implement sustainable development with its suppliers, particularly because of the amount of purchases, representing 63% of its net sales. By establishing a dialogue, the company intends to select its suppliers not only based on the value of their products and services, but also in terms of their overall performance, including social, environmental and ethical activities.

The principles applied by the Purchasing department in vendor relations are completely consistent with company values, affirmed in the Michelin Performance and Responsibility approach. In particular, the Group's objective is to develop sustainable relationships with suppliers and to eliminate the risks from non-compliance with environmental or social legislation.

These principles are outlined in the Michelin Purchasing Code, published four years ago, which requires suppliers to comply with a set of principles, particularly social and environmental (International Labor Organization conventions, assessment and control of environmental impacts, ...).

In 2008, the Purchasing department continued its integration into documents and referentials of the provisions of the Michelin Purchasing Code. Supplier evaluation questionnaires, internal and external audit reference documents, local contracts and global contracts, indicators for evaluating suppliers and performance assessments include specifc criteria on respect of values and the Michelin Performance and Responsability approach.

A maturity scale, established initially for the purchases of raw materials, is now being gradually deployed for purchases of capital goods. It was applied for the first time to Michelin's most important suppliers, with meetings to evaluate and discuss results.

For example, the maturity scale shows with regards to 80% of raw material purchases, 58% of these suppliers' sites are certified ISO 14001, an increase compared to 2007.

The establishment of these scales is accompanied by detailed supplier audits, made by Michelin's teams (30 to 40 annually). During these visits, Michelin always discusses safety or ergonomics. This approach actually meets suppliers' expectations: considering the positive attitude adopted, Michelin is considered by them to be a company that best helps them progress in these areas.

This is reinforced in the case of suppliers from emerging countries, with which purchases are growing significantly. Michelin gives them particular attention and they are subject to regular visits. The issue of child labor is always considered very carefully and a breach would constitute a cause for immediate relationship termination.

In 2008, Michelin also extensively covered the Europen REACH regulation with its suppliers, to help them with their registrations and chemical authorisations and also control its own risks in the area of component substitutions.

Along with these external measures, Michelin set up within its Purchasing department an Internal Control function in charge of identifying and eliminating fraud risks and of ensuring proper implementation of the Group's "Purchasing Ethics" Referential. This action was complemented by a systematic initiative to identify risks by the Internal Audit Department. The *"Purchasing Ethics"* referential has been an internal communication campaign within Michelin's teams and with the key internal partners. These rules are displayed in all the rooms in which meetings are held with suppliers.

Finally, the launch of the new Raw Material Quality Assurance Suppliers Manual was an opportunity to put the topic of ethics in front of suppliers, by systematically sending explanation letters to them.

2008 Environmental Information

1. The Group's environmental approach

Michelin bases its environmental approach on impact studies of its activity. In particular, the lifecycle analysis of tires shows that the main impacts on the environment and health are very largely due to the fuel consumption caused by rolling resistance, not its production phase or end of life treatment. This study also takes into account health indicators.

The Group's focus areas concern the products, and the manufacturing sites.

1.1 Controlling the impact of Michelin's products

The life cycle analysis of a passenger tire shows that over 86% of its impact on health and environmental (for a life of 40,000 km) relates to the usage life phase and is, mainly due to its rolling resistance. This proportion rises to 93% for a truck tire, for a life of 600,000 km. In common use, tires account for a significant proportion of vehicle fuel consumption, now estimated at 20% for passenger cars and over 30% for truck tires.

For Michelin, the priority has been the same for many years: to increase the energy efficiency of its tires while improving performance, especially safety and durability. By reducing vehicle fuel consumption, lower tire rolling resistance also reduces local pollution and CO_2 emissions emitted during use. Extending the lifetime of the tire also allows better use of raw materials and energy consumed during manufacturing.

Today the high energy efficient passenger tire, invented by Michelin in 1992 under the name of Michelin Energy, offers a reduction in rolling resistance of up to -25% compared to other tires on the market. It can lead to lower fuel consumption for an average European car of 0.2 l/100 km, or on average 4 g of CO_2/km.

In truck tires, innovations collectively known as the Michelin Durable Technologies, allows reductions in fuel consumption as well as reduced CO_2 emissions. For example, the MICHELIN X Energy^{TM} SaverGreen tire avoids the emission of approximately 6 tons of CO_2 over the tire's four lives. These technologies also increase the load capacity and lifespan. The latter has doubled in truck tires since 1980.

In sixteen years, more than 600 million Michelin high energy efficiency tires have been sold worldwide and have already accounted for an estimated savings of 10 billion liters of fuel and 27 million tons of CO_2 not being emitted into the atmosphere, the equivalent of what could be captured by over one billion trees in one year. The method of calculation is described in document UTAC (Minutes 07/08882).

Further rolling resistance reductions, while improving or at least maintaining the other tire performance criteria at the same level, remains the Group's key Research and Development objective.

Finally, Michelin is becoming very active in the establishment and operation of tire's end of life value chains, either by material recovery (floors, surfaces, molded objects, embankments…) or energy recovery (fuel for cement plants or steel mills). There are more details of this in the Michelin Performance and Responsibility reports.

1.2 Improving the environmental performance of sites

Improving environmental performance of the Group's sites implies reliance on adequate global measurements. Therefore, in 2005, Michelin developed an environmental performance indicator called MEF (Michelin site Environmental Footprint) including Michelin's six most relevant environmental challenges for the mid-term. MEF integrates the consumption of resources (water, energy), emissions (carbon dioxide (CO_2), volatile organic compounds (VOC) and waste (generated quantity, quantity in landfills). Each criterion is weighted according to its significance (see diagram below) and calculated for actual tire production tonnages.

MEF (Michelin site Environmental Footprint) Indicator: Components and weighting

MEF site

Down by -30% by 2013

	Basic components	Weighting
Consumption of resources	Energy	15
	Water	15
Emissions in the air	VOC	25
	CO_2	15
Waste	Quantity generated	15
	Quantity send to landfill	15

Since 2005, the Group continues its effort to reduce the environmental impact of its sites through the monitoring of MEF. A first target of -20% in 2011 compared to 2005 was reached in 2008, so a new target of -30% by 2013, still compared to 2005, was defined. The MEF is integrated into the Group's scorecard and is subject to quarterly reporting.

The 2008 detailed results on the six components of the MEF are in the table below.

MEF (Michelin site Environmental Footprint) Indicator evolution between 2005 and 2008

2013 objective compared to 2005		2005	2006	2007	2008	Changes over 2005-2008
MEF	-30%	100	92.9	83.6	78.6	-21.4%

MEF six criteria changes	Unit	2005	2006	2007	2008	Changes over 2005-2008
Energy consumption	Gj/t* PP	17.4	17.2	15.6	15.3	-12.1%
Water consumption	m3/t PP	15.0	14.9	13.3	12.8	-14.7%
VOC emissions	kg/t PP	4.27	3.97	3.48	3.13	-26.7%
CO_2 emissions	t/t PP	1.53	1.48	1.37	1.35	-11.8%
Waste generated	kg/t PP	140	130	128	127.5	-8.9%
Landfill	kg/t PP	33	26	20	16.2	-50.9%

** t PP = ton of tire produced. In this document when the word "ton" is used it refers to metric ton.*
The data related to these indicators has been audited by PricewaterhouseCoopers (see pages 177-178).

1.3 Managing industrial site emissions and renewable energies

Michelin Group is committed to contributing to global efforts to reduce greenhouse gas emissions by the road transportation and industrial sectors. As such, the reduction of CO_2 emissions per ton of product linked to industrial activities reached -11.8% compared to 2005 throughout the Group.

The deployment of actions in the field of energy efficiency continues. The Group, in connection with the deployment of its Renewable Energy Policy (EnR), made a diagnosis of all its sites in order to build a portfolio of projects that help reduce CO_2 impact.

Several installations have emerged in recent years: two wind turbines provide more than 20% of the electricity needs of the plant in Dundee, Scotland, the synthetic rubber plant of Bassens is supplied up to 15% from heat recovered from the combustion of industrial and hospital waste and four sites in Germany (Bad Kreuznach, Homburg, Bamberg, Landau) have equipped their roofs with photovoltaic panels with a power of 9MW.

Other projects are underway: the extension of solar installations in Germany on two new sites (Ulm, Karlsruhe), installation of a wind turbine unit in Ballymena, Northern Ireland, production of energy by burning biomass at Bourges in France.
Others projects are also in the preliminary phase.

1.4 Scope of environmental disclosures

The Group tracks the quality and completeness of data and figures presented below cover all Michelin industrial activities as well as research and development activities and rubber tree plantations.

The site of Tigar, in Serbia, newly integrated by the Group, will enter the reporting perimeter in 2010.

2. Review of statutory indicators

2.1 Atmospheric emissions

2.1.1 Greenhouse gas effect

CO_2 emissions of the Group amounted to 1.35 ton per ton of finished products in 2008, a decrease of 1.4% compared to 2007.

Direct CO_2 emissions by Group-owned boilers in 2008 were at 0.60 t by metric ton of finished product, down 6.3% versus 2007.

In European Union countries, emissions are subject to regulations (the Kyoto Protocol for the 2008-2012 period) providing for CO_2 emission rights or quotas, entering in 2008 the second phase of its implementation. As in previous years, Michelin's European site emissions were below attributed quotas, with a reduction of more than 150,000 tons of CO_2 emitted into the atmosphere in 2008 compared to 2007.

Indirect emissions of CO_2 associated with the purchase of electric and thermal energy (steam) are estimated at 0.75 tons per ton of finished products, up 4.2% compared to 2007 (0.72 ton per ton). This is mainly due to outsourcing of steam supply at one of the Group's Italian sites, Cuneo at the beginning of 2008.

Thanks to optimized operations and introduction of the Group's best industrial practices, the Group's energy consumption in GJ (gigajoule) continued to decline overall by 1.3% in 2008. However, the decrease in production, particularly marked in the fourth quarter of 2008 has resulted in reduced tons of finished product thus slightly increasing the energy consumption/produced ton ratio (+1.9%).

In addition, Michelin applies a strong policy in the area of renewable energies which contributes to reducing fossil fuel-related emissions, either directly through choice of energy supplies, or indirectly through clean technologies introduced at its sites: an equivalent emission of more than 30,000 tonnes of CO_2 has been avoided in 2008.

Site	Technology	CO_2 volume not emitted
Bamberg, Hombourg, Bad Kreuznach, Landau (Germany)	Photovoltaic	- 7,200 t CO_2 /year indirect
Dundee (United Kingdom)	Windmill	- 4,000 t CO_2 /year indirect
Bassens (France)	Recovering heat generated by an incinerator located 1 km away	- 20,000 t CO_2 /year direct

2.1.2 Other atmospheric emissions*

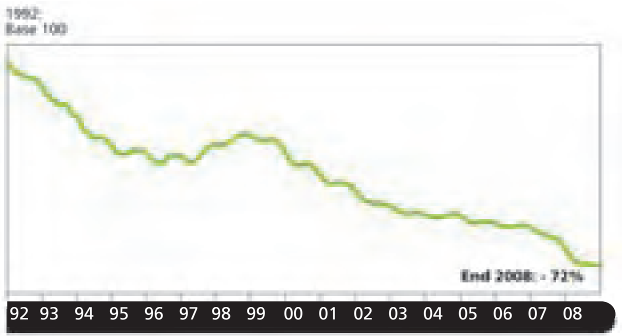
* correspond to “acidification” and “photochemical” pollution items defined by ministerial decree of April 30, 2002.

Volatile Organic Compounds (VOC)

Group relative VOC emissions (3.13 kg/t of finished product) were down 10% between 2007 and 2008. The year 2008 saw continued deployment of new and innovative production processes designed to cut solvent consumption and emissions.

As the following graph concerning Europe’s Passenger car and Light truck manufacturing operations shows, significant (-72%) reductions were achieved since 1992 when the reduction program started.

Solvent Consumption
Europe Passenger Car and Light Truck (g/kg)



Nitrogen Oxides (NOx)

Specific NOx emissions from Group boilers are 0.82 kg per metric ton of finished product (0.89 kg/t calculated in 2007).

Sulfur Oxides (SOx)

Sulfur oxide (SOx) emissions are 1.08 kg/t of finished product (1.27 kg/t calculated in 2007)

The 2008 results show a continued reduction in emissions from the baseline set in 2005. One of the primary reasons for the decrease in sulfur dioxide emission is related to the growing use, in certain countries, of gas in place of other fossil fuels.

2.2 Water consumption and discharges to the aquatic environment

2.2.1 Water consumption

Michelin plants mainly use water to cool the plants and as a heat transfer fluid. After proper treatment, water used is either discharged to the environment or to local water treatment plants.

Michelin’s specific water consumption amounted to 12.8 m^3 per metric ton of finished product, down 3.8% from 2007. This variation is due to a strong commitment from the Group’s three sites that consume the most water. They have reduced their need by an average of 7.5% in 2008.

2.2.2 Discharges to the aquatic environment

The main substances that could be emitted by Group plants are Total Suspended Solids and Total Hydrocarbons. This is not specific to Michelin’s processes but inherent in most industrial activities.

Wire processing and synthetic elastomer production also use water in their manufacturing processes, and could respectively emit metal (copper, zinc) or hydrocarbon residues: Michelin uses water treatment processes suitable to each need at these sites.

2.3 Ground level discharge

Michelin’s operations do not generate continuous discharges into the ground or water tables.

The Group’s approach to deal with the risk of accidental spillage is based on MEMS (Michelin Environmental Management System). This comprises a set of physical measures (ground protection, leak prevention) and behavioral instructions (production worker procedures to identify hazardous operations and for remedial action in the event of an accident).

The Group Environment requirements applicable to the construction and equipping of new industrial projects require a high level of soil protection, derived from the strictest standards and are often more stringent than local regulations.

2.4 Waste

In 2008, the Group continued its actions to reduce the amount of waste going to landfill. The gross amount of waste generated by production of one metric ton of tires was stable compared to 2007 at 127.5 kg and the amount ultimately sent to landfills from 20 kg to 16.2 kg, which is an improvement of 19%. Overall since 2005, the amount of waste generated in the manufacture of one ton of tires decreased from 140 kg to 127.5 kg (reduction of 8.9%) and the amount of waste disposal by 33 kg to 16.2 kg (50.9% reduction).

