2007 Annual Report

MICHELIN

A better way forward

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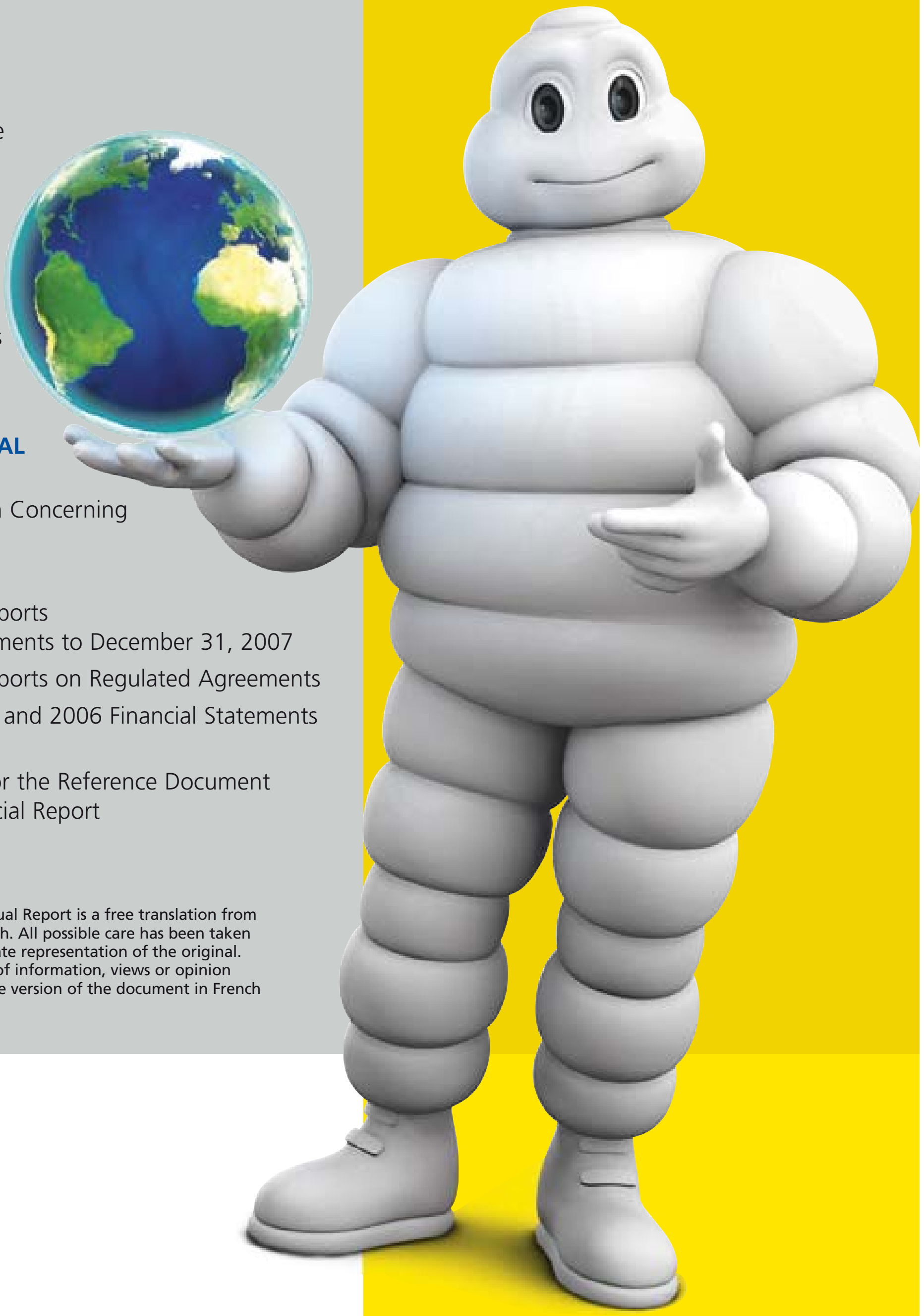

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The English language version of this Annual Report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all 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.

This Reference Document includes the Annual Financial Report:

→ Statement of the Person Accountable — page 202
→ Management Report — pages 16 to 61; 64; 150 to 153; 176 to 179
→ Consolidated Financial Statements — pages 75 to 136
→ Financial Statements — pages 183 to 198
→ Statutory Auditors' reports on the Consolidated Financial Statements and the Financial statements — pages 137 and 199

INCREASINGLY HIGH-PERFORMANCE, ENVIRONMENT FRIENDLY TIRES

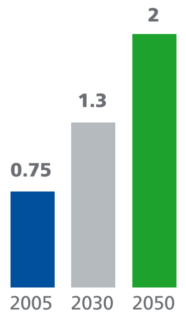
From 1992 to 2007:

→9 billion
liters of fuel saved

→23 millions
metric tons of CO_2 not released in the air thanks to Michelin Green tires

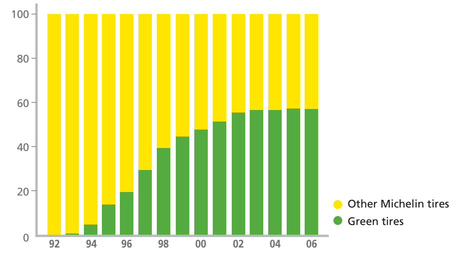
Michelin
A Better Way Forward

Tire Choice: A Global Issue



Source WBCSD – Mobility Report 2030.

→ Estimated Global Growth in Number of Light Vehicles
(In billions)



→ Share of green tires as a proportion of the total number of Michelin Passenger Car tires produced

570

million Michelin Green Tires Sold Since 1992

To save energy and help preserve the environment

50 million vehicles in 1950, more than 900 million today: road transportation currently accounts for approximately 20% of carbon dioxide emissions generated by humans and uses about 65% of oil resources [1] in the industrialized countries.
By 2030, the total number of vehicles is expected to nearly double to 1.6 billion [2] and so should transport-related fuel consumption. At current consumption rates, readily available reserves will be depleted within 30 years [3]. It has therefore become urgent to reduce and rationalize fuel consumption – and tires can help us do this.

REDUCING ROLLING RESISTANCE SAVES FUEL

Tires have rolling resistance of their own and this has a direct impact on fuel efficiency. On average 1 out of 5 tanks of fuel used by cars and 1 out of 3 tanks for trucks are consumed by tire rolling resistance. Why? Because at each turn of the wheel, tires are crushed by the load they carry, which generates heat that translates into a loss of energy. This process is referred to as rolling resistance – one of the forces an engine has to overcome in order to propel a vehicle forward.

Reducing tire rolling resistance, therefore, not only enhances vehicle fuel efficiency but also reduces CO_2 emissions. As a result, tire choice is a key factor, especially as the rolling resistance performance differential between the competing tire offerings for any vehicle can be as much as 50%!

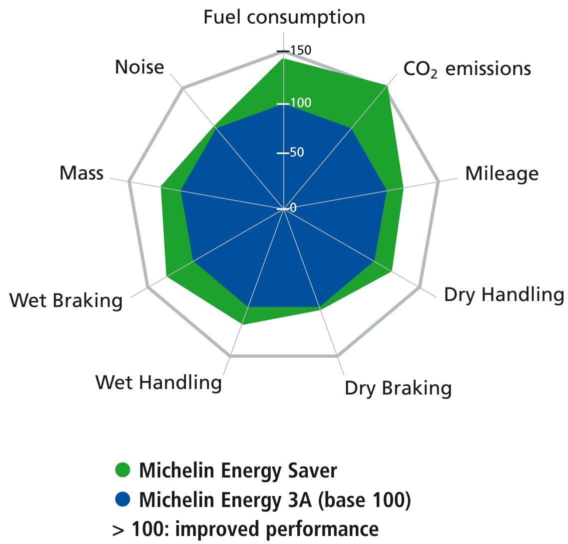
(1) Source: International Energy Agency.
(2) Source: World Business Council for Sustainable Development.
(3) Source: France's Economy, Finance and Industry Ministry.

Green tires are fuel-efficient and environment-friendly

MICHELIN SPEARHEADS THE DRIVE

During the last 60 years, reducing rolling resistance has been a constant product development priority and challenge for Michelin. The rolling resistance challenge involves retaining other tire performance criteria, such as grip – which is key for safety – and wear performance, at their highest level. Achieving rolling resistance reductions without other performance compromises is a technological feat, as a reduction in rolling resistance tends to decrease tire wear performance, to the extent that improving in both criteria is usually considered incompatible. As the demonstrated master in this field, Michelin is best placed to rise to the tire rolling resistance and fuel efficiency challenge and achieve simultaneous progress on all fronts without trading one tire performance off for another.

Michelin Energy Saver the 4th generation of green tires



A STRING OF BREAKTHROUGH INNOVATIONS

In 1895, light vehicle tires featured a rolling resistance of 25 kg per ton! Since then, Michelin has reduced the rolling resistance of its passenger car tires by three.

With the invention of radial tire technology in 1946, Michelin reduced tire rolling resistance by 20% and simultaneously improved tire service life and grip; in short it improved road safety.

Another important milestone occurred in 1992, when Michelin introduced silica as a tire tread component, which both reduced energy loss and maintained wear and grip performance, even on wet roads. When it developed the first generation of "green" tires, Michelin further lowered rolling resistance with a fuel efficiency gain estimated at an average of 0.15 liter per 100 km.

Since then three successive generations of "green" tires, each with improving performance, were developed. In 2007, the Michelin Energy Saver tire, showcased at the Frankfurt motorshow, brilliantly demonstrated that it delivered a further 0.2 liter average fuel efficiency gain per 100 km, and reduced CO_2 emissions by nearly 4 grams per kilometer! Michelin estimates that its ongoing research programs could deliver a further 25% rolling resistance reduction within 10 years, which, all things being equal, would amount to a nearly 4% fuel efficiency gain.

ENVIRONMENT

Kilograms and tons

Rolling resistance is measured in kg/t. A 12kg/t coefficient means that a tire carrying one ton will permanently require a 12 kg force to overcome rolling resistance and maintain a constant speed. "Black tires" have an average of 10-12 kg/t coefficient, which compares with an 8-9 kg/t coefficient for Michelin Green tires.

Environmental Impact and Energy Correspondence

The energy produced by 1 litre of gas or diesel corresponds to an average of 10.3 kWh and results in a CO_2 emission of 2.5 kg.

HIGHLIGHT

Michelin's Green Meters Operation

On October 30, 2007, Michelin launched simultaneously in Berlin, New York, Paris and Shanghai an operation to raise public awareness among consumers of the environmental and energy impact of tire choice. Giant meters were showing, second after second, fuel gallon consumption and carbon dioxyde (CO_2) emissions saved by Michelin green tires since their introduction in 1992.
www.compteur-vert-michelin.com

1,000

Michelin experts across Europe support truck fleets to optimize fuel efficiency

Fuel, Environment: Spectacular Gains for the Trucking Industry

While tire-related expenses account for only 2% of truck fleet operating costs, tires' rolling resistance consumes the equivalent of 1 fuel tank in 3. As soon as 1994, Michelin has adapted the green tire technology to truck tires.

EXCLUSIVE BENEFITS

The Michelin Energy tire range will save up to 2.3 liters per 100 km for a new tire. The result is that a 50-truck fleet covering 120,000 km each per year will save 60,000 liters of fuel and avoid the release of 160 metric tons of CO_2 into the atmosphere!
This was demonstrated at a challenge organized over the 1,250 km separating Clermont-Ferrand and Hanover. Two identical trucks covered the distance with different tire fitments. On arrival, the truck fitted with the Michelin A2 Energy tires had consumed 2.3 liters less per 100 km than the other truck*. With a 40% increase of gasoline prices over the last five years, fuel now accounts for 27% of the road transportation industry costs in Europe. The saving delivered by Michelin Energy tires is, therefore, a substantial benefit for heavy road hauling firms.

* Fitted with Michelin E 2+ tires.

4 TIRE LIVES TO OPTIMIZE COST OF OWNERSHIP

In addition to fuel efficiency, Michelin tires deliver value for cost through regroovability and retreadability. Once worn, a Michelin tire can be regrooved and retreaded and then regrooved again. As a result, Michelin multiplies tire life by 2.5, while multiplying cost only by 1.6 and raw material consumption by 1.25. Thanks to Michelin RemiX retreading technology, tires gain a new lease of life and deliver the same fuel efficiency as new tires, together with the same grip and safety benefits. The environmental benefits, too, are considerable, as fewer raw materials are consumed, thousands of tons of CO_2 are not released into the atmosphere and fewer end-of-life tires have to be recycled.

Challenge Bibendum: Tomorrow's Vehicles More Fuel-Efficient and Cleaner

"Will we be able to devise solutions to both enhance mobility and reduce its inconvenients?" The question was asked by Björn Stigson, Chairman of WBCSD*. And Michelin's commitment to better, socially and ecologically more sustainable mobility, itself is an answer.

PROMOTING THE SOLUTIONS OF THE FUTURE

In 1998, the Group created Challenge Bibendum to celebrate the Michelin Man's 100th anniversary. First held in France, the event was designed to identify and test the state of the art solutions for better mobility.

Now fully international, Challenge Bibendum convened its 9th edition in Shanghai from 14 - 17 November 2007. A full four days were dedicated to tests on tracks and roads, and all stakeholders – from academics to energy suppliers and from politicians to vehicle manufacturers – discussed all the pressing issues at roundtables facilitated by world-class experts in their fields (alternative energies, road safety, urban traffic, etc.).

Fully dedicated to facts, Michelin ensured that Challenge Bibendum turned from theory to practice: more than 120 prototype vehicles were tested in Shanghai to compare tomorrow's alternative automotive technologies.

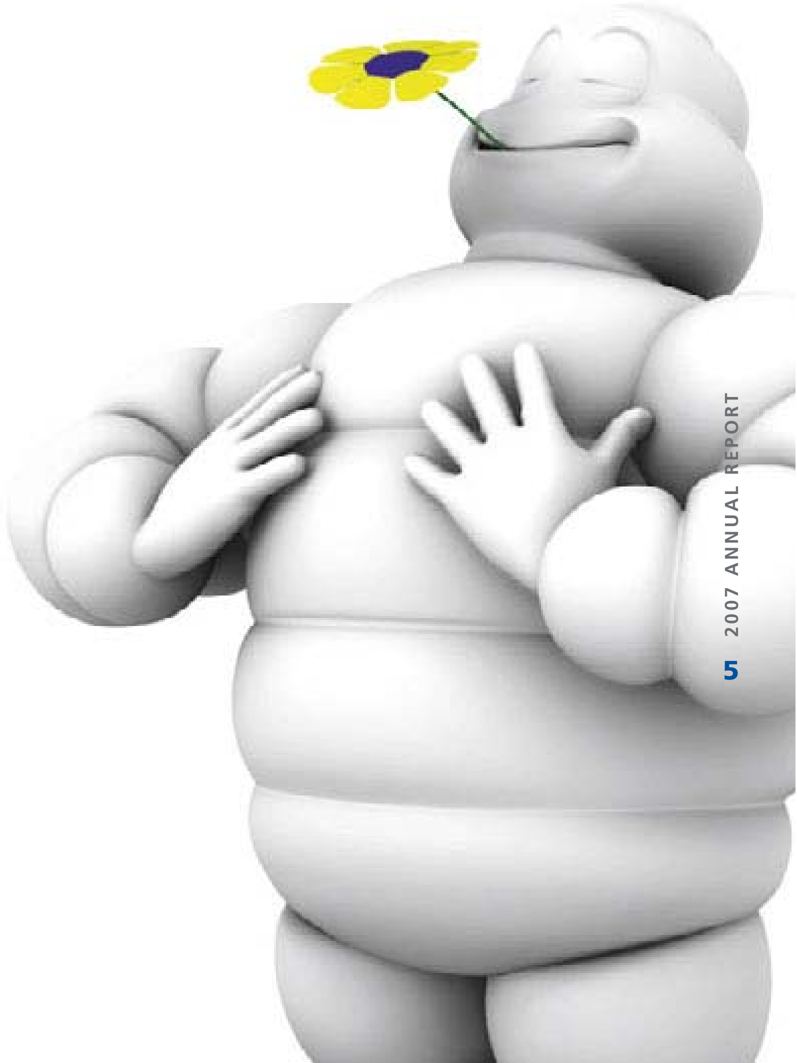
Mr Michel Rollier stated in Shanghai, *"CO_2 emissions are an issue and so are energy supply, urban congestion, pollution and road safety. All these issues require an integrated approach to achieve sustainable road mobility. Clean technologies are already available, particularly in the area of tire applications. So let the automotive industry accelerate the pace of change!"*

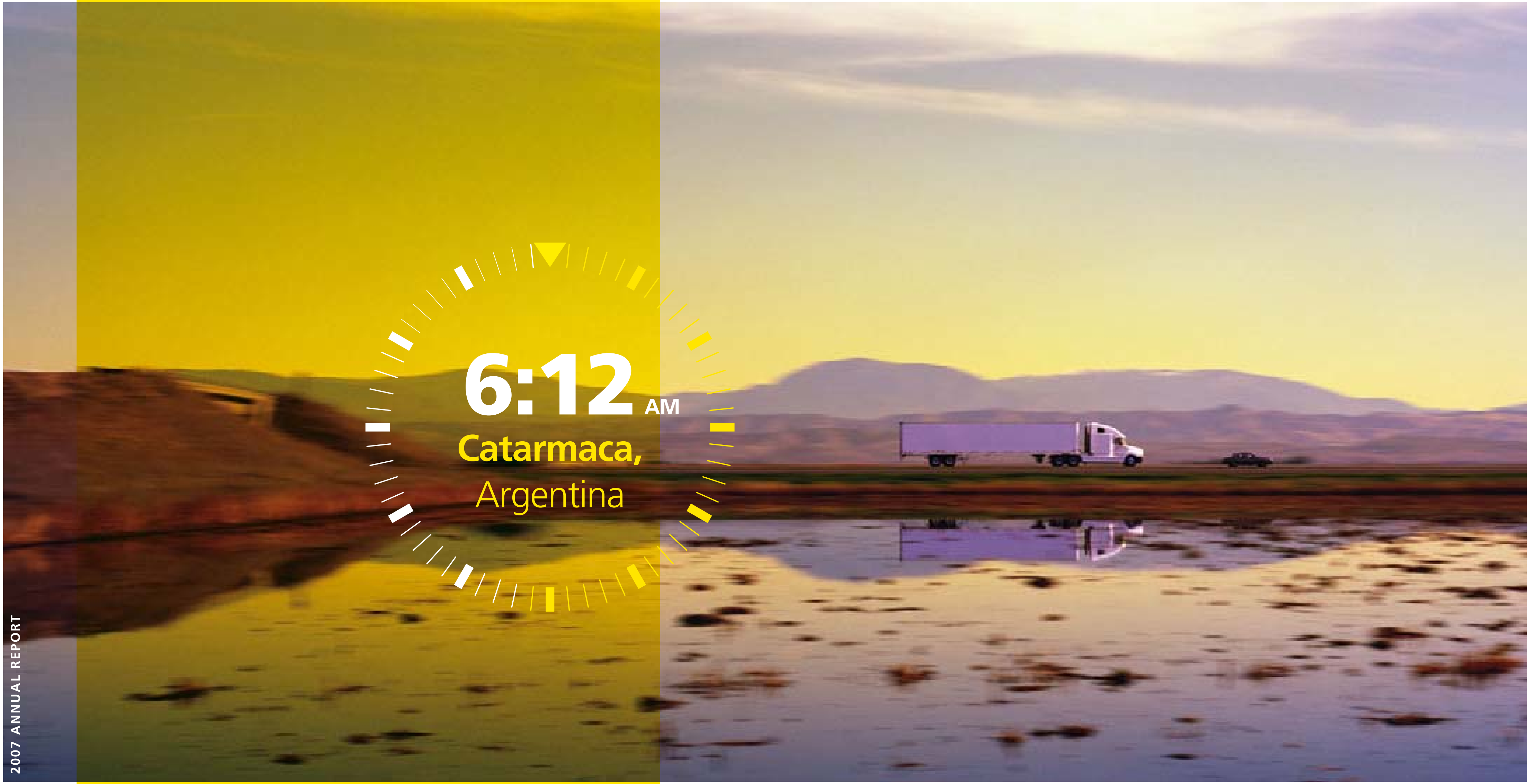
* World Business Council for Sustainable Development, a Geneva-based association of 190 international firms sharing a commitment to Sustainable Development. Michelin joined it in 2001.

PRODUCTS

Michelin RemiX : the only process to double tire life and deliver the same performance as new tires.

In the United States, Michelin truck tires can have a 1 million km service life (600,000 miles) including retreads.





Using Michelin Energy tires: 60,000 liters of fuel and 160 tons of CO_2 saved by a 50-truck fleet covering 120,000 km each per year.

MICHELIN AT A GLANCE

01

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PROFILE

A Key Tire Industry Player*,
Michelin is at the forefront of all tire markets and mobility-related service markets.

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

In a nutshell, its mission is to Contribute to the Progress of Mobility for both people and goods
while applying its fundamental values of respect for customers, for people, for shareholders, for the environment and for facts.

* Accounting for 17.2% of world tire sales according to Tire Business, August 2007.

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 and trading companies located outside of 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.

121,356 employees
(113,529 full-time equivalent)

and a sales network covering
170 countries

69 production sites
in **19 countries**

Net sales: **EUR 16.9 bn**

A BALANCED BRAND PORTFOLIO

Michelin's two world-class brands – Michelin and BFGoodrich –, strong regional brands – Uniroyal in North America, Kleber in Europe, Warrior in China –, leading national brands and well-positioned private brands cover all market segments, as well as retreading solutions.

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;
- **6 Geographic Zones:** Europe, North America, South America, Asia and Pacific, China, Africa and the Middle-East;
- **9 Group Services** supporting the business entities;
- **4 Performance Departments:** Commercial, Industrial, Research Development Industrialization and Corporate Development.

HIGHLY RELIABLE PRODUCTS AND SERVICES

→ **Tires** for cars, trucks, tractors, handling equipment, industrial and construction earthmovers, two-wheel vehicles, aircraft, subway trains, trams… a full range of innovative solutions to match all needs and expectations.

→ **Distribution and services:** 2 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 mobility enabling services.**

- **Michelin Lifestyle Products,** designed in partnership with licensees: automotive and two-wheel accessories, work, sport and leisure gear, and collectibles.

MICHEL ROLLIER'S MESSAGE

"The recognition of the tires' contribution to overall vehicle environmental impact is a major development..."

Dear Sir, Madam, dear Shareholder,

The year 2007 was an important one for Michelin.

In an environment marked by generally favorable market conditions and a deceleration of raw material price increases, Michelin posted a substantial performance improvement with 6.5% sales growth, at constant exchange rates, and net income up 35%.

With a clear return to growth, a 1.6 pt operating margin improvement, 9.7% return on capital employed and substantially positive free cash flow, Michelin's indicators are in line with its Horizon 2010 plan.

All Group operations contributed to sales growth and to operating margin improvement. The Specialty operations posted further progress and an operating margin in line with their activities.

And this performance was not achieved through the sacrifice of long-term interests for the sake of short-term results;

Michelin continued its research and development drive and its investment, to support both deployment in the high-growth regions and modernization of Group industrial capacities in the mature countries of the West, amounted to a robust 1.3 billion euros.

The year 2007 was also a landmark year as it witnessed hightened levels of public awareness of the environmental impact of road transportation and, above all, of the positive contribution the tire industry in general, and Michelin in particular, can have in this area.

In fact, the official recognition – in the form of laws and regulations adopted in the United States or under review in Europe, of the tires' contribution to overall vehicle environmental impact, is a major development. It clearly vindicates Michelin's efforts to promote "green" tires over the past two decades. Today, our world-class research and development operations driven by this foresight, clearly give us an edge over our competitors. In short, the environmental issues, the need for enhanced safety and comfort and for lower vehicle noise are all differentiation opportunities for Michelin. We will continue to leverage these opportunities to affirm more forcefully than ever our leading role as the most innovative tire manufacturer and the best equipped to rise to the serious challenges of tomorrow's road mobility.

I therefore invite you to review this Annual Report as it deals with all these crucial themes. In a nutshell: what can be done to ensure that tomorrow's road mobility, which is growing very rapidly, does not ultimately lead to an overall degradation in living standards?

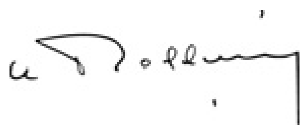
Last but not least, 2007 was an important year for Michelin as in May our Shareholders approved an amendment to the Group's governance: its management was enlarged with appointment of two Non-General Managing Partners, lending it a collegial nature and better long-term stability.

We have been working together in a spirit of mutual trust for almost one year with the aim of forming the close-knit and efficient executive management team Michelin needs to rise to the challenges confronting it.

Our "Horizon 2010" plan has begun to bear fruit. 2008 is set to be one of the most unpredictable years ever. We have entered it with a strengthened financial position, equipped to deal with the obstacles in our way, and determined, with our teams, to press ahead with the Group's development worldwide.

In these circumstances, we will propose a 10% dividend increase to the Annual Shareholders Meeting or 1.60 euro per share.

I thank you for the trust you place in your Company.



Michel Rollier

From left to right: Messrs Didier Miraton, Michel Rollier and Jean-Dominique Senard.

Since May 11, 2007, the Company is led by one General Managing Partner, Mr Michel Rollier, and two Non-General Managing Partners, Messrs Didier Miraton, and Jean-Dominique Senard.

The Managing Partners are supported by the Group Executive Council (GEC) appointed from among the Heads of the Group Services, the Product Lines and the Geographic Zones.

MANAGEMENT

THE MANAGING PARTNERS

→ Michel Rollier
• Born in 1944.
• Paris IEP and MA law graduate.
• Joined 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 in 1996.
• Head of the Legal and Financial Affairs Departments.
• Appointed CFO and Group Executive Council Member in October1999.
• Managing Partner since May 20, 2005.

→ Didier Miraton
• Born in 1958.
• Ponts et Chaussées (civil engineering school) graduate.
• He joined Michelin in 1982 and dedicated his career to Research and Innovation, in both France and North America, in particular in the Truck tire technologies and later in Earthmover and handling equipment tire technologies.
• Appointed Head of Michelin's Technology Center and Group Executive Council Member 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 Primary Aluminium operations.
• Joined Michelin in 2005.
• Appointed Michelin's CFO, Group Executive Council Member.
• Managing Partner since May 11, 2007.

Michel Rollier owns 18,629 Company shares, of which 17,500 are under the statutory share ownership obligation collectively imposed on the Company's General Managing Partners.
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 bind the company vis-à-vis third parties.

THE GROUP EXECUTIVE COUNCIL IN 2007

→ Michel Caron
Quality & Organization
Maps and Guides, ViaMichelin,
Supply chain, IT Systems,
Risk management

→ Thierry Coudurier
Passenger Car and Light Truck
Competition

→ Eric de Cromières
Europe
Euromaster
Marketing and Sales Performance Department

→ Jim Micali
North America
TCI

→ Jean Moreau
Personnel

→ Pete Selleck
Truck
Africa/Middle-East

→ Bernard Vasdeboncoeur
Specialty Product Lines
Agricultural, Aircraft, Two Wheel,
Earthmover, Components,
South America,
Purchasing

Group Executive Council Secretary
Patrick Oliva
Michelin Performance and Responsibility Approach
Michelin Lifestyle

The **Asia-Pacific** and **China** Geographic Zones, the **Technology Center,** the **Prevention & Industrial Performance Department** and the **Financial Affairs, Corporate Development, Legal Affairs, Audit and Communication** departments report directly to the Managing Partners.

In the course of the first half 2008, the Group's Executive Council (GEC) will be modified for better sharing of orientations and information on strategic matters with the Group's Product Lines, Performance Departments and Geographic Zones. It will be made up of the following members:

→ Florent Menegaux,
Head of the Passenger Car and Light Truck Product Line,

→ Pete Selleck, Head of the Truck Product Line,

→ Bernard Vasdeboncœur,
Head of the Specialty Product Lines,

→ Jean-Christophe Guérin,
Head of the Industrial Performance Department,

→ Eric de Cromières,
Head of Sales Performance Department,

→ Claire Dorland-Clauzel,
Head of the Communication Department and the Brand Council, Group Executive Council Secretary,

→ Jean-Michel Guillon,
Head of the Personnel Department.

From left to right, foreground: Laurence Parisot, Éric Bourdais de Charbonnière, Edouard de Royère; background: Benoît Potier, Pierre Michelin, Pat Cox, François Grappotte.

The Supervisory Board monitors the Company's corporate management on an ongoing basis on behalf of the Shareholders and reports to them annually. The Supervisory Board comprises 7 members.

CONTROL

→ 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 was appointed Michelin's CFO beginning in 1990 and retired in 1999. He has been acting as Michelin's Supervisory Board chairman since 2000.

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

→ Pat Cox

Born in 1952 – Irish national

Independent Member
250 shares held

Chairman of European Integration Solutions LLC, former Member of the Irish Parliament and the European Parliament, and former Chairman of the European Parliament from January 2002 to June 2004.

Other mandates and functions:
Chief Executive Officer of European Integration Solutions LLc
Chairman of International Movement (headquarters)
Chairman of European Movement
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

→ François Grappotte

Born in 1936 – French national

Independent Member
Chairman of the Audit Committee
1,000 shares held

After acting for twenty years as Legrand's CEO, 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
Director of Valeo
Member of Banque de France's Advisory Board
Member of Promotelec's Council (agency for the promotion of electrical standards)

→ 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:
None

→ 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 assocation (MEDEF) in July 2005.

Other mandates and functions:
CEO of IFOP
Director of BNP Paribas
Director of Coface SA (since February 1, 2007)
MEDEF Chairwoman

→ Benoît Potier

Born in 1957 – French national

Independent Member
2,509 shares held

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

Other mandates and functions:
CEO: 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 España (until May 2007)
Director of Danone and Chairman of Danone's Audit Committee
Member of the Board of directors of Ecole Centrale des Arts & Manufactures
Member of the Supervisory Board of Insead

→ Edouard de Royère

(until November 30, 2007)

Born in 1932 – French national

Independent Member
Member of the Audit Committee
1,980 shares held

Employee of l'Air Liquide since 1966, appointed CEO in 1982 and Chairman in 1985, a position held until 1995.

Other mandates and functions:
Member of the Board of directors:
Air Liquide SA
Adviser to the Board of Fimalac
Honorary Chairman of Association Nationale des Sociétés par Actions (ANSA)

THE 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

Leverage differentiation, Accelerate growth, Strengthen competitiveness

Michelin's 5 key objectives for 2010:

- Annual volume growth upwards of 3.5%, stronger on the higher added-value segments;
- Operating margin* upwards of 10%;
- Inventory capped at 16% of net sales;
- A minimum 10% Return on Capital Employed;
- Significantly positive and recurring free cash flow.

To achieve its objectives in an ever demanding environment, Michelin focuses on three levers:

- Keep delivering ever higher-performing products and services to optimize professional customers' value and bottom line through customization and innovation;
- Accelerate expansion in the higher-growth markets;
- Improve competitive position.

Michelin's Sustainable Development approach, called "Michelin Performance and Responsibility", is fully integrated into the Group's action plans and projects. It contributes to overall performance through balanced and responsible growth, driven by Michelin's values of respect for Customers, for People, for Shareholders, for the Environment and for Facts.

* Before non-recurring items.

World Tire Market

A large market served by a concentrated industry

The world tire market, which almost tripled in just 20 years, is currently estimated to be worth USD 110 billion [(1)] with light vehicles accounting for 60% and trucks for nearly 30% [(2)]. In terms of units sold, the global market amounted to 1.2 billion Passenger Car and Light Truck tires and more than 150 million Truck and Bus tires.
The tire industry is rather concentrated with the three largest manufacturers accounting for slightly more than 50 % of world sales [(1)].

Replacement accounts for 75% of tire sales.

Being primarily a replacement market, the tire sector is less cyclical than the automotive sector. Michelin makes more than 70% of its sales in replacement markets, which are growing by 2% to 3% each year.

Robust Long-Term Prospects

Mobility of goods and people is closely related to economic growth. By 2030 the global automotive fleet is slated to reach 1.3 billion units (or an increase of 500 million cars). Similarly, the number of miles driven should be up 65% for passenger cars and 85% for trucks [(3)].

→ Number of Passenger Cars per 1,000 Inhabitants

	2007	2011
USA	450	448
Western Europe	514	534
Eastern Europe	194	223
Brazil	105	116
India	8	12
China	14	23

Source: *Global Insight World Car Industry Forecast Report – September 2007.*

Fast-Changing Markets, on the Verge of Profound Changes

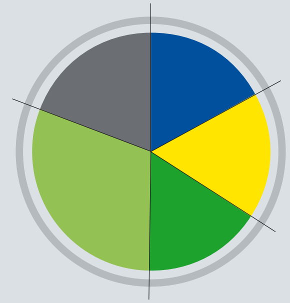
With emerging countries experiencing vigorous growth, tire market volume growth should be fairly evenly distributed between mature and developing countries.

In addition, all tire markets have a strong value growth potential due to increasing demand for top-of-the-range vehicles (as road users look for more safety and comfort), the need for the trucking industry to improve its returns and equipment reliability.

Beyond these volume and value growth trends, markets are on the verge of profound changes driven by growing environmental concerns. In particular, efficient, innovative and value-added tire solutions can make a valuable contribution to a fuel- and raw material-efficient transportation industry, in line with public health and safety expectations. Michelin's innovative capacity, therefore, is a major strategic asset.

(1) Source: Tire Business, August 2007.
(2) Michelin estimates.
(3) Source: International Energy Agency, Michelin estimates.

→ Breakdown of 2006 World Market by Manufacturer, in value

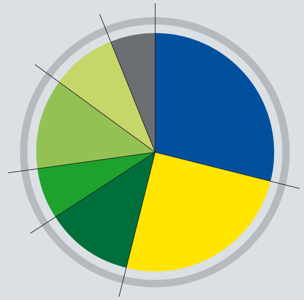


- 17.2% Bridgestone
- 17.2% Michelin
- 16.0% Goodyear
- 30.5% 12 next largest players
- 19.1% Other

Tire Business – August 2007.

→ Global 2007 Regional Tire Market Breakdown

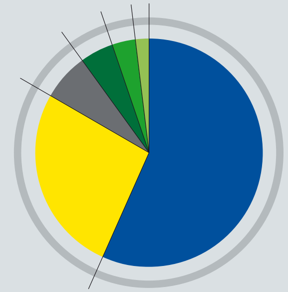
Metric ton equivalent



- 29% North America
- 25% Europe
- 12% China
- 7% Japan
- 12% Other Asian countries
- 9% Africa & the Middle East
- 6% South America

New Passenger Car and Light Truck and Truck tires (Michelin estimates).

→ Breakdown of 2007 World Market by Product Category, in value



- 60.0% Passenger Car and Light Truck
- 28.0% Truck
- 6.0% Earthmover
- 3.5% Two-Wheel
- 2.0% Agricultural
- 0.5% Aircraft

Michelin estimates.