The Group set a target to reduce the amount of waste disposal by 75% by 2013 compared to 2005 contributing to 30% progress set for 2013 of the MEF.

2.5 Resource consumption

Energy

The Group's energy consumption by metric ton of tire produced decreased at 15.6 GJ from 15.3 GJ at constant scope, a decrease of more than 1.9% versus 2007.

The cross-functional entity set up to improve energy efficiency of the industrial sites deployed its energy audit methodology, identifying best practices, and published the best of them in a Group level referential. At the end of 2008, 77 sites had been audited and action plans prepared. A second complementary diagnostic phase started, which shows an application rate of best practices at 84%. A scorecard for monitoring the sites' energy performance was established in North America and Europe. Michelin's policy of developing renewable energy projects continues with the objective of environmental and economic performance gains. Projects are under study, for example in the area of steam production from biomass.

2.6 Ecosystem Preservation

Michelin, and indeed all industry, reliese on "ecosystem services", and is acutely aware of their importance and fragility. Indeed, 50% of the rubber used by Michelin is a renewable raw material: natural rubber, the product of the rubber tree.

Anxious to use in a sustainable manner, what the ecosystems provide, in a sustainable manner, Michelin is currently active in several areas to limit the impact of its activities and to protect ecosystems and biodiversity:

- implementing actions, for a number of years, to preserve the fragile environment around some of the sites (see below);
- integration of these issues into the Michelin Performance and Responsibility approach;
- progressive development, within the group, of the ESR (Ecosystem Services Review);
- compliance with local environmental regulations concerning ecosystems combined with Group-level environmental requirements where they are more stringent;
- introduction of new processes and equipment to limit water consumption;
- design of lighter tires, using fewer raw materials, that are more energy efficient and longer lasting.

Michelin's actions on the plantation of Bahia

Under the Ouro Verde ("Green Gold") project conducted on Michelin's rubber plantation of Bahia in Brazil, Michelin has been working since 2003 to preserve the primary Atlantic Forest that is exceptionally rich in biodiversity, but is threatened by deforestation.

The Center for the Study of Biodiversity was installed there. It provides scientists worldwide with an open-air laboratory on the Atlantic Forest. The center can accommodate up to 16 researchers, with the equipment necessary for their work. Michelin has helped to finance some research activities, including 36 studies on biodiversity. Visitors are able to enjoy educational walking trails.

The local population has not been forgotten either. The program "Know the Atlantic Forest" aims to sensitize local communities about environmental issues by leading guided tours of the reserve in small groups or field trips for schools. The Michelin Environmental Reference center provides detailed information on the Atlantic Forest.

Michelin's actions on the site of Almería

Established in 1973, the Test Center of Almería (CEMA) occupies 4,500 hectares of which 1,500 hectares lie in the heart of the Natural Park of Cabo de Gata-Nijar in Andalusia, southern Spain. This natural park, created in 1987, is located in a desert area with the lowest rainfall in Europe. It is home to numerous varieties of flora and fauna, including many species found only in this zone.

These actions have helped preserve a specimen of the "Dracaena Draco" tree from the Canary Islands that is located on the center and is over 500 years old!

The test center has been certified ISO 14001 since 2005.

A first in Hungary

In 2008, the first ESR (Ecosystem Services Review) was conducted at the site of Nyiregyhaza in Hungary. The review was performed using a methodology developed by the WBCSD (World Business Council for Sustainable Development) and to which one of Michelin's engineers was trained. The methodology was adapted to the tire industry and highlights the dependence of an industrial site to its environment. This review identified that the site can be susceptible to conditions which it does not directly control, such as air pollution, and as a result steps have been taken to remedy the problem.

2.7 Pollution Risk Prevention

The subject is treated in the above paragraphs, as well as in the "Industrial Risk" section page 158.

2.8 Progress Approach

2.8.1 Certification and evaluation, statutory conformity guarantee

The strength and consistency of the environmental policy of the Group's industrial sites hinges on:

- firstly, the Michelin Environmental Management System (MEMS), designed to allow each of its sites to control the daily and long term environmental impacts;
- secondly, the Group's Environmental Requirements (CEEG), which defines the level of performance asked of a Michelin site, a level which in some cases exceeds local regulatory requirements.

Obtaining ISO14001 certification as external validation of Michelin's commitment to environmental issues is also part of the approach.

MEMS environmental management covers the following aspects:

- ensuring compliance with local regulations and Michelin standards;
- obligation to define and achieve, each year, progress objectives adapted to local issues;
- prevention mechanisms for the risks of accidental pollution. The Group's objective is to implement MEMS in all sites acquired more than 5 years ago. At the end of 2008, 94% of the industrial sites, Technology Centers and plantations acquired over the last five years were using MEMS. This approach is in the process of being introduced in the logistics sites.

The Group's Environmental Requirements by definition apply to all new installations or intallation modifications and allow the Group to pursue a goal of environmental excellence in its sites. With regard to existing facilities (industrial and technology centers), reviews of the differences from Group requirements were performed for nearly 94% of sites, with the goal of building and planning actions to achieve the Group targets.

As of the end of 2008, the Group manufactures 99.5% of its tires at sites certified ISO 14001. The Group's two rubber plantations, the main sites of the Technology Center and all the semi-finished products facilities were also certified. Although MEMS is not a preriquisite for ISO 140001 certification, it has clearly helped achieve it.

2.8.2 Environmental Governance and Internal Organization

To guarantee the robustness of risk analysis and the relevance of the solutions that are adopted, Michelin Group has adopted a network structure to respond to its environment, hygiene, workplace safety and industrial hazard prevention issues.

The Group's Environment and Prevention network comprises a hundred or so experts who operate in different countries and Product Lines, in addition to a dedicated team in each site. The head of the Environment and Prevention network reports to the Group's Executive Council and manages a dedicated budget.

One improvement objective is defined each year in the Annual Plan through the MEF indicator (see above). The Group raised its MEF target from -20% in 2011 to -30% at the end of 2013. The regular deployment of this objective in all Group operations ensures that realistic targets are set. Progress in the MEF is reviewed quarterly by the Prevention and Industrial Performance Department and is part of the Group's scorecard.

2.8.3 Employee training and information

MEMS deployment and specific training has raised environmental awareness on the part of the 88,000 or so employees of Michelin's certified sites. The training courses, which are tailored to each type of workstation, cover the main impact factors specific to site operations. In addition, employees benefit from regular refresher courses.

2.9 Provisions for environmental risks, environment-related expenditure

The aggregate "environmental risk" provisions amounted to EUR 6.1 million as of December 31, 2008.

The Group spent EUR 23 million in its industrial facilities in 2008 for projects to enhance its environmental performance. Please see the breakdown in the following table. The amount was calculated on the basis of the definition of Recommendation n° 2003-R02 of October 21, 2003 of Conseil National de la Comptabilité Française that excludes routine maintenance, operating and waste elimination expenses from the scope of environmental expenditure. This only takes into account the "additional expenses" and therefore also excludes the environmental portion of industrial investments.

(in EUR thousands)	Investments	Operating expenses	Total expenses	
	2008	2008	2008	2007
Air pollution prevention	6,142	666	6,808	19,181
Surface water pollution prevention	2,661	730	3,392	4,809
Underground water and ground pollution prevention	993	1,070	2,064	3,192
Other	7,215	3,512	10,727	7,273
Total	**17,012**	**5,978**	**22,990**	**34,455**

2.10 Other information

2.10.1 Odor and Noise Nuisance

Odor nuisance from Group operations, although entirely innocuous, is a concern for those factories that process certain types of natural rubber indispensable for tire manufacturing and that are located in or near urban areas.

A standard solution across the Group is continuing to be put in place. The solution, using effluent thermal oxidation is now operational in six European plants. The Group is researching into even more efficient and environmentally friendly techniques for odor suppression.

More generally, site teams, supported by Group experts, take every step to reduce the odor, sound or other nuisance generated by its industrial activities for local residents.

2.10.2 Relations with environmental protection associations

Wherever appropriate, Michelin Group fosters close ties with environmental protection associations and bodies dedicated to environmental respect.

Michelin North America's efforts in terms of commitment to and action towards environmental protection are acknowledged by EPA (the Environmental Protection Agency): since 2005, ten sites were selected to take part in the 'EPA Performance Track Program'. In order to be eligible, in addition to compliance with current legislations, sites have to display a socially responsible approach. This includes having a set of objectives for ongoing environmental performance progress and having a system in place for environmental impact management.

Michelin North America also works in partnership with many associations and public authorities that are active in particular in the area of energy savings (such as the Alliance to Save Energy) and in transportation-related emission reductions (such as EPA's Smartways Program).

With respect to the renewable energy policy implementation in Europe and the United States, in 2007, Michelin joined the Green Power Market Development Group, led by the World Resources Institute (WRI) NGO.

3. Data Recap Table

The last column provides the correspondence between the Michelin and Global Reporting Initiative (GRI) indicators.

	2005	2006	2007	2008	2008 / 2007	GRI Indicators
Water consumption **	15.0 m^3/t	14.9 m^3/t	13.3 m^3/t	12.8 m^3/t	-3.8%	EN8
Energy consumption**	17.4 GJ/t	17.2 GJ/t	15.6 GJ/t	15.3 GJ/t	-1.9%	EN3-EN4
of which: Michelin stationary sources	*10.6*	*10.5*	*9*	*8.5*	*-5.6%*	*EN3*
Steam	*1.0*	*1.1*	*1.2*	*1.3*	*+8.3%*	*EN4*
Power	*5.7*	*5.6*	*5.4*	*5.5*	*+1.9%*	*EN4*
Greenhouse gas emissions**	1.53 t/t	1.48 t/t	1.37 t/t	1.35 t/t	-1.4%	EN16
of which: Michelin direct stationary source emissions	*0.75*	*0.73*	*0.64*	*0.60*	*-6.3%*	*EN16*
Indirect steam emissions	*0.11*	*0.12*	*0.13*	*0.15*	*+15.4%*	*EN16*
Indirect energy emissions	*0.66*	*0.63*	*0.59*	*0.60*	*+1.7%*	*EN16*
Michelin Emissions avoided *(direct + indirect)*			*12,400 t*	*31,200 t*	*+57.5%*	*EN18*
Sulfur dioxide emissions*	1.65 kg/t	1.22 kg/t	1.27 kg/t	1.08 kg/t	-15.0%	EN20
Nitrogen dioxide emissions*	1.01 kg/t	0.85 kg/t	0.89 kg/t	0.82 kg/t	-7.9%	EN20
Volatile Organic Compound Emissions**	4.27 kg/t	3.97 kg/t	3.48 kg/t	3.13 kg/t	-10.1%	EN20
Waste production	140 kg/t	130 kg/t	128 kg/t	127.5 kg/t	-0.4%	EN22
Waste disposal volume	33 kg/t	26 kg/t	20 kg/t	16.2 kg/t	-19.0%	EN22
Environmental management (% of finished products manufactured at ISO 14001 certified sites)**	94.8%	99.4%	99.5%	99.5%		

** Unmeasured sulfur dioxide and nitrogen dioxide emissions are estimated by the Environment department on the basis of emission data supplied by the Environment and Prevention Reporting Referential. Estimated emissions account for less than 1% of the Group's overall emissions.*

*** The data related to these indicators has been audited by PricewaterhouseCoopers (see pages 177-178).*

For more information on Michelin Group's environmental policy, please refer to Michelin's Performance and Responsibility Report 2005-2006 published in May 2007 (and was published in May 2008), and the Report 2007-2008 (to be published in May 2009).

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.

To Michelin Group management,

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 Annual Report for 2008:

- 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 161, 166, 172 and 176 of this 2008 Annual Report).

These processes, together with the indicators set forth in this 2008 Annual 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 theses indicators, based on our work.

Nature and scope of our work

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 / Safety of People and Goods;

- We also compiled and sent a questionnaire to 20 Group sites in 11 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 2008 Annual Report we selected a sample of industrial plants (Aranda, Campo Grande, Cataroux, Cuneo, Opelika, Pictou, Shenyang, Tuscaloosa, Valladolid et Waterville) 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: 13% of the Group's total headcount, expressed as full time equivalents and 18% of hours worked;

• Contribution to overall environmental indicators: energy consumption: 21%; water consumption: 21%; SO_x emissions: 23%; NO_x emissions: 15%; VOC emissions: 20%; tire manufacturing: 23%; Waste production: 19%; Waste disposal volume: 25%.

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 2008:

• the processes used to compile social and environmental information for the above-mentioned indicators in accordance with the Group's internal reporting standards; and

• the indicators reviewed (marked "**" in this 2008 Annual Report) in accordance with the Group's internal reporting standards applicable in 2008.

Neuilly-sur-Seine, February 18, 2009

PricewaterhouseCoopers Audit
Christian Marcellin
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable Development Department

Production Sites

68 (1) production sites in 19 countries

Passenger car and Light Truck Product Line: 37 (1) sites in 18 countries

France : Cholet, Clermont-Ferrand (2 sites), Lille, Montceau-lès-Mines, Roanne
Germany: Bad-Kreuznach, Bamberg
Spain: Lasarte(2), Valladolid, Vitoria
Hungary: Nyiregyhaza
Italy: Cuneo, Turin(2)
Poland: Olsztyn
United Kingdom: Dundee
Russia: Davydovo
Romania: Victoria
Serbia: Pirot
United States: Ardmore, Columbia, Dothan, Fort-Wayne, Greenville (2 sites), Opelika, Tuscaloosa
Canada : Bridgewater, Pictou
Mexico: Queretaro
Brazil: Resende
Colombia: Cali
China: Shenyang, Shanghai
Japan: Ota
Thailand: Laem Chabang, Phrapadaeng

(1) Excluding the Toul site that stopped producing at the end of 2008 and is in the process of being reconverted.

(2) End of Passenger Car / Light Truck production announced.