Passenger Car and Light Truck

- Original Equipment **+ 2.2%/year**
- Replacement **+ 2.6%/year**

IN MILLIONS OF TIRES	2007	2017
Original Equipment	331	412
Replacement	826	1,075
Total	1,157	1,487

Michelin estimates.

ZOOM

By 2020, Asia's original equipment market will have outstripped North America's and Europe's put together and China's vehicle fleet will be as large as Japan's.

Estimated 2007-2012 world trends for Radial Truck and Bus tire markets

- Original Equipment **+ 5.4%/year**
- Replacement **+ 4.3%/year**

IN MILLIONS OF RADIAL TIRES	2007	2012
Original Equipment	20	26
Replacement	77	95
Total	97	121

Michelin estimates.

ZOOM

Tire management has become the norm with 50% of the large Western European fleets contracted.

Passenger Car and Light Truck tires: An Increasingly Challenging Market

Passenger Car and Light Truck tires account for 60% of global sales and nearly 1.2 billion units sold, 70% of which are replacement tires. Over the next 10 years, the Passenger Car and Light Truck tire markets should grow 2.6% annually and reach nearly 1.5 billion units. Growth will be higher in Asia (+ 3.9%), South America (+ 4.0%) and Africa and the Middle East (+ 3.2%) than in the mature regions: + 1.2% in North America and + 2.1% in Europe (1).

Markets are also driven by larger or higher-performance tires, which are generally sold at much higher prices than entry-level products.
Indeed, the High performance (2), Leisure (3) and Winter segments have dramatically increased their share of the global tire market to 40% and account for 450 million tires.
For example, the 17-inch or larger tires already account for 11% of the total market, a figure that should increase to more than 20% within 10 years. Similarly, by 2017, the winter tire segment should be up more than 45% to exceed 150 million units and the High Performance segment up 75% to 260 million units.

More than 70% of world tire replacement sales are made by specialist dealers. The relative share of the different distribution channels, however, varies from country to country. In Europe, with car dealers accounting for 20% of overall volumes (whereas they only have a marginal share elsewhere), tire dealers only account for 50% of the market. Most large tire manufacturers either own distribution networks or rely on brand-name partnerships with specialized independent retailers. These integrated networks enable tire makers to understand driver expectations and assess competing offerings while controlling part of their product distribution.

(1) Michelin estimates.
(2) V- speed rated and above Passenger car tires.
(3) SUV, 4wd and Crossover vehicle tires.

Truck and bus tires are strategic capital goods

Truck and bus tires (83% sold as replacement) account for close to 30% of world tire sales valuewise and some 150 million units*. Dominated by China, Asia accounts for almost half of the world's market.
With the modernization of road infrastructure and logistics ("Just-in-Time" delivery), road freight is attractive and the truck tire market, although dependent on economic trends, posts 1% to 2% p.a. long-term growth.
Radial tire technology keeps gaining ground in Asia, South America and above all in India and Russia and 65% of the world's truck tires are now radial.

In the fully "radialized" markets of North America and Western Europe, truck tire market growth matches economic growth trends.
In North and South America, in volume terms, the retread and new replacement tire markets are now of similar size.

** Data not comparable with Michelin's Annual Report 2006 due to scope variation.*

Truck tires are capital goods. They account for 2-3% of a truck fleet's operating costs and have a significant impact on fuel consumption.
The larger fleets manage their tire resources professionally and their original equipment procurement policies are brand-orientated and their tire choice is maintained at replacement time. Tire usage cost-per-mile is key, which promotes retreading. Solutions that combine products and services also effectively enhance competitive edge as they substantially improve vehicle mobility and uptime.

In developed countries, truck tire distribution mainly involves specialist dealers and direct sales to large fleets. Trends in this sector are for "truck-side maintenance" aimed at reducing downtime.

Specialty Tire Markets: Increased Radial tire technology in all market segments

Specialty tire markets account for 12% of world sales.
Two-wheel tires are consumer goods while agricultural, earthmover and aircraft tires are genuine capital goods. All are highly sophisticated products that are constantly being enriched.
Driven by growing international trade, strong raw material demand and infrastructure development, the handling equipment and civil engineering market offer bright prospects, as does the large earthmover tire market, in particular those used in mining operations.

After lean years, cereal farming is experiencing sustained growth due to growing use of biofuels and to rising living standards in emerging countries. Opportunities to equip high-powered agricultural machinery, extra-large or highly compact equipment, and more generally, radial tire applications are also substantial.

The radial aircraft tire market is fast moving to radial tire technology as new aircraft generations replace older ones.

Turning to motorcycle tires, the sports performance segment is most supportive in Western Europe, while the large touring motorcycles still prevail in North America. Across all emerging markets, smaller motorcycles, which are the most popular form of transportation, continue to post strong growth.

Maps, Guides, and Digital Devices for Travelers: Highly Competitive Markets

The Guidebook market is characterized by increasing competition as the number of players has grown in recent years.
Concerning maps and atlases, with the advent of digital devices such as navigation devices and web-based route calculation, printed product use patterns are evolving, leading to a likely consolidation of mapping companies in Europe and in North America.

Michelin is active in digital mobility assistance services and serves these markets through its ViaMichelin subsidiary, which offers a complete range of mobility-enabling products and services to all road users.

Derivative Products: Worlwide Potential

The brand extension product market is worth some USD 115 billion.
While leisure and sports industries represent the bulk of the market, large industries account for a significant 25% of it [1]. Among them, Michelin, through Michelin Lifestyle is in 6th position.

(1) Licence Magazine.

World Earthmover tire market

IN THOUSANDS OF METRIC TONS	2007	2012
	1,320	1,900

Michelin estimates.

The Aircraft market turns to Radial

	2007	2012
% share of radial tires in total market worth	28%	40%

Michelin estimates.

Agricultural tire market radialization

	2006	2012
Europe	70%	81%
North America	29%	43%
Rest of the world	8%	15%

Replacement market, Michelin estimates.

The world Motorcycle & Scooter tire market

IN MILLIONS OF TIRES	2007	2012
	285	410

Michelin estimates.

ZOOM
Michelin is a world-class brand as measured by brand awareness. Its key attributes: technological edge and quality.

→ Increasingly richer category mix

World Passenger Car and Light Truck tire market breakdown by speed rating (total market OE+RT)

	2007	2017
PC – ST	34%	23%
PC – H	17%	19%
PC – VZ	13%	18%
Recreational*	15%	18%
Light Truck	10%	9%
Winter	11%	13%

* SUV, 4wd, Crossover tires.

Technology, Innovation, and Tailored Service: Differentiation Opportunities

In an environment characterized by stiffer competition and ever more stringent regulations, particularly in the areas of safety and the environment, Michelin is intent upon leveraging its full differentiation potential through outstanding customer value, based on superior product performance and tailor-made, innovative services.

Consistent with this objective, Michelin Group invests 3.4% of its net sales in research and development. Sustainable mobility underpins the Group's differentiation strategy. Its innovative capacity means that Michelin is poised to transform the sustainable mobility challenge into profitable growth opportunities.

With some 4,000 research engineers and EUR 571 million invested in research in 2007, Michelin's research operations are the largest in the tire industry.

Safety, longevity, fuel efficiency and lower CO_2 emissions: each year, Michelin develops new and better solutions to meet these increasingly pressing issues. Such breakthrough innovations as Michelin Durable Technologies for truck tires and the Michelin Energy Saver latest generation of very low rolling resistance tires are some of the latest illustrations of these superior solutions. More sophisticated and complex to make, those very high performance tires generate higher margins and are growing much faster than entry-level products, especially in developed markets.

Other differentiation opportunities include mobility-enabling services that make professional transportation safer and optimize operations and bottom line.
For its portfolio of long-haul truck fleets, airline and mining customers, Michelin develops high value-added solutions including truck-side maintenance and mileage – or number of landings – or volume – based invoicing, that make it a genuine partner contributing to optimum overall performance and bottom line.

Accelerate Expansion in High-Growth Regions

Michelin is accelerating its industrial and commercial expansion in Central and Eastern Europe, South America and Asia to serve tire demand with local production and increase its share of business in those high-growth regions. In so doing, Michelin aims to align itself with the geographic breakdown of the world's tire markets. In the 2006-2010 timeframe, Michelin plans to invest approximately EUR 500 million per year to increase its industrial capacity in emerging countries.

In the second half of 2007, Brazil's Campo Grande earthmover plant was commissioned. This frees up European capacity for European, African and Middle-Eastern, Asian and Pacific Rim markets.

In Mexico, to increase its offering for the North American market, the Group built a new Michelin Retread Tire Technologies pressing facility in July and will complete an USD 740 million investment in a state-of-the-art Passenger Car and Light Truck tire plant by 2014, with production expected to begin in 2010. The site will produce Michelin-brand tires (including SUV and high-performance tires).

In order to satisfy sharply growing Chinese demand, Michelin aims to double its China-based Passenger Car and Light Truck and Truck tire production capacities.

Strengthen Competitiveness in Developed Markets

Michelin is optimizing its industrial base in Western Europe, North America and Japan in order to build on a robust and profitable position in the developed markets. This strategic program is based on three levers:

- concentration of industrial capacity into larger and more specialized facilities, using more flexible, standardized and streamlined production processes;
- deployment of best practices and thorough improvement of processes and organizations;
- planned natural attrition of nearly 20,000 employees in the 2006-2010 timeframe, to be only partially replaced.

A new round of industrial optimization measures was launched in 2007.

In Germany, Michelin will invest EUR 250 million in the 2007-2012 timeframe to modernize its four facilities and employees will work 39 hours a week instead of 37.5 hours, without extra pay.

In Spain, Michelin will invest EUR 320 million in the 2008-2011 timeframe to strengthen the competitiveness of its sites and globally achieve a 5% increase in production focused on high-technology products. Staffing adjustments will mainly involve early retirement.

In France, the Group plans to stop production at its Toul factory in 2009 as its mid-range Passenger Car and Light Truck tire production is no longer competitive. Michelin is committed to offering each affected employee two positions in one of the Group's 16 other plants in France.
The Bourges and Cholet plants were reorganized to increase their respective production capacity aimed at technical excellence and world-class competitiveness. In their respective lines – Aircraft radial tires at Bourges and Light truck tires at Cholet – both are poised to become benchmark facilities.
In order to streamline inventory and logistics costs in Europe while at the same time enhancing customer service, Michelin

ZOOM

Restructuring: provide individual support to affected employees

When conducting reorganizations, Michelin systematically proposes to all of the affected employees either internal reclassification solutions (transfer to another Group facility, including relocation support and mobility compensation, plus job search support for the spouse and school search for the children), or individual support (for example assistance in setting up a business, monitoring of reclassification operations in local companies or long vocational training plans).
Such measures are launched 8 to 12 months ahead of stoppage in order to ensure that all affected personnel may adjust to the new situation.

In addition, the Group strives to create jobs with the help of its 10 Michelin Development branches, where it operates.

is building a major logistics hub in the Valenciennes area. The first portion was commissioned at the end of 2007; the second is due in 2008.

In the United States, the Mogadore (Ohio) Passenger Car and Light Truck tire production was transferred to the Tuscaloosa (Alabama) BFGoodrich plant in order to leverage economies of scale.

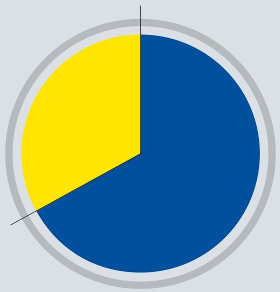
Michelin is investing EUR 350 million over four years to expand and modernize its principal facilities in South Carolina. In Canada, CAD 50 million will be invested through 2009 to make the Bridgewater plant more flexible and produce larger-seat, sophisticated passenger car tires. The Nova Scotia province is contributing CAD 6 million toward the investment.

In the retread market, the Group acquired Oliver Rubber to strengthen the Michelin Retread Technologies network's industrial capacity and services in North America.

In Japan, Michelin is specializing its Ota factory on high-technology products so as to better meet the specific requirements of the Japanese market. The Ota factory will also support the Group's R&D center in Asia.

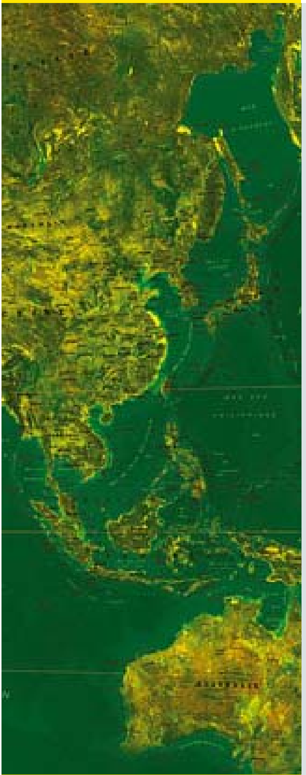
A GLOBAL FOOTPRINT

→ **Breakdown of headcount between the mature (United States, Canada, Western Europe, Japan) countries and the emerging countries**



66,634	**67%**	**Mature countries**
33,258	**33%**	**Emerging countries**

Full-time equivalent, excluding integrated tire distribution networks.



WESTERN EUROPE
15 PC/LT plants
12 Truck plants
9 Specialty tire plants
57,204 employees*

Industrial restructuring

➔ Competitiveness improvement plan in Spain (2008-2011)
• The Lasarte plant will specialize to become a world-class high-performance motorcycle tire facility. End of Passenger Car tire production.
• Increase in the Vitoria plant's Passenger Car and Earthmover tire production.
• Specialization of the Aranda plant on Michelin Durable Technologies tire ranges.
• Increase of the Valladolid plant's Passenger Car and Agricultural tire production and of Truck tire retreading facilities.

➔ France
• Specialization of the Cholet (Light Truck tires) and Bourges (Aircraft radial tires);
• The Toul Passenger Car tire plant is due to close in 2009.

EASTERN EUROPE
5 PC/LT plants
3 Truck plants
3 Specialty tire plants
13,378 employees*

Industrial restructuring
• 20% PC/LT tire and 50%+ Truck tire production capacity increase project, mainly in Romania and Poland.

NORTH AMERICA
11 PC/LT plants
6 Truck plants
3 Specialty tire plants
22,351 employees*

Industrial restructuring

➔ USA + Canada
• Michelin X One Truck tire production capacity doubled.
• 2005-2008: 50% increase in the Lexington plant's Earthmover tire production capacity.

➔ Mexico
• New tread manufacturing facility inaugurated in 2007.
• Project to build a second Passenger Car and Light Truck tire plant.

SOUTH AMERICA
2 PC/LT plants
3 Truck plants
1 Specialty tire plant
5, 909 employees*

Industrial restructuring
• Projects to increase Truck tire production capacity by 30%
• Commissioning of Brazil's Campo Grande Earthmover plant (capacity: 40,000 metric tons/year).

ASIA
5 PC/LT plants
3 Truck plants
2 Specialty tire plants
13,440 employees*

Industrial restructuring

➔ China
• Projects to double Passenger Car and Light Truck and Truck tire production capacity.

➔ Japan
• Specialization of the Ota plant to better meet the specific requirements of the Japanese market.

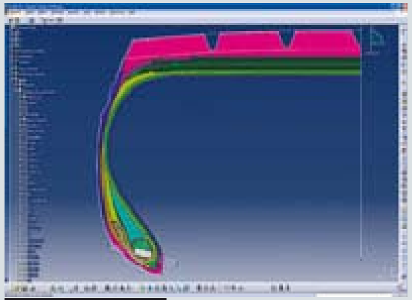
AFRICA AND THE MIDDLE EAST
1 Truck tire plant
1,247 employees*

Industrial restructuring
• Port-Harcourt (Nigeria) production activities ended in 2007.

* Full-time equivalent staff as at December 31, 2007.
• PC/LT: Passenger Car and Light Truck.

10 to 25%

productivity gain requiring little investment – the expected return on Michelin Manufacturing Way tools.



HIGHLIGHTS

Better tires faster with XAO

New CAD tool deployed worldwide to facilitate interaction between the design and development and industrialization teams. Its aim is to reduce new range time-to-market.

The Callisto Procurement Solution

The aim of this Europe-wide program is to achieve EUR 35 million annual savings in inventories and a further EUR 5 million savings in supply chain costs while enhancing order fill rate.

Toward Operational Excellence

Through MMW (Michelin Manufacturing Way), the Group is set to align all of its plants on the best practices of its higher-performing factories by 2010. MMW's main performance indicators are "Frequency rate" and "Severity rate" for accidents at the workplace, order fill rate, raw material waste and product quality, complemented by specific cost and productivity indicators. In 2007, 100% of Group plants were committed to implementing MMW good practices.

Top Michelin Quality Award
Won by the Karlsruhe (Germany) plant for its aggressive "Quality Initiative" which achieved EUR 400,000 worth of raw material wastage savings in just two years.

Simultaneously, Michelin is improving its key processes through greater focus on reactivity, efficiency and empowerment: research & development, general, administrative and logistics costs make very significant contributions to this cost cutting drive on the back of streamlined processes *(Tonus Program)* and Group-wide adoption of best practices in product design and customer relations *(Michelin Design Way – MDW and Michelin Selling Way – MSW).*

In the area of raw material purchases, two complementary programs will help deliver substantial savings: the *Value to cost* program, involving marketing and development teams in the definition of "appropriate product performance" aimed at optimizing manufacturing costs and the *Triangle* program, strengthening the internal customer/specifier/buyer partnership in analyzing projects and issues with the objective of reducing overall costs.

Stringent Environmental Management

The environmental impact of tire manufacturing is limited and Michelin is committed to reduce it further. The Group's industrial sites apply its internal environmental performance standards in all countries where it operates.

More than 80% of the raw materials purchased in 2007 originated from ISO 14001 certified supplier sites and nearly 100% of Group tires are made in ISO 14001 certified sites. At the end of 2007, the Michelin environmental management system (MEMS) was in place in 94% of its production, R&D sites, and rubber tree plantations; MEMS is in the process of being deployed in the logistics centers.

2 wind power plants in Scotland having a total 4MW capacity avoid production of 7,000 metric tons/year of CO_2 emissions.

The MEF, *Michelin sites Environmental Footprint* performance indicator, has been integrated into the Group's scorecard and is reported quarterly. MEF integrates water and energy consumption, carbon dioxide (CO_2) and volatile organic compound (VOC) emissions and the generation of waste and its disposal in landfills by metric ton of finished product. The Group's 2011 target is MEF down 20% versus 2005.
In particular, the Group aims for a 7% reduction in energy consumption and 10% in CO_2 emissions, a substantial reduction in use of solvents to reduce VOC emissions by 25% and a 60% reduction in unrecycled waste, amounting to more than 90% overall waste recycling. In 2007, MEF was reduced by 16.4%.

Developing skills and fostering commitment

Michelin employs 120,000 people of 120 nationalities. Promoting the growth and self-fulfillment of its employees in the exercise of their responsibilities, enhancing the Group's diversity and the quality of its human resources are among Michelin's strategic orientations.

Managers are responsible for the growth of all their team members. Group organization is geared to cooperation, initiative and empowerment. Training encourages the acquisition and sharing of know-how as well as a positive attitude to change. Approximately 4% of working time is devoted to training.

Recurrent employee development assessments are carried out in order to encourage and support mobility and internal growth and promotion. More than one quarter of the Group's managers and almost all shop managers are appointed through internal promotion. On average, managers and technicians move to a new job or function every four years and one Group manager in ten lives in a country that is not his or her country of origin, a mixing of populations that contributes to open-mindedness and creativity.

HIGHLIGHTS

Michelin listed in the Climate Leadership Index France

For the second year running, Michelin was listed in the Climate Leadership Index France of companies selected for integrating global warming-related risks in their strategies and for the measures taken to reduce their greenhouse gas emissions.

Michelin is actively involved in organizing tire recycling

In all continents, Michelin works in close collaboration with public authorities to set up organizations dedicated to the collection and recycling of end-of-life tires produced each year and to process legacy stocks. Europe now has 12 tire recycling firms.

20%

of the energy requirements of the French site of Bassens are met by waste incineration, avoiding production of 25,000 metric tons of CO_2/year.

SAFETY: MICHELIN MOBILIZED ON ALL FRONTS

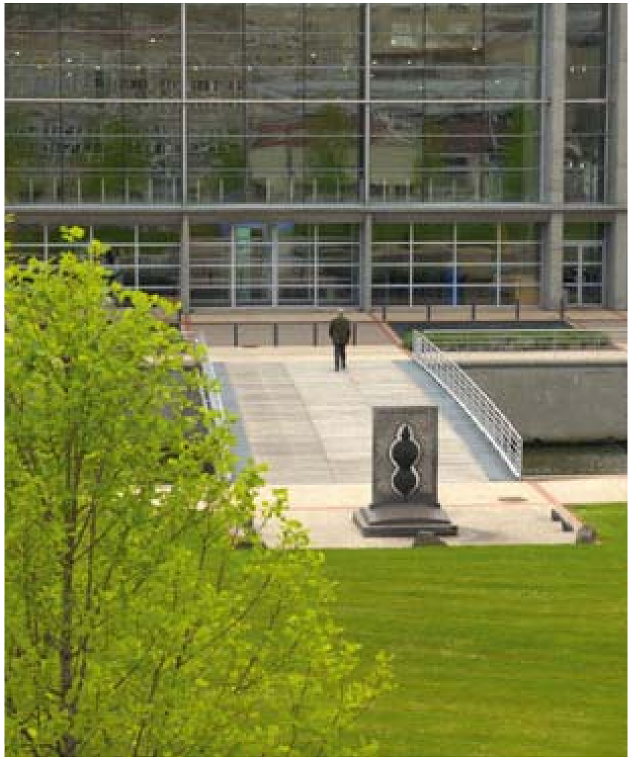
Safety at the workplace is Michelin's uppermost priority and the concerted drives introduced in recent years are yielding satisfactory results: the number of accidents was reduced 10-fold since 2001. Further progress is expected through a new initiative in the form of a thorough risk prevention file posted at every workpost.

Road safety is another priority action area, and a major stake for sustainable mobility.
Being vehicle's only contacts with the road, tires play a major role that Michelin is always striving to improve. Tire inflation pressure monitoring, grip, reducing braking distance are all opportunities for innovation and differentiation.

More generally speaking, Michelin is mobilized in every country to raise public awareness about road safety issues. In 2007, Michelin took part in the first Global Week for Road Safety organized by the United Nations and the World Health Organization. It also steps up its safety program in China through the *Michelin Safety Club,* a TV program featuring the Michelin Man and the *Michelin Safety Brochure,* distributed to Michelin's personnel in China, to Shanghai, Beijing and Shenyang driving schools, and to Chinese drivers through Michelin's retailers. Michelin joined the Global Road Safety Partnership in 2003.

ACCIDENTS AT THE WORKPLACE	2002	2003	2004	2005	2006	2007
Frequency rate	18.06	9.93	5.73	3.61	2.55	2.39
Severity rate	0.65	0.46	0.32	0.25	0.21	0.21

Employees have a stake in Group performance. Managers' pay packages comprise a variable part that is linked to Group performance and to the attainment of individual objectives set at the start of each year.
Similarly, Michelin has introduced a stock option plan for selected Group managers, and a global Employee Shareholder Plan. Initiated in 2002 and extended in 2003, the latter involved nearly 113,000 employees, 69% of whom elected to become Group shareholders. A new plan will be launched in 2008.



MICHELIN'S PERFORMANCE AND RESPONSIBILITY APPROACH: PERFORMANCE IN THE EXERCISE OF ALL RESPONSIBILITIES

Michelin's Performance and Responsibility approach has been coordinating since 2002 the Group's commitment to sustainable, balanced and responsible development. It has a dual aim: ensure the long-term growth prospects of the Company and drive its contribution to solving societal issues. Based on the Group's five founding values, the approach is based on *Michelin's Performance and Responsibility Charter,* a reference document widely shared within the Group.

Implementation of a global, structured approach clearly promoted its local deployment both through in-house progress actions and through its relationship with the public at large.

Nine priorities

Further to an internal review, 9 priorities were selected and a Group project leader was appointed for each one of them:

- **Michelin's contribution to sustainable mobility**
- **Responsible performance of products and services**
- **Environmental impact of tire use**
- **Recycling of end-of-life tires**
- **Environmental management of Group sites**
- **Company risk management**
- **Quality of life in the workplace**
- **Diversity**
- **Community relations**

Michelin reports on progress under the approach through publication of a Performance and Responsibility Report every two years, alternating with a summary review of the main indicators in the interim years. The 2005-2006 Report received the Best Sustainable Development Report award by *Conseil de l'Ordre des Experts Comptables* (France's chartered accountants board).

The *"Performance and Responsibility Charter",* the *"Performance and Responsibility Report"* 2003-2004 and 2005-2006 and their updated versions can be downloaded from www.michelin.com/corporate website and are available from the Investor Relations Department.

HIGHLIGHT

300 Diversity Ambassadors

While Michelin draws its strength from unity, diversity is its greatest asset. It serves to reflect the different societies in which the Group operates, enhances customer satisfaction and opportunities for its employees. Michelin embarked on a major program to promote diversity run by a network of more than 300 ambassadors who take concrete action throughout the Group. A diversity scorecard was introduced in all countries in 2007. Closely monitored, it supports team action to drive progress in a number of priority areas: gender, age, ethnic origin, culture and nationality, disability.

A few initiatives:

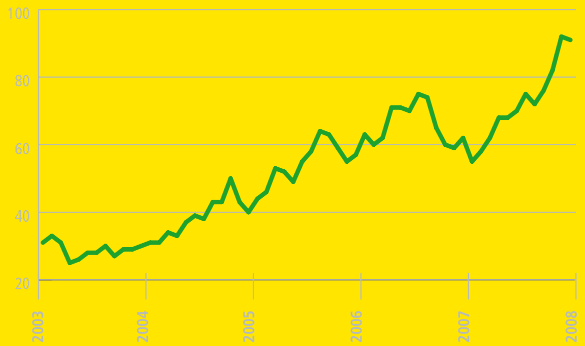
• In North America, 400 employees were trained in a diversity awareness program;

• In France, the Head of Human Resources signed the Diversity Charter;

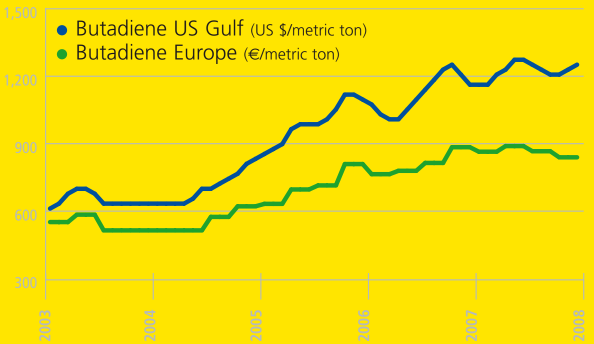
• Health programs are now in place in the Group's 8 largest industrial countries.

Change in raw material prices

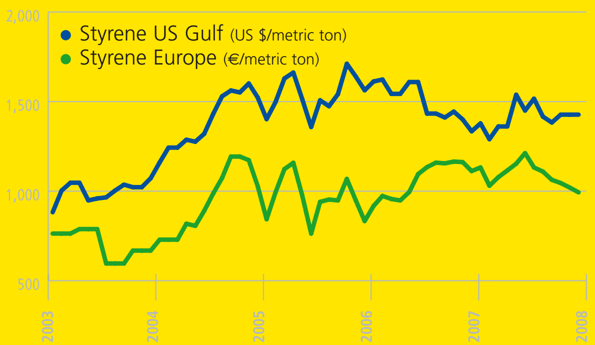
Brent (US $/barrel)



Butadiene*



Styrene*



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

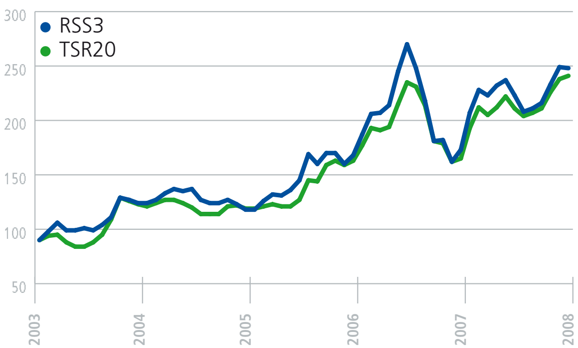
2007 FIGURES

The Economic Environment

Michelin bore a moderate EUR 142 million external cost* increase in 2007, of which EUR 72 million for raw materials. The additional cost burden had reached EUR 824 million in 2006 and EUR 562 million in 2005. The change in currency exchange rates, and in particular the further appreciation of the euro versus the US dollar, translated into a high EUR - 584 million negative impact on Group net sales. There was no impact in 2006 and a positive impact of EUR + 139 million in 2005.

* Raw materials, energy and logistics.

Natural rubber (US $ cents/kg)



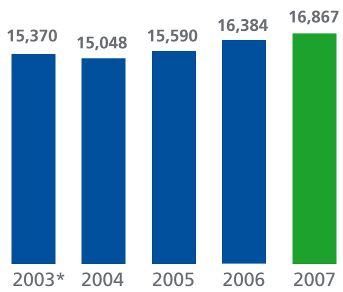
Natural rubber accounts for one-third of Michelin's raw material purchases in value terms; while carbon black and raw materials used to manufacture synthetic rubber account for approximately 40% of its raw material purchases.

Michelin Key figures

Sales were up 3.0%, with sales volumes up 3.2% and a high 3.2% price-mix effect. The currency impact was strongly negative at - 3.3%. At constant exchange rates, sales were up 6.5%.
The Group's good commercial performance and streamlined structure costs translated into operating income* up a substantial 1.6 point to 9.8%.
Net income amounted to EUR 772 million, up 35% despite a EUR 106 million increase in non-recurring restructuring charges.
Gross investment amounted to EUR 1,340 million versus EUR 1,414 million in 2006. At EUR 433 million, free cash flow rose significantly by more than EUR 470 million.
The Group further strengthened its financial structure: gearing posted a 19-point improvement to 70% as at December 31, 2007.

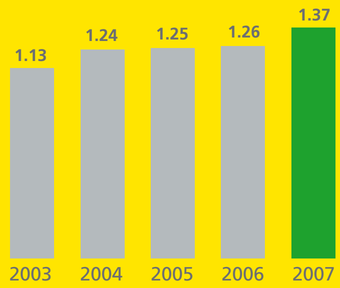
* Before non-recurring items.

Net sales + 3.0%
In EUR million

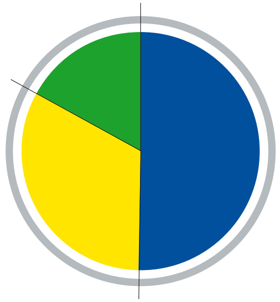


* 2003 French GAAP.

Changes in EUR/USD exchange rates
Average exchange rate over the period



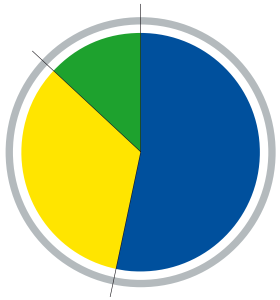
40% of Michelin's sales are made in the dollar zone and close to 2/3rd of its raw material purchases are US dollar- (or US dollar-correlated currency) denominated.



2007 Net Sales by Region

In EUR million, change in %

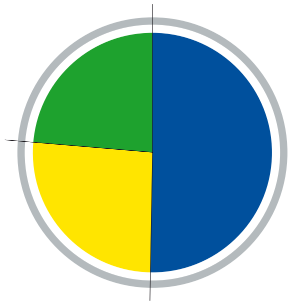
8,503	+ 6.1%	Europe
5,517	- 3.9%	North America and Mexico
2,847	+ 8.3%	South America, Asia Pacific, Africa & the Middle East



2007 Net sales by Business Segment

In EUR million, change in %

9,041	+ 0.6%	Passenger Car and Light Truck & related distribution
5,639	+ 4.1%	Truck & related distribution
2,187	+ 10.7%	Specialty businesses



2007 Operating Income (1) by Business Segment

In EUR million, change in %

830	+ 12.8%	Passenger Car and Light Truck & related distribution
427	+ 19.6%	Truck & related distribution
388	+ 58.4%	Specialty businesses

2007 Operating margin (1) by Business Segment

In % of sales, change in pts

9.2%	+ 1.0 pt	Passenger Car and Light Truck & related distribution
7.6%	+ 1.0 pt	Truck & related distribution
17.8%	+ 5.4 pts	Specialty businesses

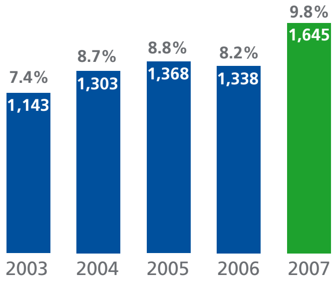
(1) Before non-recurring items.

Operating Income [1] + 22.9%

In EUR million

Operating Margin [1] + 1.6 pt

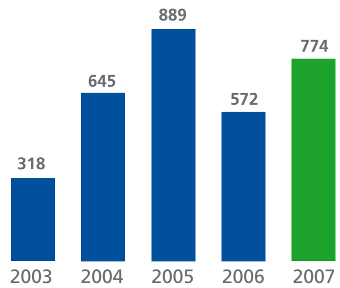
As a % of sales



(1) Before non-recurring items.

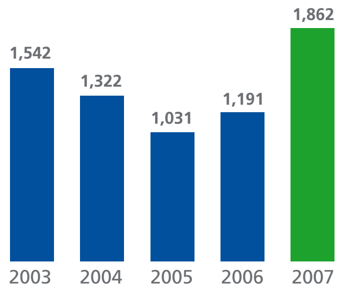
Net Income Attributable to Shareholders + 35.3%

In EUR million



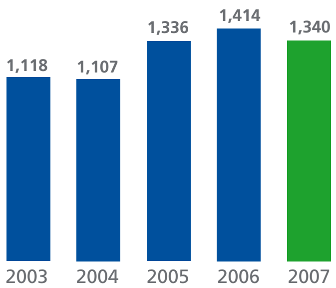
Cash flows from Operating Activities + 56.3%

In EUR million



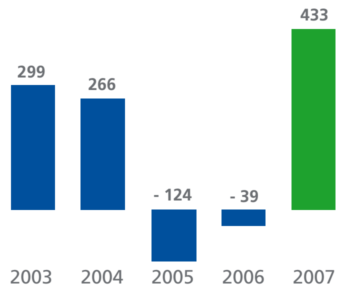
Gross Purchases of Tangible and Intangible Assets - 5.2%

In EUR million



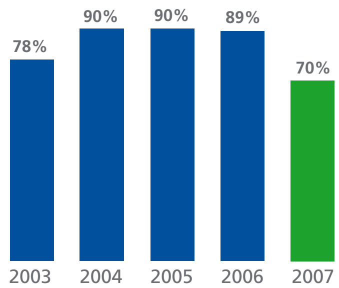
Free cash flow [2] up EUR 472 million

In EUR million



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

Gearing (Net debt [3] / Equity)

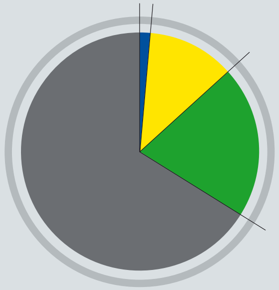


3) Net debt after implementation of IAS 32 and IAS 39, effective January 1, 2005: financial liabilities - cash and cash equivalents +/- derivative assets.

THE MICHELIN SHARE

Breakdown of Capital

As at December 31, 2007

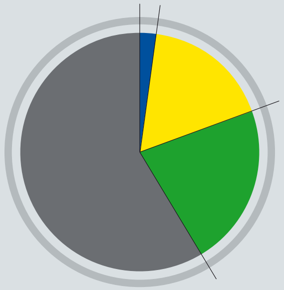


- 1.66% Employee Shareholder Plan
- 11.86% Individual Shareholders
- 20.62% French Institutional Investors
- 65.86% Foreign Institutional Investors

Including Capital Research and Management Company holding 9.93% of capital at August 7, 2007.

Breakdown of Voting Rights

As at December 31, 2007



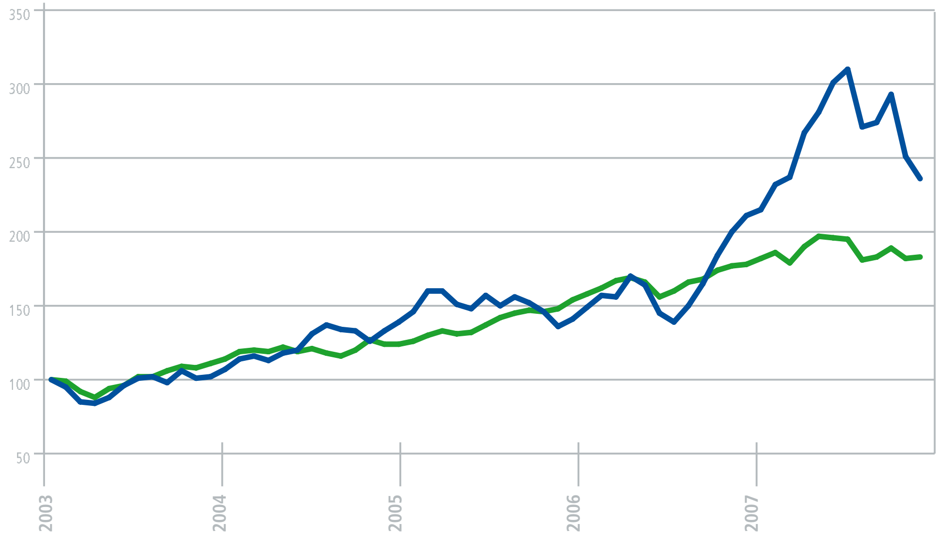
- 2.31% Employee Shareholder Plan
- 17.34% Individual Shareholders
- 21.75% French Institutional Investors
- 58.60% Foreign Institutional Investors

Including Capital Research and Management Company holding 7.76% of voting rights at August 7, 2007.

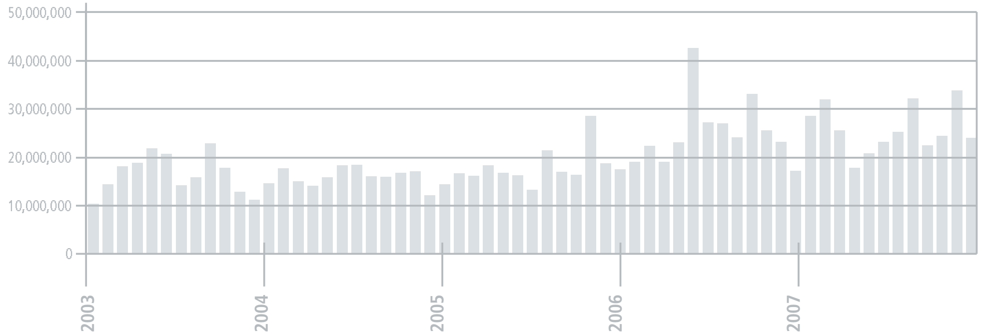
Double voting rights are attached to shares held for more than 4 years.

Michelin Share Performance from 2003 to 2007

(To December 31, 2007; base 100: December 31, 2002)



● Michelin ● CAC 40 ● Monthly volumes traded



THE MICHELIN SHARE IS LISTED ON EURONEXT PARIS

- Eurolist Compartment A
- Deferred Settlement Market
- ISIN Code: FR 0000121261
- Par value: EUR 2
- Transaction unit: 1

MARKET CAPITALIZATION

EUR 11.3 bn as at December 31, 2007

AVERAGE DAILY TRADING VOLUME

1,217,949 in 2007

INDICES

Michelin features in two important Stock Exchange performance indices:

- CAC 40: 1.05% of the index as at December 31, 2007
- Euronext 100: 0.51% of the index as at December 31, 2007

Michelin is also part of the main ethical indices:

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

CAPITAL AND SHAREHOLDING

As at December 31, 2007

- Equity: EUR 287,998,338
- Number of shares: 143,999,169
- Total number of voting rights: 184,480,009

Net dividend per share

In EUR

2007*	2006	2005	2004	2003
1.60	1.45	1.35	1.25	0.93

* Subject to approval by the Annual Shareholders Meeting of May 16, 2008. Dividend expected to be paid on May 23, 2008.

Stock Market Data

BASIC EARNINGS PER SHARE (IN EUR)	2007	2006	2005	2004	2003
Highest	106.70	73.30	56.20	47.80	38.11
Lowest	67.75	43.21	43.75	34.82	25.02
Highest/lowest ratio	1.57	1.70	1.28	1.37	1.52
Last quotation for the year	78.50	72.50	47.48	47.19	36.38
Change over the year	+ 8.3%	+ 52.7%	+ 0.6%	+ 29.7%	+ 10.7%
CAC 40 index change over the year	*+ 1%*	*+ 18%*	*+ 23%*	*+ 7%*	*+ 16%*
Market capitalisation as at December 31 (EUR billion)	**11.30**	**10.41**	**6.81**	**6.77**	**5.22**
Average yearly trading volume	1,217,949	1,191,679	842,053	742,311	797,844
Average number of shares making up the capital	143,770,101	143,390,450	143,387,025	143,250,487	141,488,047
Number of shares traded over the year	310,577,078	303,878,126	216,407,691	192,258,470	203,450,155
Share turnover rate	**216%**	**212%**	**151%**	**134%**	**144%**

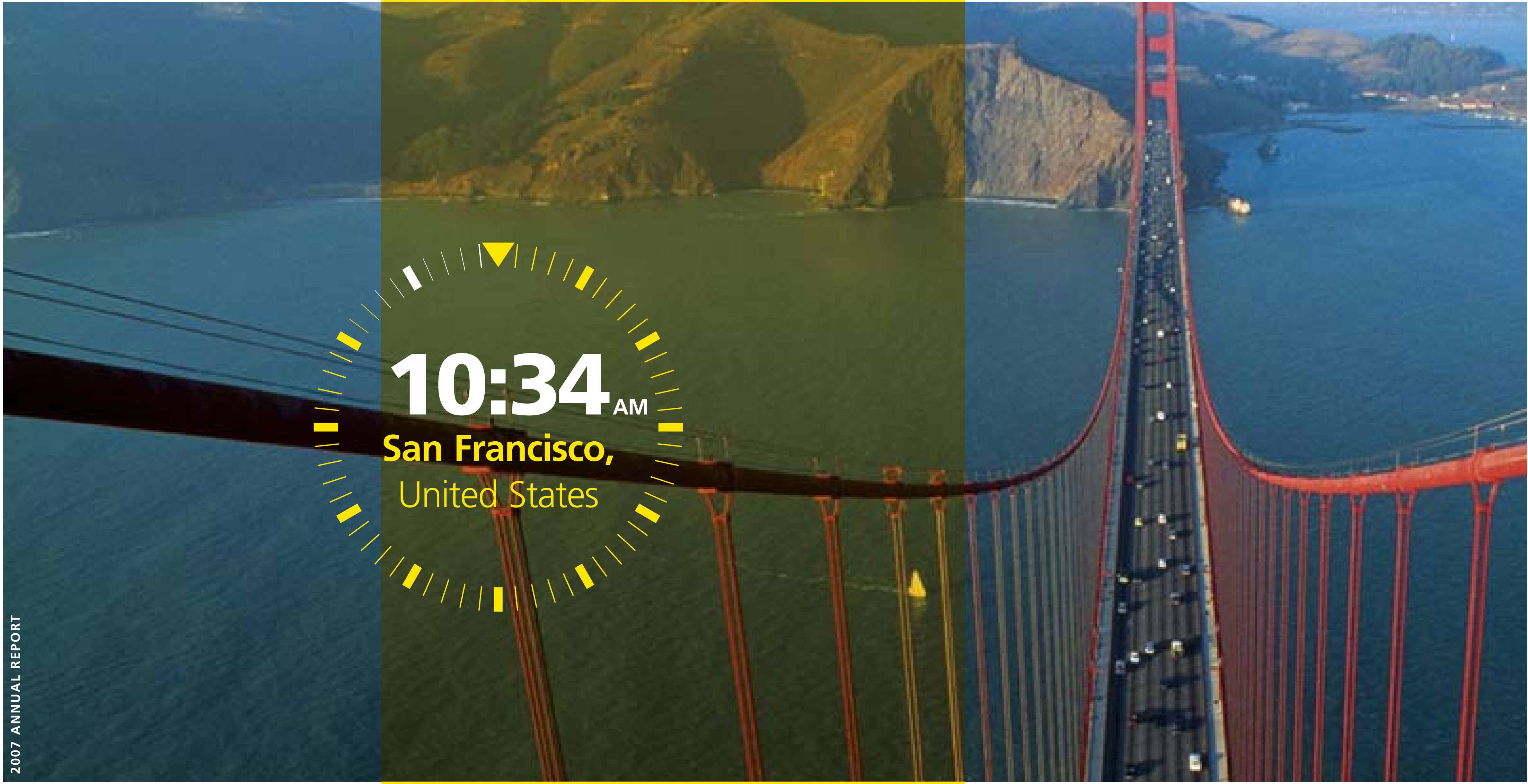
Data per share

IN EUR EXCEPT FOR RATIOS	2007	2006	2005	2004	2004*	2003*
Net assets	36.7	32.6	31.5	24.2	32.1	30.2
Basic Earnings	5.32	3.95	6.13	4.46	3.59	2.23
Diluted Earnings (1)	5.22	3.94	6.12	4.46	3.59	2.23
PER	**14.8**	**18.4**	**7.7**	**10.6**	**13.1**	**16.3**
Dividend payments	1.60 (2)	1.45	1.35	1.25	1.25	0.93
Pay-out rate	30.1%	36.7%	22.0%	28.0%	34.8%	41.7%
Dividend yield (3)	2.0%	2.0%	2.8%	2.6%	2.6%	2.6%

* French GAAP.
(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) 2007 dividend subject to approval by the Annual Shareholders Meeting of May 16, 2008.
(3) Dividend/Share price at December 31.

AWARDS

- Michelin won the Investor Relations Award 2007 by Nyse Euronext and Middlenext, SFAF (France's Financial Analysts Society) and Question ComFi.
- Michelin received the Best Annual Report 2006 prize in the CAC 40 category jointly awarded by the French weekly financial newspaper *La Vie Financière* and the daily *Les Echos*.
- Several specialized studies ranked the Michelin Performance and Responsibility report among the best CAC 40 listed companies. The 2005-2006 report received the 2007 Best Sustainable Development Report award by Conseil Supérieur de l'Ordre des Experts Comptables (France's chartered accountants board) during the 8th edition of the Environmental and Social Information Quality Award.



In fifteen years, 570 million Michelin green tires were sold worldwide. Compared to any other type of tire, these account for an estimated 9 billion liters of fuel and more than 22 million tons of CO_2 saved – the green sink potential of 880 million trees per year!

THE MANAGING PARTNERS' REPORT ON 2007 OPERATIONS AND RESULTS

02

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PASSENGER CAR AND LIGHT TRUCK & RELATED DISTRIBUTION

→TECHNOLOGICAL LEADER

→38 FACILITIES IN 18 COUNTRIES

→71% OF TIRES SOLD ARE REPLACEMENT TIRES

Michelin topped J.D.Power's satisfaction survey of original equipment tire users in the United States, Japan and South Africa.

Recognized by European consumers as the most innovative tiremaker, Michelin received the Frost & Sullivan Customer Choice Award for Brand Offering 2007* in the "Best Overall Tire Brand" and "Safe and Durable Tire" categories.

* Covering 2,000 people in Germany, Spain, France, Italy and the UK.

Strategy

Strategic partner of manufacturers due to its innovative capacity and global footprint, Michelin wins loyalty through its original equipment fittings as many road users prefer to buy the tire brand first fitted on their vehicle. Such is the case in Europe for more than one out of two consumers.

In replacement, the Group occupies all market segments with a multibrand portfolio and delivers always richer services to end-users and retailers to enhance their satisfaction and loyalty.

In all of its markets, Michelin is very active on the high-tech, high-growth segments which have higher value-added.

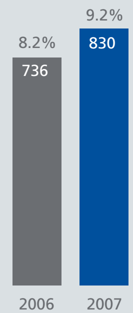
In order to gain long-term edge in a highly competitive environment and to keep up with market growth, the Group is optimizing its industrial facilities and logistics in the mature countries, expanding its capacities in the emerging countries and strengthening its productivity, flexibility and efficiency.

→ Net Sales + 0.6%
In EUR million

→ Passenger Car and Light Truck tires account for 54% of Group consolidated sales.

→ Operating income* + 12.8%
In EUR million

→ Operating margin* + 1.0 pt
As a % of net sales



→ Passenger Car and Light Truck tires account for 50% of consolidated operating income*.

* Before non-recurring items.

A new plant in Mexico

Michelin will build a state-of-the-art Passenger car and Light Truck plant in Mexico. Located in the state of Guanajuato, it will produce Michelin brand tires, including SUV and high-performance tires. Michelin plans to invest up to USD 740 million by 2014 in this new site, which is expected to create 1,300 jobs after full ramp up. Construction of the plant is expected to begin in late 2008 with production starting in 2010.

Sales volume increase

The Passenger Car and Light Truck tire and Related Distribution segment posted particularly satisfactory sales volume growth after several years of modest performance.

Sales were further enriched through an increase in the higher-value brands and segments. The price effect was favorable as a result of the full impact in 2007 of the price increases implemented throughout 2006. Net sales, however, only increased 0.6%, as a result of a negative exchange rate impact. Excluding the currency effect, sales growth would have been 4.5%.

In the replacement market, up around 3% in all regions (except for Europe), Africa and the Middle East made a particularly good contribution to growth.

In the original equipment markets, the Group gained market share. Markets trended up strongly in the emerging regions and in Europe, but remained bearish in North America despite a sharp improvement in the second half 2007.

Operating margin increase

The year's fine commercial performances, combined with stabilized raw material costs and streamlined production and structure costs boosted operating margin*, which ended the year up 1 point versus 2006 to 9.2%.

* Before non-recurring items.

No.1

ADAC rating

Awarded the "highly recommended" label, the new Michelin Primacy Alpin winter tire achieved the highest distinction from Europe's No.1 automobile club.

HIGHLIGHT

BFGoodrich Racing: A prestigious track record

1,000 victories including 2006 and 2007 WRC (Word Rally Championship) worldwide, on all surfaces – BFGoodrich dominated the automotive rally scene once more.

The BFGoodrich Victory Tour celebrated this outstanding achievement in five of Europe's greatest cities, Paris, London, Essen, Turin and Madrid.

A prestigious 2,000 sqm village was set up to display the brand's universe and its exhaustive tire range covering 85% of the vehicles making up the European car fleet.

→ Passenger Car and Light Truck tires: 2007 World Market Trends

	EUROPE	NORTH AMERICA (1)	ASIA	SOUTH AMERICA	AFRICA & THE MIDDLE EAST	TOTAL
Original Equipment	+ 4.5%	- 1.8%	+ 8.1%	+ 20%	+ 3.4%	+ 5.0%
Replacement	- 1.6%	+ 3.0%	+ 2.8%	+ 3.3%	+ 3.3%	+ 1.4%

Source: Michelin Estimates.
(1) United States, Canada and Mexico.

Michelin Energy Saver

4 g CO_2 saving per km

With a further 20% rolling resistance reduction, the new Michelin Energy Saver tire, the 4th generation of Michelin green tires, saves approximately 0.2 liters of fuel per 100 km, or nearly 2 euros for every refill. And it avoids nearly 4 grams of CO_2 emission per kilometer*. This amounts to 20% of the reduction objective set by the European Commission for carmakers: they must achieve a 20 g/km reduction in average CO_2 emissions across their vehicle offering, from 140 g/km in 2008 to 120 g/km in 2012. Michelin Energy Saver alone, without any alteration on a current model, therefore, takes an OEM 1/5th of the way in Europe.

* TÜV SÜD Automotive ISO Test conducted in 2007 using 195/65R15 and 205/55 R16 tire sizes. Data covering tires from six major tiremaker, purchased in the open market.

10th Consecutive Victory at the 24 Hours of Le Mans for Michelin with Audi-Sport.

→ Passenger Car and Light Truck tires: world market trends 2007 Replacement segments

	EUROPE	NORTH AMERICA (1)
High-performance (VZ speed ratings)	+ 6.5%	+ 11.4%
SUV, 4WD, Crossovers	+ 11.8%	+ 8.6%
Winter	- 6.0%	- 0.1%

Source: Michelin estimates.
(1) United States, Canada and Mexico.

Europe: positions consolidated

The European replacement market was down 1.6% though trends were extremely different from region to region: down more than 3% in Western Europe but up almost 6% in Eastern Europe.
Lack of snow led to a 6% slump in winter tire segment demand. The trend was particularly noticeable in the main winter tire markets of Germany, Austria and Switzerland.

However, the size mix was further enriched. While low-end tire markets edged back 6%, high speed rating segments increased almost 7% and 4X4 and SUV tire demand reached nearly 12% growth.

Group sales outperformed the market. This was particularly true of the Michelin brand, which continued its leadership in Europe. The Group gained market share in the Winter segment. It clearly benefited from richer sales mixes. It also served high demand recorded in Central and Eastern Europe.

In original equipment, the European market kept trending up throughout the year, underpinned by growth in Eastern European OEM business.

Michelin's sales were in line with this favorable trend.

Michelin Pilot Sport, the market's fastest tire, beat the 400 km/h speed record.

Outstanding Tires for Outstanding Performance

The new SUV Michelin Latitude tires are true all-rounders. In the summer tire segment, Michelin Latitude Sport is the preferred fitment for luxury SUVs. The Michelin Latitude Tour HP tire is fitted on multi-purpose, compact and top-of-the-range SUVs mainly used on normal roads. In the winter segment, the range includes the high-performance Michelin Latitude Alpin tire (studded for extreme conditions of use), Michelin Latitude X-Ice North and an unstudded tire for frozen surfaces, Michelin Latitude X-Ice, that delivers maximum driving comfort.

North America: enriched mix and price increases

The replacement market posted 3% growth despite the sub-prime crisis and continued high fuel prices. The share of imports from Asia increased further. The market, however, further evolved in favor of the higher-value added segments: sales posted nearly 9% growth in the SUV segment and more than 11% in the high-performance tire segment. Demand was trending up in the United States, Canada and Mexico, despite new tax rules in Mexico hitting high retailer inventory build up at year-end.

The Group's sales performance was slightly below the market, but the Michelin brand retained its positions and enjoyed the very good health of the high-performance and SUV segments. Segment mix improvements and price increases implemented at the end of 2006, drove significant net sales growth.

In Original Equipment, markets were down year-on-year and started to pick up toward the year end. Michelin further strengthened its positions with its entire portfolio of American, Japanese and European OEMs.

Strong growth in the emerging countries

In Asia, the replacement markets evolved quite differently. Down in Japan, they were quite weak in most developed countries, but very buoyant in India, Malaysia, Vietnam and China, where they posted nearly 20% growth.

70%

of Russian and Scandinavian markets are served by the BFGoodrich winter tire line up, to which a new studded tire was recently added.

HIGHLIGHTS

Michelin Energy Endurance Challenge promotes fuel efficiency

Open to the participants of the six Le Mans Championship Series races and the 24 Hours of Le Mans, the Challenge rewards teams that optimize fuel efficiency. To this end, an energy efficiency index is calculated after each race. It takes into account average speed throughout the race, vehicle weight and actual consumption per 100 kilometers. The winning team in each competing category (LM P1, LM P2, GT1 and GT2) is rewarded.

Safety and value for money: Cell-phone based advice

Fuel savings through optimal inflation pressure and improved driving safety in all weather conditions: these are some of the free services Michelin's WAP* website introduced last summer to assist travelers during the heavy vacation season in France. The services were offered by the Orange and SFR cell phone operators.

* Communication protocol giving access to Internet from a cell phone.

Michelin Energy

1st for wear resistance

"Michelin is the benchmark brand for wear resistance and longevity. With nearly 20% more mileage than the next competitor. It is simply untouchable…". With this comment, Auto Plus saluted the Michelin Energy tire's second victory in a row in the competition organized by France's magazine after it was recognized to record a 42,500 km lifetime. The test was conducted by the TÜV SÜD independent laboratory: the 205/55 VR 16 size tires of seven major brands were tested in real-life conditions for five weeks.

Auto Plus *no.99 – September 4, 2007.*

The Group strengthened its positions in Asia. In China, the Michelin brand was in line with market growth. The price increases passed in the second half of 2006 and in early 2007 stuck and pushed unit sales prices up significantly.

In South America, sales slightly lagged a market up 3%, posting strong original equipment dynamics. The Group enriched its mix and gained market share in the SUV and high-performance segments.

In Africa and the Middle East, sales grew strongly in buoyant markets. The Group strengthened its positions in Turkey, South Africa and the Gulf Emirates.

Operating margin* posted good progress

Despite a poor winter tire selling campaign in Europe and Japan due to a mild winter, and despite the negative currency impact, the Passenger Car and Light Truck tire segment posted operating income* up 12.8%. Operating margin* reached 9.2%, up 1 point year-on-year.

A combination of sales volume and value growth driven by top-of-the range segments, Michelin brand market share gain worldwide, the full effect of 2006 price increases, stabilized raw material costs and accelerated productivity gains accounted for this performance.

* Before non-recurring items.

400 TyrePlus outlets in China in 2007 and planned opening of 100 new distribution and service centers in 2008.

→ Michelin Passenger Car tires competitive edge*

SEGMENT	MICHELIN RANGE	FUEL EFFICIENCY	LONGEVITY
Entry-level	Energy E3A T	+ 23%	+ 27%
Performance	Energy E3A V	+ 19%	+ 52%
Winter	Alpin A3	+ 11%	+ 47%
High-Performance	Primacy HP	+ 10%	+ 25%
Winter Performance	Pilot Alpin PA2	+ 15%	+ 49%
SUV winter	Latitude Alpin	+ 20%	+ 56%

* Study commissioned by Michelin, conducted in Europe in 2006 by independent bodies across all segments reviewed. The latest Michelin offering was compared to a representative sample including 6 to 12 recent tires of different brands. The detailed technical rules of the survey are described in Michelin's Performance and Responsibility Report Michelin 2005-2006, page 23.

TRUCK AND BUS & RELATED DISTRIBUTION

→WORLD NO.1

→28 FACILITIES IN 16 COUNTRIES

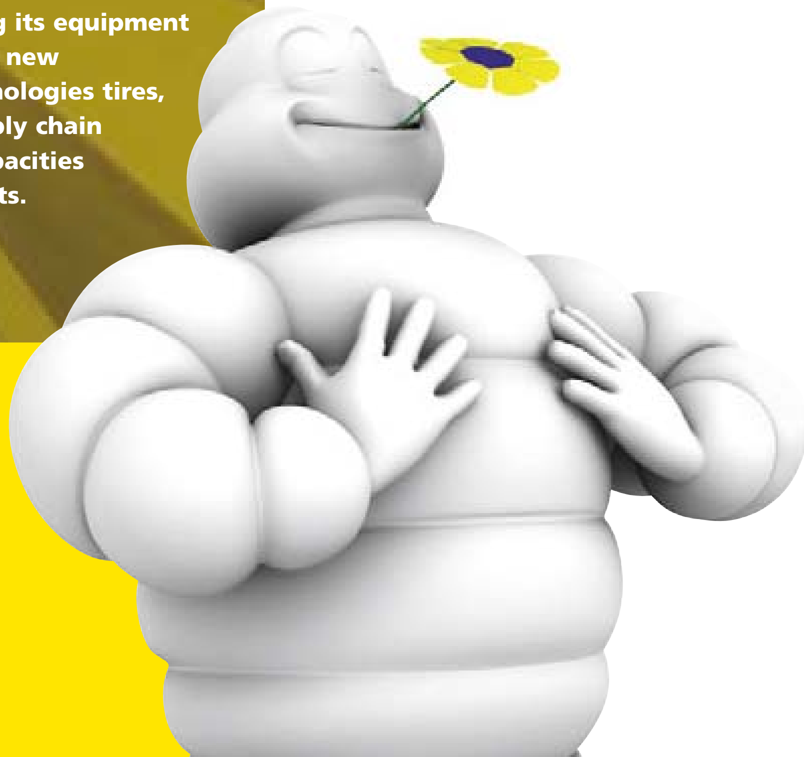
→68% OF TIRES SOLD ARE REPLACEMENT TIRES (RADIAL MARKET)

More mileage, grip, load-bearing capacity mean better returns for truck fleets: Michelin research and engineering teams were able to crack the tire overall performance / wear compromise. A well-rewarded seven-year long research program: 1 million Michelin Durable Technologies tires sold in 2007.

Strategy

With its breakthrough innovation clout, Michelin has continued its all-round (original equipment, replacement and retread) technological leadership, through a successful acceleration of time-to-market. Delivering ever more sophisticated, tailor-made solutions, it is capable of matching specific customer requirements across goods and people road transportation segments.
The Group offers tire and service solutions designed to increase its customers' competitive edge in the long haul industry by optimizing vehicle uptime and minimizing operating expenditure.

Michelin fosters close ties with OEMs and retailers; in developing countries, Michelin actively contributes to upgrading the latter's professional skills in the service of end users.
Michelin is increasing the critical size and productivity of its plants, adapting its equipment to meet the strong demand for its new generation Michelin Durable Technologies tires, strengthening its retread and supply chain operations, and expanding the capacities of its factories in emerging markets.

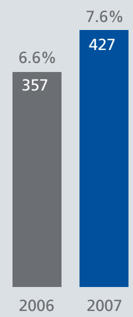


→ Net Sales + 4.1%
In EUR million

→ Truck tires account for 33% of Group consolidated sales.

→ Operating income* + 19.6%
In EUR million

→ Operating margin* + 1.0 pt
As a % of net sales



→ Truck tires account for 26% of Group consolidated operating income*.

* Before non-recurring items.

Robust sales growth, Healthy income growth

The Truck and related distribution segment posted a good performance in a mixed environment.

Net sales were up 4.1% (7% excluding currency impact). Operating income* was up 19.6% and operating margin* was up 1 point to 7.6%.

These performances were achieved thanks to strong sales volume growth in most regions, except for North America, and to significant unit price increases as multiple price increases were implemented in 2006 and in the first half of 2007 in nearly all countries.

The currency impact, however, affected the segment's profitability adversely. In addition, saturated industrial capacity prevented the Group from meeting all demand.

* Before non-recurring items.

Objective: 2,000 sales outlets in China in 2010
Within the next 5 years, China's road network will be the world's largest. In order to boost growth on this huge market, Michelin wants to deliver the best and most comprehensive services. The first Michelin Service Center was opened in April 2007 at Sanhe in the East of the country. Since then, some one hundred distributors opted for a revamping of their facilities, a new identity and all the benefits that go with Michelin's program.

→ Truck: 2007 World Market Change

Radial market

	EUROPE (1)	NORTH AMERICA (2)	ASIA	SOUTH AMERICA	AFRICA & THE MIDDLE EAST	TOTAL
Original Equipment	+ 18.6%	- 32%	+ 14.9%	+ 27.3%	- 0.5%	- 1.4%
Replacement	+ 2.8%	- 2.0%	+ 11.4%	+ 14.8%	+ 5.4%	+ 5.8%

Source: Michelin estimates
(1) Excluding Russia.
(2) United States, Canada and Mexico.

Launch of Michelin X Energy 315/60 R 22.5 XF

More robust, fuel-efficient and longer-lasting

Available in Europe in Original Equipment since February 2007, Michelin X Energy 315/60 R 22.5 XF is the first Michelin Durable Technologies tire specifically designed for steer axles. Based on the exclusive Infinicoil technology, using a 400-meter long steel cord running through the rolling circumference, the steer axle can carry up to an additional 400 kg. Combined with 7% lower rolling resistance, it also delivers 5% more grip than the tire it replaces, thanks to a more uniform contact patch. The Michelin X Energy 315/60 R 22.5 XF tire will save up to 190 liters of fuel per year.
Other cost-efficiency benefit: its long-lasting features are further enhanced because the tires may be regrooved and retreaded using the high-performance Michelin RemiX technology.

North America: Positions strengthened against a bearish economic backdrop

In the second half, a degrading trading environment further accentuated the original equipment market decline observed in the first half following introduction of the new environmental standards. In all, demand dropped 32%.

Europe: very strong original equipment tire demand

Up 2.8%, European replacement markets were dynamic overall, with a slight slowdown toward the year-end after the economic environment became less supportive. Markets were up 9% in Eastern Europe, where trucking industry business remained strong.

The original equipment market posted nearly 19% growth, accelerating in the third and fourth quarters. Demand was particularly strong in Eastern Europe (+ 50%), and in Germany and Spain.
High truck export levels to Russia and other regions such as the Middle East fueled this growth.

In this supportive environment, the Group harnessed its full production capacities to serve its OEM customers as quickly as possible and to supply the replacement markets. Although industrial and supply chain optimization measures helped minimize the saturation point, part of demand could not be satisfied.

500,000 X One tires rolling on American roads
They already saved 60 millions liters of fuel and prevented more than 165,000 tons of CO_2 from being released into the atmosphere.

12- meter

shorter braking distance and silent rolling: the key benefits of the new Michelin X Coach XZ tire for touring buses.

HIGHLIGHTS

North America receives new investments

To satisfy the strong demand for Michelin Retread Technologies (MRT) products in North America, the Group opened a new pressing facility in Mexico in July 2007, after doubling the Covington (Georgia) plant's capacity in 2006.
Michelin also acquired the American manufacturer Oliver Rubber Co, whose capacities and retread products will strengthen Michelin's offering.
The two brands have now been joined to increase customer access to the Group's retread product and services for the benefit of the North American road freight operators.

Antisplash deflector added-value

The new long and medium-distance Michelin XF2 385/65 R22.5 tire delivers greater road user safety by cutting the height of water splashes four-fold.

20%

of the global retread market held by Michelin*.

* Including Oliver Rubber acquired in 2007.

Global supply contract with Volvo

Volvo's number 1 tire supplier, Michelin renewed in 2007 its long-term global contract with the world's second largest truck OEM. This covers original truck tire supplies for Europe, North America and South America for the Volvo Truck, Volvo Bus, Renault Truck and Mack Truck brands. Volvo's main brands will therefore benefit from Michelin Durable Technologies innovations, which deliver enhanced safety and profitability for the trucking industry.

In replacement, the market was down for the second straight year. The economic environment affected road freight. Weak across the zone's three countries, it suffered most in Canada due to Canadian dollar appreciation versus the U.S. dollar. In this depressed environment, Asian tire imports slumped.

In these bearish markets, Michelin strengthened its positions thanks to its "Michelin Durable Technologies" products and the growth of its retread and fleet management service offering. Michelin X One wide tire production capacity increases, the opening of a tread manufacturing facility in Mexico and the acquisition of the tread manufacturer Oliver Rubber Co to satisfy tire retread demand, all reflect the Group's confidence in its ability to win market share through a superior product offering.

Strong emerging country growth

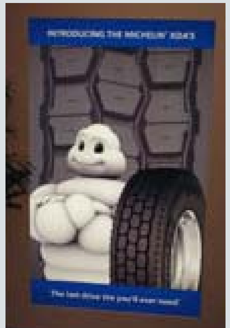
Asia's radial tire markets were fast-growing in both the original equipment and replacement segments in most countries. Japan was a major exception with slightly declining demand.

South America was up 27% in original equipment and nearly 15% in replacement. In Africa and the Middle East, demand posted healthy trends, particularly in the Persian Gulf countries, Turkey and South Africa.

The Group performed well in all of these markets, especially Russia and China, where it is expanding its production capacities.

No. 1

Michelin Fleet Solutions
Accounts for nearly half of the European third-party tire management market.



HIGHLIGHT
Michelin XDA5
30% added guaranteed longevity

Designed for North America, the new tire features the Michelin Durable Technologies self-regenerating tread, delivering an added 30% tire life without compromise on any other performance. The tire also benefits from Matrix siping technology for optimum grip on dry and slippery surfaces.
It was launched with a mileage guarantee: and should the Michelin XDA5 tires not deliver 30% more mileage than the previous mount, customers would be refunded twice the price difference between the two tires.

Michelin X InCity XZU 3

Innovation for urban transportation

Designed for urban and interurban passenger transport vehicles, the Michelin X InCity XZU 3 tire is derived from Michelin Durable Technologies. Double-wave sipes lend it enhanced grip in all weather conditions and more durability and protection against damage from pavements. Regrooving, Michelin RemiX retread, inflation pressure monitoring: the services associated with this new tire range deliver more fuel efficiency for urban transports, which means a reduced environmental impact.

Operating margin* improvement

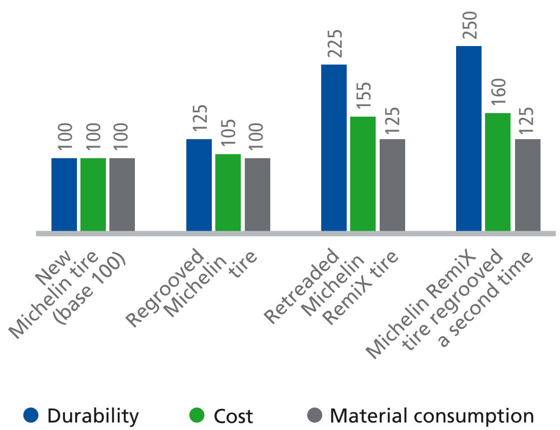
The segment's operating income* was up 19.6%. In 2007, operating margin* was up 1 point, from 6.6% to 7.6%.

This improvement resulted from a combination of strong sales volume and retread growth. The price increases covered the raw material price increases, natural rubber in particular, which has a strong impact on truck tire manufacturing costs.

On the other hand, currency had a negative impact for the Group, which continued to produce in Europe tires for export to regions whose currencies depreciated versus the euro.