Truck tire Product Line (including retread facilities): 28 sites in 16 countries

France: Avallon, Clermont-Ferrand, La Roche-sur-Yon, Tours
Germany: Homburg, Karlsruhe, Orianenburg
Spain: Aranda, Valladolid
Hungary: Budapest
Italy: Alessandria
Poland: Olsztyn
United Kingdom: Ballymena, Stoke on Trent
Romania: Zalau
Algeria: Hussein-Dey
United States: Spartanburg, Covington, Duncan, Asheboro
Canada: Waterville
Mexico: Queretaro
Brazil: Campo Grande, Resende
Colombia: Bogota
China: Shenyang
Thailand: Nongkae, Phrapadaeng

Specialty Tires: 16 sites in 7 countries

France: Bourges, Le Puy en Velay, Montceau-lès-Mines, Troyes
Spain: Lasarte,Valladolid, Vitoria
Poland: Olsztyn
Serbia: Pirot
United States: Lexington, Norwood, Kansas City
Brazil: Campo Grande
Thailand: Nongkae, Phrapadaeng

Tangible fixed assets are dealt with in note 14 of the notes to the consolidated financial statements.

Important Agreements

There were no significant agreements other than those concluded in the ordinary course of business.

In its capacity as major player in the mobility scene
and a signatory of the European Road Safety Charter, Michelin is strongly committed to reducing traffic accidents worldwide.

200,000

In Europe, the Michelin Junior Bike event raised awareness among 200,000 children about the need to wear a protective helmet.

Through its Performance and Responsibility approach, Michelin is committed to contributing to better mobility. The Challenge Bibendum event and innovations designed to lower rolling resistance are part of the environmental answer. And, for mobility to be also safer, Michelin is developing innovative products and plays an active role in road accident prevention.

Other Legal and Financial Information

General information regarding Compagnie Générale des Etablissements Michelin

Historical Background and Evolution of the Company

The origins of Compagnie Générale des Etablissements Michelin dates back to Barbier, Daubrée and Cie, a Limited Partnership by Shares set up on July 15, 1863 in France in Clermont-Ferrand (Puy-de-Dôme). The corporate name Michelin et Cie was adopted in 1889, the year when the first tire patent was filed.

In 1940, the company adopted the name Manufacture de Caoutchouc Michelin and, up to 1951, it managed its French operations directly and its international operations (industrial and trading activities) indirectly, through its foreign subsidiaries.

On October 15, 1951, Manufacture Française Des Pneumatiques Michelin was created to receive all of the Group's French industrial assets, while Manufacture de Caoutchouc Michelin became Compagnie Générale des Etablissements Michelin.

In 1960, the Group's foreign assets were transferred to a single holding, Compagnie Financière Michelin, with its head office at Granges-Paccot, Canton of Fribourg (Switzerland).

As a result, Compagnie Générale des Etablissements Michelin, which has been the Group's parent company since 1951, has no industrial operations of its own.

Until 1987, virtually all of the shares of Compagnie Financière Michelin were held by Compagnie Générale des Etablissements Michelin. In 1987, part of a new share issue was offered to public investors, who then owned about 6% of Compagnie Financière Michelin's equity. Its bearer shares were quoted on the Zurich Stock Exchange. That same year, Compagnie Financière Michelin acquired an interest of about 20% in Manufacture Française des Pneumatiques Michelin, a stake that was raised to 60% in 1993.

Michelin Group Structure

Compagnie Générale des Etablissements Michelin (C.G.E.M.) is the Group's parent company to which all Michelin affiliates are directly or indirectly related. Its two main shareholdings are:

- Manufacture Française des Pneumatiques Michelin (M.F.P.M.), 40% held by C.G.E.M. The remaining 60% are held by Compagnie Financière Michelin. M.F.P.M. coordinates all France-based industrial, sales and research operations. It invoices the corresponding services and the research expenses to the other Group companies based on a proportional allocation method.

- Compagnie Financière Michelin (C.F.M.), 100% held by C.G.E.M.

In its capacity as shareholder, C.F.M. coordinates the operations of most Group industrial, trading and research Companies outstide of France.

C.G.E.M. and C.F.M. have negotiated agreements with the Group's operating entities governing the services rendered to them.

Both Companies have assigned Manufacture Française des Pneumatiques Michelin (M.F.P.M.) the mission of providing these services, M.F.P.M. in turn being compensated for its services by the operating companies pursuant to the cost plus method.

Intra Group transactions cover multiple areas (intangible assets, all kinds of services, equipment, raw materials, semi-finished and finished products) and represent sizeable volumes. The corresponding compensation or prices are set using methods that vary depending on the transaction concerned. However, these methods are all based on the fair competition principle adopted by the Member States of the OECD which is described in the "Principles governing transfer prices for the use of multinational businesses and income tax authorities".

Michelin Group Development

Michelin opened its first plants outside of France as early as 1906 (Italy), 1927 (England), 1931 (Germany) and 1934 (Spain).

Michelin's growth was boosted in the 1960's with construction of a number of plants, first in France, then abroad and particularly in the Americas in the 1970's. Starting in 1985, Michelin set up Joint Ventures to establish a foothold in Asia. Since 1995, Michelin has also developed its foothold in Eastern Europe.

According to generally accepted rankings, its growth since 1960 propelled Michelin from world No.10 to No.6 in 1970 and world No.2 in 1980, behind Goodyear. At the end of the '80s, when Bridgestone acquired the American Firestone and Michelin took over Uniroyal Goodrich, the gap between the biggest tire manufacturers was bridged, with annual rankings depending more on exchange rate fluctuations and calculation method than on actual sales volumes. Accordingly, three tire manufacturers, Bridgestone, Goodyear and Michelin currently account for nearly 50% of world tire sales.

Incorporation Documents and Bylaws [1]

Corporate name

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN

Trade and Companies Register

855 200 887 R.C.S. CLERMONT-FERRAND

(1) The full text of the bylaws is available from the Company's website at www.michelin.com/corporate.

Incorporation and expiration dates

The Company was incorporated on July 15, 1863 and is due to expire on December 31, 2050, unless wound up earlier or extended as stipulated in the Bylaws.

Head office

12, cours Sablon – CLERMONT-FERRAND (Puy-de-Dôme)

Legal Status / Governing Law

Partnership Limited by Shares governed by articles L. 226-1 to L.226-14 of the French Commercial Code.

General Partners (Article 1 of the Bylaws)

- Mr Michel Rollier, Managing Partner

- Société Auxiliaire de Gestion – SAGES (Clermont-Ferrand trade and companies register No 870 200 466), a simplified joint stock company chaired by Mr. Edouard de Royère, whose purpose is on the one hand to act as General Partner of CGEM, and on the other hand, in the absence of any acting Managing Partner, to act as its Managing General Partner and to convene an Extraordinary Shareholders Meeting to appoint a new Managing General Partner. Since 2007, SAGES' shareholding includes members of the founding family, Michelin current or former top executives, and qualified third-party personnalities. All 3 colleges are represented in equal proportions within its governing body.

So that SAGES may assume its responsibilities as C.G.E.M. General Partner, a portion of its distributable earnings (exclusively from the statutory share of profits paid by C.G.E.M.) is allocated to a special reserve account called "contingency reserve fund", earmarked for the liquidation of losses resulting from the activation of its responsibility as General Partner, or, as the case may be, as the Company's Managing Partner. At least 50% of the amounts allocated to this reserve are invested in C.G.E.M. shares.

Corporate purpose (Article 2 of the Bylaws)

- All operations and transactions directly or indirectly related to all stages of production, processing and sale of all forms of rubber regardless of use;

- All industrial, commercial and financial operations, especially with respect to:
  – tires, their components and accessories and manufactured rubber in general,
  – all mechanical engineering applications, particularly in the area of motor and industrial vehicles, components, spare parts and accessories,
  – the production, sale and use of natural or synthetic chemical products and by-products, especially all kinds of elastomers, plastics, fibers and resins, and generally all chemical industry-related operations and products especially in the above specialties and operations;
  – the filing, acquisition, use, assignment or sale of all intangible property rights, particularly patents and related rights, trademarks, and manufacturing processes related to the business purpose;

- By all means, undertaken directly or via subsidiaries, including setting up of new companies, joint ventures and Economic Interest Groups (GIE), or partnerships, capital contributions, subscriptions, purchase or exchange of securities or ownership rights, in any company conducting business which may relate to the above purpose, including mergers;

- And generally, all commercial, industrial, real estate, securities and financial operations directly or indirectly related in part or in whole to any of the above purposes or to all similar or related purposes.

Management Partnership (Article 10 of the Bylaws) (1)

The Company is managed by one or more Managing Partners, being individuals, who may be General Partners or Non-General Partners.

The Managing Partners, acting jointly or separately, are vested with the broadest powers to act in any circumstances in the name of the Company.

Financial Year (Article 29 of the Bylaws)

From January 1 to December 31.

Statutory Allocation of Profits (Article 30 of the Bylaws)

Twelve percent (12%) of the net earnings for the financial year, capped to 1% of the consolidated net earnings, is allocated to the General Partners. The balance, if any, is transferred to the share of earnings to be appropriated. The net profits include net income for the financial year after deduction of the general and administrative costs and other expenses of the Company, including all depreciation and reserves deemed necessary.

(1) Also refer to information provided in the Corporate Governance section on pages 146.

The balance of net income, plus, as the case may be, earnings brought forward from the previous year, is attributable to shareholdings.

From this shall be deducted an optional amount to be allocated, upon a recommendation by the Managing Partners (Gérants), toward creating or increasing one or more reserve or contingency funds, over which the General Partners will no longer possess any right.

The balance of net income attributable to shareholdings, after the above deductions, will be available for distribution.

Shareholders Meetings

• Notice of Meetings (Article 21 of the Bylaws):
Notice of Shareholders Meetings is given in accordance with applicable legal provisions.

• Conditions of attendance (Articles 22 and 24 of the Bylaws):
Shareholders may attend the Annual Shareholders Meetings irrespective of the number of shares held by them, provided they are fully paid up.

Shareholders may only attend provided they are registered in the Company's records at least three days before the date of the Meeting.

• Conditions for exercising voting rights – double voting rights (Article 22 of the Bylaws):
Except as otherwise provided by law, each shareholder at the Meeting has as many votes as the number of shares he or she owns or represents, without limitation.

Owners or proxies of owners of fully-paid shares registered in the same shareholder's name for at least four years shall have two votes per share, without limitation.

In the event of a capital increase, by incorporation of reserves, profits or share premiums, a double voting right shall be conferred, upon issuance, to owners of registered shares in proportion to the existing shareholding to which this right was attached.

Transfer upon inheritance, community liquidation between spouses or donation between inter vivos for the benefit of their spouse or a parent assign will not cancel the right acquired or interrupt the periods provided above.

Double voting rights will cease as of right for any share transferred for any other cause.

- **Reportable holdings:**

The Bylaws do not provide for an obligation to disclose to the Company shareholdings exceeding certain thresholds.

Change of Control

Owing to its corporate structure as a Partnership Limited by Shares involving the presence of General Partners, any shareholder who would gain control of the company's capital and corresponding voting rights would not be in a position to exercise control over the Company without prior unanimous approval of the General Partners, which would be required in particular to take the following decisions:

- appointment of new Managing Partners,
- amendment of the Bylaws,
- appointment of new General Partners.

Documents for public consultation

The historical financial information, Reference Documents, letters to Shareholders, Shareholder meeting documentation (Notice of Meetings, Minutes of Meetings), the Company's Bylaws, and all "regulated information" pursuant to article 221-1 of Réglement général de l'Autorité des Marchés Financiers (and in particular the press releases, quarterly information, and the Interim and Annual Reports, also available in the official French site www.info-financiere.fr) may be downloaded from the corporate website at www.michelin.com/corporate (Finance section) in French and in English, and, as the case may be, at the head office for consultation.

Additional Information Regarding the Issuer's Capital

Table of change in capital

Year	Nature of operations	Change in capital			Capital after the operation	
		Number of shares	Nominal (€)	Premium (€)	Amount (€)	Cumulated number of shares
As at December 31, 2004					286,774,050	143,387,025
2005	Capital increase resulting from exercise of share subscription options	600	1,200	26,400	286,775,250	143,387,625
2006	Capital increase resulting from exercise of share subscription options	264,693	529,386	10,901,156	287,304,636	143,652,318
2007	Capital increase resulting from exercise of share subscription options	346,830	693,660	6,032,866	287,998,296	143,999,148
	Capital increase resulting from conversion of "OCEANE" convertible bonds	21	42	2,138	287,998,338	143,999,169
2008	Capital increase resulting from conversion of "OCEANE" convertible bonds	0	0	0	287,998,338	143,999,169
	Capital increase reserved to Group employees	952,733	1,905,466	46,683,917	289,903,804	144,951,902
	Capital increase resulting from exercise of share subscription options	45,520	91,040	1,562,777	289,994,844	144,997,422

Statement of current mandates and authorizations

Granted by the Joint Shareholders Meeting of May 12, 2006

Issues reserved to employees

Operations / Securities concerned	Resolution N°	Term of authorization (expiry)	Comments	Used in the financial year
Capital increase (ordinary shares)	16th	26 months (July 2008)	capped at 2% of current issued capital	EUR 1,905,466 capital increase (1)
Stock options (share subscription and/ or purchase options)	17th	38 months (July 2009)	capped at 2% of current issued capital (Call price set at face value)	EUR 91,040 capital increase (2)

(1) See information on the 2008 Group's Employee Shareholder Plan in the previous table and on page 190 to 192.
(2) Please refer to the previous table and to the table on page 189.

Granted by the Joint Shareholders Meeting of May 16, 2008

Issues with pre-emptive rights

Operations / Securities concerned	Resolution N°	Term of mandate (expiry)	Maximum amount of the issue on the basis of a EUR 45 share price (in euros)	Maximum nominal amount of capital increase (in euros)	Used in the financial year
Capital increase (ordinary shares and securities giving access to capital)	11th	26 months (July 2010)	2.25 billion (ordinary shares)	100 million (1) (2) or 35% of current issued capital	None
			1 billion (3) (securities giving access to capital)		None
Capital increase through incorporation of reserves	15th	26 months (July 2010)	1.8 billion	80 million	None

(1) EUR 100 million capping of global nominal amount of capital increase for operations authorized under the 11th, 12th and 16th resolution (20th resolution).
(2) Amount that can be raised by a maximum of 15% in the event of excess demand and subject to the respective ceilings set in the 11th and 12th resolutions (13th resolution).
(3) EUR 2 billion capping of global nominal amount for all bond or debt issues giving access to capital or not, authorized by the 10tth, 11th, 12th and 17th resolutions (20th resolution).