* Before non-recurring items.

→ Michelin Truck tires: the best total cost of ownership



Best brand image in the transportation industry

Michelin was yet again ranked first in Germany's brand image survey of the suppliers to the Transportation and Logistics industry. Scoring 844 out of 1,000, Michelin is all-round winner of the rating study conducted by the opinion poll institute TNS Emnid. Michelin was the only supplier to have been rated "excellent."

The survey, conducted among 240 German heavy road hauling firms, was published in the Verkehrs Rundschau specialist magazine. The two key brand image criteria were product quality and customer orientation.

SPECIALTY BUSINESSES

→ WORLD NO.1 EARTHMOVER AND AIRCRAFT RADIAL TIRE MANUFACTURER

→ EUROPE'S NO.1 AGRICULTURAL TIRE MAKER

→ EUROPE'S 1ST MOTORCYCLE TIRE BRAND

→ EUROPE NO.1 MAP AND GUIDE PUBLISHER AND MOBILITY ASSISTANCE SERVICE WEBSITES

→ 18 FACILITIES IN 9 COUNTRIES

Strategy

Michelin operates in all specialty tire markets. The Group channels its radial technology edge into a strategy targeting the higher technology-content segments.
In the Earthmover and Aircraft tire segments, Michelin is increasing its capacities to serve very strong demand and develops win-win value-added services for its customers.
In the Agricultural tire market, the Group is focusing on the larger OEMs and partnering with selected distributors to develop services tailored to farmers' needs.
In the two-wheel segment, Michelin leverages racing, in which it is a clear leader, in the service of consumers through direct technology transfers of the latest developments derived from the track.

Maps and guides and ViaMichelin's digital services form an integral part of Michelin's mobility mission as they promote safe, trouble-free and pleasant travel.

Michelin Lifestyle rolls out an international strategy with brand-extension products through licenses with partners.

Net Sales + 10.7%

In EUR million

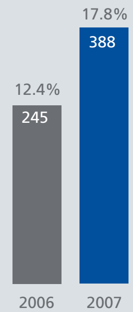
Specialty Operations account for 13% of Michelin's consolidated sales.

Operating income* + 58.4%

In EUR million

Operating margin* + 5.4 pts

As a % of net sales



Specialty Operations account for 24% of Michelin's consolidated operating income*.

* Before non-recurring items.

China adopts Michelin's giant tires!

3.7 meters high, more than 4-ton weight, 82-ton load-bearing capacity: the identity card of the Michelin 53/80R63 XDR B Earthmover tire is impressive.
To this outstanding list, one now also needs to add another entry: the largest tire ever sold in China.

Strong sales growth

In 2007, the Specialty businesses operated in generally supportive environments, except for construction in the USA.

Net sales were up 10.7% (14.3% excluding currency impact). Michelin strengthened its positions across most of its targeted markets through a tailored product and service offering with acknowledged customer benefits. The Group also leveraged enhanced supply chain performance, thus improving its ability to meet customer demand in a number of segments.

The price increases passed in 2006 and 2007 translated into substantial unit selling price increases.

Process improvements strengthen financial results

Industrial rationalization, plant specialization and commissioning of additional production capacity have contributed to a further strong improvement in the segment's returns. Operating income* was up 58.4%, accounting for nearly a quarter of the Group's consolidated operating income*. Operating margin amounted to 17.8%, up 5.4 points year-on-year.

All tire operations contributed to this outstanding performance.

* Before non-recurring items.

HIGHLIGHTS

Initial results of the Lexington expansion plan

In early 2007, Michelin reported on the first results of the Lexington plant expansion plan involving an investment of 85 million dollars. By end 2008, the project will have increased the plant's production capacity by 50% versus 2005.

Commissioning of Brazil's Campo Grande earthmover plant

In November 2007, Brazil's Campo Grande Earthmover plant was commissioned. It complements the Group's production plants in the United States, France and Spain, to serve highly dynamic growth in all segments: open cast mine and underground mines, quarries, cement, building and construction and civil engineering, ports, industrial handling. With an array of 5.6 kg to 5,300 kg tires, 110 sizes and 45 tread patterns, Michelin's Earthmover tire range matches every type of customer need.

XZM tires

High performance, twice longer

Twice more service hours: the guaranteed performance of Michelin's forklift radial tubeless tires versus conventional flexible compact and bias tires. And the guarantee is valid for two years starting from the purchase date.
This complements the "90-day Satisfaction Guarantee" enabling Michelin customers to test their XZM tires for 90 days and qualify for a refund in the event of any concern.

SPECIALTY TIRES

Earthmover: Growth and increasing profitability
In 2007, world tire demand for Earthmover tires remained very high except for construction in the United States, which was down approximately 25%.

Despite a gradual build up of industrial capacity by the principal tire manufacturers, the imbalance between supply and demand remained strong. This was particularly true in the mine and quarry sectors whose demand could not be fully satisfied.

Michelin's net sales rose very significantly, both on the back of strong sales volumes increases and the full impact of the price increases implemented in 2006 and in early 2007. The increase in sales volumes was achieved thanks to the capacity increase investments made in recent years, especially at the Lexington, South Carolina plant in the USA.

+ 65%

Increase in Michelin Earthmover tire production capacity in the 2006-2010 period.

HIGHLIGHT
MEMS: Surveillance plus Performance
Launched in 2007, Michelin Earthmover Management System (MEMS) is the first monitoring solution for earthmover tires. Targeted at open-mine dumpers, it enables real time monitoring of tire temperature and pressure. MEMS delivers more safety and preventive maintenance to optimize vehicle uptime and therefore productivity, and lowers fuel consumption through inflation pressure management.

Michelin Ultraflex technology contributes to the performance of sustainable farming: soil preservation, enhanced yield, productivity, safety and driving comfort, fuel efficiency and improved wear performance.

Agricultural: improved results

The agricultural tire market experienced a sharp increase in agricultural machinery production, translating into a dramatic increase in the original equipment market. This was very noticeable in the lead tractor segment (more than 150 bhp), that posted double-digit growth.

On the other hand, the replacement markets declined slightly year-on-year, although they continued their long-term enrichment trend underpinned by gradual radialization and increasing demand for higher value-added products.

With the successful launch of new products and enhanced customer supply, Michelin sales volumes posted strong growth.

In Original Equipment, the Group strengthened its ties with the larger OEMs to become a major high-power lead tractor market supplier.

In the replacement tire market, the penetration of the Group's "premium" brands – Michelin and Kleber – accelerated, leading to unit selling price increases.

→ Agricultural tire market radialization trends

	2006	2012
Europe	70%	81%
North America	29%	43%
Other	8%	15%

HIGHLIGHTS

Michelin Pilot Road 2: Safe and Long-lasting

Targeted to sport-touring motorcycles, this new tire benefits from dual-rubber technology derived from MotoGP racing and combines softer rubber at the shoulders (for better grip and safety) and more wear-resistant rubber in the center (for increased longevity).

Harley-Davidson selected Michelin as a certified supplier for replacement tires for its motorcycles in North America.

Two-Wheel: Healthy Sales Volume Growth

Two-wheel tire markets for motorized cycles further progressed in both the mature and developing markets where new registrations posted double-digit growth. The replacement markets were supported by this long-term trend.

The Group's sales volumes and net sales, therefore, posted continued strong growth. This good performance was driven mainly by the success of the new Michelin Pilot Road 2 radial line up in the "sport-touring" segment, and by good sales performance in some new high-growth markets such as South America.

Urban cycling back in fashion!
The segment is booming in Europe and North America. In 2007 Michelin unveiled City Trekking, its new range of town and off-road cycling tires. Based on PROTEK technology, the range delivers superior puncture, aging, weather and pollution resistance.

Michelin, exclusive supplier for the Falcon F7X aircraft
The Michelin radial Air X 20 tire was selected for Dassault's latest business jet which is capable of flying from Paris to Los Angeles or Singapore non-stop. Weighing 20% to 30% less than the corresponding bias tire, the Michelin Air X 20 tire delivers fuel efficiency combined with 50% greater longevity.

Aircraft: New levels of performance

Demand remained high in all aircraft tire markets. In the radial tire segment, a significant imbalance between tire manufacturer supply and airline demand continued throughout the year.

Although affected by the appreciation of the euro versus the US dollar, Michelin's sales posted significant volume and sales growth. Both new capacity commissioning and signature of new contracts with airlines fueled growth in all regions.

70%

Michelin radial tire market share in General aviation Original Equiment.

HIGHLIGHT

Record contract awarded by the US Department of Defense
Worth USD 700 million over 10 years. Together with logistics partner Lockheed Martin MS2, Michelin is now in charge of tire supplies and deliveries for the entire Department of Defense aircraft fleet.

Available in Japanese and English versions, the *Michelin Guide Tokyo* is unique: it only lists starred restaurants. With a phenomenal 191 stars, Tokyo is the most Michelin-starred city in the world!

More than 680 publications
1.2 million hotel and restaurant guides
2.5 million tourist guides
11 million city maps, road maps, and atlases sold in more than 90 countries

The Michelin map and guide line up now available for sale from the www.cartesetguides.michelin.fr website.

HIGHLIGHT
An exclusive agreement
Michelin signed a three-year contract with Shell and became its exclusive map and guide supplier in five European countries, in what is a very good retail channel. Shell is the world No.2 oil producer, spending each year some 5 million euros worth on map products to supply more than 5,000 gas and service stations in 20 European countries.

MAPS AND GUIDES

A rich editorial program

In an overall declining market, the Maps and Guides held their own.
The *Michelin Red Guide France 2007,* responding to ever increasing reader expectations, was enriched with another 500 establishments and launched a new compact collection: *Les Bonnes Petites Tables du Guide Michelin.* This guide brings together all the Bib Gourmand restaurants that offer quality cuisine for 28 euros or less outside of Paris and 35 euros or less in France's capital city.
The *Michelin Guide Paris 2007* layout was revamped: 2 establishments per page with more detailed comments on cuisine, decoration and atmosphere. The guide includes more than 450 addresses, including 400 restaurants. It features new sections, practical information and a detachable town map.

The *Michelin Guides Los Angeles and Las Vegas* have been added to the New York and San Francisco guides for North America.

The first edition of the *Michelin Guide Tokyo,* published in November 2007, was an immediate success with 250,000 copies selling out in less than one month.

The *"Michelin Voyager Pratique"* collection launched 15 new titles in French and, now 40-guide strong, continues to grow.

The *Michelin Green Guide* is opening up to other languages: in addition to 73 titles in French, it now numbers 59 titles in English, 41 in Dutch, 33 in Italian, 30 in German, 18 in Spanish, 14 in Hebrew, 12 in Polish and 6 in Chinese. The *Michelin Green Guide* collection is France's undisputed leader with 30% market share.

VIAMICHELIN

Confirmed success

ViaMichelin caters to all European private and professional drivers as well as to corporate needs. Its www.ViaMichelin.com website is Europe's number 1 traveler's information website*. It features multiple applications to plan one's trip: digital maps, route selection, geolocalization, traffic information, hotel booking, restaurants, tourist tips, etc.
Online advertising business made further strong progress as did the online hotel accommodation booking service.
Traffic information attracted many carmakers and key players in the personal navigation sector. In France, ViaMichelin is a major real-time traffic information provider, serving OEM and GPS manufacturer customers.

New GPS devices

Two new GPS devices were launched in 2007: ViaMichelin Navigation X-960, light and compact (136 g), user-friendly and efficient, and X-970T for highly demanding road users. In addition to real-time traffic information, it delivers advanced features such as "hands-free" phone (thanks to a single click on screen) and an integrated speaker.

In early 2008, ViaMichelin has announced a plan to strengthen its business on digital technologies by focusing on two areas: its website and delivery of digital services designed to facilitate traveling and touring, such as traffic and tourist information. Accordingly, ViaMichelin will no longer develop GPS units from 2008 but will continue to sell the current units and provide related after-sales services.

No.1

European Traveler's Information Website*
3rd most visited touring site* in Europe with an average of 36.5 million visits per month.

** Top European Travel-Information Sites & Top European Travel Sites by Unique Visitors in Europe – Source comScore Europe Metrix.*

ZOOM

Exhaustive information for drivers and travelers

More than 60 countries covered, from the national road network to the detailed town map.
8 million km of roads and streets.
62,000 hotels and restaurants tested and selected by Michelin Guide inspectors.
22,000 tourist sites listed.

MICHELIN LIFESTYLE

An attractive economic model

In just five years, the Group has taken 6th place among businesses operating in the brand-extension product sector. Michelin Lifestyle exclusive licensed products sport the values of safety, reliability and performance that are Michelin's hallmark and match the Group's brand image strategy of enhanced mobility.
Products are developed in three main categories: automotive and cycle accessories; shoes, clothing, fashion accessories, gear and equipment for Work, Leisure and Sports; collectibles. All highlight the cultural heritage of Michelin and the Michelin Man.

Emphasis on sports and leisure

In 2007, a number of technical products were launched in the sports and leisure categories:

• Michelin and Umbro jointly developed the X Boot III soccer shoe to enhance ball control. Michelin focused on the ball strike area and developed a silicone-based material. This, combined with Umbro's "Touch Control" technology, largely neutralizes slip on impact between the ball and the shoe.

• Michelin and Babolat jointly designed the Babolat Propulse tennis shoe featuring an innovative sole derived from Michelin's OCS (Optimized Cell System) technology and Babolat's Exact pro technology. The shoe's wear resistance is 40% superior to the best products previously available.

• Michelin and U-kan jointly launched "Skate 'n Walk," the first top of the range step-in roller. The movable roller and sportswear shoe delivers outstanding skating performance and walking comfort.

75

**licensed partners,
a range of 1,500 products
more than 12 million units sold
in more than 85 countries.**

ZOOM

Michelin Cockpit Baby Seat, Michelin Navigator, well-protected children

High-tech car seats and booster seats.
Safety, comfort, easy fitment: the seats are already compliant with the forthcoming EURO NCAP European safety standard.
The Michelin Baby seat stands out for long useful life: it is adjustable for children weighing from 9 kilos to 25 kilos.
Distributed exclusively by Aubert in France, Belgium and Switzerland, these products will be gradually available across Europe in child care networks.

ANALYSIS OF GROUP RESULTS

Robust performance

Sustained sales volume growth, significant operating margin* improvement, significant free cash flow improvement, 35% increase in net result after large restructuring charges, strengthened financial structure: the 2007 operating performance confirms the efficiency of the 2010 Horizon growth and competitiveness plan.

* Before non-recurring items.

Net sales up 6.5% at constant exchange rates

Net sales were up 3% at current exchange rates to EUR 16,867 million (6.5% at constant exchange rates) with:

→ a strong + 3.2% volume effect;

→ a high + 3.2% price-mix effect at constant exchange rates, due to enriched brand and segment mixes and the price increases implemented in 2006 and in 2007. The price increases passed in the Passenger Car and Light Truck original equipment segment were not sufficient, however, to fully offset the successive raw material price increases recorded in the last four years;

→ negative (- 3.3%) currency impact due, in particular, to depreciation versus the euro of the US dollar (8.3%), the Mexican peso (8.5%) and the Japanese yen (9.4%) based on average rates.

Operating margin up 1.6 point to 9.8%

As a % of sales, Gross margin amounted to 29.9% versus 28.9% in 2006.

Operating expenses accounted for 20.2% of sales versus 20.7% in 2006. Excluding one-off EUR 74 million expense in connection with the impact of the French Social Security Law relative to end-of-career compensation, operating expenses would have accounted for 19.7% of sales.

The 1-point gross margin improvement and the 0.5-point reduction in operating expenses contribute to the 1.6 point improvement to operating margin before non-recurring items to 9.8%. Without the impact of the above law, operating margin before non-recurring items would have reached 10.2%.

At EUR 1,645 million, operating income before non-recurring items rose 22.9%.

Full-year net result was up 34.7%

Net result amounted to EUR 772 million, up EUR 199 million year-on-year. This change resulted from the following factors:

→ an EUR 307 million improvement in operating income before non-recurring items;

→ an EUR 106 million increase in restructuring charges to EUR 326 million;

→ an EUR 84 million increase in net financial expenses, as the Group recorded EUR 114 million capital gains in 2006 from the sale of its holding in PSA Peugeot-Citroën;

→ 2007 net sales change versus 2006

As a percentage and in EUR million

	2007/2006 (€m)	2007/2006 (%)	H1 07/H1 06 (€m)	H1 07/H1 06 (%)	H2 07/H2 06 (€m)	H2 07/H2 06 (%)
TOTAL CHANGE	**+ 483**	**+ 3.0%**	**+ 379**	**+ 4.7%**	**+ 104**	**+ 1.2%**
Volumes	+ 519	+ 3.2%	+ 286	+ 3.6%	+ 233	+ 2.8%
Price/mix	+ 548	+ 3.2%	+ 369	+ 4.4%	+ 179	+ 2.1%
Exchange rates	- 584	- 3.3%	- 276	- 3.2%	- 308	- 3.5%
Scope	-	-	-	-	-	-

→ A lower income tax (EUR -70 million), having a temporary significant impact on the Group's average tax rate, resulting in particular from recognition of an EUR 39 million tax credit in Poland.

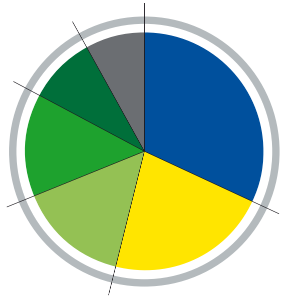
→ Change in 2007 operating income before non-recurring items

In EUR million

2006 operating income	1,338
Price/mix	+ 548
Volumes	+ 200
Exchange rates	- 217
External costs*	- 142
Other expenses**	- 82
2007 operating income	**1,645**

* Including EUR 72 million raw material and EUR 32 million energy and transportation cost increases.
** Including EUR 74 million one-off expense in connection with impact of the French Social Security Law (loi de financement de la Sécurité Sociale) 2008 relative to end-of-career compensation.

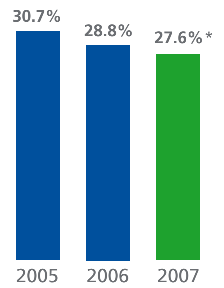
→ Raw material purchases in 2007



→ EUR 4,449m

→ Change in payroll expenses

As a % of sales



* Excluding EUR 74m one-off expenses in connection with application of the French Social Security Law 2008 relative to end-of-career compensation.

→ Operating income before non-recurring items by reporting segment

As a percentage and in EUR million

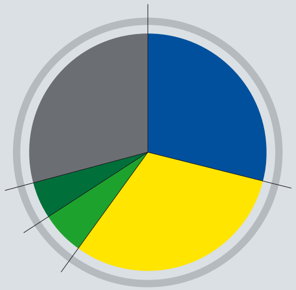
	SALES			OPERATING INCOME		OPERATING MARGIN	
	2007			2007		2007	2006
	€m	AS A % OF TOTAL	2007/2006	€m	AS A % OF TOTAL		
Passenger Car and Light Truck & Related Distribution	9,041	54%	+ 0.6%	830	50%	9.2%	8.2%
Truck & Related Distribution	5,639	33%	+ 4.1%	427	26%	7.6%	6.6%
Specialty operations	2,187	13%	+ 10.7%	388	24%	17.8%	12.4%
Group	16,867	100%	+ 3.0%	1,645	100%	9.8%	8.2%

Restructuring charges

Restructuring charges amounted to EUR 326 million in 2007.
They related to:
→ EUR 62 million for the specialization of the Japanese plant in Ota,
→ an EUR 120 million competitiveness improvement plan in France and another one in Spain for EUR 144 million.
This amount compares with an EUR 220 million restructuring charge in 2006 in connection with closing of the BFGoodrich plant in Kitchener, Canada and ending of industrial operations of the Port Harcourt plant in Nigeria.

→ 2007 Operating Expenses by Nature

As a % of sales



- 29% Raw Materials
- 31% Personnel expenses
- 6% Transportation costs
- 5% Depreciation and amortization charges
- 29% Other expenses

Substantial free cash flow* improvement

At EUR 433 million, free cash flow rose significantly by EUR 472 million, reflecting:
→ EUR + 259 million EBITDA** increase, in line with improved operating income before non-recurring items;
→ working capital requirement improved thanks to very good inventory and supply chain management improvements with year-on-year inventory growth cut by half (EUR + 132 million versus EUR + 252 million in 2006) and active management of net trade receivables, down EUR 229 million despite strong sales growth;
→ and despite an EUR 200 million additional investment cash flow utilization, after 2006 had posted EUR 114 million proceeds from the sale of PSA Peugeot Citroën equity.

Additions to property, plant and equipment and intangible assets accounted for EUR 1,340 million versus EUR 1,414 millions in 2006, or 7.9% of net sales versus 8.6% in 2006.

Sharply 19 point improved gearing to 70%

Shareholders' equity rose EUR 602 million, resulting chiefly from the contribution of EUR 772 million net income for the year, the capital component (after tax) of the OCEANE bond issue in March 2007 (convertible or exchangeable with new or existing shares) for EUR 82 million, less EUR 215 million dividend distribution.

Net financial debt to December 31, 2007 amounted to EUR 3,714 million, down EUR 464 million. This decrease resulted from an EUR 107 million impact from change in currency rates, due in particular to euro appreciation versus the US dollar; the EUR 433 million contribution of free cash flow, the equity component of the OCEANE convertible bond issue for EUR 97 million and by the reduction in put option commitments to certain minority shareholders in Group subsidiaries for EUR 55 million, and despite EUR 215 million dividend distribution.

Gearing posted a 19-point improvement to 70% versus 89% at end December 2006.

* Free cash flow: cash from operations – investment expenses.
** EBITDA before non-recurring items: operating income excluding depreciation and tangible and intangible assets value impairment.

→ 2007 change in net debt

In EUR million

	2007	2006
Debt at January, 1	**4,178**	**4,083**
Effect of exchange rate changes	- 107	- 127
Free cash flow	- 433	+ 39
Distributions	+ 215	+ 205
Other changes in Equity	- 107	- 16
Share purchase commitments	- 55	- 31
New Lease purchase contracts	+ 26	+ 34
Scope and miscellaneous	- 3	- 9
Debt at December, 31	**3,714**	**4,178**
Change	**- 464**	**+ 95**

→ Net Debt

In EUR million

	DECEMBER 31, 2007	DECEMBER 31, 2006
Net debt	3,714	4,178
Total equity	5,290	4,688
Net debt / Equity	**0.70**	**0.89**
Net debt / EBITDA	**1.50**	**1.89**

→ Breakdown of Michelin's financial net debt

As a %

	DECEMBER 31, 2007	DECEMBER 31, 2006
Under one year	21.6%	34.8%
1-5 years	40.1%	40.0%
More than 5 years	38.3%	25.2%

→ Breakdown in rate and currencies of Michelin's debt

As a %

	DECEMBER 31, 2007	DECEMBER 31, 2006
Fixed rate	52%	34%
Variable rate	48%	66%
Euro and European currencies	76%	70%
US dollar	10%	18%
Other currencies	14%	12%

A valuable and successful issue

In March 2007, Michelin Group issued EUR 700 million worth of OCEANE-type bonds convertible into new or existing shares. The operation was very well received by investors: Michelin fully allocated the surplus demand option. The issue diversified the Group's sources of funding, lengthened the average maturity of its debt and lowered its finance costs.

Return on capital employed (ROCE*)

Achieving ROCE (Return on capital employed) 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 as a percentage of net sales and free cash flow.

In EUR million

	2007	2006
Operating result before non-recurring income and expenses	1,645	1,338
Average tax rate	34%	34%
Net Operating Profit After Tax (NOPAT)	**1,086**	**883**
Property, plant and equipment and intangible assets	7,725	7,467
Loans and deposits	152	170
Investments in associates and joint ventures	62	71
Total non current assets	7,939	7,708
Working Capital Requirement	3,353	3,436
Period end economic assets	11,292	11,144
Average economic assets	**11,218**	**11,009**
ROCE	**9.7%**	**8.0%**

ROCE measures the return on Group capital employed. This ratio includes:

➔In the numerator, operating income before non-recurring income and expenses less Group companies' theoretical tax burden, or NOPAT (Net Operating Profit After Tax). The Group tax rate applied for ROCE calculation corresponds to a 34% standard average tax rate.

➔In the denominator, Assets employed, in other words, the sum of 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 rate for the period for Profit and Loss account items.

A comparison between ROCE and WACC** shows whether the Group has created value for the period (where ROCE is greater than WACC).

* ROCE: Return on capital employed.
** WACC: Weighted Average Cost of Capital.

OUTLOOK

Michelin expects tire markets to be driven by the dynamics of the emerging countries.
Moreover, for the full year 2008, the further price increase in natural rubber and oil derivatives (used in tire manufacturing) recorded in the second half 2007 could translate into an estimated EUR 200 million additional burden at current exchange rates.
Against this background, Michelin will pursue its pricing policy aimed at offsetting the negative impact of raw material cost increases and will continue its drive to improve competitiveness through productivity gains and streamlined structure costs.

In these conditions, and provided there is no sharp deterioration in the trading environment, Michelin's net sales and operating income before non-recurring items should post further progress in 2008.

→ 2008 world market trend forecasts

Passenger Car and Light Truck Tires

	EUROPE	NORTH AMERICA (1)	ASIA	SOUTH AMERICA	AFRICA & THE MIDDLE EAST	TOTAL
Original Equipment	+ 1%	- 4.5%	+ 8%	+ 3%	+ 14%	+ 1.5%
Replacement	+ 1.5%	+ 1%	+ 5%	+ 4%	+ 4%	+ 3%

Truck Tires*

	EUROPE (2)	NORTH AMERICA (1)	ASIA	SOUTH AMERICA	AFRICA & THE MIDDLE EAST	TOTAL
Replacement	+ 9%	- 0.5%	+ 15%	+ 14%	+ 4%	+ 8.5%
Original Equipment	+ 2%	- 4%	+ 8%	+ 6%	+ 4%	+ 3.5%

(1) United States, Canada and Mexico.
(2) Excluding Russia.
* Radial market.

Horizon 2010 Plan industrial objectives for growth and competitiveness

→ The 30% productivity* gain target in 2010 versus 2005 will probably be more than achieved.

→ Site size, a key productivity factor is slated to increase substantially. In 2005, one fourth of Group production emanated from sites with an annual capacity in excess of 100,000 tons; this should be true of more than half of the sites by 2010.

→ The Group will increase industrial capacity substantially in emerging countries: this should double in the Passenger Car and Light Truck tire and Specialty segments. The aim is to produce the tires in the regions where they are sold, which is not yet always the case.

* Expressed as tons / day / headcount.

Credit rating upgraded

Standard & Poor's indicated on August 3, 2007 that "Michelin will continue to gradually improve its profitability and cash flow generation, thanks to the effect of the cost reduction measures and capacity improvements started in the past two years."
The outlook for the Group was raised from "negative" to "stable", the short-term corporate credit rating was raised to 'A-2' and its 'BBB' long-term corporate credit rating was reaffirmed.

CONSOLIDATED KEY FIGURES AND RATIOS - IFRS GAAP

EUR million	2007	2006	2005	2004
Sales	16,867	16,384	15,590	15,048
% change	+ 3.0%	+ 5.1%	+ 3.6%	N. App.
Total employee benefits costs	4,732	4,718	4,780	4,837
as a % of sales	28.1%*	28.8%	30.7%	32.1%
Number of employees (full time equivalent)	113,529	115,755	119,030	120,456
Research and development expenses (1)	571	591	565	576
as a % of sales	3.4%	3.6%	3.6%	3.8%
EBITDA (2)	2,468	2,209	2,171	2,030
Operating income before non-recurring income and expenses	1,645	1,338	1,368	1,303
Operating margin before non-recurring income and expenses	9.8%	8.2%	8.8%	8.7%
Operating income	1,319	1,118	1,574	1,239
Operating margin	7.8%	6.8%	10.1%	8.2%
Cost of net debt	(294)	(315)	(310)	N. App.
Other financial income and expenses	29	135	(280)	(235)
Income before taxes	1,071	942	1,300	985
Income tax	(299)	(369)	(411)	(331)
Average tax rate	27.9%	39.2%	31.6%	33.6%
Net income	772	573	889	654
as a % of sales	4.6%	3.5%	5.7%	4.3%
Dividend distributions (3)	215	205	221	185
Cash flows from operating activities	1,862	1,191	1,031	1,322
as a % of sales	11.0%	7.3%	6.6%	8.8%
Gross purchases of intangible assets and PP&E	1,340	1,414	1,336	1,107
as a % of sales	7.9%	8.6%	8.6%	7.4%
Capital expenditure, net of disposals	1,378	1,277	1,208	951
Cash flows from investing activities	(1,429)	(1,230)	(1,155)	(1,056)
as a % of sales	8.5%	7.5%	7.4%	7.0%
Net debt (4)	3,714	4,178	4,083	3,292
Total equity (5)	5,290	4,688	4,527	3,647
Gearing (6)	70%	89%	90%	90%
Net debt / EBITDA	1.50	1.89	1.88	1.62
Cash flows from operating activities / Net debt	50.1%	28.5%	25.3%	40.2%
Net interest charge average rate (7)	6.6%	6.3%	6.9%	N. App.
Operating income before non-recurring items / Net interest charge	6.1	4.2	4.4	N. App.
Free cash flow (8)	433	(39)	(124)	266
ROE (9)	14.7%	12.2%	19.7%	18.5%
ROCE – Return on capital employed (10)	9.7%	8.0%	N. App.	N. App.
Per share data (in euros)				
Net assets per share (11)	36.7	32.6	31.5	24.2
Basic earnings per share	5.32	3.95	6.13	4.46
Diluted earnings per share	5.22	3.94	6.12	4.46
P/E (12)	14.8	18.4	7.7	10.6
Dividend per share	1.60**	1.45	1.35	1.25
Distribution rate (13)	30.1%	36.7%	22.0%	28.0%
Dividend yield (14)	2.0%	2.0%	2.8%	2.6%
Share turnover rate (15)	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

** Excluding EUR 74m one-off expense in connection with application of the French Social Security Law (loi de financement de la Sécurité sociale) 2008 relative to end-of-career compensation, employee benefits costs account for 27.6% of net sales.*
*** 2007 dividend subject to approval by the Annual Shareholders Meeting of May 16, 2008.*

FRENCH GAAP

EUR million	2004	2003	2002	2001	2000	1999 proforma
Sales	15,689	15,370	15,645	15,775	15,396	13,763
% change	+ 2.1%	- 1.8%	- 0,8%	+ 2.5%	+ 11.9%	+ 10.2%
Payroll costs	4,872	4,997	5,152	5,242	5,137	4,756
as a % of sales	31.1%	32.5%	32.9%	33.2%	33.4%	34.6%
Average number of employees	126,474	127,210	126,285	127,467	128,122	130,434
Research and development costs	674	710	704	702	645	589
as a % of sales	4.3%	4.6%	4.5%	4.4%	4.2%	4.3%
EBITDA (1)	2,043	1,992	1,978	2,091	2,170	2,127
Operating income	1,299	1,143	1,225	1,040	1,162	1,207
Operating margin	8.3%	7.4%	7.8%	6.6%	7.6%	8.8%
Net interest expense	- 213	- 225	- 260	- 321	- 314	- 238
Net non-recurring income and expense	- 206	19	75	- 29	- 76	- 353
of which restructuring costs	- 55	- 192	- 17	- 340	- 67	- 388
Income before tax	843	590	997	644	729	538
Income taxes	- 316	- 261	- 382	- 330	- 290	- 213
Effective tax rate	37.5%	44.3%	38.4%	51.2%	39.9%	39.7%
Net income before minority interests	527	329	614	314	438	325
as a % of sales	3.4%	2.1%	3.9%	2.0%	2.8%	2.4%
Dividends (2)	133	131	113	105	93	87
Net cash provided by operating activities (3)	1,337	1,542	1,534	1,263	1,017	1,014
Cash flow (4)	1,353	1,407	1,225	1,323	1,416	1,547
as a % of sales	8.6%	9.2%	7.8%	8.4%	9.2%	11.2%
Capital expenditure (5)	1,117	1,118	967	1,150	1,201	1,252
as a % of sales	7.1%	7.3%	6.2%	7.3%	7.8%	9.1%
Capital expenditure, net of disposals (5)	1,025	1,017	809	1,089	1,091	1,003
Acquisition of investments, net of disposals	106	229	62	(184)	166	255
Net debt (6)	3,223	3,440	3,818	4,881	4,926	4,329
Shareholders' equity including minority interests (7)	4,677	4,409	4,502	4,326	4,155	3,838
Debt-to-equity ratio	69%	78%	85%	113%	119%	113%
Average borrowing costs	5.9%	5.8%	6.2%	6.1%	6.5%	9.4%
EBITDA / Net debt	63.4%	57.9%	51.8%	42.8%	44.1%	49.1%
Net cash provided by operating activities / Net debt	41.5%	44.8%	40.2%	25.9%	20.7%	23.4%
Interest expense (8)	209	219	273	311	324	419
Interest cover (operating income / interest expense)	6.2	5.2	4.5	3.3	3.6	2.9
Free cash flow (9)	226	299	637	309	- 241	- 300
ROE (10)	11.2%	7.3%	13.4%	7.4%	10.4%	8.0%
Per share data (in euros)						
Net assets per share (11)	32.1	30.2	30.5	29.7	28.5	26.2
Basic earnings per share	3.59	2.23	4.28	2.20	2.96	2.10
Diluted earnings per share	3.59	2.23	4.28	2.20	2.96	2.10
P/E (12)	13.1	16.3	7.7	16.8	13.0	18.6
Net dividend per share	1.25	0.93	0.93	0.85	0.80	0.71
Pay-out rate (13)	34.8%	41.7%	21.7%	38.6%	27.0%	33.8%
Net dividend yield (14)	2.6%	2.6%	2.8%	2.3%	2.1%	1.8%
Capital turnover rate (15)	134%	144%	145%	108%	97%	105%

(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 167m).
(6) Net debt: long and short-term debt (including securitization) – cash and cash equivalents.
(7) Shareholders' equity including minority interests: 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) Net 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 shares outstanding during the year.

Proposed Resolutions

As part of the Ordinary Shareholders Meeting, Shareholders are invited to approve the operations reflected in the Company's income statement and balance sheet submitted, and to decide on the appropriation of the EUR 277,547,730.64 profit.

After allocation of the statutory share of General Partners in an amount of EUR 7,718,000 and of the statutory reserve equal to EUR 69,370.20, the EUR 269,760,360.44 balance, plus retained earnings of EUR 241,845,315.52, amounts to a total of EUR 511,605,675.96 available for distribution to the Shareholders.

On the basis of these earnings, we propose distribution of a total amount of EUR 230,398,670.40 which will allow for distribution of a EUR 1.60 dividend per share, up 10.6% versus the dividend distribution for financial year 2006. This increase is a sign of our confidence for the future and reflects our continued policy to increase dividend distributions.

If approved, the date of expiry for dividend entitlements would be May 20, 2008, upon which date shares shall be quoted net of their dividend entitlement for financial year 2007.

If approved, the dividend would be paid on May 23, 2008.

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

Financial year	Dividends Distributed (EUR)	Dividend per Share
2004	179,233,781.25	1.25
2005	193,573,293.75	1.35
2006	208,295,861.11	1.45

You will, moreover, be asked to approve the Group's consolidated accounts showing a Net income of EUR 771,819,952.32.

Concerning the make up of the Supervisory Board, Mr Edouard de Royère informed us that he wished to resign at the end of 2007. We would like to express our gratitude for his immense contribution to the Company in the course of his long and fruitful collaboration. Moreover, the Shareholders will be asked to approve the renewal of the terms of Messrs Pierre Michelin and Benoît Potier, as these will expire at the end of this Annual Shareholders Meeting, and the appointment of two new members, Mr Louis Gallois and Mrs Barbara Dalibard, for a 5-year term.

Louis Gallois is currently Chief Executive Officer of EADS and President of Airbus. Before this he was President of SNCF and occupied a number of functions in the aeronautics industry (Chief Executive Officer of SNECMA, and later of Aérospatiale) and in France's Economics and Finance Ministry, in the Research and Industry Ministry and the Ministry of Defense.

Mrs Barbara Dalibard is currently Member of France Télécom's General Management Committee in charge of Corporate customer communication and Chief Executive Officer of EQUANT. Her previous positions included sales management at France Telecom and, prior to this, at groupe Alcatel.

As in previous occasions, we ask you to renew for an 18-month term the authorization to buyback the Company's shares for up to a maximum of 10% of equity. We recommend retaining the EUR 100 ceiling and EUR 60 threshold for the maximum and minimum share prices respectively.

This authorization would replace that granted for the same purpose by the Annual Shareholders Meeting of May 11, 2007, stressing that it was not used in 2007 and that no liquidity contract with an investment bank has been concluded by the Company to this date. For this reason, no specific report is required concerning the Company's utilization of the share repurchase program of 2007.

Finally we submit to the Shareholders vote a proposal for an authorization valid for 26 months to issue bonds for a maximum amount of EUR 1 billion which would replace the authorization granted for the same purpose by the Joint Shareholders Meeting of May 12, 2006, which was not used.

In the Extraordinary session, we will submit to the Shareholders vote, a renewed authorization, in the same or similar terms (except for a new resolution to grant free shares) of delegated powers in financial matters, granted to the Managing Partners by the Joint Annual Shareholders' Meeting of May 12, 2006, aimed at enabling the Company to carry out operations and seize opportunities of arranging financial means tailored to its needs.

The first two resolutions concern capital increases by way of new share emissions of any class of securities giving access to capital: one class of shares, with Shareholders' pre-emptive subscription rights maintained, and one class with Shareholders' pre-emptive subscription rights canceled. In the latter case, you will enjoy, prorata to your shareholdings, pre-emptive subscription rights for any unsubscribed shares, as the case may be.

The ceilings for these authorizations are reasonable since the total nominal amount of such capital increases giving rise to pre-emptive subscription rights would be capped at one hundred million euros (EUR 100,000,000), or 35% of current issued capital, while that concerning capital increases whose Shareholder pre-emptive subscription rights are cancelled, would be limited to a maximum of fifty seven million euros (EUR 57,000,000) or 20% of current issued capital. In the latter case, please note that the law provides that the share issue price should be at least equal to the weighted average of the first prices quoted in the last three Stock Exchange days prior to the day when the price was fixed, reduced, as the case may be, by maximum 5% statutory below par rate.

A ceiling of eighty million euros (EUR 80,000,000) would apply to capital increases through incorporation of reserves.

Also pursuant to legal provisions and in order to be better equipped to seize possible opportunities as they arise in the stock market, the Shareholders will be asked to authorize:

• The faculty of increasing the amount of shares to be issued in case of surplus demand within the framework of capital increases with or without pre-emptive subscription rights referred to above. The law provides that this authorization be subject to a thirty-day limit after closing of the initial issue and a 15% ceiling of the relevant issue.

• The faculty of determining the issue price of ordinary shares or securities giving access to capital, capped at 10% of capital per year where the pre-emptive subscription right has been cancelled; in such circumstances, the issue price would correspond either to the weighted average share price over a maximum period of six months prior to the issue price fixation date, or to the average weighted price of the trading day prior to the issue price fixation date, reduced, as the case may be, in both cases, by a maximum 5% below par rate.

We also submit to your vote the proposal of granting us the authorization to conduct capital increases providing, in the event of public exchange offerings and contributions in kind, that Shareholder pre-emptive share subscription rights would be cancelled. This authorization is capped at the above maximum amount of fifty seven million euros (EUR 57,000,000) or 20% of current issued capital, applicable to capital increases with pre-emptive subscription rights being canceled.

Finally, we propose that you grant us the authorization to issue securities for a maximum amount of one billion euros (EUR 1,000,000,000) giving entitlement to debt instruments that do not give access to capital.

Please note that should we avail ourselves of any of these authorizations, we would draw up a corresponding report submitted to you in due time and form as per the applicable law, setting forth the conditions of the operation and, as the case may be, its impact on your pro-rata share of equity and its theoretical impact on the then current share price.

We also propose to cap overall capital increases that could be carried out under said financial transaction authorizations at a nominal amount of one hundred million euros (EUR 100,000,000), and to cap bond or debt issues carried out under these authorizations at a global amount of two billion euros (EUR 2,000,000,000).

Moreover, we submit a resolution on the granting of free shares to the Company's and its subsidiaries' employees, whereby the Managing Partners would select the beneficiaries or classes 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. This new resolution would enable the Managing Partners to carry out prudent and selective free share allocations, chiefly targeted at the Group's non-manager employees, in order to secure even stronger commitment on the part of teams to attaining the Group's economic objectives. Such share allocations would become final within the legal timeframe, it being understood that the number of shares to be allocated via share subscription under this authorization would be capped at 0.5% of current issued capital on the date of the decision.

In addition, we propose that you grant us the authorization of carrying out capital increases reserved to the Company's and its subsidiaries employees as part of employee shareholder schemes capped at 2% of current issued capital.

The term of these authorizations would be 26 months starting from this Annual Shareholders Meeting, except for the free share allocations authorization which would be 38 months from the same date.

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.

Clermont-Ferrand, February 12, 2008

Michel Rollier

Didier Miraton

Jean-Dominique Senard

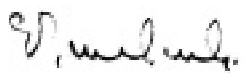
Supervisory Board Report

Ladies and Gentlemen,

The Managing Partners' Report and accounting and financial statements available to you show developments in Group operations and results for Financial Year 2007.
We have no comments on the Statutory Auditors General Report for the year.
The consolidated financial statements show net income of EUR 772 million versus EUR 573 million in 2006. This strong (35%) increase is accounted for mainly by a substantial operating income before non-recurring items improvement combined with a lower income tax burden, despite heavier restructuring charges.
At constant scope and exchange rates, Group sales are up 6.5%. Operating income before non-recurring items rose 22.9 % to EUR 1,645 million and, at 9.8%, operating margin was up 1.6 point year-on-year. Excluding a one-off EUR 74 million expense in connection with impact of the French Social Security Law (loi de financement de la Sécurité sociale) voted in December 2007 and relative to end-of-career compensation, operating margin would have reached 10.2%.
Gearing improved 19 points versus December 31, 2006.
In these conditions, the Supervisory Board agrees with your Managing Partners' recommendation to raise dividend distribution to EUR 1.60 per share, up 10.6% versus financial year 2006.
As each year, a Special report prepared by the Chairman of the Supervisory Board is attached to the Managing Partner's Report to the Annual Shareholders Meeting. This Special report accounts for both the conditions of preparation and organization of its work and that of its Committees during the year and reviews the internal control procedures set up by the Company.

The Supervisory Board enjoys full independence to fulfil 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.
By virtue of the above, the Supervisory Board reiterates its confidence in the Company's future prospects.
In addition, following Mr Edouard de Royère's decision to resign as Supervisory Board member at the end of 2007, all of the Board members wish to thank him and pay tribute to his valuable contribution to the Board's mission.
Concerning the other resolutions, you will be asked to vote, firstly, on the make up of the Supervisory Board, on the renewal of the terms of Messrs Benoît Potier and Pierre Michelin, and on the appointment of two new members, Mr Louis Gallois and Mrs Barbara Dalibard.
Secondly, concerning financial matters, you will be asked to vote on the renewal in the same or similar terms, other than with respect to a new authorization to grant free shares, of the delegation of powers or authorizations granted to the Managing Partners by the Joint Annual Shareholders' Meeting of May 12, 2006.
In these circumstances, we recommend you to adopt the proposals submitted for your approval and, accordingly, to vote in favor of the corresponding resolutions.

Clermont-Ferrand, February 11, 2008



Eric Bourdais de Charbonnière
Chairman of the Supervisory Board

Report prepared by the Chairman of the Supervisory Board

on preparation and organization of Supervisory Board operations and on Company Internal Control Procedures

Ladies and Gentlemen,

In my capacity as Chairman of the Supervisory Board and pursuant to the Financial Security Law (Loi de Sécurité Financière) of August 1, 2003, I am pleased to report on Board operations, preliminary work and organization and on Group internal control procedures in 2007.

Supervisory Board Organization and Preliminary work

1. Supervisory Board Organization

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 and appointed exclusively from among Shareholders.

The Supervisory Board is currently made up of seven members, all independent for the purposes of the Group's corporate governance as they comply with the independence criteria set forth in the Board's code of conduct. These criteria meet relevant financial authorities' recommendations on corporate governance to ensure free judgment and absence of vested interest. They preclude direct or indirect relationship between Supervisory Board members and the Company, the Group or its management.

2. Supervisory Board Mission

The Supervisory Board monitors the management of the Company on an ongoing basis.

The Code of Conduct stipulates that its mission includes:

- review of annual and semi-annual corporate and consolidated accounts prepared by the Managing Partners;
- assess the fairness and the relevance of management decisions;
- assess internal control systems and risk management;
- assess respect of Shareholder rights.

3. Basis of the Supervisory Board's Work

Under its Code of Conduct, the Supervisory Board provides that to perform its control mission, it needs to benefit from management briefs at each of its meetings covering the following areas:

- results analysis by the Managing Partners and the Chief Financial Officer;
- main strategic projects;
- review of all Group risks;
- relevant subjects necessary to understand the Group's strategy, operations and outlook in the context of its markets and competitive environment.

The Code of Conduct also provides for the following information to be supplied to Supervisory Board members:

- a quarterly management chart including key indicators, and
- regular updates including the most significant press releases and financial analysts' studies together with background information.

4. Assessment of Supervisory Board 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 12, 2007.

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 considers accordingly that it is fully able to fulfill its role.

5. Supervisory Board's Report for Financial Year 2007

The Supervisory Board met on five occasions in 2007, each session lasting on average five hours and a half. The attendance rate was 94%.

On each occasion, the Board was presented a detailed review of Group results. On February 12 and July 23, 2007 respectively, the Supervisory Board examined consolidated and corporate financial statements for the full year 2006 and the 2007 interim accounts. It also reviewed and commented on, the financial communication for the period.

In early 2007, the Supervisory Board reviewed proposals concerning changes in the Group's governance and choice of new executives, with the help of a consultancy firm. The Supervisory Board then recommended to the Annual Shareholders Meeting to approve the amendments to the Bylaws and the appointment of two new Non-General Managing Partners to strengthen the Group's management.

The Supervisory Board also benefited from the following presentations by the Managing Partners or Heads of Group Operations:

- managing Partners' review of operations;
- the product and market environment;
- the objectives and status of the Group's strategy under the Horizon 2010 Plan;
- Group risk management and control;
- Group governance;
- industrial strategy.

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

6. Audit Committee Work

The Audit Committee is exclusively made up of independent members. It is chaired by Mr. François Grappotte, the other members being Mr. Eric Bourdais de Charbonnière, Mr. Pierre Michelin and Mr. Edouard de Royère (until November 30, 2007).

The Audit Committee met on four occasions in 2007. The attendance rate was 94%.

It focused on:

- full-year 2006 and interim 2007 financial statements;
- review and evaluation of Internal Control;
- review of Legal and Financial Risk management;
- review of the Statutory Auditors' annual audit agenda.

The Audit Committee heard presentations in particular from the Group's Chief Financial Officer and the heads of Accounting, Management Control, Legal Affairs and Internal Audit Departments.

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 12, and July 23, 2007.

7. Compensation Committee Work

The Supervisory Board as a whole performs the functions generally delegated to a Compensation Committee.

The Compensation Committee met 3 times in 2007 with a 95% attendance rate.

In 2007, the Board reviewed the components of manager variable pay policy related to the Group's performance. The Board advised the Managing Partners on stock option policy and assessed potential changes in the number of Company shares resulting from stock option plans over time. Finally it was consulted on the subject of the Non-General Managing Partners' compensation and that of the Group's Executive Council for 2007.

Michelin Group Internal Control Procedures

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 which:

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

Internal control's objective is to ensure:

- legal and regulatory compliance;
- implementation of Managing Partners' instructions and policy;
- smooth working of corporate internal processes, in particular in connection with preservation of assets;
- reliability of financial information;

and more generally, to help monitor their activities, including efficiency of operations and efficacy of resources.

Internal control operations, however, are not a full-proof guarantee that all objectives will be achieved. Any internal control system has its limitations in connection with uncertainties about the external environment, the exercise of judgment and the pros and cons 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 scope of operation and disposing of its own marketing, development, production and sales means to which are associated two product distribution networks (Euromaster in Europe and Tire Centers Inc. in North America).

The Product Lines are supported by nine Group services, in charge of supporting functions (Purchasing, Legal, Personnel…).

At regional level, Group consistency and synergy are guaranteed by entities based in the Group's 6 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 two years, followed by an interim summary update every alternate year.

Risk assessment and risk control policy

The Group's objectives are defined by its 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 10 classes of risk: Product Liability, Financial, IT, Procurement, Legal, Security, Safety and Fraud, Environmental, Social and Corporate Image.

Group Risk Management provides for 3-tier monitoring:

- Operational management (Operational Units, Product Lines, Geographic zones and so on) identify and manage risks pertaining to their respective entities. This includes:
  - risk-prevention measures,
  - personal, asset and equipment protection measures to mitigate the consequences of a risk occurrence,
  - plans to restore operational capability in the event of major dysfunction.
- For each class of risk referred to above, the relevant Group Services (Purchasing, Legal, IT systems…), draw up a risk report, define standards and manage and monitor implementation of risk policy in their own field of expertise.
- Ultimately, Internal Auditing independently controls the efficiency of the overall system in its audit missions.

The Group's Risk Manager, who reports directly to a Member of the Executive Council, is in charge of guaranteeing the efficiency of the Group's risk control policy, with special emphasis on major risks.

In his capacity as supervisor of the risk policy, he defines the Group's risk management method and promotes a risk management culture across the Group. He ensures that the Group's major risks have been identified, assessed by the entities concerned, and that they gave rise to robust risk prevention and protection measures, complemented by adequate business continuity restoration plans.
In the course of the reporting period, such restoration plans were further formalized and the entities' ability to cope with potential crises was strengthened through the setting up of crisis management units and simulation drills.
These different aspects (prevention, protection and business restoration) are managed with the Group's Risk Committee, whose role is to recommend to the Managing Partners measures to address major risks, in other words, to significantly reduce the probability of their occurrence and potential consequences.
The Risk Committee met twice in 2007 to review the more complex business continuity plans and update the structure of the Group's crisis management organization.

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 auditing, a number of certifications are granted by external bodies.
Finally, the system provides for periodic management reviews to assess the efficiency and performance 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 scorecard is also submitted to the Group's Executive Council for monthly reporting purposes. The Financial Affairs 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 dispose of tools to monitor their operations and detect any dysfunctions in their internal control process. This is complemented with entity internal reviews carried out by 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 advisory 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, who 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 to 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 concerning accounting and financial information processing and production

Description

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

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 on 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 variations in consolidated financial statements are carefully analyzed. The spread between plans 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 monthly 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 limited review certificate to June 30, and an audit report to December 31, complemented by ad-hoc control reports and regular communication 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 Financial Affairs Department, is responsible for the development 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;
- documentation produced for meetings with analysts and investors.

The Investor Relations Department in consultation with the Group's Legal Department coordinates publication of the Annual Report and the Reference Document. These 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 validated by the Managing Partners before being circulated.

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 approach adopted for 2004-2006

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 group of 6 processes were selected for initial evaluation. These include Purchasing (from order to supplier settlement), Sales (from order to customer settlement) and Inventory Management cycles, as well as Group Financing and Financial Risk Management, Intra-Group Transactions and Commitment Reporting. The Group's Internal Control operations also cover the IT management and administration issues underlying the above processes.

For each of the above processes, the Group uses an evaluation questionnaire listing the controls in place to prevent production of erroneous accounting data and testing the efficiency of controls.

Where necessary, action plans are drawn up to remedy the weaknesses that have been identified.

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

Before deploying the approach across the full sample, a pilot phase was conducted in North America in 2004 on the Purchasing, Sales and Inventory Management processes. The pilot phase was designed to confirm the relevance of the chosen method.

After confirmation of the relevance of work carried out in 2004 in Purchasing, Sales and Inventory Management processes, the control operation was extended in 2005 and 2006 to the full sample across Geographic Zones. Improvement areas were identified and action plans were introduced in each company for implementation by the local teams.

Work carried out in 2007

In 2007 the control operations were extended to the remaining three processes of Group Financing and Financial Risk Management, Intra-Group Transactions and Commitment Reporting. The outcome of this work is in the process of being summarized and the relevant action plans are being developed.

One of the opportunities for progress highlighted in the initial phase (identification of current control activities) was the need for formal Internal Control Manuals laying down the main control operations for all six processes to be implemented by all Group companies. Such a manual was drawn up in 2006 for Inventory Management, a cycle identified as a top priority. The deployment of the above internal controller manual involved relying on process owners and making them accountable for the control activities and accompanying self-evaluation. Accordingly, the Group provided in-depth internal control training to its North American staff under the pilot phase. The training was deployed in the rest of the world in 2007.

2007 saw self-assessments being conducted on the six following processes: purchasing, inventories, sales, financial risks, intra-group transaction and commitments processes.

Finally, in early 2007, the Supervisory Board reviewed the Group's major risk map. The map was a compilation by the Group's Risk Manager of the risk reviews conducted by the operating entities. The map is the Group's risk scorecard used to identify risk management priorities calling for possible action plans, to monitor higher-level risks and to draw up internal auditing work schedules.

Entity risks are assessed on the basis of their consequences, which determine their seriousness. They are mapped according to two considerations: seriousness and residual vulnerability, that is with reference to the prevention and protection resources deployed. Business continuity restoration plans are also integrated in the map.

Risks are classified according to operating type (quality, product flow, financial, IS, procurement, legal, security of goods and people, safety and fraud, environmental, social and corporate image), in order to identify a risk "owner", and, in addition they are classifed by impact type (product quality, product flow, financial flow, impact on people, norms and regulations, image), so as to offer an overview of all risks based on their consequences.

The Supervisory Board reviewed all the listed risks, including for example synthetic rubber, semi-finished or parts procurement failure, Purchasing department internal control, epidemics (for employees operating in risk-prone regions), crisis management process robustness, total or partial failure of plants supplying other sites with semi-finished or key products for small production series, etc.

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

Outlook

Starting in 2008, Michelin Group has decided to rely partly on a third-party provider for some of its accounting operations, in order to guarantee better service at a better cost.

Now that a six-year contract has been signed effective end of November 2007, each Zone will conduct the necessary feasibility studies for each company and will draw up the transition plans designed to support gradual introduction of the most suitable solutions. Transition is expected to begin during the second quarter 2008 with completion over a two-year period.

The processes concerned by this gradual outsourcing are as follows: Trade Payables and Receivables, Fixed Asset accounting and Intra-Group Accounting.

The Supervisory Board shall review this outsourcing operation in its next report.

The year 2008 will also witness a further drive to formalize the Group's key control operations, in line with the 2006 and 2007 initiatives concerning inventory management, purchasing and sales cycles, Group financing and financial risk management processes, intra-group transactions and commitments reporting.

The other processes to be reviewed in the 2008-2009 period concern fixed asset, human resources and tax cycles. The Consolidation, Financial Information and Acquisition processes will form an integral part of the forthcoming formalization.

The companies belonging to the sample will then check proper implementation of control activities through self-evaluations 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 finally be assessed by the Internal Control teams.

The Audit Committee keeps the Supervisory Board regularly informed of the status of the Group's control monitoring process and results.

Clermont-Ferrand, February 11, 2008

Eric Bourdais de Charbonnière
Chairman of the Supervisory Board

Statutory Auditors' Report

on the report prepared by the Chairman of the supervisory board

on the internal control procedures relating to the preparation and processing of financial and accounting information

Year ended december 31, 2007

This is a free translation into English language of the Statutory Auditors' report on the report prepared by the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information 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,

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, we report to you on the report prepared by the Chairman of the Supervisory Board of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2007.

It is the Chairman of the Supervisory Board responsibility to describe in his report the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of the accounting and financial information.

We performed our procedures in accordance with French professional standards. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures notably consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work performed to support the information given in the report;
- determining if the material weaknesses in the internal control relating to the preparation and processing of the accounting and financial information that we may have identified in the course of our audit are properly described in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of the accounting and financial information, contained in the Chairman of Supervisory Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris, February 11, 2008

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of the Compagnies Régionales de Versailles et Paris

Michelin AxioBib, a product of Ultraflex technology, is the only low pressure tire for the most powerful lead tractors. Its benefits include: low soil compaction, enhanced agronomic yield, optimum comfort and safety on roads, longer service life and up to 9% fuel saved in field operations.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated income statement

(in EUR million, except per share data)	*Note*	Year ended 31 December 2007	Year ended 31 December 2006
Sales	*5*	**16,867**	**16,384**
Cost of sales		(11,817)	(11,653)
Gross income		**5,050**	**4,731**
Sales and marketing expenses		(1,803)	(1,799)
Research and development expenses		(571)	(591)
General and administrative expenses		(937)	(965)
Other operating income and expenses	*8*	(94)	(38)
Operating income before non-recurring income and expenses	*5*	**1,645**	**1,338**
Non-recurring expenses	*9*	(326)	(220)
Operating income		**1,319**	**1,118**
Cost of net debt	*10*	(294)	(315)
Other financial income and expenses	*10*	29	135
Share of profit/(loss) from associates		17	4
Income before taxes		**1,071**	**942**
Income tax	*11*	(299)	(369)
Net income		**772**	**573**
Attributable to Shareholders		774	572
Attributable to non-controlling interests		(2)	1
Earnings per share (in euros)	*12*		
Basic		5.32	3.95
Diluted		5.22	3.94

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

Consolidated balance sheet

Assets

(in EUR million)	Note	31 December 2007	31 December 2006
Goodwill	*13*	401	438
Other intangible assets	*13*	200	181
Property, plant and equipment (PP&E)	*14*	7,124	6,848
Non-current financial assets and other assets	*15*	452	449
Investments in associates and joint ventures	*17*	62	71
Deferred tax assets	*18*	926	1,005
Non-current assets		**9,165**	**8,992**
Inventories	*19*	3,353	3,342
Trade receivables	*20*	2,993	3,237
Current financial assets	*21*	35	79
Other current assets	*22*	573	544
Cash and cash equivalents	*23*	330	680
Current assets		**7,284**	**7,882**
Total assets		**16,449**	**16,874**

Liabilities and equity

(in EUR million)	Note	31 December 2007	31 December 2006
Share capital	*24*	288	287
Share premiums	*24*	1,885	1,863
Reserves		3,109	2,527
Non-controlling interests		8	11
Total equity		**5,290**	**4,688**
Non-current financial liabilities	*25*	2,925	2,736
Employee benefits	*26*	2,567	2,730
Provisions and other non-current liabilities	*28*	895	818
Deferred tax liabilities	*18*	61	58
Non-current liabilities		**6,448**	**6,342**
Current financial liabilities	*25*	1,145	2,157
Trade payables		1,642	1,776
Other current liabilities	*29*	1,924	1,911
Current liabilities		**4,711**	**5,844**
Total liabilities and equity		**16,449**	**16,874**

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	Retained earnings	Non-controlling interests	Total equity
Total as at 31 December 2005	**287**	**1,845**	**–**	**170**	**162**	**2,047**	**16**	**4,527**
Change in fair value of available for sale investments (net of income tax):								
– unrealised gain/(loss)	–	–	–	–	26	–	–	26
– (gain)/loss recognized in income statement	–	–	–	–	(109)	–	–	(109)
Employees share option schemes:								
– cost of service rendered	–	7	–	–	–	–	–	7
– proceeds from shares issued	–	11	–	–	–	–	–	11
Dividends and other allocations	–	–	–	–	–	(204)	(1)	(205)
Net income	–	–	–	–	–	572	1	573
Currency translation differences and other	–	–	–	(138)	1	–	(5)	(142)
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)	(2)	(1)	(1)	(94)
Total as at 31 December 2007	**288**	**1,885**	**–**	**(58)**	**194**	**2,973**	**8**	**5,290**

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

Consolidated cash flow statement

(in EUR million)	Note	Year ended 31 December 2007	Year ended 31 December 2006
Net income		**772**	**573**
EBITDA adjustments			
– Cost of net debt	*10*	294	315
– Other financial income and expenses	*10*	(29)	(135)
– Income tax	*11*	299	369
– Amortization, depreciation and impairment of intangible assets and PP&E		823	871
– Non-recurring income and expenses	*9*	326	220
– Share of loss/(profit) from associates		(17)	(4)
EBITDA before non-recurring income and expenses		**2,468**	**2,209**
Non-cash other income and expenses	*30*	(26)	(75)
Change in provisions, including employee benefits		(175)	(229)
Net finance costs paid	*30*	(277)	(311)
Income tax paid		(294)	(182)
Change in value of working capital, net of impairments	*30*	166	(221)
Cash flows from operating activities		**1,862**	**1,191**
Purchases of intangible assets and PP&E	*30*	(1,484)	(1,379)
Proceeds from sale of intangible assets and PP&E		106	102
Acquisitions of consolidated shareholdings, net of cash acquired		(106)	(41)
Proceeds from sale of consolidated shareholdings, net of cash disposed		–	(3)
Purchases of available-for-sale investments		(5)	(60)
Proceeds from sale of available-for-sale investments		19	146
Change in value of other financial assets	*30*	41	5
Cash flows from investing activities		**(1,429)**	**(1,230)**
Proceeds from issuance of shares	*24*	14	11
Dividends paid to Shareholders		(208)	(193)
Other allocations		(7)	(12)
Proceeds of the issuance of convertible bonds		694	–
Change in value of financial liabilities	*30*	(1,262)	311
Other		(5)	5
Cash flows from financing activities		**(774)**	**122**
Effect of the change of currency rates		**(9)**	**(14)**
Increase/(decrease) of cash and cash equivalents		**(350)**	**69**
Cash and cash equivalents as at 1 January		**680**	**611**
Cash and cash equivalents as at 31 December	*23*	**330**	**680**

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 (commandite par actions) incorporated in Clermont-Ferrand (France).
The Company is listed on the Paris stock exchange.
After review by the Supervisory Board, these consolidated financial statements have been authorized for issue by the Managing Partners on 11 February 2008.
Except as otherwise stated, all amounts are presented in EUR million.

2 • Basis of preparation

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.

International Financial Reporting Standards used

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.

Standards, amendment and interpretations effective in 2007

IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables.
IFRIC 8, "Scope of IFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements.
IFRIC 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

Interpretation early adopted by the Group

IFRIC 11, "IFRS 2 – Group and treasury share transactions", was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) 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 an impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:
• IFRS 4, "Insurance contracts";
• IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies"; and
• IFRIC 9, "Re-assessment of embedded derivatives".

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 2008 or later periods, but the Group has not early adopted them:
• IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs 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) from 1 January 2009.
• 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.
• IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.
• IAS 1 revised "Presentation of financial statements". IAS 1 affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

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

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

• IFRIC 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

• IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies operate a significant loyalty programmes.

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 judgement 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.

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.

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 into 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, 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 2007	31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
US dollar (USD)	1.475	1.317	1.371	1.257
Swiss franc (CHF)	1.656	1.607	1.643	1.573
British pound (GBP)	0.738	0.670	0.684	0.682
Canadian dollar (CAD)	1.442	1.528	1.469	1.425
Polish zloty (PLN)	3.603	3.825	3.783	3.896
Brazilian real (BRL)	2.627	2.812	2.666	2.734
Japanese yen (JPY)	165.1	156.6	161.2	146.1
Chinese yuan (CNY)	10.77	10.29	10.42	10.02

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 recognising 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 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.

The Group generally limits the use of hedge accounting to certain significant transactions.

Some derivatives, while providing effective economic hedges under the Group's financial policies, do not qualify or have not been designated for hedge accounting (derivatives policy). 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.

Earnings before interests, tax, depreciation and amortization (EBITDA)

The Group defines EBITDA 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 at invoice date.

• 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 and associates, 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 CGUs are tested annually, since goodwill are 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 faculty 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.

Trade payables

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

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.

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

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.

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.

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.

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 2007 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 has 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 policy is coordinated and monitored at Group level with a view to protecting future cash flows and reducing the volatility of the financial costs. Short-term positions are managed at the level of the individual countries. The Group uses several instruments available in the market and in particular interest rate swaps or forward interest rate contracts as well as interest rate options ("cap" purchases).

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 (generally less than three months) with blue chip banks and on investment-type (deposit certificate, UCITS) financial instruments while avoiding significant concentration levels.

4.1.6. Credit Risk

Trade receivables represent about 20% 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 2007, 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:

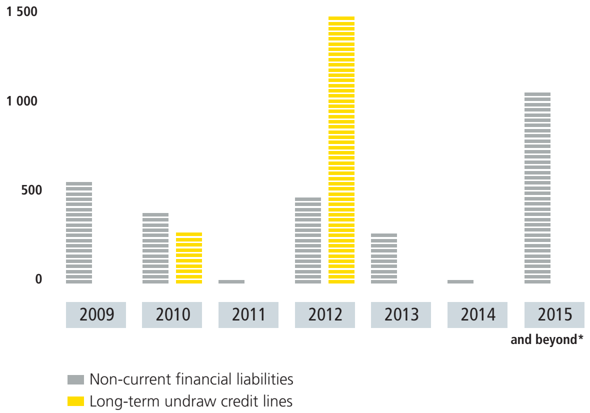
(in EUR million)	31 December 2007	31 December 2006
Financial liabilities (note 25)	**4,070**	**4,893**
– less, liability derivative instruments (notes 16 and 25)	(24)	(21)
Financial liabilities excluding derivative instruments	**4,046**	**4,872**
– including current debt	1,122	2,136
– including non-current debt	2,924	2,736
Cash and cash equivalents (note 23)	**(330)**	**(680)**
Undrawn, confirmed credit lines (more than 1 year)	**1,753**	**1,785**

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.

The schedule of long-term financial debt and undrawn credit lines breaks down as follows:

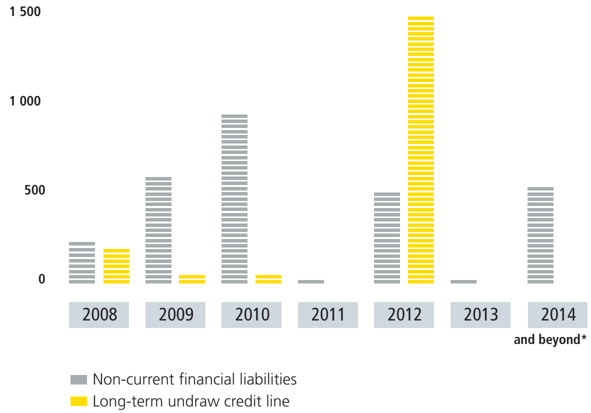
At 31 December 2007

(in EUR million)



At 31 December 2006

(in EUR million)



** Includes the lowest ranking subordinated notes issued by CGEM in 2003 and redeemable in cash (TSDR) for an amount of EUR 469 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 2007						31 December 2006					
	EUR	RSD	BRL	CNY	USD	Other	EUR	CSD	BRL	CNY	USD	Other
Monetary assets	8,159	–	19	25	3,568	1,888	7,218	–	–	10	3,391	1,920
Monetary liabilities	(9,280)	(11)	–	–	(2,381)	(1,237)	(8,046)	(17)	–	–	(2,485)	(899)
Net position before hedging	**(1,121)**	**(11)**	**19**	**25**	**1,187**	**651**	**(828)**	**(17)**	**–**	**10**	**906**	**1,021**
Hedges	1,011	–	–	–	(1,154)	(613)	759	–	–	–	(1,003)	(962)
Net position after hedging	**(110)**	**(11)**	**19**	**25**	**33**	**38**	**(69)**	**(17)**	**–**	**10**	**(97)**	**59**

A decrease in the value of the Euro against all other currencies would represent a negative aggregate impact smaller than EUR 1 million (2006: EUR 2 million) in the consolidated income statement, after hedging, for every cent change.

Currency Translation Risk

A breakdown of consolidated equity risk by currency is provided in the following table:

(in EUR million)	31 December 2007	31 December 2006
EUR	1,823	1,751
USD	768	654
CHF	675	738
BRL	522	282
PLN	438	362
CAD	281	205
GBP	176	140
CNY	101	139
THB	82	38
MXN	79	75
HUF	73	61
RSD	66	54
Other	206	189
Total	**5,290**	**4,688**

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 2007				31 December 2006			
	Floating	Fixed rates			Floating	Fixed rates		
	rates	1 - 5 years	> 5 years	Total	rates	1 - 5 years	> 5 years	Total
Liabilities	1,884	1,044	1,142	4,070	3,248	634	1,011	4,893
Assets	(381)	(38)	(86)	(505)	(819)	(25)	(56)	(900)
Net exposure before hedging	**1,503**	**1,006**	**1,056**	**3,565**	**2,429**	**609**	**955**	**3,993**
Hedges	220	(220)	–	–	220	(220)	–	–
Net exposure after hedging	**1,723**	**786**	**1,056**	**3,565**	**2,649**	**389**	**955**	**3,993**

A 1% change in short-term interest rates would translate into a EUR 17 million (2006: EUR 26 million) change in the Group's interest income and expenses.
Interest rate caps on USD 300 million (EUR 204 million equivalent) have been contracted by the Group to minimize the risk against an increase in the USD interest rate above 6%.
Besides, a 1% parallel shift on the yield curve would translate into a EUR 220 million (2006: EUR 67 million) changes in the fair value of the financial assets (loans and deposits in note 15) and liabilities (financial liabilities in note 25). Most 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 2007	31 December 2006
Carrying amount (note 15)	265	248
Impact on income statement	–	–
Impact on equity	**(23)**	**(21)**

The impact calculation includes hedging instruments (note 15) but does not include taxes.

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 2007, net receivable balances from the ten largest customers, each amounting to more than 0.9% of the total balance, amount to EUR 602 million (2006: EUR 571 million). Six of these customers are located in North America and four in Europe.