Issues without pre-emptive rights

Operations / Securities concerned	Resolution N°	Term of mandate (expiry)	Maximum amount of the issue on the basis of a EUR 45 share price (in euros)	Maximum nominal amount of capital increase (in euros)	Used in the financial year
Capital increase (ordinary shares and securities giving access to capital)	12th	26 months (July 2010)	1.283 billion (ordinary shares)	57 million (1) (2) (3) (or 20% of current issued capital)	None
			700 million (4) (securities giving access to capital)		None
Capital increase (ordinary shares) to remunerate share contributions in the event of public exchange offerings or contributions in kind	16th	26 months (July 2010)	1.283 billion	57 million (5)	None

(1) EUR 100 million capping of global nominal amount of capital increase for operations authorized under the 11th, 12th and 16th resolutions (20th resolution).
(2) Amount that can be raised by a maximum of 15% in the event of excess demand and subject to the respective ceilings set in the 11th and 12th resolutions (13th resolution).
(3) With the authorization to freely determine the issuing price of ordinary shares, capped at 10% of the Company's capital per year (14th resolution).
(4) EUR 2 billion capping of global nominal amount for all bond or debt issues giving access to capital or not, authorized by the 10th, 11th, 12th and 17th resolutions (20th resolution).
(5) Amount to be included in the calculation of the overall maximum amount of capital increase authorized under the 12th resolution.

Issues reserved to employees

Operations / Securities concerned	Resolution N°	Term of mandate (expiry)	Limits	Used in the financial year
Free (ordinary) share allocations	18th	38 months (July 2011)	capped at 0.5% of capital	None
Capital increase (ordinary shares)	19th	26 months (July 2010)	capped at 2% of current issued capital	None

Debt instruments not giving access to capital / bond issues

Operations / Securities concerned	Resolution N°	Term of mandate (expiry)	Maximum nominal amount of the issue (in euros)	Uzed in the financial year
Bond issues	10th	26 months (July 2010)	1 billion (1)	None
Issuance of securities giving entitlement to debt instruments that do not give access to capital	17th	26 months (July 2010)	1 billion (1)	None

(1) EUR 2 billion capping of global nominal amount for all bond or debt issues giving access to capital or not, authorized by the 10th, 11th, 12th and 17th resolutions (20th resolution).

Share buyback program

Operations / Securities concerned	Resolution N°	Term of mandate (expiry)	Limits	Used in the financial year
Shares	9th	18 months (November 2009)	Statutory limit of 10% of the capital Maximum buying price: € 100 Minimum selling price: € 60	None

As at December 31, 2008 the number of shares publicly held is of 144,997,422 corresponding to 100% of voting rights.

At the date of registration of the present document and to the Company's knowledge:

- Alliance Bernstein L.P. Company held as at February 9, 2009, 5,945,502 shares and the same number of voting rights.
- Capital Research and Management Company held as at January 23, 2009, 13,725,789 shares and the same number of voting rights.
- Franklin Resources Inc. Company held as at October 27, 2008, 9,416,112 shares and the same number of voting rights.
- UBS AG Company held as at February 20, 2009, 7,775,450 shares and the same number of voting rights,
- No other Shareholder directly or indirectly holds more than 5% of capital and voting rights
- There is no shareholders' agreement in existence.

Number of treasury shares held in portfolio: 0.

No significant change occurred in the breakdown of capital during the last three years.

Potential capital

• Issued securities giving access to capital

OCEANE

The Company issued in March 2007 a bond issue convertible or swappable with new or existing shares (OCEANE), which was fully subscribed. The corresponding issue contract prospectus (number 07-082) was approved by Autorité des Marchés Financiers on March 12, 2007.

The main characteristics of this bond issue are as follows:
- Listing place: Euronext Paris
- ISIN Code: FR0010449264
- bond issue date, ownership and payment date: March 21, 2007
- Term of the borrowing: 9 years and 286 days
- total nominal amount: EUR 699,999,913.16
- number of bonds issued: 6,742,438
- number of bonds outstanding on December 31, 2008: 6,742,417
- par value of each bond: EUR 103.82
- bond issue price: par
- nominal rate – Interest: none (zero-coupon bonds)
- gross annual actuarial rate: 3.07% (in the absence of conversion and/or swap of shares and providing there is no early redemption)
- normal amortization of the bonds: in full on January 1, 2017 at a unit redemption price of EUR 139.57
- early redemption at the Company's discretion from March 21, 2011 if, over 20 consecutive trading days, the average share price and that of the current conversion or swap rate have been 130% above the anticipated redemption price
- conversion or swap rate (subject to change as per applicable legal and contract issue provisions) set at the issue date and applicable on the present report's publication date: 1 ordinary share for 1 bond.

Share Subscription Options:

See detailed information on page below of this Report.

• **Maximum potential share capital as at December 31, 2008**

(In number of shares with a nominal value of EUR 2)	Maximum number of new shares	Capital (in EUR)
Capital issued as at December 31, 2008		**289,994,844**
OCEANE In the event of redemption with new shares for the full 6,742,417 bonds outstanding as at December 31, 2008 [1]: 1 share for 1 bond with a nominal value of EUR 103.82 (also redeemable with existing shares) Maturity: January 2017	6,742,417	
Share subscription options outstanding as at December 31, 2008		
Plan dated May 19, 2002: options callable at EUR 44 from May 19, 2006 to May 18, 2011	215,451	
Plan dated May 19, 2003: options callable at EUR 32.25 from May 19, 2007 to May 18, 2012	103,897	
Plan dated November 24, 2003: options callable at EUR 34 from November 24, 2007 to November 23, 2012	173,515	
Plan dated May 17, 2004: options callable at EUR 40 from May 17, 2008 to May 16, 2013	155,700	
Plan dated July 5, 2004: options callable at EUR 44.50 from July 5, 2008 to July 4, 2013	120,100	
Plan dated May 23, 2005: options callable at EUR 48 from May 23, 2009 to May 22, 2014	216,000	
Plan dated November 7, 2005: options callable at EUR 48 from November 7, 2009 to November 6, 2014	874,950	
Plan dated May 15, 2006: options callable at EUR 58 from May 15, 2010 to May 14, 2015	133,900	
Plan dated May 14, 2007: options callable at EUR 91 from May 14, 2011 to May 13, 2016	1,165,250	
Plan dated May 19, 2008: options callable at EUR 62 from May 19 2012 to May 18 2017	310,000	
Total number of share subscription options outstanding	**3,468,763**	
Maxium potential share capital as at December 31, 2008 (+7.04%)		**310,417,204**

(1) Out of total of 6,742,438 bonds issued: 21 conversions in 2007, none in 2008.

Stock Options

Since the stock option plan was introduced in 2002, Michelin has been pursuing a cautious and fair stock option allocation policy. The options are granted at the market price prevailing at the time of granting, without any markdown or redefinition of the call price should it fall "out of the money", because of a share price fall. The stock options are callable for a period of five years after a blocking period of four years.

By decision of the Annual Shareholders Meeting of May 12, 2006, the Managing Partners have been authorized to grant share subscription or purchase options to senior managers and employees. The total amount of such share subscription options has been capped at 3,000,000 shares or 2% of current issued capital.

When stock options are granted to Group Executive Council members, these are granted following the Annual Shareholders Meeting, after consultation with the Supervisory Board.

• Status of the Share subscription option plans to December 31, 2008

	Plan N° 1	Plan N° 2	Plan N° 3	Plan N° 4	Plan N° 5	Plan N° 6	Plan N° 7	Plan N° 8	Plan N° 9	Plan N° 10
Date of the Annual Shareholders Meeting	18/05/2001	18/05/2001	18/05/2001	18/05/2001	18/05/2001	14/05/2004	14/05/2004	12/05/2006	12/05/2006	12/05/2006
Date of the decision by the Managing Partners	19/05/2002	19/05/2003	24/11/2003	17/05/2004	05/07/2004	23/05/2005	07/11/2005	15/05/2006	14/05/2007	19/05/2008
Total number of shares open for subscription or purchase	716,600	243,000	226,200	179,900	129,100	218,500	913,350	136,700	1,188,230	310,000
First calling date	19/05/2006	19/05/2007	24/11/2007	17/05/2008	05/07/2008	23/05/2009	07/11/2009	15/05/2010	14/05/2011	19/05/2012
Expiry date	18/05/2011	18/05/2012	23/11/2012	16/05/2013	04/07/2013	22/05/2014	06/11/2014	14/05/2015	13/05/2016	18/05/2017
Call Price	€ 44.00	€ 32.25	€ 34.00	€ 40.00	€ 44.50	€ 48.00	€ 48.00	€ 58.00	€ 91.00	€ 62.00
Call Conditions										
Number of options called / subscribed to December 31, 2008	458,155	134,903	39,785	22,200	600	0	2,000	0	0	0
Stock options cancelled	42,994	4,200	12,900	2,000	8,400	2,500	36,400	2,800	22,980	0
Stock options outstanding as at December 31, 2008	215,451	103,897	173,515	155,700	120,100	216,000	874,950	133,900	1,165,250	310,000

• The Managing Partners' Special Report

The Joint Shareholders Meeting of May 12, 2006 had authorized the allocation of stock option purchase and subscription plans to the Company and Company subsidiary senior managers and employees pursuant to the provisions of article L.225-180 of the French Commercial Code; the number of shares that can be issued as a result of share subscription option calls is limited to 3,000,000, or 2% of issued capital.

By virtue of this authorization, 310,000 share subscription options were granted in 2008 to 69 beneficiaries (none of them being Company Directors), callable from May 19, 2012, at a price of EUR 62.00.

The ten largest salaried beneficiaries, other than Company Directors:

- received 106,500 options (of which 3 beneficiaries received 13,500, 6 beneficiaries received 10,000 and one beneficiary received 6,000);
- called 11,500 options at the price of EUR 32.25 per share (options granted on May 19, 2003).

Moreover, no Company Director received any share purchase or subscription option during fiscal 2008.

Clermont-Ferrand, February 9, 2009

Michel Rollier

Didier Miraton
Managing Partners

Jean-Dominique Senard

Free share allocations

Since the Joint Shareholders Meeting of May 16, 2008, the Managing Partners are authorized to carry out prudent and selective free share allocations. These allocations may not be granted to the Company's Directors, mainly targeted at the Group's employees other than executives, and are designed to empower and commit the teams to attaining the Group's economic objectives.

The authorization to make free share allocations to employees judiciously complements the authorization given to the Managing Partners to conduct a prudent and reasonable stock option policy for the benefit of its executives and top executives (other than Company Directors), whose contributions have a direct bearing on the Group's performance and share price.

The share allocations, both in existence or to be issued by virtue of this authorization may not account for more than 0.5% of capital on the day when they are granted.

These allocations are reserved to beneficiaries (individuals or classes of employees), who are employees of the Company and of its French and foreign subsidiaries (excluding the Company's Directors), among which the Managing Partners would select the beneficiaries or class of beneficiaries, the number of shares granted to each one of them or to each class of them and the terms and criteria of granting.

The allocation of such shares to their beneficiaries would become final either after a minimum acquisition period of two years (the beneficiaries would then be bound to hold their shares for a minimum of two years following the final acquisition date) or after a minimum four-year acquisition period (without minimum holding period).

Such free share allocations may only be performed by the Managing Partners provided the following performance condition is met: Group operating margin for the preceding financial year is above the triggering threshold for the Group component of the variable compensation paid to management or:

- for 2008, minimum 7% operating margin achieved in 2007,
- for 2009, minimum 7.8% operating margin achieved in 2008,
- for 2010 or 2011, as per a threshold to be set at a later date.

No free shares have been allocated in financial year 2008.

Employee share ownership plan 2008 (Bib'action 2008)

• Report

At the Shareholders Meeting of May 12, 2006, the Shareholders granted the Managing Partners the authorization to increase for the third time the Company's issued capital for the benefit of the Company and its subsidiaries' employees within a maximum amount of EUR six million (€ 6,000,000), or 2% of current issued capital. The term of this authorization was 26 months starting from the date of the Meeting, or until mid-July 2008.

Upon termination of the subscription period, which took place between May 12, 2008 and May 30, 2008, the Group recorded that 55.98% of eligible employees across 55 countries and the 5 continents, applied for shares under the third Employee Shareholder Plan. In China, which had been subject to the "bonusplan" scheme in 2002, Michelin was allowed by the Chinese financial administration to become one of the first French companies to extend standard Employee Shareholder Plan to its Chinese employees.

An FCPE (Collective Enterprise Investment Undertaking) scheme was implemented in Hungary and Columbia. This was a first-time event in Hungary. In Japan, legal amendments adopted since 2003 had paved the way for implementation of the standard plan.

The strong employee participation to the plan, despite high stock market volatility, was a matter for satisfaction within the Group. It revealed that Michelin's personnel understands the economic forces at work and that they are confident in the Group's strength and mid- to long-term growth prospects.

The capital increase, effective on June 25, 2008, translated into the issue of 952,733 new shares and a nominal capital increase of EUR 1,905,466.

Following the third Employee Shareholder Plan, 69% of the Group's employees have become Shareholders, which is a notable achievement among CAC 40 industrial firms.

At December 31, 2008, Michelin employee Shareholders together held 3,278,453 shares or 2.26% of capital.

• Legal information reports

Complementary Report of the Managing Partners on the capital increase reserved to Company and its subsidiaries employees

Dear Shareholders,

You will recall that pursuant to its sixteenth resolution, the Joint Shareholders Meeting of Compagnie Générale des Etablissements Michelin (hereinafter 'Michelin' or the 'Company') of May 12, 2006, authorized the Managing Partners to decide one or several capital increases by issuing new shares reserved to the Company's and French or foreign subsidiaries' employees with subscription rights being canceled.

Pursuant to provisions of article L.225-16 of the French Commercial Code, we inform you that by virtue of the above-mentioned authorization, the Managing Partners of your Company have decided to carry out a share capital increase reserved to the employees of the Company's French or foreign subsidiaries that are 50% held or more by the Company and who have joined the Group's Savings Scheme.

This issue is performed with subscription rights being canceled and for the benefit of employees and former employees who have joined Michelin Group's Savings Plan.

The shares are subscribed directly in all countries other than Colombia and Hungary where they are subscribed via the FCPE Bib Invest Relais 2008 fund, authorized on March 28, 2008 by AMF under code number 09873. This FCPE is destined to merge with the FCPE Bib Invest fund following completion of the capital increase.