At the same date, forty two customers (2006: forty) have been granted credit limits in excess of EUR 10 million. Out of these, twenty are located in Europe, twenty in North America and two in Asia.

There was no significant amount of collateral received to limit credit risk.

In 2007, credit losses represent 0.12% of sales (2006: 0.12%).

4.2.7. Commodities derivatives

In 2007, 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.

During 2007, the Group's strategy, which was unchanged from 2006, was to decrease its net debt in order to secure access to finance at a reasonable cost by maintaining the current credit ratings (note 25). The debt ratios at 31 December 2007 and at 31 December 2006 were as follows:

(in EUR million)	31 December 2007	31 December 2006
Net debt (note 25)	3,714	4,178
Total equity (as shown in the balance sheet)	5,290	4,688
Debt ratio	**0,70**	**0,89**

The decrease in the debt ratio during 2007 resulted from:

• a decrease of the net debt (primarily due to a net positive operating and investing cash flow), and

• an increase of the equity (primarily due to the result of the year).

5 • Segment reporting

Business segments (in EUR million)

	2007				2006			
	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	9,041	5,639	2,187	16,867	8,991	5,418	1,975	16,384
Operating income before non-recurring income and expenses	830	427	388	1,645	736	357	245	1,338
In percentage of sales	*9.2%*	*7.6%*	*17.8%*	*9.8%*	*8.2%*	*6.6%*	*12.4%*	*8.2%*
Segment assets								
Intangible assets and PP&E	4,031	2,596	1,098	7,725	4,121	2,451	895	7,467
Finished products inventories	1,199	710	345	2,254	1,190	705	347	2,242
Trade receivables	1,630	977	386	2,993	1,772	1,008	457	3,237
Total segment assets	**6,860**	**4,283**	**1,829**	**12,972**	**7,083**	**4,164**	**1,699**	**12,946**
Other information								
Depreciation and amortization charge	507	268	103	878	494	259	98	851
Impairment charge/(reversal)	–	(6)	(49)	(55)	6	–	14	20
Capital expenditure	579	436	325	1,340	747	429	238	1,414

** 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 into the Group's internal financial reporting.

Geographical segments (in EUR million)

	2007				2006			
	Europe	North America	Other zones	Total	Europe	North America	Other zones	Total
Sales	8,503	5,517	2,847	16,867	8,017	5,738	2,629	16,384
Segment assets	7,451	3,315	2,206	12,972	7,457	3,487	2,002	12,946
Capital expenditure	699	280	361	1,340	888	303	223	1,414

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 2007	Year ended 31 December 2006
Raw materials and consumables used and changes in finished products inventories	(6,686)	(6,518)
Employee benefit costs (note 7)	(4,732)	(4,718)
Transportation of goods	(933)	(901)
Depreciation, amortization and impairment charges	(823)	(871)
Other expenses	(2,049)	(2,038)
Total expenses by nature	**(15,223)**	**(15,046)**

7 • Employee benefits costs

(in EUR million)	Year ended 31 December 2007	Year ended 31 December 2006
Wages and salaries	(3,475)	(3,564)
Social charges	(955)	(971)
Costs related to defined benefit plans (note 26.1)	(232)	(118)
Costs related to defined contribution plans (note 26.2)	(61)	(58)
Share options costs (note 27)	(9)	(7)
Total employee benefits costs	**(4,732)**	**(4,718)**

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 2007 is 122,050 (2006: 126,673).

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 2007	Year ended 31 December 2006
Gain/(loss) on disposal of intangible and PP&E	19	64
Restructuring costs	(49)	(32)
Income/(expense) on impairment of intangible and PP&E	55	(20)
Retiree benefit costs	(55)	(60)
Other operating income and (expenses)	(64)	10
Total other operating income and (expenses)	**(94)**	**(38)**

9 • Non-recurring income and expenses

2007

Japan

The Group announced the specialization of the tire production at its plant in Ota to respond more effectively to the specific highly technological requirements of the local market. The plant will terminate production for other exports markets, which represent approximately 60% of its output. The adjustment of its production capacities implies to recognize a provision of EUR 62 million to cover severance costs, and intangible, and plant and equipment impairments.

Europe

The Group announced a project in France to stop production in the Toul plant in 2009 and a project in Spain to improve competitiveness in all Spanish plants and to specialize production at the Lasarte site.

The Toul factory produces mid-range Passenger car tires, a market very strongly challenged by low production cost countries which have massively invested in this specific segment for the past five years. In addition, this market also suffers from overcapacity in the tire sizes manufactured at Toul. The provision of EUR 120 million covers severance costs, plant and equipment impairments, as well as those costs in connection with the necessary reindustrialization of the Toul site and the revitalization of the employment area.

The Lasarte site will specialize to become a world-class production centre for high performance Motorcycle tires. The project involves ending Passenger car production by the end of 2008, as the site is no longer competitive because it is too small. The provision of EUR 144 million mostly relates to early retirement costs.

2006

Canada

A provision of EUR 157 million has been accounted for the shut down of the Kitchener facility.

Nigeria

A provision of EUR 63 million has been accounted for the shut down of the Port-Harcourt plant.

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 2007	Year ended 31 December 2006
Cost of net debt		
Gross financing expenses		
Interest financing expenses	(258)	(254)
Currency remeasurement	(36)	(59)
Other financing expenses	(12)	(12)
	(306)	**(325)**
Interest income from cash and cash equivalents	12	10
Total cost of net debt	**(294)**	**(315)**
Other financial income and expenses		
Net income from financial assets (other than cash and cash equivalents)		
Interest income	8	7
Gains on disposal of available-for-sale financial investments	10	119
Dividend income	7	4
	25	**130**
Expense from unwinding the discount of provisions	(4)	(4)
Other	8	9
Total other financial income and expenses	**29**	**135**

In 2006, gains on disposal of available-for-sale financial investments included a profit of EUR 114 million related to the sale of the Peugeot SA shares.

11 • Income tax

The income tax expense is detailed as follows:

(in EUR million)	Year ended 31 December 2007	Year ended 31 December 2006
Current tax expense	(283)	(221)
Deferred tax income/(expense) (note 18)	(16)	(148)
Total income tax	**(299)**	**(369)**

Current tax includes EUR 27 million of withholding tax on royalties and distribution of retained earnings between Group companies (2006: EUR 23 million).

Reconciliation of the Group effective income tax:

(in EUR million)	Year ended 31 December 2007	Year ended 31 December 2006
Income before tax	**1,071**	**942**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(339)	(339)
Tax effect from:		
– permanent differences	(24)	6
– variances of unrecognized temporary differences	7	28
– variances of unrecognized tax losses	(2)	(33)
– change in tax rates	(39)	(55)
– tax credits and withholding tax	77	23
– other items	21	1
Income tax	**(299)**	**(369)**

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 2007	Year ended 31 December 2006
Net income (EUR million), excluding the non-controlling interest	774	572
– less, propositions of attributions to General Partners	(9)	(6)
Net income attributable to Shareholders used in the calculation of the basic earnings per share	765	566
– plus, interest expense on convertible bonds	18	–
Net income attributable to Shareholders used in the calculation of the diluted earnings per share	**783**	**566**
Weighted average number of shares (thousands of shares) outstanding used in the calculation of basic earnings per share	143,770	143,390
– plus, adjustment for share options plans and convertible bonds	6,228	305
Weighted average number of shares used in the calculation of diluted earnings per share	**149,998**	**143,695**
Earnings per share (in euros)		
– basic	5.32	3.95
– diluted	5.22	3.94

13 • Intangible assets

Changes in intangible assets are as follows:

(in EUR million)	Goodwill	Other intangibles	Total
Gross carrying amounts			
At 1 January 2006	**455**	**697**	**1,152**
Exchange differences	(10)	(16)	(26)
Additions (including emission rights)	5	83	88
Disposals	(11)	(33)	(44)
Changes in the scope of consolidation	–	2	2
Transfers and other	(1)	6	5
At 31 December 2006	**438**	**739**	**1,177**
Exchange differences	(12)	(14)	(26)
Additions (including emission rights)	6	88	94
Disposals (including emission rights)	–	(45)	(45)
Changes in the scope of consolidation	–	10	10
Transfers and other	1	1	2
At 31 December 2007	**433**	**779**	**1,212**
Accumulated amortization and impairment			
At 1 January 2006	**(11)**	**(505)**	**(516)**
Exchange differences	–	12	12
Amortization	–	(64)	(64)
Net impairment	–	–	–
Disposals	11	8	19
Changes in the scope of consolidation	–	–	–
Transfers and other	–	(9)	(9)
At 31 December 2006	**–**	**(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)**
Net carrying amounts at 31 December 2007	**401**	**200**	**601**
Net carrying amounts at 31 December 2006	*438*	*181*	*619*

Goodwill

The goodwill impairment changes relate to non-recurring operations described in note 9.
The amounts allocated to the CGU are:

(in EUR million)		31 December 2007	31 December 2006
CGU Passenger Car and Light Truck	North America and Mexico	105	114
CGU Passenger Car and Light Truck	Asia	99	136
CGU Passenger Car and Light Truck	Other zones	61	57
Other CGU's		136	131
Total goodwill		**401**	**438**

Other intangible assets

There are no intangible assets with indefinite useful life.

Software

The net carrying amount at 31 December 2007 relates to software and amounts to EUR 162 million (2006: EUR 138 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 emissions and the income corresponding to the use of the grant are accounted for at the grant rate.

The balance of the rights granted at 31 December 2007 amounts to 0.8 million of tons representing a value of EUR 6 million.

The liability linked to the actual emissions in 2007 amounts to 0.4 million of tons representing a value of EUR 0.6 million. It will be offset by the delivery of the allowances granted.

The global balance between the rights granted and the actual emissions has led the Group to sell on the markets the actual excess rights. So, there is no expectation to buy allowances at the end of 2007.

For 2008 the annual emission rights of greenhouse gaz (CO_2) granted to the Group for its energy fittings in some European countries are not yet finalized.

Development costs

In 2007 and 2006, 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 2007 amounts to EUR 45 million (2006: EUR 13 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 2006	**3,732**	**11,038**	**1,363**	**16,133**
Exchange differences	(89)	(419)	(29)	(537)
Additions (including new finance lease contracts)	278	1,000	106	1,384
Disposals	(113)	(291)	(68)	(472)
Changes in the scope of consolidation	(2)	(3)	(11)	(16)
Transfers and other	8	(34)	10	(16)
At 31 December 2006	**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**
Accumulated amortization and impairment				
At 1 January 2006	**(1,819)**	**(6,753)**	**(984)**	**(9,556)**
Exchange differences	54	274	21	349
Amortization	(102)	(608)	(78)	(788)
Net impairment	(4)	(57)	(1)	(62)
Disposals	80	271	60	411
Changes in the scope of consolidation	1	2	3	6
Transfers and other	–	6	6	12
At 31 December 2006	**(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)**
Net carrying amounts at 31 December 2007	**2,132**	**4,598**	**394**	**7,124**
Net carrying amounts at 31 December 2006	*2,024*	*4,426*	*398*	*6,848*

Net property, plant and equipment of EUR 42 million are pledged as security of financial liabilities (2006: EUR 42 million).
Net property, plant and equipment include EUR 1,263 million of assets under construction (2006: EUR 1,262 million).
The accumulated impairment of PP&E at 31 December 2007 amounts to EUR 114 million (2006: EUR 178 million).
The WACC used to discount the future cash flows of the CGU ranged between 10% and 14%.

Finance leases

Capitalized property, plant and equipment held under finance leases at 31 December 2007 amounts to EUR 159 million (2006: EUR 206 million).
The gross carrying amounts of these assets total EUR 311 million (2006: EUR 389 million).
The future minimum payments under finance leases by maturity are shown in the following table:

(in EUR million)	31 December 2007		31 December 2006	
	Present value	Not discounted	Present value	Not discounted
Within one year	47	55	40	41
Between one and five years	101	119	164	205
More than five years	70	94	80	106
Total of future minimum payments (note 25)	**218**	**268**	**284**	**352**

Operating leases

Total operating lease rents recognized in the income statement at 31 December 2007 are EUR 235 million (2006: EUR 231 million).
Future minimum payments under non-cancellable leases by maturity are as follows (not discounted):

(in EUR million)	31 December 2007	31 December 2006
Within one year	117	114
Between one and five years	242	217
More than five years	103	94
Total of future minimum payments	**462**	**425**

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 2007	31 December 2006
Financial assets		
Available-for-sale investments	265	242
Loans and deposits	152	170
Derivative instruments (note 16)	14	12
Other	17	22
	448	446
Other assets		
Benefits – asset portion (note 26)	4	3
Total non-current financial assets and other assets	**452**	**449**

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 2007	31 December 2006
Non-current portion	265	242
Current portion (note 21)	–	6
Total portfolio of available-for-sale investments	**265**	**248**

Movements in the portfolio during the year are broken down in the table below.

(in EUR million)	2007	2006
At 1 January	**248**	**306**
Exchange differences	(6)	(6)
Additions	5	60
Disposals	(21)	(141)
Fair value changes transferred to equity	39	29
At 31 December	**265**	**248**

During 2007 and 2006, no impairment charge was recognized in the income statement.
In 2006, the main disposal related to the shares of Peugeot SA (note 10).

The portfolio can be broken down by currency as follows:

(in EUR million)	31 December 2007	31 December 2006
KRW (Korean Won)	123	117
EUR	75	80
INR (Indian Rupee)	53	33
IDR (Indonesian Rupiah)	12	15
Other currencies	2	3
Total	**265**	**248**

Loans and deposits

The carrying amount of loans and deposits is detailed in the table below.

(in EUR million)	31 December 2007	31 December 2006
Gross loans and deposits	247	294
– less impairment	(72)	(74)
Net loans and deposits	**175**	**220**
– less current portion (note 21)	(23)	(50)
Non-current portion	**152**	**170**

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 161 million (2006: EUR 205 million).
At 31 December 2007 the effective interest rate is 1.63% (2006: 2.36%).

The breakdown by currency and maturity is presented in the tables below.

(in EUR million)	31 December 2007				31 December 2006			
	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	17	7	66	90	24	25	53	102
CHF	–	36	–	36	15	44	–	59
GBP	1	5	15	21	5	18	–	23
Other	5	17	6	28	6	28	2	36
Total	**23**	**65**	**87**	**175**	**50**	**115**	**55**	**220**

16 • Derivative financial instruments

As mentioned in note 3 (hedging policy), some derivatives, while complying with the Group's financial risk management policies, have not been designated as hedging instruments for hedge accounting purposes.

Derivative assets

(in EUR million)	31 December 2007		31 December 2006	
	Fair values	Contractual amounts	Fair values	Contractual amounts
Total derivative assets (note 25)				
Interest-rate derivatives in fair value hedges	8	220	12	220
Derivatives not designated as hedging instruments				
– Currency derivatives	12	1,921	19	1,718
– Interest-rate derivatives	–	204	–	–
– Other derivatives	6	21	4	23
	26	**2,366**	**35**	**1,961**
Less long-term portion included in long term financial assets (notes 15)				
Interest-rate derivatives in fair value hedges	(8)	(220)	(12)	(220)
Derivatives not designated as hedging instruments				
– Interest-rate derivatives	–	(204)	–	–
– Other derivatives	(6)	(21)	–	–
	(14)	**(445)**	**(12)**	**(220)**
Short-term portion included in short-term financial assets (note 21)	**12**	**1,921**	**23**	**1,741**

Derivative liabilities

(in EUR million)	31 December 2007		31 December 2006	
	Fair values	Contractual amounts	Fair values	Contractual amount
Total derivative liabilities				
Derivatives not designated as hedging instruments				
– Currency derivatives	23	655	21	915
– Other derivatives	1	11	–	12
	24	**666**	**21**	**927**
Less long-term portion included in long term financial liabilities (note 25)	**1**	**11**	**–**	**–**
Short-term portion included in short-term financial liabilities (note 25)	**23**	**655**	**21**	**927**

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 2007							31 December 2006						
	Currencies purchased forward							Currencies purchased forward						
	EUR	USD	CHF	JPY	THB	Other	Total	EUR	USD	CHF	JPY	THB	Other	Total
Currencies sold forward:														
EUR	–	–	23	3	6	17	49	–	5	16	1	2	25	49
USD	557	–	364	–	24	41	986	482	–	481	13	22	18	1,016
JPY	377	–	–	–	1	1	379	367	–	–	–	1	–	368
PLN	339	–	2	–	–	–	341	289	9	–	–	–	–	298
THB	11	12	–	257	–	–	280	14	14	–	244	–	–	272
BRL	9	130	–	–	–	–	139	–	98	–	–	–	–	98
Other	285	107	–	–	1	9	402	275	189	–	–	–	68	532
Total	**1,578**	**249**	**389**	**260**	**32**	**68**	**2,576**	**1,427**	**315**	**497**	**258**	**25**	**111**	**2,633**

The contractual amounts of the non currency derivative financial instruments are set forth by currency in the tables below.

(in EUR million)	31 December 2007			31 December 2006		
	EUR	USD	Total	EUR	USD	Total
Interest-rate derivatives	220	204	424	220	–	220
Other derivatives	4	28	32	4	31	35
Total	**224**	**232**	**456**	**224**	**31**	**255**

17 • Investments in associates and joint ventures

The investments in associates and joint ventures of EUR 62 million (2006: EUR 71 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)	2007	2006
Assets	409	597
Liabilities	168	371
Net sales	873	917
Net income	53	25

18 • Deferred tax assets and liabilities

The amounts of the deferred tax in the balance sheet are:

(in EUR million)	31 December 2007	31 December 2006
Deferred tax assets	926	1,005
Deferred tax liabilities	(61)	(58)
Net deferred tax assets	**865**	**947**

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 2007	31 December 2006
Deferred tax assets by type of temporary difference		
– Intangible assets	26	27
– Financial instruments	109	125
– Inventories	44	42
– Receivables/payables	197	187
– Employee benefits	775	784
– Provisions	149	123
– Unused tax losses	74	111
– Unused tax credits	(65)	(26)
	1,309	**1,373**
Deferred tax liabilities by type of temporary difference		
– Property, plant and equipment	(444)	(426)
	(444)	**(426)**
Net deferred tax assets	**865**	**947**

The gross movement on the net deferred tax assets is as follows:

(in EUR million)	2007	2006
At 1 January	**947**	**1,156**
– Exchange differences	(54)	(78)
– Deferred tax income/(expense) (note 11)	(16)	(148)
– Tax recognized in equity	(15)	11
– Other	3	6
At 31 December	**865**	**947**

The deferred income tax recognized in equity during the year is as follows:

(in EUR million)	31 December 2007	31 December 2006
Fair value reserves in Shareholders' equity:		
– compound financial instruments (convertible bond)	(15)	–
Total deferred tax income recognized in equity	**(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 2007	31 December 2006
Deductible temporary differences	85	109
Tax losses	124	169
– of which expire in less than one year	5	4
– of which expire between 1 to 5 years	46	17
– of which expire in more than 5 years	16	17
– of which do not expire	57	131
Tax credits	84	57
Total unrecognized deferred tax assets	**293**	**335**

19 • Inventories

Inventories include the following:

(in EUR million)	31 December 2007	31 December 2006
Raw materials and supplies	845	863
Work in progress	290	275
Finished goods	2,328	2,303
Less write-downs	(110)	(99)
Net inventory	**3,353**	**3,342**

Movements in inventory write-downs are as follows:

(in EUR million)	2007	2006
At 1 January	**(99)**	**(81)**
Exchange differences and other	3	2
Write-downs of inventories recognized as an expense in the period	(77)	(90)
Reversal of write-downs	63	70
At 31 December	**(110)**	**(99)**

Inventory write-downs, amounting to EUR 110 million as at 31 December 2007 (2006: EUR 99 million) are broken down into the following categories of inventories:

– Raw materials and supplies	EUR 35 million	(2006: EUR 36 million)
– Work in progress	EUR 1 million	(2006: EUR 1 million)
– Finished products	EUR 74 million	(2006: EUR 62 million)

20 • Trade receivables

The carrying amount of the trade receivables is detailed in the table below:

(in EUR million)	31 December 2007	31 December 2006
Gross trade receivables	3,089	3,362
Impairment	(96)	(125)
Trade receivables, net	**2,993**	**3,237**

All trade receivables are due within twelve months.

The gross trade receivables are detailed by maturity in the table below:

(in EUR million)	31 December 2007	31 December 2006
Current	2,870	3,130
Overdue		
– less than 3 months	167	163
– between 3 and 6 months	14	20
– more than 6 months	38	49
Gross trade receivables	**3,089**	**3,362**

Movements of the impairment balance are broken down in the table below:

(in EUR million)	2007	2006
At 1 January	**(125)**	**(119)**
Exchange difference	6	(17)
Impairment charge	(27)	(28)
Reversal of impairment charge	50	34
Other	–	5
At 31 December	**(96)**	**(125)**

2007 reversal of impairment charge includes write-offs of EUR 20 million (2006: EUR 19 million).

Collateralized receivables

The Group runs three 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 394 million
United States of America	USD 636 million
Canada	CAD 150 million
	EUR 929 million

As at 31 December 2007, the programs provide an overcollateralization of EUR 186 million (2006: EUR 210 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 625 million as at 31 December 2007 (2006: EUR 988 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 2007	31 December 2006
Available-for-sale investments (note 15)	–	6
Loans and deposits (note 15)	23	50
Derivative instruments (note 16)	12	23
Total current financial assets	**35**	**79**

22 • Other current assets

The carrying amount of the other current assets is detailed in the table below.

(in EUR million)	31 December 2007	31 December 2006
Employees	2	3
Suppliers	88	75
Current tax – Advance payments	99	70
Other tax receivables	264	260
Other	127	144
Impairment	(7)	(8)
Total other current assets	**573**	**544**

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 2007	31 December 2006
Cash at bank and in hand	205	568
Short-term bank deposits (less than three months) and other cash equivalents	125	112
Total cash and cash equivalents	**330**	**680**

The effective interest rate on short-term bank deposits was 3.39% in 2007 (2006: 2.34%).

Cash and cash equivalents are denominated in the following currencies:

(in EUR million)	31 December 2007	31 December 2006
EUR	143	387
USD	38	62
CAD	23	42
SGD	23	5
DKK	21	1
Other	82	183
Total cash and cash equivalents	**330**	**680**

24 • Share capital and premiums

(in EUR million)	Ordinary shares	Share premiums	Treasury shares	Total
143,387,625 shares outstanding as at 1 January 2006	**287**	**1,845**	**–**	**2,132**
Employee share option schemes				
– cost of services rendered	–	7	–	7
– proceeds from 264,693 shares issued	–	11	–	11
143,652,318 shares outstanding as at 31 December 2006	**287**	**1,863**	**–**	**2,150**
Employee share option schemes				
– cost of services rendered	–	9	–	9
– proceeds from 346,851 shares issued	1	13	–	14
143,999,169 shares outstanding as at 31 December 2007	**288**	**1,885**	**–**	**2,173**

The total authorized and issued number of ordinary shares is 143,999,169 shares as at 31 December 2007 (2006: 143,652,318 shares) with a par value of 2 EUR per share (2006: 2 EUR per share). The increase is mostly due to the exercise of options granted to Group employees.
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 16 May 2008 Annual General Meeting is EUR 1.60 per share.

25 • Financial liabilities

The carrying amount of the financial liabilities is detailed in the table below.

(in EUR million)	31 December 2007	31 December 2006
Long-term		
Bonds	2,051	1,465
Loans from financial institutions and other	702	1,027
Obligations under finance leases (note 14)	171	244
Derivative instruments (note 16)	1	–
	2,925	2,736
Short-term		
Bonds and commercial papers	219	684
Loans from financial institutions and other	856	1,412
Obligations under finance leases (note 14)	47	40
Derivative instruments (note 16)	23	21
	1,145	2,157
Total financial liabilities	**4,070**	**4,893**

The Group net debt is presented in the table below.

(in EUR million)	31 December 2007	31 December 2006
Financial liabilities	4,070	4,893
Derivative assets (note 16)	(26)	(35)
Cash and cash equivalents (note 23)	(330)	(680)
Net debt	**3,714**	**4,178**

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 2007	31 December 2006
Bonds	2,125	1,651
Loans from financial institutions and other	708	1,005
Obligations under finance leases	170	247
Derivative instruments	1	–
Total long-term financial liabilities	**3,004**	**2,903**

Bonds and commercial papers

Bonds and commercial papers issued by the Group have the characteristics mentioned in the table below.

Description	2007 effective interest rates	Carrying amount (in EUR million) 31 December 2007 Current	31 December 2007 Non-current	31 December 2006 Current	31 December 2006 Non-current
Subordinated bonds issued by Compagnie Générale des Etablissements Michelin – nominal value of EUR 469 million (2006: EUR 500 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	6.60%	–	463	–	494
Bonds issued by Michelin Luxembourg SCS – nominal value of EUR 500 million (2006: EUR 500 million) – issued in April 2002 and due in April 2012 – nominal interest rate of 6.5%	6.63%	–	498	–	497
Bonds issued by Michelin Luxembourg SCS – nominal value of EUR 470 million (2006: 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 (2006: EUR 220 million) maturing in April 2009 (fair value hedge) (note 16)	6.24% (5.70%) (1)	–	471	–	474
Liability component of convertible bonds (OCEANEs) issued by Compagnie Générale des Etablissements Michelin as described below.	4.76%	–	619	–	–
Commercial papers issued by Compagnie Générale des Etablissements Michelin – nominal value of EUR 220 million (2006: EUR 686 million)	4.71%	219	–	684	–
Weighted average effective interest rate and total carrying amounts	**5.85% (5.74%) (1)**	**219**	**2,051**	**684**	**1,465**

(1) After hedging.

During the year the Company issued of zero-coupon bonds convertible and/or exchangeable for new or existing shares of the Company (the "bonds" or the "OCEANEs"). The main characteristics of this issue are described in the table below.

Issue date	21 March 2007
Bonds issued	6,742,438 bonds
Bonds converted	21 bonds
Direct costs	EUR 6 million
Net proceeds	EUR 694 million
Annual gross yield	3.07%
Conversion and/or exchange ratio	1 bond for 1 ordinary share
Maturity date	1st January 2017
Amount redeemable at maturity date	EUR 941 million

At any time the bondholders are entitled to request their bonds to be redeemed for Company shares. Under certain conditions, the Company has the option to redeem all outstanding bonds starting from 21 March 2011.

Since the conversion and/or exchange ratio is fixed (apart from some adjustment provisions to protect the bondholders but which, at issue date, are not intended to be activated), the net proceeds have been allocated at issuance date as follows:

(in EUR million)	2007
Long term liability component	597
Equity component	97
Net proceeds	**694**

The equity element before deferred tax impact remains unchanged in equity. The net equity element as at 31 December 2007 is broken down in the table below.

(in EUR million)	2007
Component classified in equity (gross amount)	97
Deferred taxes	(15)
Component classified in equity (net amount)	**82**

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 2007

(in EUR million)	EUR	USD	THB	CNY	RUB	CAD	Other	Total
Loans from financial institutions and other	688	294	219	115	14	38	190	1,558
– of which at fixed rates	10	12	65	–	–	–	14	101
– of which at variable rates	678	282	154	115	14	38	176	1,457
Weighted average effective interest rate	4.68%	5.69%	4.40%	5.72%	6.36%	4.72%	7.78%	5.36%

At 31 December 2006

(in EUR million)	EUR	USD	THB	CNY	RUB	CAD	Other	Total
Loans from financial institutions and other	1,151	722	127	105	55	35	244	2,439
– of which at fixed rates	29	87	7	–	–	4	–	127
– of which at variable rates	1,122	635	120	105	55	31	244	2,312
Weighted average effective interest rate	3.17%	5.90%	5.10%	5.24%	6.03%	4.04%	8.17%	4.87%

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 2007	31 December 2006
6 months or less	1,437	2,301
6 – 12 months	20	11
1 – 5 years	47	72
Over 5 years	54	55
	1,558	**2,439**

Rating

At 31 December 2007, the corporate credit ratings are as follows:

		CGEM	CFM
Short-term	Standard & Poor's	A-2	A-2
	Moody's	P-3	P-2
Long-term	Standard & Poor's	BBB	BBB
	Moody's	Baa3	Baa2
Outlook	Standard & Poor's	Stable	Stable
	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 2007	31 December 2006
Present value of fully or partly funded obligations	5,068	–	5,068	5,661
Fair value of plan assets	(4,744)	–	(4,744)	(4,858)
Funded status	**324**	**–**	**324**	**803**
Present value of unfunded obligations	512	1,650	2,162	2,298
Unrecognized past service cost	(2)	73	71	122
Unrecognized actuarial gains and losses	62	(64)	(2)	(496)
Unrecognized asset due to asset ceiling limitation	8	–	8	–
Defined benefit net liabilities	**904**	**1,659**	**2,563**	**2,727**
Amounts recognized in the balance sheet:				
– Prepaid benefit cost (note 15)			(4)	(3)
– Accrued benefit cost			2,567	2,730
Net liabilities			**2,563**	**2,727**

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.
At 31 December 2007 unrecognized actuarial losses amounted to EUR 2 million (2006: EUR 496 million) and past service cost of non vested benefits amounted to EUR 71 million (2006: EUR 122 million).
At 31 December 2007, the application of the asset ceiling limitation led the Group not to recognize an asset for an amount of 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)	2007	2006
At 1 January	**990**	**1,737**	**2,727**	**3,014**
Exchange differences	(32)	(92)	(124)	(132)
Expenses recognized in the income statement (recurring items)	58	172	230	118
Contributions paid to the funds	(93)	–	(93)	(126)
Benefits directly paid to the beneficiaries	(21)	(123)	(144)	(176)
Portion of benefit expenses recognized within the non recurring restructuring expenses	2	(22)	(20)	29
Changes in the scope of consolidation	–	(13)	(13)	–
At 31 December	**904**	**1,659**	**2,563**	**2,727**

In 2007, the net amount recognized in the consolidated income statement is an expense of EUR 212 million (2006: EUR 149 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 2007	Year ended 31 December 2006
Cost of service rendered during the year	105	42	147	169
Interest cost	317	87	404	400
Expected return on plan assets	(356)	–	(356)	(340)
Amortization of actuarial gain/loss during the year	5	2	7	6
Past service cost recognized during the year	2	57	59	8
Effect of reductions or liquidations of benefit plans	(17)	(14)	(31)	(125)
Effect of asset ceiling limitation	2	–	2	–
Portion of benefit expenses recognized within the non recurring restructuring expenses	2	(22)	(20)	31
Total recorded in the income statement	**60**	**152**	**212**	**149**

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. Pension 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 2007				31 December 2006			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligation at the beginning of the year	2,933	3,248	24	6,205	3,225	3,230	35	6,490
Exchange differences	(184)	(217)	1	(400)	(313)	58	–	(255)
Changes in the scope of consolidation	–	14	–	14	–	–	–	–
Current service cost	49	49	–	98	60	56	–	116
Interest cost	153	147	1	301	157	147	1	305
Plan reorganization costs generated during the year:								
- Immediately recognized in the income statement	(22)	11	–	(11)	2	16	(4)	14
- Unrecognized costs	–	–	–	–	1	2	–	3
Benefits paid	(183)	(114)	–	(297)	(162)	(217)	(5)	(384)
Other items	–	–	–	–	4	2	(4)	2
Unrecognized actuarial (gain)/loss generated during the year	(82)	(249)	1	(330)	(41)	(46)	1	(86)
Present value of the obligation at the end of the year	**2,664**	**2,889**	**27**	**5,580**	**2,933**	**3,248**	**24**	**6,205**
Fair value of plan assets at the beginning of the year	2,761	2,089	8	4,858	2,809	1,971	11	4,791
Exchange differences	(166)	(182)	1	(347)	(272)	45	–	(227)
Changes in the scope of consolidation	–	14	–	14	–	–	–	–
Expected return on plan assets	212	125	1	338	210	122	1	333
Contributions paid to the plans	29	72	1	102	50	87	1	138
Administration costs	–	(7)	–	(7)	–	(6)	–	(6)
Benefits paid	(183)	(96)	–	(279)	(159)	(199)	(6)	(364)
Other items	–	–	–	–	–	–	–	–
Unrecognized actuarial gain/(loss) generated during the year	94	(32)	3	65	123	69	1	193
Fair value of plan assets at the end of the year	**2,747**	**1,983**	**14**	**4,744**	**2,761**	**2,089**	**8**	**4,858**
Deficit/(surplus) at the end of the year	***(83)***	***906***	***13***	***836***	***172***	***1,159***	***16***	***1,347***
Deferred items at the beginning of the year	101	258	(2)	357	293	368	(1)	660
Exchange differences	(9)	(14)	–	(23)	(29)	6	–	(23)
Changes in scope of consolidation	–	–	–	–	–	–	–	–
Unrecognized asset due to the asset ceiling limitation generated during the year	(8)	–	–	(8)	–	–	–	–
Amortization of actuarial gain/loss during the year	(2)	(2)	–	(4)	(1)	(4)	–	(5)
Amortization of plan reorganization costs during the year	–	–	–	–	–	–	–	–
Unrecognized actuarial gain/loss generated during the year	(171)	(218)	(2)	(391)	(162)	(114)	(1)	(277)
Unrecognized plan reorganization costs generated during the year	1	–	–	1	–	2	–	2
Deferred items at the end of the year	***(88)***	***24***	***(4)***	***(68)***	***101***	***258***	***(2)***	***357***
Net liability/(-)asset recognized in the balance sheet at the end of the year	**5**	**882**	**17**	**904**	**71**	**901**	**18**	**990**

In 2007, the decrease of the present value of the defined benefit pension plans obligation amounts to EUR 625 million. This decrease is due to:

– the effect of the exchange rates between EUR and USD, GBP and CAD	EUR 400 million
– the actuarial gains due to the change in actuarial assumptions and to the difference between assumptions and actual experience	EUR 330 million
– the difference between the cost (service cost and interest cost) and the benefits paid during the year	EUR (102) million
– the changes in plan regulations	EUR 11 million
– the changes in the scope of consolidation	EUR (14) million

The fair value of plan assets amounts to EUR 4,744 million at 31 December 2007, showing a decrease of EUR 114 million compared to 31 December 2006.
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 (347) million
– the difference between the contributions paid to the funds and the benefits paid by the funds	EUR (177) million
– the actual return on plan asset	EUR 403 million
– other items	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)	2007	2006	2005	2004
Defined benefit obligation	(5,580)	(6,205)	(6,490)	(5,423)
Plan assets	4,744	4,858	4,791	3,965
Surplus/(deficit)	**(836)**	**(1,347)**	**(1,699)**	**(1,458)**
Experience adjustment on:				
– plan liabilities	(31)	(2)	(16)	5
– plan assets	64	192	227	80

The main actuarial weighted average assumptions used to measure the obligations for pension plans were as follows:

	31 December 2007			31 December 2006		
	North America	Europe	Other	North America	Europe	Other
Discount rate	5.84%	5.57%	11.30%	5.63%	4.86%	11.30%
Rate of salary increases (1)	3.34%	3.44%	7.62%	3.34%	3.21%	7.62%
Average remaining service lives	11.6 years	10.7 years	12.5 years	12.0 years	11.1 years	12.9 years
Expected return on plan assets	8.34%	6.62%	11.30%	8.36%	6.58%	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 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 2007 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	- 13.0%	+ 14.1%
Effect on the aggregate of current service cost and interest cost	- 1.9%	- 0,3%

Net income and charges recognized in the income statement are as follows:

(in EUR million)	Year ended 31 December 2007				Year ended 31 December 2006			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of service rendered during the year	51	52	2	105	63	50	6	119
Interest cost	160	156	1	317	164	145	1	310
Expected return on plan assets	(220)	(135)	(1)	(356)	(219)	(120)	(1)	(340)
Amortization of actuarial gain/loss during the year	2	3	–	5	2	4	–	6
Past service cost recognized during the year	–	2	–	2	17	15	1	33
Effect of reductions or liquidations of benefit plans	(23)	6	–	(17)	(49)	1	(5)	(53)
Effect of asset ceiling limitation	2	–	–	2	–	–	–	–
Portion of benefit expenses recognized with in the non recurring restructuring expenses	–	2	–	2	31	–	–	31
Total defined benefit pension expenses	**(28)**	**86**	**2**	**60**	**9**	**95**	**2**	**106**
Actual return on plan assets	**306**	**93**	**4**	**403**	**333**	**191**	**1**	**525**

The asset allocation of fully and partly funded significant pension plans is as follows:

	31 December 2007				31 December 2006			
	Canada	USA	UK	Other	Canada	USA	UK	Other
Equities	**62%**	**47%**	**57%**	**6%**	**67%**	**43%**	**60%**	**6%**
Alternative investments (1)	**3%**	**17%**	**0%**	**3%**	**0%**	**17%**	**0%**	**5%**
Real Estate	**0%**	**7%**	**0%**	**3%**	**0%**	**7%**	**0%**	**3%**
Total fixed income and cash	**35%**	**29%**	**43%**	**88%**	**33%**	**33%**	**40%**	**86%**
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.