The share subscriptions or FCPE share acquisitions give right to a contribution by the employer as follows:

- 1 to 3 shares purchased: 75% of the amount of the reduced-price share is paid by the employer,
- 4 to 6 shares purchased: 50% of the amount of the reduced-price share is paid by the employer,
- 7 to 9 shares purchased: 25% of the amount of the reduced-price share is paid by the employer.

In Germany and in Italy, other specific employer contribution rules are applicable.

The maximum nominal amount of the capital increase was set at EUR 2,400,000 by issuance of 1,200,000 shares each having a nominal value of EUR 2.

On May 5, 2008, the Managing Partners set the subscription price at EUR 51.00. This subscription price was equal to 80% of the average of the opening prices of the Michelin share at the Paris Euronext market for the twenty trading days preceding that date.

The capital increase gave rise to an information document, pursuant to articles 212-4 (5th) and 212-5 (6th) of AMF's general regulations and to article 14 of instruction N° 2005-11 dated December 13, 2005. This was circulated in a press release pursuant to article 221-3 of AMF's general regulations.

Where total demand be in excess of the number of shares available for subscription, the number of requested subscriptions whose subscription will be reduced based on the following method, subject to application of the specific legal provisions pertaining to the employees of companies operating in Japan:

- subscription requests will be fully met up to nine shares, either directly subscribed or via a FCPE,
- beyond this level, they will be allocated unit by unit to the subscribers having requested more than nine shares, either directly or via an FCPE, within the limit of their request, successively and based on an equal treatment principle,
- employees will be informed on behalf of Compagnie Générale des Etablissements Michelin, on the one hand, via an allocation notice sent in early July 2008 by Société Générale, the account holder bank, indicating the number of shares actually allocated to them upon completion of the above described share allocation process; and on the other hand, through a communication from their employer entity, of the amount to be paid by them and as per the settlement terms chosen by each employee in his or her subscription form. The employees of Colombian and Hungarian companies, the information on the number of FCPE shares allocated will be communicated via the "Bib Invest Relais 2008" FCPE.

The subscription price payment terms are defined locally and described in the communication documents distributed to the employees.

The new shares are registered and in the name of each employee, free of any cost, on an account in their name managed by Société Générale, for all employees other than the employees of Colombian and Hungarian entities, whose accounts are registered within the "Bib Invest Relais 2008" FCPE.

The new shares, since they belong to the Group's Employee Savings Plan are not transferable for a period of five years from July 1, 2008, except in cases of early recovery. At the end of the mandatory holding period, they shall be freely negotiable.

Upon closing of the subscription period, the Managing Partners recorded the following results:

- 952,733 shares were ultimately subscribed at the unit price of EUR 51, or a nominal value of EUR 2 plus EUR 49 issue premium;
- The total number of shares being lower than the total number of shares on offer (1,200,000) there was no need to apply the reduction rules;
- The 952,733 shares were paid for in cash on June 25, 2008, as certified on the same date by Société Générale in Clermont-Ferrand, in its capacity as fund holder for the subscription amount corresponding to said shares;
- The creation of the 952,733 shares so subscribed and paid for represented a capital increase in a nominal amount of EUR 1,905,466;
- The balance between the amount paid for the 952,733 shares, or EUR 48,589,383 and the nominal amount of the shares issued, or EUR 1,905,466 corresponds to an issue premium of EUR 46,683,917;
- Upon their creation, the new shares will be subject to all provisions of the Company's bylaws with effect from January 1st, 2008; they entitle holders, with respect to financial year 2008 and the following years, to the same dividend as will be allocated to the other shares enjoying the same rights, and are fully assimilated to the other existing shares upon their creation;
- The new shares were listed in Euronext Paris on July 10, 2008.

The impact of the new share issue on the Group's share of equity for the Michelin shareholders prior to the issue (calculated on the basis of consolidated equity as at December 31, 2007 and of the number of shares comprising the capital at that date) is as follows:

	Group share of equity in euros	
	Undiluted basis	Diluted basis (1)
Prior to share issue	36.68	34.30
After the issue of 952,733 new shares	36.77	34.40

(1) The dilutive instruments are the share subscription options granted by the Company and not yet called, and the OCEANE bonds issued not yet redeemed or converted into shares.

The impact of the new share issue on the share of capital for a shareholder holding 1% of the Company's capital before the issue (calculation on the basis of the number of shares making up the capital as of December 31, 2007) is as follows:

	Shareholder stake as a %	
	Undiluted basis	Diluted basis(1)
Prior to share issue	1.00	0.94
After the issue of 952,733 new shares	0.99	0.93

(1) The dilutive instruments are the share subscription options granted by the Company and not yet called, and the OCEANE bonds issued not yet redeemed or converted into shares.

The theoretical impact on the current stock market value of the Michelin share as calculated based on the average of the twenty trading days before the issue is as follows:

Number of shares before the issue	Market capitalization before the issue (EUR)	Number of shares after the issue	Theoretical market capitalization after the issue (EUR)
143,999,169	7,411,925,227	144,951,902	7,459,946,237

By virtue of applicable laws and regulations, this complementary report as well as the corresponding report from the Statutory Auditors are available for consultation at the Company's head office and will be sent to shareholders on request.

Clermont-Ferrand,
June 26, 2008

Michel ROLLIER
Managing Partner

Complementary Report of the Statutory Auditors on the capital increase reserved to Company and its subsidiaries employees

DECISION OF ONE OF A MANAGING PARTNER DATED MAY 5, 2008

To the Shareholders of Compagnie Générale des Etablissements Michelin

In our capacity as Statutory Auditors for Compagnie Générale des Etablissements Michelin and pursuant to clause R. 225-116 of the French Commercial Code, please find below our complementary report to the Special Report dated March 7, 2006 on the share issue with subscription rights being canceled, voted by the Extraordinary Shareholders Meeting of May 12, 2006 (16th resolution).

The Shareholders Meeting had authorized your Managing Partners to set the final conditions governing the operation.

Pursuant to this authorization, one of your Managing Partners has decided on May 5, 2008, to increase the Company's capital by a maximum amount of EUR 2,400,000, by issuing a maximum of 1,200,000 ordinary shares, each with a nominal value of EUR 2 and an issue premium of EUR 49.

Your Managing Partners drew up a report on this operation pursuant to articles R. 225-115 and 116 of the French Commercial Code. Our mission is to issue an opinion concerning the fairness of the information and data drawn from the financial statements and set forth in this report as well as on the proposed cancellation of the Shareholders' pre-emptive subscription rights.

We carried out our mission according to the procedures deemed necessary pursuant to the professional practices recommended by Compagnie nationale des Commissaires aux Comptes for the purposes of this mission. This procedure consisted in verifying:

- the fairness of the figures drawn from the annual financial statements approved by your Managing Partners. We have audited the annual financial statements pursuant to the professional practices recommended by Compagnie nationale des Commissaires aux Comptes.
- the conformity of the terms governing the operation to the authorization granted by the Annual Shareholders Meeting and the fairness of the information set forth in the complementary report by one of your Managing Partners on the choice of the calculation formulae and of the issue price and its amount.

We have no matters to report regarding:

- the fairness of the information and data drawn from the financial statements of the Company and set forth in the complementary report drawn up by one of your Managing Partners,
- the conformity of the terms governing the operation to the authorization granted by the Extraordinary Shareholders Meeting of May 12, 2006 and to the indications given to it,
- the proposed cancellation of the pre-emptive share subscription rights as previously authorized by you, the choice of the issue price calculation formulae and its final amount,
- the account of the impact of the share issue on the situation of holders of shares and of securities giving access to the capital with respect to the shareholders funds and to the stock price.

Neuilly-sur-Seine and Paris, June 26, 2008

PRICEWATERHOUSE COOPERS AUDIT	COREVISE
Christian MARCELLIN	Stéphane MARIE

The Statutory Auditors
Members of the Compagnies Régionales de Versailles et Paris

Description of the share buyback program subject to authorization of the Joint Annual Shareholders' Meeting of May 15, 2009

This description was drawn up pursuant to articles 241-1 and following of Règlement Général de l'Autorité des Marchés Financiers (General rules governing French financial markets) and pursuant to the provisions of European Regulation N° 2273/2003 of December 22, 2003.

Date of the Annual Shareholders Meeting requested to authorize the share buyback program

May 15, 2009.

Number of securities and capital shares directly or indirectly held

At the date of publication of this description, the Company did not hold, either, directly or indirectly, any treasury stock and had no liquidity contract with an investment service provider.

Objectives of the new share buyback program by decreasing order of priority

- Regulation of the Stock Market share price or share liquidity by an investment service provider under a liquidity contract drafted in accordance with the ethical practices charter adopted by the AMF;
- The allocation of shares to Company and its subsidiaries employees and executives pursuant to the applicable legal provisions, especially concerning stock option calls and free allocation of existing shares, or in the event of share contributions to operations reserved to employees;
- Delivery of shares upon calling of rights attached to marketable securities giving access to the Company's capital;
- Custody, transfer, exchange or contribution as settlement as part of external growth operations;

Maximum share of capital, maximum number and characteristics of shares the Company proposes to acquire and maximum purchase price

The maximum portion of capital the Company would be entitled to acquire is set at 10% of the total number of existing shares or 14,499,742 shares at the date of this description. Based on the maximum price of € 100 per share and in light of the fact that the Company does not currently hold any treasury stock, this corresponds to a maximum theoretical investment of € 1,449,974,200.

In accordance with the law, where shares are bought back in order to be allocated to the first objective above, the number of shares taken into account for the purposes of calculating the 10% limit is the number of shares bought back less the number of shares sold during the course of the program.

Pursuant to provisions of article L.225-210 of the French Commercial Code, the value of the overall number of shares the Company would accordingly hold would be capped to the amount of available reserves recorded in the corporate financial statements as at December 31, 2008, excluding the legal reserve.

Buyback Program Duration

18 months from the May 15, 2009 Joint Shareholders Meeting approval, or until November 15, 2010 included.

Operations involving acquisition, sale or transfer as part of the previous share buyback program

In 2008, no such operation was concluded.

Additional Information Regarding Management and Supervisory Bodies

Mandates and positions held in other companies filled during the last five years by Company Directors

Managing General Partner: Michel ROLLIER

2004 – 2005
Director of Moria SA
Member of Altamo's Supervisory Board

2006
Unlimited Partner of Compagnie Financière Michelin
Director of Moria SA
Member of Altamo's Supervisory Board

2007
Unlimited Partner of Compagnie Financière Michelin
Director of Moria SA

2008
Unlimited Partner and Managing Partner of Compagnie Financière Michelin
Director of Lafarge *(since May 7, 2008)*
Director of Moria SA

Managing Partner: Didier MIRATON

2004 – 2005 – 2006
Head of Michelin's Technology Center

2007
Head of Michelin's Technology Center
(until he was appointed Managing Partner)
Director of Vilmorin *(since December 12, 2007)*

2008
Director of Vilmorin

Managing Partner: Jean-Dominique SENARD

2004
Member of Alcan Group's Executive Committee
Chairman of Péchiney SA

2005 – 2006
Michelin Group CFO

2007
Michelin Group CFO
(until he was appointed Managing Partner)
Director of Compagnie Financière Michelin

2008
Director of Compagnie Financière Michelin

Members of the Supervisory Board

Eric BOURDAIS DE CHARBONNIERE

2004 – 2005 – 2006
Member of the Supervisory Board of Oddo et Cie
Member of the Board of Directors and Chairman of the Audit Committee of Thomson SA
Member of the Supervisory Board of ING Group

2007
Member of the Supervisory Board of Oddo et Cie
Member of the Board of Directors of Thomson SA
Member of the Supervisory Board of ING Group

2008
Member of the Supervisory Board of Oddo et Cie
Member of the Board of Directors of Thomson SA
Member of the Supervisory Board of ING Group

Pat Cox

2005
Chief Executive Officer of European Integration Solutions LLC

2006 – 2007
Chief Executive Officer of European Integration Solutions LLC
Chairman of International Movement, headquarters
Chairman of Mouvement Européen
Director of Trustees of the Crisis Group
Director of Trustees Friends of Europe
General Commissioner of Europalia
Director of UCD Michael Smurfit Graduate School of Business

2008
Chairman of International European Movement
Board Member of Trustees of the International Crisis Group
Board Member of Trustees Friends of Europe
Director of UCD Michael Smurfit Graduate School of Business
Member of the Consultative Committee to the Chairman of University College Cork
Blue Box Creative Learning Centre sponsor
Member of the European Supervisory Board of Microsoft
Member of the Supervisory Board of Pfizer Europe
Director of Tiger Developments Europe
Member of the Supervisory Board of APCO Worldwide International

François GRAPPOTTE

2004
Chief Executive Officer of Legrand
Director of BNP Paribas
Director of Valeo
Board Member of F.I.E.E.C.[1]
Board Member of Gimélec [2]
Member of the Board of Promotelec [3]

2005
Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Galeries Lafayette Supervisory Board Member
Board Member of F.I.E.E.C [1]
Board Member of Gimélec [2]
Member of the Board of Promotelec [3]

2006
Honorary Chairman of Legrand
Director of BNP Paribas

Director of Valeo
Board Member of F.I.E.E.C. (1)
Board Member of Gimélec (2)
Member of the Board of Promotelec (3)

2007
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of the Board of Promotelec (3)

2008
Honorary Chairman of Legrand
Director of BNP Paribas

(1) Fédération des Industries Electriques, Electroniques et de Communication.
(2) Groupement des industries de l'équipement électrique, du contrôle-commande et des services associés.
(3) Promotion de l'installation électrique dans les bâtiments neufs et anciens.