To our best knowledge 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 2007 Group contributions and payments made to pension plans are as follows:

(in EUR million)	North America	Europe	Other	Total
Contributions paid/payments made				
2007	31	67	1	99
Estimates of contributions expected to be paid and payments to be made				
2008	13	115	1	129
2009	18	69	1	88
2010	19	76	1	96
2011	76	76	1	153

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 2007				31 December 2006			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligation at the beginning of the year	999	736	19	1,754	1,172	743	18	1,933
Exchange differences	(76)	(1)	–	(77)	(114)	–	(1)	(115)
Changes in the scope of consolidation	–	0	(10)	(10)	–	–	–	–
Current service cost	13	25	–	38	16	31	1	48
Interest cost	51	33	–	84	57	29	1	87
Plan reorganization costs generated during the year:								
– Immediately recognized in the income statement	–	40	(7)	33	(17)	(59)	3	(73)
– Unrecognized costs	–	19	–	19	(20)	106	–	86
Benefits paid	(54)	(71)	–	(125)	(55)	(96)	(1)	(152)
Other items	4	1	–	5	(4)	3	–	(1)
Unrecognized actuarial (gain) loss generated during the year	(36)	(35)	–	(71)	(36)	(21)	(2)	(59)
Present value of the obligation at the end of the year	**901**	**747**	**2**	**1,650**	**999**	**736**	**19**	**1,754**
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	***901***	***747***	***2***	***1,650***	***999***	***736***	***19***	***1,754***
Deferred items at the beginning of the year	(142)	161	(2)	17	(113)	72	(1)	(42)
Exchange differences	17	–	–	17	11	–	–	11
Changes in scope of consolidation	–	–	2	2	–	–	–	–
Amortization of actuarial gain/ loss during the year	(3)	1	–	(2)	4	(4)	–	–
Amortization of plan reorganization costs during the year	21	(11)	–	10	20	1	–	21
Unrecognized actuarial gain/ loss generated during the year	(36)	(36)	–	(72)	(44)	(14)	(1)	(59)
Unrecognized plan reorganization costs generated during the year	–	19	–	19	(20)	106	–	86
Deferred items at the end of the year	**(143)**	**134**	**–**	**(9)**	**(142)**	**161**	**(2)**	**17**
Net liability/(-)asset recognized in the balance sheet at the end of the year	**1,044**	**613**	**2**	**1,659**	**1,141**	**575**	**21**	**1,737**

In 2007, the decrease of the present value of the other defined benefit plans amounts to EUR 104 million.
This decrease is due to:

- the effect of the exchange rates between EUR and USD, GBP and CAD — EUR 77 million
- the change in plan regulations — EUR (52) million
- the difference between the cost (service cost and interest cost) and the benefits paid during the year — EUR 3 million
- the actuarial gains due to the change in actuarial assumptions and to the difference between assumptions and actual experience — EUR 71 million
- other items — 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)	2007	2006	2005	2004
Defined benefit obligation	(1,650)	(1,754)	(1,933)	(1,969)
Experience adjustment on plan liabilities	19	26	69	26

The main actuarial weighted average assumptions used to measure the obligations for other defined benefit plans were as follows:

	31 December 2007			31 December 2006		
	North America	Europe	Other [1]	North America	Europe	Other
Discount rate	5.89%	5.19%	–	5.67%	4.44%	11.63%
Average remaining service lives	12.9 years	11.8 years	–	13.3 years	13.7 years	17.5 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.
A one-percentage-point change in the discount rate compared to those used for 2007 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	- 8.9%	+ 11.1%
Effect on the aggregate of current service cost and interest cost	+ 1.7%	- 1.8%

Future assumptions concerning healthcare cost trends are as follows:

	31 December 2007		31 December 2006	
	USA	Canada	USA	Canada
Expected growth of healthcare costs for the first year	7.93%	6.91%	8.41%	7.91%
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	2014	2010	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 2007 would have the following effect:

	1% point increase	1% point decrease
Effect on the accumulated obligation (DBO)	+ 6.79%	- 5.72%
Effect on the aggregate of current service cost and interest cost	+ 7.64%	- 6.36%

Net income and charges recognized in the income statement are as follows:

(in EUR million)	Year ended 31 December 2007				Year ended 31 December 2006			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Cost of service rendered during the year	14	27	1	42	17	32	1	50
Interest cost	54	33	–	87	59	29	2	90
Expected return on plan assets	–	–	–	–	–	–	–	–
Amortization of actuarial gain/loss during the year	3	(1)	–	2	4	(4)	–	–
Past service cost recognized during the year	(22)	86	(7)	57	(39)	9	5	(25)
Effect of reductions or liquidations of benefit plans	–	(14)	–	(14)	(1)	(69)	(2)	(72)
Portion of benefit expenses recognized with in thenon recurring restructuring expenses	–	(22)	–	(22)	–	–	–	–
Total other defined benefit expenses	**49**	**109**	**(6)**	**152**	**40**	**(3)**	**6**	**43**

As at 31 December 2007 Group payments made and to be made on other defined plans are as follows:

(in EUR million)	North America	Europe	Other	Total
Payments made				
2007	53	94	–	147
Estimates of payments expected to be made				
2008	56	48	–	104
2009	58	52	–	110
2010	60	54	–	114
2011	61	72	–	133

Such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant management bodies.
Payments made in 2007 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 2007, the contributions paid to such defined contribution plans and charged to the consolidated income statement amount to EUR 61 million (2006: EUR 58 million).

27 • Share option plans

Changes in the number of options granted under share option plans and their weighted average exercise price are as follows:

	2007		2006	
	Weighted average exercise price (in euro per option)	**Options**	**Weighted average exercise price** (in euro per option)	**Options**
At 1 January	**44.41**	**2,442,057**	**43.57**	**2,585,850**
Granted	91.00	1,188,230	58.00	136,700
Forfeited	57.97	(21,730)	44.53	(15,800)
Exercised	39.68	(346,830)	43.18	(264,693)
At 31 December	**61.80**	**3,261,727**	**44.41**	**2,442,057**

545,177 of the 3,261,727 options outstanding as at 31 December 2007 are exercisable (2006: 453,407 of the 2,442,057).

Assumptions used to value the share options granted in 2007 are as follows:

Grant date	14 May 2007
Number of options	1,188,230
Weighted average share price (euros per share)	91.08
Exercise price (euros per share)	91.00
Volatility	30.14%
Risk free interest rate	4.21%

Market value of the option at grant date (in euro per option) 16.57
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 2007	31 December 2006
May 2002	May 2006	May 2011	44.00	240,085	453,407
May 2003	May 2007	May 2012	32.25	118,447	223,800
November 2003	November 2007	November 2012	34.00	186,645	214,500
May 2004	May 2008	May 2013	40.00	169,900	169,900
July 2004	July 2008	July 2013	44.50	120,700	121,300
May 2005	May 2009	May 2014	48.00	218,500	218,500
November 2005	November 2009	November 2014	48.00	888,000	903,950
May 2006	May 2010	May 2015	58.00	136,700	136,700
May 2007	May 2011	May 2015	91.00	1,182,750	–
Total outstanding share options				**3,261,727**	**2,442,057**

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 2007	31 December 2006
Non-current liabilities		
– Deferred income - Government grants	121	109
– Debts towards employees and social security authorities	101	123
Provisions		
– Restructuring provisions	442	250
– Litigations provisions	113	113
– Other provisions	118	223
Total provisions and other non-current liabilities	**895**	**818**

Movements of provisions during the year:

(in EUR million)	Restructuring	Litigation	Other provisions
At 1 January 2007	**250**	**113**	**223**
Additional provisions	358	55	45
Utilized during the year	(124)	(55)	(117)
Unused amounts reversed	(30)	–	–
Currency translation effects	2	–	(3)
Change in scope of consolidation	–	–	(29)
Other effects	(14)	–	(1)
At 31 December 2007	**442**	**113**	**118**

As at 31 December 2007,

- the remaining restructuring provisions are mainly located in:
  - Spain for EUR 204 million,
  - Canada for EUR 48 million,
  - France for EUR 125 million.
- the other provisions mainly include the remaining portion of the 2006 Group decisions:
  - to stop tire manufacturing operations in Nigeria EUR 22 million,
  - to specialize the Bourges and Cholet plants (France) EUR 28 million

29 • Other current liabilities

The carrying amount of the other current liabilities is detailed in the table below.

(in EUR million)	31 December 2007	31 December 2006
Customers – Deferred rebates	606	564
Employee benefits	356	360
Social security liabilities	305	291
Restructuring liabilities	88	79
Current income tax to pay	125	120
Other taxes	134	164
Other	310	333
Total other current liabilities	**1,924**	**1,911**

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 2007	Year ended 31 December 2006
Non-cash other income and expenses		
Result on disposal of non-financial assets	(19)	(64)
Other	(7)	(11)
	(26)	**(75)**
Net finance costs paid		
Interests paid and other financial expenses	(322)	(340)
Interests received and other financial income	35	24
Dividends received	10	5
	(277)	**(311)**
Change in value of working capital, net of impairment		
Change in inventory	(132)	(252)
Change in trade receivables	166	(107)
Change in other receivables and payables	132	138
	166	**(221)**
Purchases of intangible assets and PP&E		
Purchase of intangible assets	(82)	(63)
Purchase of PP&E	(1,258)	(1,351)
Investment grants received	16	14
Change in capital expenditures payables	(160)	21
	(1,484)	**(1,379)**
Change in value of other current and non-current financial assets		
Increase of other non-current financial assets	(39)	(39)
Decrease of other non-current financial assets	58	49
Net change of the other current financial assets	22	(5)
	41	**5**
Change in value of current and non-current financial liabilities		
Increase of non-current financial liabilities	325	463
Decrease of non-current financial liabilities	(458)	(402)
Finance lease debt repayments	(79)	(36)
Net increase/(decrease) of current financial liabilities	(1,062)	279
Derivatives	12	7
	(1,262)	**311**
Detail of the non cash transactions:		
– Financial lease	26	34
– Non-controlling interest purchase commitments	(55)	(31)
– New emission rights	5	20

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 £ 78 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.) The lawsuit had initially sought the payment of 350 million Canadian dollars into said pension fund. Before the May, 2007, trial, the Plaintiffs amended the amount of their demand to 268 million Canadian dollars. Since Michelin Canada had always maintained that it had good and meritorious defenses to the claim, no provision was deemed necessary. In October, 2007, after the trial, the Nova Scotia Supreme Court (the trial court) entered a judgment on the substantive merits of the case in favor of Michelin Canada and against the Plaintiffs in all respects. In January 2008 the Plaintiffs have filed a notice of appeal to the Nova Scotia Court of Appeal. Michelin Canada does not expect the judgment to be reversed or remanded; therefore the Group still deems a provision unnecessary.

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

In October 2007, the Group acquired 100% of Oliver Rubber Co for USD 66 million. Oliver is a manufacturer of tread rubber and retreading equipment. This acquisition generated a goodwill of EUR 3 million. There were no other significant acquisitions or divestments in 2007.

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 are detailed in the table below.

(in EUR million)	2007	2006
Income statement		
Income from the sale of goods or supply of services	2	4
Interest income	–	1
Expenses for the purchase of products or supply of services	(130)	(29)
Balance sheet		
Balances receivable	–	–
Loans receivable	–	15
Financial liabilities	(4)	(3)
Balance payable	(9)	(3)
Other current receivables and payables	1	2

Key management and Supervisory Board

The Managing General Partner received in 2007, in connection with financial year 2006, an aggregate amount of EUR 4.2 million, proportional to and dependent upon profit (2006 in connection with 2005 for the three General Managing General Partners: EUR 9.9 million).

The benefits costs of the non-general Managing Partners were EUR 1.4 million since their nomination in May 2007. They are broken down in short term benefits (EUR 1.2 million), post employment benefits (EUR 0.1 million) and share based payments (EUR 0.1 million). They do not include those received as members of the Group Executive Council until 11 May 2007.

The benefits costs of the members of the Group Executive Council in 2007 were EUR 6.8 million (2006: EUR 6.5 million). They are broken down as follows:

• short term benefits:	EUR 5.3 million (2006: EUR 5.2 million)
• post employment benefits:	EUR 0.6 million (2006: EUR 0.4 million)
• share based payments:	EUR 0.9 million (2006: EUR 0.9 million)

They include those related to the non-general Managing Partners until 11 May 2007.

The following fees were paid in 2007 (for services rendered in 2006) to the Supervisory Board members: EUR 0.3 million (2006 for services rendered in 2005: EUR 0.1 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 2007 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
Euromaster France	Montbonnot Saint-Martin	Commercial	98.35
Michelin Aircraft Tyre	Clermont-Ferrand	Commercial	100.00

Companies	Registered office	Nature	% of interest
Recamic Services	Clermont-Ferrand	Commercial	100.00
Société d'Exportation Michelin	Clermont-Ferrand	Commercial	100.00
Transityre France	Clermont-Ferrand	Commercial	100.00
ViaMichelin	Boulogne-Billancourt	Commercial	100.00
Michelin Développement	Clermont-Ferrand	Financial	100.00
Michelin Middle East	Clermont-Ferrand	Financial	100.00
Participation et Développement Industriels – PARDEVI	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
Fitlog B.V.	's-Hertogenbosch	Miscellaneous	100.00

Companies	Registered office	Nature	% of interest
Poland			
Michelin Polska S.A.	Olsztyn	Manufacturing & commercial	100.00
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	Granges-Paccot	Commercial	100.00
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

Companies	Registered office	Nature	% of interest
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
United States of America			
Michelin Aircraft Tire Company, LLC	Wilmington	Manufacturing & commercial	100.00
Michelin North America, Inc.	New York	Manufacturing & commercial	100.00
American Synthetic Rubber Company, LLC	Wilmington	Manufacturing	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
Michelin Americas Research & Development Corp.	Wilmington	Miscellaneous	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

Companies	Registered office	Nature	% of interest
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
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 Steel Cord Co., Ltd.	Rayong	Manufacturing	100.00
Siam Tyre Phra Pradaeng Co., Ltd.	Samutprakarn	Manufacturing	100.00
Thai Tyre Mould Co., Ltd.	Chonburi	Manufacturing	100.00
Michelin Aircraft Tire Asia Limited	Bangkok	Commercial	100.00
Michelin Research Asia (Thailand) Co., Ltd.	Bangkok	Miscellaneous	100.00
Michelin Siam Group Co., Ltd.	Bangkok	Financial	100.00

Companies	Registered office	Nature	% of interest
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
EnTire Solutions, LLC	Wilmington	United States of America	50.00
RubberNetwork.com, LLC	Wilmington	United States of America	27.75
MC Projects B.V.	Amsterdam	The Netherlands	50.00
Sapphire Energy Recovery Limited	England and Wales	United Kingdom	25.00

Statutory Auditors' Report on the consolidated financial statements

Year ended December 31, 2007

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 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 the Shareholders, we have audited the accompanying consolidated financial statements of COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN for the year ended December 31, 2007.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our 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, 2007 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code 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 the 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.

• Note 9 to the accounts "Non-recurring income and charges" discloses the provisions accounted for in connection with the specialization of the Ota plant in Japan, the project in France to stop production in the Toul plant and the project to improve competiveness in all Spanish plants.

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 865 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 formation of the opinion expressed in the first part of this report.

3. Specific verification

We have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, February 11, 2008

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of the Compagnies Régionales de Versailles et Paris

4-meter diameter, 5-metric ton weight, 100-ton load bearing capacity: the Michelin XDR series 80 tire is the world's largest mining tire. And its outstanding qualities deliver a total cost of ownership that is less than half that of its main competitors'.

ADDITIONAL INFORMATION

04

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Michelin's Corporate Governance: a Truly Modern Corporate Structure

Michelin's corporate governance complies with relevant regulations applicable in France and applies the recommendations of the AFEP-MEDEF consolidated report for corporate governance of listed companies.
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 modern corporate governance needs. Such principles indeed 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.
Following the accidental death of Mr Edouard Michelin on May 26, 2006, the Joint Shareholders Meeting held on May 11, 2007 has approved the amendments to the Group's governance proposed by Michelin's top executive and the Group's Supervisory Board and, in particular, the appointment of two new Managing Partners aimed at reinforcing the Company's Management partnership.

A Responsible Management Team, Committed over the Long Term

Experience

Pursuant to its bylaws, Michelin is managed by one or more Managing Partners, being individuals who may have the status of General Partner or not.
Messrs Michel Rollier, appointed Managing General Partner in 2005, Didier Miraton, appointed Managing Partner by the Annual Shareholders Meeting of May 11, 2007 and Jean-Dominique Senard, appointed Managing Partner by the same Annual Shareholders Meeting jointly assume the Company's leadership.
Mr Michel Rollier held a number of executive positions in a large industrial group before joining Michelin in 1996. Since then, he benefited from experience acquired in a number of positions within the Group.
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's Executive Council that meets monthly. The Executive Council members are presented on page 13 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 requires protracted effort and a long-term view.

Responsibility

By virtue of his status as General Partner, Michelin's Managing General Partner is jointly and severally liable for the full amount of the company's liabilities in the event of failure. This provision offers Shareholders a rarely found level of guarantee that the company is run in their mid- to long-term interests. It also makes its top executive management watchful of 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 consequences of his decisions in the long term.
The Managing General Partner is entitled to a statutory share of the Company's profits for the relevant financial year. The fact that he enjoys no other compensation such as salary, non-cash benefits or director's fees is aligned to the principle of a full variable compensation.
The Managing Partners are appointed for five years by the Annual Shareholders Meeting upon unanimous proposal of the General Partners after consultation with the Supervisory Board. They may be re-elected. Their compensation is set each year by unanimous decision of the General Partners, whether Managing 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 Articles of Incorporation, the Supervisory Board comprises 3 to 10 members appointed by the Annual Shareholders Meeting for a term of 5 years; the General partners are not entitled to take part in this appointment. The Supervisory Board members may be re-elected.
The Supervisory Board currently comprises six members: Mr Eric Bourdais de Charbonnière (President), Mrs Laurence Parisot, Messrs Pat Cox, François Grappotte, Pierre Michelin and Benoît Potier. (Mr Edouard de Royère wished to relinquish his functions on November 30, 2007).
Supervisory Board member biographies are set forth on page 15 of this Report and the information relative to their compensation are on page 146.

Mission

The Supervisory Board monitors the management of the Company on an ongoing basis on behalf of the Shareholders and reports to them annually. Its mission includes reviewing the corporate financial statements and the consolidated accounts and assessing the fairness and adequacy of management decisions and the quality of the internal control system and risk management policy. The Supervisory Board is regularly informed of the Group's prospects and strategy.

Independent Monitoring

All the Supervisory Board members are independent for the purposes of the Board's Code of Conduct, that is, not bound by any ties whatsoever to the Company, the Group or its management, in a way that might alter their free judgment.

Competence

Between them, the Supervisory Board members combine world-class managerial skills in both industry and finance.

Assiduity

The Supervisory Board met 5 times in 2007 with a 94% attendance rate.

For maximum efficiency, the Supervisory Board is assisted by 2 Committees:

• The Audit Committee

Under the chairmanship of Mr François Grappotte, the Audit Committee is made up of Supervisory Board members, all independent (Messrs. Eric Bourdais de Charbonnière, Pierre Michelin and Edouard de Royère until November 2007). Its role is especially to assist the Supervisory Board in its mission of controlling Michelin's financial statements and consolidated accounts and assessing risks and internal control procedures. The Audit Committee met on four occasions in 2007. The attendance rate was 94%.

• The Compensation Committee

The Compensation Committee includes all Supervisory Board members and is chaired by the Supervisory Board's Chairman. With a 95% attendance rate, it met three times in 2007. The Compensation Committee reviewed Group management team compensation terms including the variable pay and the stock option plan components. It was also consulted with respect to the setting of the compensation awarded to the Non-General Managing Partners.

The Statutory Auditors

The Statutory Auditors are appointed by the Annual 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.

Respect for Shareholders is one of Michelin's Core Values

All Shareholders have access to information which is comprehensive, easy to understand and adapted to everyone's needs.

A wide range of documents is published on all aspects of the Company's business, strategy and corporate financial information: Annual Report and Interim Reports, Shareholders' Guides, Letters to Shareholders, Performance and Responsibility Report, FactBook, etc. All are readily available on request from the Investor Relations Department and may be downloaded from Michelin's website: www.michelin.com/corporate ("Finance" section).

Michelin also publishes in BALO (Bulletin des Annonces Légales Obligatoires) the regulatory information required periodically and annually from French listed companies.

The Company's bylaws may be downloaded from the above website and consulted at its head office.

Michelin met its French individual Shareholders on 6 occasions in 2007 at Caen, Montpellier, Nancy, Nice, Paris and Tours.

Michelin met institutional investors and financial analysts in 265 occasions including one-to-one meetings in 20 countries, thus enabling direct discussions with more than 785 institutional investors and financial analysts in 2007. In addition, analysts, investors and portfolio managers were invited to attend specific presentations and to tour sites. Michelin has also developed specific communication activities for the SRI (Socially Responsible Investment) investor and rating agency community.

Set up in 2003, the Shareholders' Consultative Committee is made up of 12 members, 2 of whom are Employee Shareholders. The Shareholder Consultative Committee's mission is to make an active contribution to Michelin's communication targeted at Individual Shareholders with respect to financial and/or image considerations. The Committee met twice in 2007.

Launched in 2002 and extended in 2003 to 69 countries, the Group's Employee Shareholder Plan was proposed to about 113,000 employees, 69% of whom actually became Group Shareholders.

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 can be traded up to the Shareholders Meeting.

Michelin goes further and, in the US, refunds its custodian banks the cost of mailing its financial information to its North-American Shareholders, to ensure the latter receive full disclosure as early as possible before the Shareholders Meetings.

Finally, Michelin considers it fair that investors who have a long-term commitment and are willing to take risks alongside the Company, enjoy greater influence over the Company's strategic choices. Accordingly, under the sole condition of holding their shares for more than 4 years, Michelin's bylaws grant them double voting rights.

Directorships, Compensation, Benefits and Stock Options

List of directorships and other functions held in other companies by the Managing Partners in 2007

Mr Michel Rollier (born in 1944)	
Director Fully liable partner	Compagnie Financière Michelin
Director	Moria
Mr Didier Miraton (born in 1958)	
Director	Vilmorin *(since December 12, 2007)*
Mr Jean-Dominique Senard (born in 1953)	
Director	Compagnie Financière Michelin

Net Fees Paid to the Managing Partners and Supervisory Board Members (by the Company and its Subsidiaries)

The Managing Partners

• Amounts allocated to the Managing General Partner, Mr Michel Rollier

The General Partners are jointly and severally liable for the full amount of the Company's debt in the event of failure. As consideration for this responsibility, they collectively enjoy a statutory, capped, portion of Company profits*. 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.

** See the provisions of article 30 of the bylaws, referred to in the Other Legal and Financial Information section (page 176).*

As regards Mr Michel Rollier:

- in financial year 2007, he received no amount, whether in his capacity as Managing Partner or as director or General Partner of any controlled company, nor any salary, non-cash benefits, stock options or director attendance fees;
- neither the Company, nor any of its controlled companies bear the cost of any retirement scheme Mr Michel Rollier might benefit from;
- neither the Company, nor any of its controlled companies are committed to paying to Mr Michel Rollier any severance package when he ceases to act as a Managing General Partner.

Mr Michel Rollier	2007 (In EUR)	2006 (In EUR)
1. Statutory entitlement received from the Company	3,960,000 (1)	2,500,000 (2)
2. Statutory entitlement received from controlled companies (3)	265,101	0
Gross total	**4,225,101**	**2,500,000**

(1) Amount received in 2007 included in the statutory share of profits entitlement of the General Partners, approved by the Joint Ordinary and Extraordinary Shareholders Meeting of May 11, 2007 (13th resolution) based on financial year 2006 profits.
(2) Amount received in 2006 included in the statutory share of profits entitlement of the General Partners approved by the Joint Ordinary and Extraordinary Shareholders Meeting of May 12, 2006 (2nd resolution) based on financial year 2005 profits.
(3) Amounts received in 2007, from Compagnie Financière Michelin and from Manufacture Française des Pneumatiques Michelin, based on financial year 2006 profits.

• *Compensation and Benefits received by the Non-General Managing Partners*

Mr Didier Miraton

Pursuant to the provisions of the Bylaws adopted by the Joint Shareholders Meeting of May 11, 2007, the General Partners have decided, after consultation with the Supervisory Board, to pay to Mr Didier Miraton, for the fraction of the year 2007 during which he acted as a Non-General Managing Partners, a compensation including:

• a fixed portion;

• and a variable portion, based on financial year 2007 results and on the Group's economic and financial performance indicators used to set the Group's share of variable compensation for the Company's and its subsidiaries' senior managers;

• and ancillary benefits, identical to those granted to the other Group Executive Board members; and

• an exceptional and ad-hoc bonus: this bonus was introduced as a result of the Non-General Managing Partner being barred by law from holding Company shares [(1)]. This is calculated based on a financial mechanism applied to change in the Michelin share price which is similar to that used for the stock option plan decided in 2007 [(2)].

Mr Didier Miraton would have been entitled in 2007, 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. Half of this severance package would have been based on the Group's economic and financial performance indicators under the Group's strategic plan, recorded during the term of Mr Didier Miraton's assignment. Such indemnity was not applicable in 2007.

Mr Didier Miraton has received in 2007 a gross overall compensation of 370,215.

In financial year 2007 Mr Didier Miraton received no director attendance fees from any Group companies, nor any benefits in kind other than that listed below and no stock option.

As a Managing Partner, he enjoys no specific retirement scheme.

(1) Pursuant to the provisions of article L.222-6 of Code de commerce (referring to article L.226-1) the Non-General Managing Partners are barred from owning Company shares.

(2) In effect, the amount of such exceptional and ad-hoc bonus corresponds to the allocation of a number of units, multiplied by a coefficient equal to the difference between (i) the value of the Company's share on the date when said bonus is paid and (ii) a share reference value (identical to the call price of the stock options allocated to Group employees in 2007). The other terms and conditions of award of this exceptional and ad-hoc bonus (in particular the acquisition term and conditions of presence within the Group) are identical to those defined in the stock option plan, except for specific amendments required by the legal statutes attached to the function of Non-General Managing Partners.

Mr Didier Miraton	**2007** (In EUR)
Compensation paid by MFPM [(1)]	
(until May 11, 2007)	
1. Fixed portion	85,005
2. Variable portion [(2)]	59,918
3. Other benefits [(3)]	22,426
Compensation paid by CGEM	
(from May 12, 2007)	
1. Fixed portion	199,504
2. Variable portion [(2)]	–
3. Other benefits [(3)]	3,362
4. Exceptional bonus	–
Total excluding contributions	**370,215**
Employer's contributions	123,494
Total charged	**493,709**

(1) Mr Didier Miraton was a Manufacture Française des Pneumatiques Michelin (MFPM) salaried employee until he was appointed Non-General Managing Partners of the Company by decision of the Joint Shareholders Meeting of May 11, 2007, at which date his employment contract with MFPM was automatically suspended.

(2) Paid with respect to the previous financial year in the second quarter of the year.

(3) These benefits include a foreign mission bonus paid in the second quarter of the following financial year (EUR 20,511 paid in 2007 for the year 2006) and a company car evaluated at EUR 5,277 per year.

Mr Jean-Dominique Senard

Pursuant to the provisions of the Bylaws adopted by the Joint Shareholders Meeting of May 11, 2007, the General Partners have decided, after consultation with the Supervisory Board, to pay to Mr Jean-Dominique Senard, for the fraction of the year 2007 during which he acted as a Non-General Managing Partners, a compensation including:

• a fixed portion;

• and a variable portion, based on financial year 2007 results and on the Group's economic and financial performance indicators used to set the Group's share of variable compensation for the Company's and its subsidiaries' senior managers;

• and ancillary benefits, identical to those granted to the other Group Executive Board members; and

• an exceptional and ad-hoc bonus: this bonus was introduced as a result of the Non-General Managing Partner being barred by law from holding Company shares (1). This is calculated based on a financial mechanism applied to change in the Michelin share price which is similar to that used for the stock option plan decided in 2007 (2).

Mr Jean-Dominique Senard would have been entitled in 2007, 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. Half of this severance package would have been based on the Group's economic and financial performance indicators under the Group's strategic plan, recorded during the term of Mr Jean-Dominique Senard's assignment. Such indemnity was not applicable in 2007.

Mr Jean-Dominique Senard has received in 2007 a gross overall compensation of EUR 574,472.

In financial year 2007 Mr Jean-Dominique Senard received no director attendance fees from any Group companies, nor any compensation other than that listed below and no stock option. As a Managing Partner, he enjoys no specific retirement scheme.

(1) Pursuant to the provisions of article L.222-6 of Code de commerce (referring to article L.226-1) the Non-General Managing Partners are barred from owning Company shares.

(2) In effect, the amount of such exceptional and ad-hoc bonus corresponds to the allocation of a number of units, multiplied by a coefficient equal to the difference between (i) the value of the Company's share on the date when said bonus is paid and (ii) a share reference value (identical to the call price of the stock options allocated to Group employees in 2007). The other terms and conditions of award of this exceptional and ad-hoc bonus (in particular the acquisition term and conditions of presence within the Group) are identical to those defined in the stock option plan, except for specific amendments required by the legal statutes attached to the function of Non-General Managing Partners.

Mr Jean-Dominique Senard	2007 (In EUR)
Compensation paid by MFPM (1) (until May 11, 2007)	
1. Fixed portion	141,792
2. Variable portion (2)	96,605
3. Other benefits (3)	27,110
Compensation paid by CGEM (from May 12, 2007)	
1. Fixed portion	305,909
2. Variable portion (2)	–
3. Other benefits (3)	3,056
4. Exceptional bonus	–
Total excluding contributions	**574,472**
Employer's contributions	168,687
Total charged	**743,159**

(1) Mr Jean-Dominique Senard was a Manufacture Française des Pneumatiques Michelin (MFPM) salaried employee until he was appointed Non-General Managing Partners of the Company by decision of the Joint Shareholders Meeting of May 11, 2007, at which date his employment contract with MFPM was automatically suspended.

(2) Paid in the second quarter of the reporting period with respect to the previous financial year.

(3) These benefits include a foreign mission bonus paid in the second quarter of the following financial year (EUR 25,369 paid in 2007 for the year 2006) and a company car evaluated at EUR 4,797 per year.

• ***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 the Managing Partners and members of the Group Executive Council, these are granted under Supervisory Board control at a set date which is the day following the Annual Shareholders Meeting.

Out of the 1,188,230 stock options granted on May 14, 2007 pursuant to the authorization given at the May 12, 2006 Annual Shareholders Meeting, no option was granted to the Managing Partners.

Table of share subscription options granted to/ called by each of the Managing Partners

	2007	2006	2005	2004	2003	2002
Number of options granted	0	0	0	10,000 (1)	15,000 (1)	15,000 (1)
Call price	–	–	–	EUR 40	EUR 32.25	EUR 44
Date of first 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/subscribed in 2007	–	–	–	N/A (2)	5,000	8,000
Michelin share extremes (EUR)	N/A (2)	N/A (2)	N/A (2)	47.80 – 34.82	38.11 – 25.02	45.05 – 24.50

(1) Granted to each then acting Managing Partner: Messrs Edouard Michelin and René Zingraff.
(2) Not applicable.

In his capacity as Chief Financial Officer, Mr Michel Rollier received:

• in the same conditions and call price as set forth in the table above, 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, 2007:

• 35,000 share subscription options and

• 18,629 Company shares, of which 17,500 under the statutory share ownership obligation collectively imposed to the Company's Managing General Partners.

In his capacity as Head of Michelin's Technology Center, Mr Didier Miraton received:

• in the same conditions and call price as set forth in the table above, 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, 2007, Mr Didier Miraton held 28,000 share subscription options of the Company and held no Company share.

In his capacity as Michelin Group's Chief Financial Officer, Mr Jean-Dominique Senard 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, 2007, Mr Jean-Dominique Senard held 16,000 share subscription options of the Company and held no Company share.

Note that pursuant to the provisions of article L.222-6 of Code de commerce (referring to article L.226-1) the Non-General Managing Partners are barred from owning Company shares.

Group Executive Council

The members of the Group Executive Committee, whose list is provided on page 13, together with the Non-General Managing Partners until May 11, 2007, received in 2007 a gross overall compensation amounting to EUR 3,915,534 of which EUR 680,672 with respect to variable compensation for 2006 (paid in the second quarter 2007) versus EUR 3,834,434 of which EUR 422,276 with respect to variable compensation for 2005 (paid in the second quarter 2006).