Pierre MICHELIN

2004 – 2005 – 2006 – 2007 – 2008
No mandate held in other companies

Laurence PARISOT

2004
Chief Executive Officer of Ifop
Chief Executive Officer of Optimum

2005
Chairwoman of Ifop
Director of BNP Paribas
Director of Havas
Euro Disney SCA Supervisory Board Member
Chairwoman of MEDEF

2006
Chairwoman of Ifop
Director of BNP Paribas
Director of Havas (until June 2006)
Euro Disney SCA Supervisory Board Member *(until January 2006)*
Chairwoman of MEDEF

2007
Chairwoman of Ifop
Director of BNP Paribas
Director of Coface SA *(from February 1, 2007)*
Chairwoman of MEDEF

2008
Vice-Chairwoman of Ifop's Directoire
Director of BNP Paribas
Director of Coface SA
Chairwoman of MEDEF

Benoît POTIER

2004
Chairman of L'Air Liquide SA's Directoire
Chief Executive Officer of Air Liquide International
Chief Executive Officer of American Air Liquide Inc. (AAL)
Director of Société d'Oxygène et d'Acétylène d'Extrême-Orient (SOAEO)
Chief Executive Officer of Air Liquide International Corporation (ALIC)
Director of Air Liquide Italia Srl., AL Air Liquide España, Air Liquide Asia Pte Ltd, Air Liquide Canada Inc.
Director of Air Liquide America Holdings Inc. (AHI)
Chairman of American Air Liquide Holdings Inc. (AALH)
Director of Groupe Danone
Director of Ecole Centrale des Arts & Manufactures

2005
Chairman of L'Air Liquide SA's Directoire
Chief Executive Officer of Air Liquide International
Chief Executive Officer of American Air Liquide Inc. (AAL)
Director of Société d'Oxygène et d'Acétylène d'Extrême-Orient (SOAEO)
Chief Executive Officer of Air Liquide International Corporation (ALIC)
Director of Air Liquide Italia Srl., AL Air Liquide España, Air Liquide Asia Pte Ltd, Air Liquide Canada Inc.
Director of Air Liquide America Holdings Inc. (AHI)
Director and Chairman of the Audit Committee of Groupe Danone
Director of Ecole Centrale des Arts & Manufactures

2006
Chief Executive Officer of L'Air Liquide, Air Liquide International, American Air Liquide Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings Inc
Director of Société d'Oxygène et d'Acétylène d'Extême-Orient (SOAEO) *(until March 2006)*
Director of Air Liquide Italia Srl., AL Air Liquide Espana
Director and Chairman of the Audit Committee of Groupe Danone
Director of Ecole Centrale des Arts & Manufactures
Insead France Board Member

2007
Chief Executive Officer of of L'Air Liquide, Air Liquide International, American Air Liquide Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings Inc
Director of Air Liquide Italia Srl. *(until April 2007)*, AL Air Liquide Espana *(until May 2007)*
Director and Chairman of the Audit Committee of Groupe Danone
Director of Ecole Centrale des Arts & Manufactures
Insead France Board Member

2008
Chief Executive Officer of L'Air Liquide, Air Liquide International, American Air Liquide Inc, Air Liquide International Corporation
Chairman of American Air Liquide Holdings Inc.
Chairman of the the Air Liquide Company Foundation
Director and Chairman of the Audit Committee of Groupe Danone
Director of Ecole Centrale des Arts et Manufactures
Insead France Board Member
Director of ANSA
Member of the Board of Directors of AFEP
Director of Cercle de l'industrie

Louis GALLOIS

2004
Chairman of SNCF
Member of the Board of Directors of Thales
Member of the Board of Directors of EADS NV

2005
Chairman of SNCF
Member of the Board of Directors of Thales *(until May 8, 2005)*
Member of the Board of Directors of EADS NV

2006
Chairman of SNCF *(until July 2, 2006)*
Joint executive chairman of EADS NV *(from July 2, 2006)*
Chairman of Airbus *(since October 3, 2006)*

2007
Joint executive chairman of EADS NV *(until August 27, 2007)*
Chairman of Airbus *(until August 27, 2007)*
Chairman of EADS NV *(since August 27, 2007)*

2008
Executive Chairman of EADS NV
Member of the Executive Committee of EADS NV
Chairman of the Shareholders Committee of Airbus
Director of École Centrale des Arts et Manufactures
Chairman of Fondation Villette-Entreprises

Barbara DALIBARD

2004
Director of Globecast Holding
Director of Transpact
Chairman of the Supervisory Board of ENV International NV *(previously Equant NV)*
Chairman and Director of Orange Communications Luxembourg *(until August 26, 2004)*

2005
Director of Globecast Holding
Director of Transpac *(until December 25, 2005)*
Chairman of the Supervisory Board of ENV International NV *(previously Equant NV) (until September 20, 2005)*
Chief Executive Officer and Managing Director of Equant BV *(since August 22, 2005)*

2006
Director of Globecast Holding
Chief Executive Officer and Managing Director of Equant BV

2007
Director of Globecast Holding
Chief Executive Officer and Managing Director of Equant BV

2008
Member of Groupe France Télécom's General Management Committee
Chief Executive Officer of Equant
Director of Globecast Holding

Statements

Company Directors have no kinship ties between them.

To the Company's knowledge, in the last five years, none of the Directors was convicted for fraud, was involved in a bankruptcy, liquidation or escrow order or was the object of an official claim or sanction decided by statutory or regulatory bodies and/or was barred by a court to act in his/her quality as member of a management, executive or supervisory board of an issuer or to take part in the management or running of an issuer.

None of the Directors is party to a service provider contract with the Company or any of its subsidiaries.

There is no:

- arrangement or agreement with the main shareholders, customers, suppliers or other parties pursuant to which said directors were chosen as Company directors;
- potential conflict of interest between Company Directors' duties to the Company and their private interests and / or other obligations,
- restrictions accepted by said Directors to the transfer, after a certain time period, of their stake in the Company's capital, other than pursuant to the rules pertaining to prevention of insider dealings, or applicable to Managing General Partners.

Corporate Financial Statements as at December 31, 2008

Compagnie Générale des Établissements Michelin

The Financial Statements of the Company show a profit of EUR 286,147,074.19, up EUR 8.6 million on financial year 2007, which amounted to EUR 277,547,730.64.

Operating income amounted to EUR 114.1 million, down EUR 52.3 million. On the one hand, the amount or royalties was slightly lower, and, on the other hand, operating expenses rose from EUR 266.3 million to EUR 290.2 million mainly due to an increase in the amount of research expenses re-invoiced to Compagnie Générale des Etablissements Michelin.

The financial result was positive at EUR 170.6 million versus EUR 111.5 million in 2007. It has improved versus 2007, a year that had been affected by an allocation to provision of shares in associated companies amounting to EUR 55 million in connection, in particular, with the impact of discontinued development of new GPS product lines by its ViaMichelin subsidiary.

Non-recurring income amounts to EUR 1.2 million. This mainly corresponds to intra-group share reclassifications designed to streamline its structure. This involved the transfer of the shares of société Participation et Développement Industriels and of Société d'Exportation Michelin, held by Compagnie Générale des Etablissements Michelin.

In the balance sheet structure, please note the overall EUR 48.4 million increase of capital and issue premiums resulting from completion of the Employee Shareholder Plan 2008 and from call of share subscription options.

Balance Sheet at 31 December, 2008

ASSETS

(in EUR)		2008			2007
		Cost	Amort. Depreciation	Net	Net
FIXED ASSETS					
Intangible assets:					
Patents, licenses and other rights		25,952,644.92	25,418,947.50	533,697.42	836,565.32
Other intangible assets		61,296.21	54,877.76	6,418.45	7,702.13
Assets under construction		–	–	–	–
		26,013,941.13	**25,473,825.26**	**540,115.87**	**844,267.45**
Tangible assets:					
Land		102,469.01	–	102,469.01	102,469.01
Buildings		1,836,860.64	1,797,060.55	39,800.09	49,075.76
Other tangible assets		345,575.90	311,373.60	34,202.30	45,871.40
Assets under construction		–	–	–	–
Prepayments		–	–	–	–
		2,284,905.55	2,108,434.15	176,471.40	**197,416.17**
Investments [1]:					
Share in subsidiaries and affiliates		4,558,929,948.66	91,237.41	4,558,838,711.25	4,605,626,027.89
Loans and advances to subsidiaries and affiliates		1,336,428,921.28	–	1,336,428,921.28	1,460,120,888.59
Other equity interests		3,409,334.75	–	3,409,334.75	3,035,122.34
Loans		–	–	–	–
Other investments		20,121.45	–	20,121.45	20,121.45
		5,898,788,326.14	**91,237.41**	**5,898,697,088.73**	**6,068,802,160.27**
	(I)	**5,927,087,172.82**	**27,673,496.82**	**5,899,413,676.00**	**6,069,843,843.89**
CURRENT ASSETS					
Accounts receivable		204,380,105.44	–	204,380,105.44	187,742,063.59
Cash equivalents:					
Treasury Stock		–		–	–
Other marketable securities		656.08	15.78	640.30	640.30
		656.08	**15.78**	**640.30**	**640.30**
Cash		122,553,171.76	–	122,553,171.76	390,982.17
ACCRUALS					
Prepaid expenses [2]		2,111,938.63	–	2,111,938.63	536,286.49
	(II)	**329,045,871.91**	**15.78**	**329,045,856.13**	**188,669,972.55**
Deferred charges					
And bond call premiums	**(III)**	**2,847,512.94**	**–**	**2,847,512.94**	**4,546,411.46**
Bond call premiums	**(IV)**	–	–	–	–
TOTAL ASSETS	**(I + II + III + IV)**	**6,258,980,557.26**	**27,673,512.60**	**6,231,307,044.66**	**6,263,060,227.90**
(1) of which due in less than one year				*1,336,428,921.28*	*1,460,120,888.59*
(2) of which due in more than one year				–	–

LIABILITIES

(IN EUR)		2008	2007
Shareholders equity			
Capital		289,994,844.00	287,998,338.00
Paid in capital in excess of par		1,910,014,542.74	1,863,637,079.24
Revaluation reserve		624,772,330.22	626,682,176.36
Reserves		1,276,839,455.47	1,276,770,085.27
Retaine earnings		281,207,005.56	241,845,315.52
Net income for the year		286,147,074.19	277,547,730.64
Untaxed reserves		61,597,677.21	61,597,677.21
	(I)	**4,730,572,929.39**	**4,636,078,402.24**
Provisions for contingencies and charges			
Provisions for contingencies		–	–
Provisions for charges		–	174,896.00
	(II)	**0**	**174,896.00**
Liabilities (1)			
Convertibles bond loan		738,823,673.40	716,771,000.41
Subordinated issues		355,131,712.17	470,981,853.44
Other bond issues		15,022.98	16,382.66
Other liabilities		294,000,000.00	220,000,000.00
Bank borrowings (2)		–	–
Other long and short term debt (2)		17,729,701.12	128,197,667.59
Accrued taxes and payroll costs		2,766,348.66	7,166,879.91
Due to suppliers of fixed assets		–	–
Other liabilities		92,267,656.94	83,668,759.89
		1,500,734,115.27	1,626,802,543.90
Accruals			
Deferred income (1)		–	4,385.76
	(III)	**1,500,734,115.27**	**1,626,806,929.66**
Conversion gains	**(IV)**	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(I + II + III + IV)**	**6,231,307,044.66**	**6,263,060,227.90**
(1) of which due in more than one year		*1,092,252,673.40*	*1,185,467,000.41*
of which due in less than one year		*408,481,441.87*	*441,339,929.25*
(2) of which short-term bank loans and overdrafts		*–*	*–*

Statement of income 2008

(in EUR)		2008	2007
Operating revenue [1]			
Royalties (including export revenues: 345,060,209.49)		401,937,698.11	429,237,593.81
Other revenue		2,531,906.44	3,507,887.16
Total operating revenue	**(I)**	**404,469,604.55**	**432,745,480.97**
Operating expenses [2]			
External charges		282,743,675.79	258,004,540.45
Taxes other than on income		3,115,252.12	3,824,524.86
Wages and salaries		2,290,270.86	1,956,082.01
Payroll taxes		761,615.38	692,839.80
Depreciation and amortization:			
• Fixed assets		453,229.19	441,899.20
• Deferred charges		–	–
Other expenses		931,734.07	1,384,628.89
Total operating expenses	**(II)**	**290,295,777.41**	**266,304,515.21**
Operating income	**(I - II)**	**114,173,827.14**	**166,440,965.76**
Interest and other investment income			
Dividends from subsidiaries and affiliates [3]		239,980,000.77	234,859,531.55
Interest income [3]		4,326,947.44	8,287,897.71
Reversals of allowances		–	–
Exchange gains		4,271,435.16	1,704,057.38
Net gains on sales of marketable securities		–	–
Total interest and other investment income	**(III)**	**248,578,383.37**	**244,851,486.64**
Interest and other investment expense			
Charges to allowances for impairment in value		1,698,898.52	55,865,745.97
Interest expense [4]		74,416,433.82	74,186,319.40
Exchange losses		1,795,352.51	3,201,671.71
Net losses on sales of marketable securities		–	–
Total interest and other investment expense	**(IV)**	**77,910,684.85**	**133,253,737.08**
Net interest and other investment income	**(III - IV)**	**170,667,698.52**	**111,597,749.56**
Income from ordinary activities	**(I - II + III - IV)**	**284,841,525.66**	**278,038,715.32**

(in EUR)		2008	2007
Non-recurring income			
From revenue transactions		10,467.52	111,583.97
From capital transactions		46,153,076.51	7,737,340.30
Reversals of allowances		119,032,620.35	–
Total non-recurring income	**(V)**	**165,196,164.38**	**7,848,924.27**
Non-recurring expenses			
On revenue transactions		–	49.83
On capital transactions		163,910,090.85	5,401,843.12
Charges to allowances		–	–
Total non-recurring expenses	**(VI)**	**163,910,090.85**	**5,401,892.95**
Net non-recurring income	**(V - VI)**	**1,286,073.53**	**2,447,031.32**
Income tax	**(VII)**	**(19,475.00)**	**2,938,016.00**
Total revenues	**(I + III + V)**	818,244,152.30	685,445,891.88
Total expenses	**(II + IV + VI + VII)**	532,097,078.11	407,898,161.24
Net income/loss		**286,147,074.19**	**277,547,730.64**
(1) of which revenues relating to prior years		–	–
(2) of which expenses relating to prior years		–	–
(3) of which revenues from related party transactions		*239,693,466.96*	*234,585,520.92*
(4) of which expenses from related party transactions		*4,890,035.45*	*4,669,734.33*

Notes to the Balance Sheet and the Financial Statements

The Company's total assets before appropriation of profits for the financial year to December 31, 2008 amounted to EUR 6,231,307,044.66.

The Income Statement totals for the year are as follows, in euros:

Total revenues	818,244,152.30
Total expenses	532,097,078.11
Net income of the year	**286,147,074.19**

The Company's financial year covers the 12 months from January 1st to December 31st.

The following notes and tables form an integral part of the financial statement.

Significant event of the year

Employee Shareholder Plan

In May 2008, 952,733 new shares were subscribed under the Group's Employee Shareholder Plan.

Summary of significant accounting policies

The principles used to evaluate and determine Group earnings remain unchanged as compared with previous reporting periods.

Company accounts for the financial year to December 31, 2008, have been prepared and presented pursuant to applicable accounting standards, and in keeping with the principles of prudence, discreteness of accounting periods and going concern.

The main accounting policies applied by the Company are as follows:

a) Intangible assets

"Concessions, patents and other rights" are kept at cost of acquisition. Concessions and patents are amortized over 12 months. Other rights, correspond primarily to purchased software are amortized over periods of either 12 months or 3 years, depending on their nature.

Expenses incurred for the creation and preservation of the "Brands" are recognized as expenses for the year.

"Other intangible assets" consist of vehicle parking rights, which are amortized over 40 years.

b) Property and Equipment

Gross Values

Fixed assets are kept at historical cost or revalued as per the 1976/1978 legal revaluation.

Depreciation

The straight-line basis method is applied. The following amortization periods are as follows:

- Buildings: 30 years,
- Other tangible assets: 10 years, except for computer equipment which is depreciated over 5 years.

c) Investments

Shares in subsidiaries and affiliates

- Gross Values: shares in subsidiaries and affiliates are stated at historical cost or at revaluation, in the case of assets held at the time of the 1976/1978 legal revaluation.
- Net Values: in the case of subsidiaries and affiliates, interests are stated at their useful value, generally based on the statutory or consolidated group share of net assets (as revalued where applicable) and profitability prospects. In case of long-term decline of the useful value, and if this falls below gross book value, a provision for impairment is made.

Other Equity Interests

This item includes shareholdings that the Company intends to retain but which are not held for purposes directly related to the Company's business.

Other equity interests are valued by the same method as that described above.

d) Accounts Receivable

Accounts receivables are stated at nominal value.

e) Paid-in capital in excess of par

This item corresponds mainly to premiums on shares issued for cash or on conversion of bonds, after deducting related costs net of tax.

f) Untaxed reserves

Substantially all amounts reported under this item correspond to reinvested capital gains set off against write downs of securities in application of the former Article 40 of the French General Tax Code.

g) Conversion of foreign currencies

Revenues and expenses in foreign currencies are converted at their transaction date exchange rate.

Trade payables and receivables, are converted into euros at their year-end exchange rate.

Foreign currency forward contracts that are outstanding at the balance sheet date are recorded at market value in the balance sheet.

h) Deferred charges and bond call premiums

Such charges and premiums relate to:

- Issuance cost of the 2003 subordinated debt, amortized over 10 years,
- The debt repayment premium for the 2003 subordinated debt, amortized over 10 years.

i) Tax

Income tax expense in the income statement includes both current tax and deferred taxes. Deferred tax is provided using the liability method.

Fixed assets, depreciation and amortization

Intangible assets and property, plant and equipment as well as the corresponding depreciation have changed as follows over the year:

Fixed assets

(in EUR)	Gross carrying amounts at January 1, 2008	Additions, New loans accrued interest for the year	Disposals, decommissioning Decrease in accrued loans and interest	Gross carrying amounts at December 31, 2008
Intangible assets	25,887,705	126,236	–	26,013,941
Property and Equipment	2,283,009	1,897	–	2,284,906
	28,170,714	**128,133**	**–**	**28,298,847**
Investments:				
Shares in subsidiaries and affiliates	4,722,840,040		163,910,091	4,558,929,949
Loans and advances to subsidiaries and affiliates	1,460,120,888	214,389,451	338,081,418	1,336,428,921
Other equity interests	3,035,123	374,212	–	3,409,335
Loans	–	–	–	–
Other investments	20,121	–	–	20,121
	6,186,016,172	**214,763,663**	**501,991,509**	**5,898,788,326**
Total	**6,214,186,886**	**214,891,796**	**501,991,509**	**5,927,087,173**

Depreciation and amortization

(in EUR)	Accumulated depreciation at January 1, 2008	Increases for the year	Decreases: for asset disposals	Accumulated depreciation at December 31, 2008
Intangible assets	25,043,438	430,387	–	25,473,825
Property and Equipment	2,085,592	22,842	–	2,108,434
Total	**27,129,030**	**453,229**	**–**	**27,582,259**

Provisions

Nature of provisions (in EUR)	Amounts at January 1, 2008	Increases for the year	Decreases: writebacks for the year	At December 31, 2008
Untaxed reserves	**61,597,677**	**–**	**–**	**61,597,677**
Provisions for contingencies and charges	**61,597,677**	**–**	**–**	**61,597,677**
Impairment[1]	117,214,027	–	117,122,774	91,253
Total	**178,811,704**	**–**	**117,122,774**	**61,688,930**
of which changes related to:				
• non-recurring expense/income		119,032,620	–	
• transfer to revaluation reserve		- 1,909,846	–	

(1) Movements in allowances for impairment in value relate to holdings reclassified in other Group companies:

- Allowances: PARDEVI shares	*114,874,957*
- Decreases: SEM shares	*4,157,663*

Items relating to several balance sheet items

Balance sheet items (in EUR)	Transactions involving		Payables or receivables represented by trade notes
	related companies	other entities in which the Company holds an equity interest	
Shares in subsidiaries and affiliates (net book value)	4,558,838,711	–	–
Loans and advances to subsidiaries and affiliates	1,336,428,921	–	–
Other equity interests	–	3,409,335	–
Other receivables	145,752,425	–	–
Long and short-term debt	17,173,668	–	–
Other liabilities	89,705,210	–	–

Treasury stock

As at December 31, 2008, the Company had no treasury stock.

Maturities of loans and receivables, payables and long and short-term debt

Receivables (in EUR)	**Total**	**Due within one year**	**Due in more than one year**
Fixed Assets			
Loans and advances to subsidiaries and affiliates	1,336,428,922	1,336,428,922	–
Loans	–	–	–
Other investments	20,121	–	20,121
Current Assets			
Other receivables	204,380,105	204,380,105	–
Total	**1,540,829,148**	**1,540,809,027**	**20,121**

Debt (in EUR)	**Total**	**of which due within one year**	**of which due in one to five years**	**of which due in more than five years**
Bond issues	738,823 673	–	–	738,823,673 (1)
Subordinated loan	355,131,712	1,702,712	–	353,429,000 (2)
Other bond issues	15,023	15,023	–	–
Other long and short-term debt	294,000,000 (3)	294,000,000	–	–
Bank borrowings	–	–	–	–
Long and short-term debt	17,729,701	17,729,701	–	–
Accrued taxes and payroll costs	2,766,349	2,766,349	–	–
Due to suppliers of fixed assets	–	–	–	–
Other liabilities	92,267,657	92,267,657	–	–
Deferred income	–	–	–	–
Total	**1,500,734,115**	**408,481,442**	**–**	**1,092,252,673**

(1) 2007-2017 convertible bond issue. The related issuance costs were expensed.
(2) Fixed-rate 6.375% from 2003 until 2013, and variable rate from 2014 to 2033.
(3) In the course of 2006, the Company introduced a commercial paper for EUR 1 billion. The nominal value of the amount outstanding as of December 31, 2008 was equal to EUR 294 million.

Accrued charges

Accrued Charges included in the following balance sheet items	**Amounts**
Subordinated loan	1,702,712
Other long and short-term debt	556,033
Accrued taxes and payroll costs	489,602
Other liabilities	2,360,583
Total	**5,108,930**

Prepaid income and expenses

Prepaid expenses correspond to operating and financial expenses.

In an amount of € 2,111,939
Prepaid income corresponds to operating income.
In an amount of nil.

Revaluation reserve

Revaluation reserve amounts to € 624,772,330 of which:

- EUR 32,091 related to land,
- EUR 624,740,239 related to shares in subsidiaries and affiliates.

Reserves (in EUR)

Reserves at December 31, 2008 break down as follows:

Legal reserve of which EUR 26,943,175 allocated to long-term capital gains	28,799,834
Special long-term capital gains reserve	881,419,038
Other reserves	366,620,583
Total	**1,276,839,455**

Capital structure

	Number	Par value
1. Share capital at January 1, 2008	143,999,169	EUR 2
2. Share capital issued during the year	998,253	EUR 2
3. Share capital at cancelled during the year	–	–
4. Share capital at December 31, 2008	144,997,422	EUR 2

Share Subscription Option Plan

Status of the share subscription option plans to December 31, 2008

Grant Date	Call Date	Expiry Date	Call Price (in EUR)	Options	
				December 31, 2008	December 31, 2007
May 2002	May 2006	May 2011	44.00	215,451	240,085
May 2003	May 2007	May 2012	32.25	103,897	118,447
November 2003	November 2007	November 2012	34.00	173,515	186,645
May 2004	May 2008	May 2013	40.00	155,700	169,900
July 2004	July 2008	July 2013	44.50	120,100	120,700
May 2005	May 2009	May 2014	48.00	216,000	218,500
November 2005	November 2009	November 2014	48.00	874,950	888,000
May 2006	May 2010	May 2015	58.00	133,900	136,700
May 2007	May 2011	May 2015	91.00	1,165,250	1,182,750
May 2008	May 2012	May 2016	62.00	310,000	
Number of options outstanding				**3,468,763**	**3,261,727**

Revenue

Revenue for the year totaled EUR 401,937,698, consisting entirely of royalties received from:

France	56, 877,489
Étranger	345, 060,209
Total	**401, 937,698**

Extraordinary result

The extraordinary result is positive at EUR 1.2 million. This mainly corresponds to intra-group share reclassifications designed to streamline its structure. This involved the transfer of the shares of société Participation et Développement Industriels and of Société d'Exportation Michelin, so far held by Compagnie Générale des Etablissements Michelin.

Income tax

Compagnie Générale des Etablissements Michelin makes up, together with four French subsidiaries directly or indirectly owned at no less than 95%, a tax entity of which it is the leading company.

The tax consolidation agreement provides that all 4 consolidated subsidiaries continue to bear their own tax burden regardless of such consolidation, the resulting balance being recognized by the leading company.

Tax due by the 4 subsidiary companies regardless of consolidation would amount to EUR 763,979.

Income tax includes current taxes and deferred taxes.

Income tax for 2008 amounted to a negative EUR -19,475.

Market risks

A) Currency risk

At December 31, 2008 the Company had receivables corresponding to royalties with a net book value of EUR 137 million. These receivables, which are denominated in the Group's main trading currencies, have been converted into euros at the year-end exchange rate. The Company's policy is to hedge currency risk.

B) Equity Risk

The Company holds shares in subsidiaries and affiliates and other equity interests, which are valued taking into account their fair value to the Company and their probable realizable value.

Management compensation

As per its bylaws, the Company is administered by:

- one or several Managing General Partners ("Gérants") who are entitled to a share of the income distributed among all the General Partners in accordance with the provisions of the bylaws. The Managing Partner(s) do not receive any other compensation or other benefits in kind;
- two Managing Partners having a Non-General Partner status whose compensation is paid by the Company.

The amount allocated to the Managing General Partner in 2008 for the financial year 2007, in the form of a statutory share of profits, amounted to EUR 5.3 million (in 2007 with respect to financial year 2006, for the Managing General Partner: EUR 4.2 million).

The payroll costs for the Non-General Managing Partners amounted EUR 1.8 million in 2008 (versus 2007: EUR 1.4 million). This amount breaks down as follows:

- Short term benefits: EUR 1.6 million (2007: EUR 1.2 million)
- Post-employment benefits: EUR 0.1 million (2007: EUR 0.1 million)
- Benefits related to the share options plan: EUR 0.1 million (2007: EUR 0.1 million)

These amounts do not include compensation in their capacity as Group Executive Council members until May 11, 2007.

Average number of employees

	Employees on the Company's payroll	Employees seconded to the Company
Managing Partners	2	–
Managers	5	–
Technical staff	–	–
Administrative employees	18	–
Maintenance staff	–	1
Total	**25**	**1**

Retirement benefits

The Company is liable for the payment of the long-service awards to employees on retirement, in accordance with the terms of the applicable Collective Bargaining Agreement. The present value of the related obligation at December 31, 2008 was around EUR 3.3 million. No provision has been recorded for this amount.

Unrecognized deferred tax assets and liabilities

Description of temporary differences	Amounts
Increases	–
Decreases	
C3M patent license amortization	2,286,738
"ORGANIC" tax provision	651,047
Future tax debt reductions	2,937,785
15% tax rate	440,668
3.3% contribution after EUR 763,000 tax deduction	–
Total	**440,668**

Compensations of the Statutory Auditors

Compensations invoiced for financial year 2008:	EUR 220,000
Compensations booked for financial year 2008:	EUR 384,000

Inventory of securities held as at december 31, 2008

(in EUR)	Number of shares	Book value
Equity and other participations having a book value in excess of EUR 152,449:		
Compagnie Financière Michelin	22,388,773 shares	3,615,110,164.29
Manufacture Française des Pneumatiques Michelin	3,199,899 shares	902,568,916.29
Société de Technologie Michelin	100,000 shares	15,244,901.72
Spika S.A.	200,000 shares	25,914,728.79
Siparex Croissance	67,710 shares	1,060,103.95
Siparex Associés	134,295 shares	2,013,838.08
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786 shares	335,392.72
Other interests (aggregate)		**0.16**
Securities:		
Treasury Stock	–	–
Cash equivalents		**640.30**

List of subsidiaries and affiliates

Subsidiaries and Affiliates	Capital (1)	Other equity before result allocation (1)	Percent interest (in %)	Book value of shares – Cost	Book value of shares – Net	Outstanding loans and advances	Guarantees given by the Company	Last published net sales of previous financial year	Result of previous financial year (1)	Dividends received by the Company during the financial year
A - Detailed information about Subsidiaries and affiliates (carrying book value in excess of 1% of the Company's common stock):										
1 - Subsidiaries (more than 50% of equity owned):										
Compagnie Financière Michelin Route Louis-Braille 10, 1763 Granges-Paccot (Switzerland)	2,238,949,500 Swiss Francs	4,947,288,759 Swiss Francs	99.99	3,615,110,164 euros	3,615,110,164 euros	1,336,357,721 euros	–	–	254,956,614 Swiss Francs	131,294,457 euros
Société de Technologie Michelin 23, rue Breschet, 63000 Clermont-Ferrand	15,200,000 euros	1,728,214 euros	100.00	15,244,902 euros	15,244,902 euros	–	–	182,307,304 euros	3,616,245 euros	3,000,000 euros
Spika S.A. 23, rue Breschet, 63000 Clermont-Ferrand	3,000,000 euros	53,732,087 euros	100.00	25,914,729 euros	25,914,729 euros	–	–	–	1, 014,539 euros	–
2 - Affiliates (10 to 50% of equity owned):										
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand	304,000,000 euros	778,751,231 euros	39.99	902,568,916 euros	902,568,916 euros	–	–	4,908,914,361 euros	- 4,683,410 euros	27,999,116 euros
B - Aggregate information about the other subsidiaries and affiliates:										
1 - Subsidiaries not listed under A:										
French companies				–	–	–	–			–
Non-French companies				–	–	–	–			
2 - Affiliates not listed under A:										
French companies										
Non-French companies				91,238 euros	–	–	–			–

(1) In local currency.

Statement of changes in shareholders equity

(Before appropriation of net income. Company only)

	2008	2007
Net income for the year (in thousands of euros and euros per share)		
Net income		
Total: Net income/ (Loss)	286,147	277,548
Earnings per share: Net income/ (Loss)	1.97	1.93
Proposed dividend		
Total	144,997	230,399
Per share	1.00	1.60
Statement of changes in Shareholders' equity (in thousands of euros)		
A) 1 - Shareholders equity at December 31, 2007	4,636,078	4,560,070
2 - Dividend approved by the Ordinary Shareholders Meeting	238,116	214,027
3 - Shareholders equity at January 1, 2008	4,397,962	4,346,043
B) Capital contributions credited to 2008 opening Shareholders equity:		
1 - Change in common stock		
2 - Change in other items		
C) Shareholders equity at January 1, 2008 including capital contributions (A3 + B)	4,397,962	4,346,043
D) Movements for the year:		
1 - Change in common stock	1,996	694
2 - Increase in paid-in capital in excess of par	46,377	13,070
3 - Increase in revaluation reserve	(1,910)	(1,277)
4 - Change in other reserves	–	–
5 - Change in untaxed reserves	–	–
6 - Increase in retained earnings	–	–
7 - Net income for the year 2008	286,147	277,548
E) Shareholders equity at 31 December 2008 before dividends (C + D)	4,730,572	4,636,078
F) Total change in Shareholders equity (E - C)	**332,610**	**290,035**
G) of which: change in Shareholders equity due to structural changes	–	–
H) Change in Shareholders equity excluding effect of structural changes (F - G)	**332,610**	**290,035**
Notes :		
D3 : - Amounts transferred to the revaluation reserve during the year	(1,910)	(1,277)
D6 : - Dividends on own shares credited to retained earnings	–	–

Statutory Auditors' Report
on the Financial Statements
For the year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:
- the audit of the accompanying financial statements of Compagnie Générale des Etablissements Michelin;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

The financial crisis which has progressively produced an economical crisis has significant consequences for companies in particular for their revenues and their financing. Taking into account this unfavourable economical environment and in accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The Company makes an annual assessment of the inventory value of its shares in subsidiaries and affiliates using the method described in the notes to the financial statements under the section "Accounting policies - Investments".

We have examined the methodology used by the Company and its implementation based on the available information, and we have assessed the fairness of the estimates made by the Company.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and the conformity with the financial statements of the information given in the Management Report of your Managing Partners, and in the documents addressed to the Shareholders with respect to the financial position and the financial statements,

- the sincere nature of information provided in the Management Report concerning the statutory allocation, compensation and benefits granted to your Managing Partners, as well as on the commitments taken for their benefit upon entry into, termination or change in functions or subsequently.

As required by the law, we also verified that details of the identity of Shareholders are disclosed in the Managing Partners' Report.

Neuilly-sur-Seine and Paris, February 9, 2009

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of "Compagnies Régionales" of Versailles and Paris

Appropriation of 2008 net income

Amounts to be appropriated (in EUR)		
Retained earnings brought forward from prior year		281,207,005.56
Net income		286,147,074.19
Recommended appropriations		
Legal Reserve	199,651.00	
Special long-term capital gains reserve	–	
Dividends	144,997,422.00	
Statutory share of income attributed to the General Partners in accordance with the bylaws	3,573,000.00	
Tax on distributed earnings	–	
Other reserves	–	
Retained earnings	418,584,006.75	
Total	**567,354,079.75**	**567,354,079.75**

Five-year key figures and ratios

(en EUR)	2004	2005	2006	2007	2008
I - Shareholders equity at year-end					
a) Common stock	286,774,050	286,775,250	287,304,636	287,998,338	289,994,844
b) Number of common shares outstanding	143,387,025	143,387,625	143,652,318	143,999,169	144,997,422
c) Number of non-voting preferred shares outstanding	–	–	–	–	–
d) Maximum number of future shares to be created	–	–	–	–	–
II - Results of operations					
a) Net revenues	358,973,808.26	394,642,982.30	419,120,580.51	429,237,593.81	401,937,698.11
b) Income before tax. depreciation. amortization and provision expenses	232,415,973.57	196,470,258.86	252,768,399.13	336,793,391.81	169,247,106.55
c) Income tax	27,222,094.00	11,225,190.00	192,999.00	2,938,016.00	(19,475.00)
d) Employee profit-sharing	–	–	–	–	–
e) Net income	295,151,971.68	270,156,351.29	225,095,285.33	277,547,730.64	286,147,074.19
III - Per share data					
a) Earnings per share before tax, after depreciation amortization and provision expenses	1.43	1.29	1.76	2.32	1.17
b) Earnings per share	2.06	1.88	1.57	1.93	1.97
c) Dividend per share	1.25	1.35	1.45	1.60	1.00
IV - Employee data					
a) Average number of employees	31	30	29	29	25
b) Total payroll	1,135,963.43	1,068,495.48	1,113,338.52	1,956,082.01	2,290,270.86
c) Total benefits	461,065.13	410,152.95	379,481.63	692,839.80	761,615.38

Statutory Auditors' Special Report on Regulated Agreements

and commitments with third parties

For the year ended December 31, 2008

This is a free translation into English language of the statutory auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Compagnie Générale des Etablissements Michelin

Ladies and Gentlemen,

In our capacity as Statutory Auditors of your Company, we are required to report to Shareholders on regulated agreements and commitments involving directors that have been disclosed to us by the Company's management. Our responsibility does not include identifying any undisclosed agreements.

We have not been informed of any regulated agreement and commitment governed by article L.226-10 of the French Commercial Code.

Neuilly-sur-Seine and Paris, February 9, 2009'

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of "Compagnies Régionales" of Versailles and Paris

Incorporation of 2006 and 2007 Financial Statements by Reference

The following information is included by reference in this Reference Document:

• Annual and consolidated financial statements for the period ended December 31, 2007 as well as the relevant Statutory Auditors' reports contained in the Reference Document filed with AMF on February 29, 2008 (D.08-080).

• Annual and consolidated financial statements for the period ended December 31, 2006 as well as the relevant Statutory Auditors' reports contained in the Reference Document filed with AMF on March 2, 2007 (D.07-0133).

Person Accountable for the Reference Document and for the Annual Financial Report

Person Accountable for the Reference Document and for the Annual Financial Report

Mr. Michel Rollier, Managing General Partner

Statement of the Person Accountable for the Reference Document and for the Annual Financial Report

To the best of my knowledge, and based on all reasonable measures to this effect, I certify that the information provided in this document is correct and comprehensive and there are no material omissions which would alter its content.

To the best of my knowledge, I certify that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the Company's financial position and assets and liabilities and that of its subsidiaries included in the scope of consolidation, and that the business report (pp. 24 to 67; 70; 158 to 160; 184 and 187 of this reference document) presents a fair account of the important events that occurred during the financial year, and of the results and financial standing and that of its subsidiaries included in the scope of consolidation as well as a description of the principal risks and contingencies facing them.

The Statutory Auditors delivered to me an end of mission letter stating that (i) they tested the information concerning the financial situation and statements presented in this Reference Document and that (ii) they reviewed the entire Document.

Clermont-Ferrand, March 2, 2009'

Mr. Michel ROLLIER
Managing General Partner

Annual Information Document

Press releases

(available in French and in English from the corporate website: www.michelin.com/corporate "Finance" section and on the official French site: www.info-financiere.fr)

Title	Date
Michelin North America announces commercial truck tire price increase.	03/03/2008
Reference Document 2007 Publication	05/03/2008
Michelin Group Announces Price Increase and New Pricing System for Automaker Customers	21/03/2008
Publication of the Preparatory Documentation for the Joint Shareholders Meeting of May 16, 2008	07/04/2008
Financial information for the 1st quarter to March 31, 2008	28/04/2008
Michelin North America announces price increases	30/04/2008
Capital increase reserved for the current and former employees of the Company	05/05/2008
Michelin China Announces Price Increase for Passenger Car and Light Truck Replacement Tyres	07/05/2008
Michelin North America announces agricultural tire price increase	28/05/2008
Oliver Rubber Company announces price increase	28/05/2008
Michelin announces Truck & Bus tire price increase in Asia-Pacific	10/06/2008
Michelin Increases its Stake in Hankook Tyres to nearly 10%	27/06/2008
Michelin Announces Price Increase for Its Aircraft Tires	30/06/2008
Michelin North America announces price increases	01/07/2008
Michelin Announces Price Increase for Replacement Tires in Japan	24/07/2008
First half 2008 results	30/07/2008
Michelin Adjusts its Investment Plan in North America to New Market Conditions	28/08/2008
Michelin raises its tire prices in Europe	02/09/2008
Oliver Rubber Company announces price increase	03/09/2008
Publication of the First half 2008 financial report	19/09/2008
Michelin says it is on target to meet its competitiveness improvement objectives and unveils two new investment projects in South America and Asia	01/10/2008
Michelin pursues its strategy of modernizing and reorganizing its operations in Italy	28/10/2008
Quarterly information to September 30, 2008	29/10/2008
Michelin North America announces price increase for agricultural tires	03/11/2008
Compliance with AFEP/MEDEF recommendations on the compensation of executive directors of listed companies	08/12/2008
Michelin communicates its restructuring costs in connection with pursuit of its strategy of modernizing and reorganizing its operations in Italy.	15/12/2008
Impact of the decline in tire markets.	22/12/2008
Michelin North America (Canada) announces price increase on commercial truck tires.	05/01/2009
2008 Annual Results	13/02/2009
Reference Document 2008 publication	02/03/2009

Other permanent or ad hoc information

(available in French and in English from the corporate website www.michelin.com/corporate "Finance" section and from the official French site: www.info-financiere.fr)

Title	Date
Disclosure of the total number of voting rights and of the number of shares making up the Company's capital	
as at February 29, 2008	10/03/2008
as at March 31st, 2008	11/04/2008
as at April 30th, 2008	13/05/2008
as at May 31st, 2008	12/06/2008
as at June 30th, 2008	11/07/2008
as at July 31st, 2008	06/08/2008
as at August 31st, 2008	10/09/2008
as at September 30th, 2008	10/10/2008
as at October 31st, 2008	12/11/2008
as at November 30th, 2008	11/12/2008
as at December 31st, 2008	13/01/2009
as at January 31st, 2009	06/02/2009
First Half 2008 Results	30/07/2008
Reference Document 2007 Publication (including the annual financial report, the internal control report, the description of the share buyback program and information on the fees paid to the Statutory Auditors)	05/03/2008
Results 2008 (including the annual financial report, the internal control and corporate government report, the description of the share buyback program, the annual information document and information on the fees paid to the Statutory Auditors)	02/03/2009

Information published in Bulletin des Annonces Légales Obligatoires (BALO)

(available from the website www.journal-officiel.gouv.fr)

Title	Date
Notice of the Joint Shareholders Meeting	March 05, 2008
Draft annual and consolidated 2007 financial statements and proposed appropriation of results	March 21, 2008
Erratum for the notice of meeting published on March 5, 2008	April 07, 2008
Notice of the Joint Shareholders Meeting	April 07, 2008
First Quarter 2008 Net Sales	May 02, 2008
Audited annual and consolidated 2007 financial statements and Statutory Auditors' Reports	May 30, 2008
Interim financial statements	Aug. 04, 2008
Third Quarter 2008 Net Sales	Oct. 31, 2008

Information published in a French newspaper specialized in legal notifications

(available from the newspapers' head offices)

Title	Date
"l'Annonceur Légal d'Auvergne et du Centre" :	
Avis de convocation de l'Assemblée générale mixte des actionnaires	07/04/2008
Nomination de Mme Barbara DALIBARD et M. Louis GALLOIS en qualité de membres du Conseil de surveillance	22/05/2008
Augmentation de capital au 25 juin 2008 résultant de la souscription d'achat d'actions réservée aux salariés	03/07/2008
Augmentation de capital au 30 juin 2008 résultant de levées d'options de souscription d'actions	19/07/2008
Augmentation de capital au 31 décembre 2008 résultant de l'exercice des stocks-options et de la conversion d'OCEANE	12/01/2009
"La Montagne" :	
Avis de convocation de l'Assemblée générale mixte des actionnaires	07/04/2008

Cross-reference table for the Reference Document

In order to facilitate reading of the Annual Report which also serves as the Reference Document, please consult the following contents table to identify the disclosures required under European Commission Regulation No 809/2004 dated April 29, 2004 for the Reference Document.

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Financial Agenda for 2009

→ Annual Shareholders' Meeting	May 15, 2009
→ First Quarter 2009 Financial Information	April 28, 2009
→ First Half 2009 Results	July 31, 2009
→ Meetings with Shareholders:	
• Marseilles	April 7, 2009
• Biarritz	June 9, 2009
• Lille	October 6, 2009
• Paris	October 12, 2009
• Lyons	November 25, 2009
• La Rochelle	December 8, 2009
→ Actionaria – Paris	November 20/21, 2009

Compagnie Générale des Etablissements Michelin
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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This reference document was lodged with *Autorité des Marchés Financiers* on March 2, 2009 pursuant to Clause 212-13 of its General regulations. It may be used in connection with a financial operation only when completed by the inclusion of a note approved by *Autorité des Marchés Financiers*.

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