The Supervisory Board

The amount of collective fees paid to the Supervisory Board is set by the Ordinary Shareholders Meeting and allocated among its members by collective agreement.
The following fees were paid in 2007 to Supervisory Board members:

		2007 (1)	2006 (2)
Messrs	Eric Bourdais de Charbonnière (Chairman)	EUR 50,000	EUR 32,500
	François Grappotte	EUR 45,000	EUR 27,000
	Pierre Michelin	EUR 40,000	EUR 22,500
	Édouard de Royère (3)	EUR 40,000	EUR 22,500
	Benoît Potier	EUR 30,000	EUR 18,000
Mrs	Laurence Parisot (4)	EUR 30,000	EUR 9,000
Mr	Pat Cox (4)	EUR 30,000	EUR 9,000

(1) New fees, paid with respect to 2006, approved by the Joint Shareholders Meeting of May 12, 2006.
(2) Fees, paid with respect to 2005.
(3) Member until November 30, 2007.
(4) Mrs Laurence Parisot and Mr Pat Cox were appointed by the Ordinary Shareholders Meeting of May 20, 2005.

Additional information concerning Supervisory Board Members (1)

Name	First appointed/ extension	Last year of mandate
Eric Bourdais de Charbonnière	June 11, 1999	2004
Chairman	May 14, 2004	2009
Pat Cox	May 20, 2005	2010
François Grappotte	June 11, 1999	2004
	May 14, 2004	2009
Pierre Michelin	June 12, 1998	2003
	May 16, 2003	2008
Laurence Parisot	May 20, 2005	2010
Benoît Potier	May 16, 2003	2008
Edouard de Royère (2)	June 12, 1998	2003
	May 16, 2003	2008

(1) All Supervisory Board members are deemed independent for the purposes of its code of conduct as set forth in the Supervisory Board's President report (page 67).
(2) Mr Edouard de Royère resigned on November 30, 2007.

Stock Option Plans

Status of the Share subscription option plans to December 31, 2007

	Plan no. 1	Plan no. 2	Plan no. 3	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9
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
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
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
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
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
Call Price	EUR 44	EUR 32.25	EUR 34	EUR 40	EUR 44.50	EUR 48.00	EUR 48.00	EUR 58.00	EUR 91.00
Number of options called / shares subscribed to December 31, 2007	453,015	120,353	26,655	10,000	600	0	1,500	0	0
Stock options cancelled	23,500	4,200	12,900	0	7,800	0	23,850	0	5,480
Stock options outstanding as at December 31, 2007	240,085	118,447	186,645	169,900	120,700	218,500	888,000	136,700	1,182,750

Managing Partners' Special Report
on Stock Option Plans

The Joint Shareholders Meeting of May 12, 2006 had authorized the allocation of stock option purchase and subscription plans to Group and Group subsidiary executives and senior managers pursuant to the provisions of article L.225-180 of Code de Commerce, up to a maximum of 3,000,000 stock options granted or 2% of issued capital.

By virtue of this authorization, 1,188,230 share subscription options were granted in 2007, callable from May 14, 2011, at a price of EUR 91.00, out of which the ten largest beneficiaries, who are salaried, other than company directors:

- received 101,000 options (of which one beneficiary received 15,000 options, two beneficiaries received 13,500 options, one beneficiary received 12,000 options, three beneficiaries received 10,000 options, one beneficiary received 8,000 options, one beneficiary received 5,000 options and one beneficiary received 4,000 options);
- were called:
  - 17,900 share subscription options at the price of EUR 44 per share (options granted on May 19, 2002),
  - 44,700 share subscription options at the price of EUR 32.25 per share (options granted on May 19, 2003).

In addition, during financial year 2007, no corporate Director of the Company received any share purchase or subscription option.

Clermont-Ferrand, February 12, 2008

Michel Rollier | Didier Miraton | Jean-Dominique Senard

Statement of operations on Michelin shares
conducted by corporate Directors and their kin in financial year 2007

Managing Partners

Mr Michel Rollier
None.

Mr Didier Miraton
- Call on September 11, 2007 of 5,000 share subscription options at a unit price of EUR 32.25 (options granted on May 19, 2003) and of 8,000 share subscription options at a unit price of EUR 44.00 (options granted on May 19, 2002).
- Sale, on the dates and at the prices stated hereinafter, of the following quantities of Michelin shares:
  - on September 11, 2007: 5,000 shares at a unit price of EUR 86.37 and 8,000 shares at a unit price of EUR 86.17;
  - on November 16, 2007: 51 shares at a unit price of EUR 80.00.

Mr Jean-Dominique Senard
Sale, on the dates and at the prices stated hereinafter, of the following quantities of Michelin shares:
- on December 13, 2007: 75 shares at a unit price of EUR 77.10 and 80 shares at a unit price of EUR 76.90;
- on December 14, 2007: 80 shares at a unit price of EUR 77.83;
- on December 18, 2007: 80 shares at a unit price of EUR 74.73;
- on December 20, 2007: 75 shares at a unit price of EUR 75.50;
- on December 21, 2007: 75 shares at a unit price of EUR 77.33.

Supervisory Board

Mr Benoît Potier
Purchase on May 24, 2007 of 150 shares at a unit price of EUR 90.40.

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.

Clermont-Ferrand, February 12, 2008

Michel Rollier | Didier Miraton | Jean-Dominique Senard

Fees paid to the Statutory Auditors

Under French law, the accounts of listed companies are required to be audited by 2 independent Statutory Auditors 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 the 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 the 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 expire 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 2007 by Michelin Group to its Statutory Auditors and contractual auditors. Note that CGEM consolidates 249 subsidiaries in 58 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 a worldwide network.

Table of fees paid to Compagnie Générale des Etablissements Michelin (CGEM)'s Statutory Auditors

Years 2007 and 2006	PricewaterhouseCoopers				Corevise				Other				Total			
	in EUR thousand		%		in EUR thousand		%		in EUR thousand		%		in EUR thousand		%	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Audit																
Statutory audits, opinions, reviews of standalone, and consolidated financial statements																
– CGEM	182	178	4.7%	4.0%	182	178	47.2%	48.5%	–	–	0.0%	0.0%	364	356	4.0%	3.8%
– French subsidiaries	552	546	14.2%	12.3%	146	146	37.8%	39.8%	166	165	3.4%	3.7%	864	857	9.5%	9.2%
– Foreign subsidiaries	2,675	3,225	68.9%	72.7%	–	–	0.0%	0.0%	1,649	1,937	34.2%	43.2%	4,324	5,162	47.6%	55.6%
Other services directly linked to the statutory audit work																
– CGEM	36	–	0.9%	0.0%	14	–	3.6%	0.0%	–	–	0.0%	0.0%	50	–	0.6%	0.0%
– Subsidiaries	104	34	2.7%	0.8%	44	–	11.4%	0.0%	94	49	1.9%	1.1%	242	83	2.7%	0.9%
Sub-total Audit	3,549	3,983	91.4%	89.8%	386	324	100%	88.3%	1,909	2,151	39.6%	48.0%	5,844	6,458	64.3%	69.6%
Other services rendered by auditors networks to subsidiaries																
Legal, tax and social	264	319	6.8%	7.2%	–	–	0.0%	0.0%	2,075	1,963	43.0%	43.8%	2,339	2,282	25.7%	24.6%
Other	68	132	1.8%	3.0%	–	43	0.0%	11.7%	838	370	17.4%	8.3%	906	545	10.0%	5.9%
Sub-total Other	332	451	8.6%	10.2%	–	43	0.0%	11.7%	2,913	2,333	60.4%	52.0%	3,245	2,827	35.7%	30.4%
Total	3,881	4,434	100.0%	100.0%	386	367	100.0%	100.0%	4,822	4,484	100.0%	100.0%	9,089	9,285	100.0%	100.0%

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 continuity) in line with Group standards.
- **Group Services** (Finance, Legal, Environment & Prevention and so on), analyze risks, define standards, manage and monitor implementation of risk policy in their own field of expertise.
- **Internal auditors** review overall risk control measures to ensure their effective implementation.

Michelin's risk policy is supervised and coordinated at the Group level by a **Risk Manager.**

The latter convenes at least two yearly Group Risk Committee meetings designed to support the Managing Partners' risk control decisions with special emphasis on potentially serious risk.

Financial Risk

Financial risk is discussed in Note 4 of the Consolidated Financial Statements, on page 89 of this report.

Industrial Hazards

Industrial hazard control is vital for the protection of Michelin's operations over the long term and for the safety of its teams. It is also key for the proper management of the Group's assets and the environment.

In the 2003/2004 period, Michelin's industrial hazards were mapped out and updated in 2005 in order to better identify and assess criticality. Multi-annual action plans with a strong emphasis on prevention were drawn up and prioritized. These have been and will continue to be deployed systematically. 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 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 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 Michelin's Environmental Management System (MEMS). This is an extension to all fields (asset protection, safety, ergonomics, industrial hygiene) of the pre-existing environmental management system.

The system is being rolled out in the industrial sites. Michelin's internal auditors toured the pilot sites in 2005 - 2006. The system should be fully deployed by 2011.

Limiting Industrial Hazards

The main risk factors arising from Michelin's operations and relevant remedial actions 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; significant investment programs to further enhance risk control and limit the consequences of an event.
Metal reinforcement production Production in 10 sites supplying 69 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 mixing production Production in 49 sites supplying 69 factories worldwide	Fire-prone situation.	Pursuit of program to equip all facilities with sprinkler devices and risk confinement through fragmented operations. By the end of 2009, the Group-level program to equip mixing workshops with sprinkling devices is due to be completed. By 2009, the Group will have completed its progress plan involving confinement of risks through fragmentation of operations.
Textile reinforcement production 3 workshops	Vapor and gas emitted while processing 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: 3 to 5 per year over the last three years. In this period, no fire or other industrial accident resulted in serious damage to personnel, Group or third-party assets or environmental impact for the neighboring communities.

A global fire-risk assessment and control method was set up to control fire risk.

• **Michelin took the initiative of an ambitious test program** whose scope goes beyond its internal needs. The program aims to improve and share state-of-the-art 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 took place between 2001 and 2006, respectively at the US-based UL Center of Chicago and in France at CNPP (Centre National de Prévention et de Protection).

They 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).

The program, the first of its kind for these types of tests, 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 life-sized tests were conducted with a variety of tire storage configurations: sidewall, tread and chain storage. Among other findings, the tests served to compare the relative performance of different types of sprinklers (Spray and ESFR types) and to assess the efficiency of wetting agents in conjunction with water.

The findings from the initiative have improved fire protection for existing warehouses and measured the effectiveness of new technologies for future infrastructures while safely optimizing their operations.

It also produced further information on the environmental impact of such fires based on analysis of smoke components, fire fighting water and atmospheric dispersion studies.

• **A robust approach to fire risk:** Michelin developed its own standards of major industrial hazard and emergency control: the High Protected Risk Michelin (HPRM) standard.

HPRM is based on three sets of measures:

- **prevention-related** (an array of hazard prevention measures)
- **intervention** (early detection, fast-reaction personnel and equipment) and
- **protection** (automatic protection devices and passive measures to confine risks in order to minimize damage in the event of serious emergency).

The Group-level risk control expert team is supported by a network of site-based operational counterparts who ensure effective compliance with Group standards in all facilities. The condition of, and measures taken by, sites are reviewed against HPRM standards. The progress targets that are identified are prioritized as part of multi-year progress plans drawn up by all industrial and logistics sites.

Moreover, new projects (construction, revamping, extension, switch to new manufacturing processes and so on), are subjected to prior approval by Environment and Prevention experts who ensure compliance with HPRM standards.

The Group's global control approach is based on a proprietary tool and deployed by a Group-level team. The tool serves to assess site conformity to standards for both asset protection and fire risk. It is due to enter into mainstream application on January 1, 2008.

• **Leveraging test experimentation and exchanging good 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 in 2004, the Group-level fire prevention department developed a system to build on these learnings gained both in-house and from third parties. Under the system, events are analyzed and the conclusions drawn from them are shared across the Group to drive further progress.

"Seveso" Classification

The "Seveso II" European directive aims to prevent accidents involving 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 2007, 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 aspects:

1. Risk Assessment

The level of coverage required is determined by the "Audit" department.

2. Transfer of High-Intensity Risk

Michelin has contracted integrated global insurance programs within the limits of the insurance and reinsurance markets to cover high-intensity risk. These involve mainly "property damage" and "civil liability" coverage.

Property Damage

A EUR 500 million insurance program was negotiated. To ensure continued operations under the best financial terms in case of emergency, this program includes a EUR 50 million Incremental Operating Cost coverage.

Civil Liability

This program includes three key aspects:
• product liability;
• Industrial third-party insurance which is direct in EC countries and in addition to the ceilings of local contracts in all other countries
• environmental emergency coverage for all Group companies.
The guarantee does not cover Legal Fees and Product Recall Expenses.
Other insurance programs cover lower-level risk.

3. Group Captive Insurance Companies

The Group owns several captive insurance companies whose role is to cover medium-level risk. This involves risk pooling and helps control Group insurance costs.
Captive companies, within ceilings commensurate with their resources, mainly handle:
• "property liability", with a EUR 30 million ceiling per event.
• "product civil liability" in the USA and Canada, with a USD 5 million maximum cover per claim.
• "product recall" liability with a EUR 20 million ceiling per event.

The aggregate premiums for financial year 2007 amounted to EUR 59.7 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, in Canada, 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.
Michelin Canada believes that it has meritorious defenses to these claims. Nova Scotia's Supreme Court ruled in Michelin Canada's favor on October 30, 2007. The plaintiffs filed an appeal for this decision.
At this stage in the proceedings, the Group deems it unnecessary to make a provision for these claims.
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 occupational disease (including 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, 2007, 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 (thereby accelerating the pace of its development in the high-growth markets and enhancing its competitive 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 three years is clear: leverage ongoing innovation, accelerate the pace of development in the high-growth markets and achieve substantial competitive 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, and finally (iv) further significant external cost increases, especially concerning raw material prices.

For all these reasons, Michelin is not in a position to guarantee the successful implementation of its 2010 horizon 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 half of all Group purchases in 2007. 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 increase 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 2007

as per the law on New Economic Regulations (NRE)

French companies are required to disclose in their Annual Reports "information on the social and environmental impact of their activities", pursuant to Clause L.225-102-1 and relevant application decrees of February 20 and April 30, 2002 of Code de commerce. Pages 154 to 168 of this report set forth the information corresponding to this obligation. Group scope applies in all instances except for situations where the relevant scope is indicated.
In 2007, Michelin continued to deploy its set of global indicators based on data supplied by all of its 69 industrial sites in 19 countries and more than 170 trading agencies. The Group's aim is to obtain as precise as possible an understanding of its social and environmental responsibilities and to make further progress every year in this field.
Proper understanding of the social and environmental issues arising from its operations are a key aspect of Michelin's Sustainable Development approach, also referred to as Michelin's Performance and Responsibility approach. 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.
In addition, Michelin's Performance and Responsibility Report 2005-2006, published in May 2007 in French and English, and its update Michelin's Performance and Responsibility 2007 published in May 2008 in French and English, provide a detailed review of ongoing measures to ensure fully responsible pursuit of the Group's growth and economic performance targets.
The 2005-2006 report received the Best Sustainable Development Report award on January 16, 2008 by *Conseil Supérieur de l'Ordre des Experts Comptables*, France's chartered accountants board (please visit the www.experts-comptables.fr website).

Social Information 2007

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, 2007
(All work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle-East	Group Total
Headcount**	77,237	23,095	6,322	13,455	1,247	121,356

Group employees as of December 31, 2007
(Full time equivalent, all work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle-East	Group Total
Headcount**	70,582	22,351	5,909	13,440	1,247	113,529

*** The data production process of the indicators marked by two stars have been assessed by PricewaterhouseCoopers (see pages 169-170).*

Breakdown of male and female employees
(all work contracts included)
Female employees as a percentage of headcount as of December 31, 2007

	Europe	North America	South America	Asia Pacific	Africa Middle-East	Group
Production workers	7.90%	14.53%	8.37%	5.10%	0.65%	8.85%
Administrative and technical staff	25.69%	28.48%	25.77%	26.60%	24.48%	26.24%
Management	15.74%	12.75%	13.47%	15.33%	14.06%	15.08%

Scope: Group excluding Euromaster and TCI.

Females account for 13.90% of total Group headcount.

Change in number of employees in 2007
(all work contracts included)

	Europe	North America	South America	Asia Pacific	Africa Middle-East	Group
Natural attrition	4,762	1,204	1,355	109	308	7,738
Negotiated redundancies	3,289	1,444	563	294	1,103	6,693
Early retirement	1,771	892	9	0	1	2,673
New hires	5,937	2,769	2,124	606	206	11,642

Scope: Group excluding Euromaster and TCI.

Fixed-term contracts
In 2007, fixed-term contracts accounted for 2.05% 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 2007, overtime accounted for an average of 5.3% of the total number of hours worked within the Group. The rate varies from 1.5% in Africa and the Middle East to 10.7% in North America. Compensation paid in 2007 in connection with overtime amounted to 2.4% of Group total payroll.
Third-party manpower working on Group sites accounted for an average of 3.6% of total Group headcount (full-time equivalent), and varied from 3.0% in Europe to 6.6% in South 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 high-growth tire markets (Eastern Europe, Asia, South America) and increasing competitiveness in the developed ones (Western Europe, North America, Japan).

This growth and consolidation strategy does not go without industrial reorganization and restructuring plans, like those conducted in 2007 in Belgium, Spain, France, Hungary, Italy, the Netherlands, Poland, United Kingdom, Canada, USA, Colombia, Japan, where more than 6,600 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 by 2010 will facilitate such restructurings.

In such circumstances, Michelin Group systematically deploys a full range of initiatives to avoid redundancies and support every staff member individually. These include:
• intra-Group redeployment: priority is given to these measures, implemented in particular in Belgium, France, Hungary and Italy in 2007;
• reliance on the Group's entity dedicated to facilitating and anticipating internal and external mobility requirements (France, Italy);
• use of early retirement and similar provisions (including CATS in France, "mobilita corta" and "mobilita lunga" in Italy, standard and "contrato de relevo" gradual early retirement plans in Spain, similar plans in Belgium, Hungary and the United Kingdom);
• Group-financed job search services by dedicated support offices and outplacement entities, and support by volontary workers.
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), to facilitate reclassification outside of the Group.

2. Labor organization and working hours, part-time work, absenteeism

Labor organization

Working hours in the Group's 69 industrial plants and dozens of 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 hours in France to 2,304 hours per year in Colombia, or 213 days in France and 265 days in China.

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 and week-end shifts), reflecting different industrial, legal as well as local practices.

Part-time work

Percentage of part-time male and female employees, by status, in overall headcount as of December. 31, 2007

	Female	Male	Total
Production workers	5.2%	1.7%	2.0%
Administrative and technical staff	7.6%	1.1%	2.8%
Management	8.3%	0.9%	2.0%
Total	6.6%	1.5%	2.2%

Scope: Group excluding Euromaster and TCI.

Part-time work contracts are available in most countries where the Group has industrial operations. Overall, 2.2% of the Group's workforce work part time across job categories.

Absenteeism

Absenteeism on Michelin sites tends to be lower than national rates in similar sectors. The Group average all causes included was 4.0% (number of hours of absence versus expected number of hours worked).

Sick leave	Injury leave	Protracted sick leave	Group average
2.5%	0.2%	1.3%	4.0%

3. Change in payroll and welfare costs, equal opportunities for men and women, profit-sharing, bonuses, company savings programs

2007 Total Payroll (in EUR million)	including production workers	including administrative/ technical staff	including Managers	including Fixed-term contracts	including Severance pay and restructuring
4,732.6	1,938.2	1,765.4	572.0	97.2	15.0

Non exhaustive breakdown: the total figure includes provisions for retirement benefits, tax, stock-option pre-payments and other long-term pre-payments.

Change in payroll and welfare costs

In 2007, payroll and benefits costs accounted for 28.1% of net sales, amounting to EUR 4,732.6 million, of which EUR 912.6 million social charges borne by employers.

Group payroll and social charges breakdown as follows:

Wages and salaries	71.2%
Social security costs	21.2%
Defined benefit plans and severance costs	7.4%
Share option plan costs	0.2%
	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. 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 executives in particular, Michelin has a variable pay policy that recognizes the achievement of individual objectives 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, 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 29,000 employees (headcount as at December 31, 2007, including Euromaster)) and where inflation ran at 1.5%, pay increases in 2007 were as follows:

Production workers	+ 2.8%
Administrative and technical staff	+ 3.0%
Management	+ 3.6%

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. 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	- 0.31%
Administrative and technical staff	- 4.28%
Management	- 6.60%

The differential can be attributed to company seniority, thus experience and responsibility, generally lower among women. Pay policy is strictly identical for men and women in each personnel category and country.

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 73,000 Group employees. The level of those complements vary widely and can account for up to 12% of the payroll concerned.

At Manufacture Française des Pneumatiques Michelin, a profit sharing program was concluded with the trade unions for the 2005-2007 period. Multiple indicators are used to calculate bonuses: these include the number and type of progress ideas, the percentage of scrap recycling, the frequency of accidents at the workplace, raw material waste, output level, order fill rate and site-level employability. 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 2007 in relation to 2006 profit sharing entitlements amounted to EUR 22 million (versus EUR 23.7 million in 2006) or 3.1% of gross salary (versus 3.4% in 2006).

4. Professional relations, collective bargaining

The following countries have one or more branch agreement(s): Algeria, 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 60,000 employees, or upwards of 95% of the headcount in the countries concerned.

In 2007, more than 2,000 official meetings (25% more than in 2006) were arranged with employee representatives in 20 countries. These meetings, over and above the formal and informal exchanges they gave rise to, led to multiple agreements.

In 2007, 35 branch agreements were signed with employee representatives in 14 countries, applicable to nearly 60,000 employees. In several countries, collective agreements signed in previous years were in force in 2007.

Examples of agreements signed in 2007:

Europe

- Germany: collective bargaining agreement signed by several MRW plants providing for an increase in weekly working hours (to 38.75 hours/week) as part of the 30% productivity improvement plan;
- Belgium: agreement on future pay levels for 2008;
- Spain: agreement with all Workers' Committees on MEPSA collective agreement for the 2007-2010 period on working time and its allocation under the different schemes, pay, vacations, social benefits; agreement for implementation of the measures to adapt the facilities and staffing to the new industrial projects (wind up of some activities, early retirement, functional and geographic mobility, investment projects); agreement on 2008 work schedules in the different industrial sites; agreement on the reorganization of work at the Vitoria site (with adoption of 5-shift organization) and at the Aranda warehouse (3 shifts); site-specific arrangements to enhance flexibility (production peaks, seasonality, activation and deactivation of working days, new work organization...);
- France: PERCO collective retirement savings plan providing for an increase in the employer's contribution from 2 million euros to 3 million euros; agreement on introduction of a compulsory Mutual Fund for MFPM employees and continued MFPM contribution to the voluntary scheme for current and future retirees;
- Italy: agreements on working hours signed in all sites;
- Poland: agreement on pay increases based on position, agreement with employee representatives on industrial relations and the respective modalities;
- Romania: agreement at the Silvania and Victoria sites, pursuant to Labor Law, the National Collective Agreement, the Branch Collective Agreement for the Petrochemical industry and the sites' internal regulations, on the individual work contracts, vacations, working conditions and safety, pay and the other social benefits, professional training, the rights and obligations of both sides of industry;
- United Kingdom: agreement on production and administrative worker pay for 2007 and 2008;
- Serbia (Tigar): agreements on new hires, non competition, employee guarantees, staffing and overstaffing, working hours, break hours, vacation, pay and benefits, turnover.

North America

- Mexico: annual renewal of the collective agreement for pay;
- United States: in addition to scheduled collective negotiations, Group managers regularly meet USWA 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; annual agreement on the amount and terms for payment of employee profit sharing schemes; in PEM and PMB 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; introduction of a Collective agreement (without trade union agreement) for a six-month interim period from August 2007.

Asia

- Japan: agreement defining the local trade union's mission and activities, stakes for the employees under its jurisdiction, conditions of discussions with the employer (communication, discussions, negotiation, committee organization);
- Thailand: agreement on reimbursement of hospital care.

More than fourty different information (23) and consultation (20) channels were identified within the Group as being currently in use in the different countries: each country concerned uses on average 10.6 of them, including such media as intranets, corporate magazines (countries and entities), daily, weekly and monthly team meetings, the "Forward" video magazine, meetings with employee representatives, surveys on the group intranet, roundtables and so on.

5. Occupational Hygiene and Safety

Risk prevention in the area of industrial hygiene

The network of Hygiene correspondents relies on "Materials" Experts in the Research Center as well as on occupational doctors. It conducts a program for chemical hazard evaluation and prevention at the workstations, including the drafting of guides and risk & exposure follow-up referentials.

In 2007, the Group opted for 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 factsheets, Workstation Product Safety Instructions, labels and transportation documents to be deployed across Europe in 2008.

Concerning asbestos, we note that this material was never a tire component and that Michelin never either manufactured or processed it. In the '60s and '70s, asbestos was used in many companies as well as in housing construction for thermal insulation. Michelin used it at the time on account of this characteristic, in particular for heat insulation (cladding) pipes and curing presses, as well as friction parts (brakes).

A mission carried out in 2007 served to review the compliance of all Group industrial sites together with as exhaustive as possible a stocktaking of materials containing asbestos still present in our buildings and equipment. To date, there no longer is any "free" asbestos in the Group. In connection with captive asbestos, a risk analysis tool was developed with Bureau Veritas, a certified agency. Applied to the stocktaking, by 2008 it will enable a classification of situations and prioritization of extractions. Extraction operations for 2008 have been scheduled. The Group's personnel and environmental risk control policy is implemented through gradual extractions supervised by a Group level manager.

Chemical risk management at the workpost remains the highest priority. The core team was strengthened in 2007 in order to monitor the approaches launched in each country via a network of Industrial Hygiene correspondents.

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 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 a 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.

The idea is to deliver training to the local physicians in French hospitals.

In Africa, the Group's health services also act as advisors and service providers to SIPH (Société Ivoirienne de Plantations d'Hévéas). Pursuant to a Michelin physician's mission in Ghana in 2006, a Group nurse performed an additional mission in 2007 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 2007, 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 2007, all of the new training cycles were conducted according to this standard and already account for the bulk of modules.

In 2007, Michelin continued its AIDS prevention action, focusing on the worst-hit countries. In a context where the AIDS problem is not properly taken into account, 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, dietetic advice, daily hygiene, tobacco and alcohol dependence…

With respect to bird flue, the Group developed a 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).

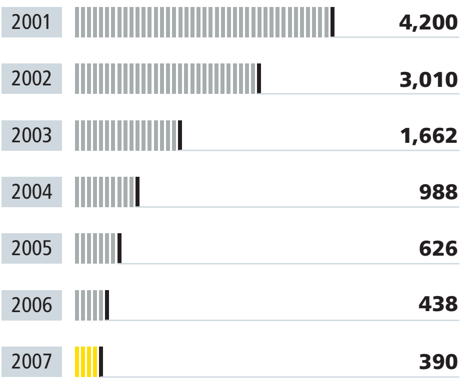
Safety at the workplace

For all Michelin Group sites, work accident frequency rate continues to decline, and is now below 2.5:

	2003	2004	2005	2006	2007
Frequency rate**	9.93	5.73	3.61	2.55	2.39
Severity rate**	0.46	0.32	0.25	0.21	0.21

*** The data production process of the indicators marked by two stars have been assessed by PricewaterhouseCoopers (see pages 169-170).*

Number of accidents with work stoppage



The number of accidents was divided by 10.7 over six 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 2007, eighteen sites posted zero accidents (TF=0) and a total of thirty had a TF below 1. The year 2007 saw a significant improvement in the results of our North American and Asian plants. Elsewhere in the world, the trend is for stabilization or degradation of results.

Retention of a very low TF implies implementation of a system to guarantee results, also called "sub zero management". When such guarantee has not been introduced, TF is liable to be multiplied by two very quickly. A TF of 1 indeed stands for 1 accident with work stoppage per year in a 600-employee site. Certain sites continue to improve over time and play an internal benchmark role.

The Group's safety at the workplace policy is multifaceted:

• staff involvement – a key to prevention policy. To monitor it closely, the Group introduced a global indicator. In 2007, one in three employees took part in a safety action, or twice more people than in 2005;

• specific programs: following the review of previous years' accidents, 2007 was characterized by launch of specific programs across Group entities, eg forklift use and circulation courses, work at a height, electrical distribution, etc.;

• the workshop leaders training: after having developed and generalized at the Group-level the training of the workshop managers called: "I monitor safety at my workshop", a new course was designed for workshop managers, based on prevention. This defines daily safety management to be applied across Group sites. Deployment will continue through 2008 and 2009.

In the area of ergonomics, seven new projects were launched, including one for extruders, based on leveraging feedbacks to measure the efficiency of actions and methods. The approach will help to deploy the best practices in specific situations. The ergonomics network was enriched and now counts 30 specialists who operate at sites to remedy existing situations, and in process design offices in order to build ergonomics into design from the start.

Joint work with interim agencies was launched under the Safety charter jointly signed by Michelin and these service providers. Following a joint review, a first round of good practices and a series of detailed studies were conducted at the higher-performance sites to identify new progress opportunities matching specific interim work requirements. They are being deployed and deliver encouraging results.

Internal communication is key to the Group's safety policy and a number of initiatives were launched to help deployment. In 2007 a communication campaign featuring the Michelin Man, the brand's mascot, supported the specific programs. In addition, the Group equipped all of its sites with audio visual communication systems to supplement traditional communication media (posters, bulletins...).

Finally, a road safety program at the workplace was continued in 2007, 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. Such actions translated into awareness-building, education and training programs designed to influence accident-prone behavior. In 2007, the road safety project was taken at the European and global levels, with the aim of completing Group-wide deployment by 2008-2010.

Accident risks for Group personnel commuting to work or traveling on business were covered by internal campaigns to be continued in 2008. They encourage safer driving practices and improved travel management. During the "Driving and Behaving" events, Michelin employees were made aware of road safety issues and 17 Michelin Man tire inflation stations were installed at Group sites. The TF and TG indicators were adapted to commercial sites and will be used in 2008.

All these programs result from implementation of long-term commitments taken by the Group through charters and alongside national and European bodies. The European road charter is due to be renewed in 2008 and will testify to the Group's long-term commitment to this theme.

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 2007 training access rate (number of training hours compared to number of hours worked) was 3.7% (versus 3.1 % in 2006).

From a quantitative point of view, the number of training hours for 2007 was 6.3 million hours, compared with 6.1 million hours in 2006, or an average of 63 hours by employee and 74 hours per trainee, versus 52 and 74 hours respectively in 2006 (reprocessed 2006 data, see note below).

Breakdown of training hours by staff category:

	Production workers	Administrative and technical staff	Management	Total
Training hours	4,662,000	1,386,000	252,000	6,300,000
Percentage	74%	22%	4%	100%

On-the-job training accounted for the bulk of the Group's training courses in 2007, in line with Michelin's policy of contributing to the development of individual skills and employability.

Note: the method used in producing these statistics was amended in 2006 and 2007, to enhance accuracy. Headcount registered (at the beginning of the year and hired during the year) as opposed to full time equivalent headcount is now taken into account. A quota of 1,700 hours worked for the year was used (instead of 1,800). The ratio of man/hours in 2006 was reprocessed together with the training access rate. In addition, a particular effort was paid in 2007 to enhance process reliability for training data feedback across Group sites.

7. Disabled workers, the Group's Diversity approach

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 recommend a percentage – 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 authorize those companies that fail to comply with statutory rates to make a financial contribution instead. 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.

A Group Policy document: People with disabilities which is applicable in all Group countries, states the Group's commitment to hire, retain in employment, manage and train disabled people pursuant to the Company's non-discrimination principles and to use the services of institutions that specialize in disabled people employment, wherever possible.

With the above due reservations concerning the reliability of disabled employment statistics, the Group currently counts an estimated 2.6% of declared disabled employees (in a relevant headcount of 88,000 people), with major differences between regions (Europe: 3.7%, North America: 1.1%, South America: 1.5%, Asia: 0.3%, Africa and the Middle East: 0%). The differences between countries too are important, from 0% declared disabled employees in several countries, 0.3% in China, 0.4% in Poland, 0.5% in Hungary, 1.2% in Spain, 1.5% in Brazil, 1.6% in Italy, 4.1% in Germany, 5.8% in Canada and 7.3% in France.

The Group's Diversity approach continued to be deployed and the internal and external hiring procedure was audited in France, the Diversity network received training on ageing and age and further communication and action was conducted on the Group's five key priorities: cultures and nationalities, gender, ethnic groups, age and physical capabilities.

8. Employee benefits

In all countries where it operates, Michelin acts as a "patron", 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 an estimated EUR 25 million.

9. Subcontracting

In 2007, 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 16.0% of payroll, versus 14.5% in 2006.

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 subsidised 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 Europe, the mission is conducted by a team of 18 persons who devoted nearly 2,000 hours to technical consultancy. In addition, it used an EUR 12 million envelope to create 1,780 jobs in contributing to the validation and financing of 168 entrepreneurial projects, chiefly in Germany, France, Italy and the UK, but also in Hungary, Poland and Romania.

In Canada, Michelin Development intervened at the Kitchener site and supported the granting of loans with a potential of 403 job creations.

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.

In 2007, some 17,000 days were spent Group-wide by staff members in community relations, and more than EUR 8.4 million were paid to external groups. These contributions tend to be fairly correlated to the actual headcount in the regions concerned.

Concerning financial contributions, the bulk was chanelled into schools and education (54%), social relief (health, social, charity...) and to sports and cultural events 33%, the balance (13%) was chanelled into mobility, road safety issues in particular.

Measured in terms of time and direct contribution of Michelin staff, teaching accounts for 43% (or about 7,300 days) of the Group's contribution. Miscellaneous operations also account for 43%.

The actions aimed at local welfare (more than 2,600 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 (note that in addition to Michelin's financial contribution, some EUR 1.3 million were gifted by the company's employees to this association), local food banks, fire departments, partnerships with several major universities in South Carolina; financial support for sports clubs and museums; "Meals on Wheels of Greenville" operation, blood donation, contribution to the Red Cross, financing of emergency vehicles and so on.

• **South America:** in the State of Bahia, support to family farming programs, 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 and furniture (trunks, tables, chairs, etc.) and toys to an orphanage; development of a game on road safety 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 and running of an orphanage and a teaching support program for underprivileged children.

• **Europe:** support to sports clubs, sporting events, financing of premises; "Achtung Auto" and "vado a piedi e uso la testa" road safety lessons for schoolchildren, revamping of homes for disabled people, organization of sporting events, IT equipment gifts, blood donor recruitment, course for people to reintegrate the job market, musical event at Epinal site, gifts to the Ligue Contre la Violence Routière (road crime league), furniture gifts to a pediatric hospital, tire gifts to emergency services, financing of medical equipment, material support and participation in the life of schools (lectures such as in cartography in the Paris Region); participation in "Girls' Day" operation to encourage young women to acquire technical training, company meetings with students, in Clermont-Ferrand, for many years, very strong involvement in the ASM (Association Sportive Montferrandaise) sports club, both through financial contributions and hands-on contributions by Group managers.

• **Africa:** the "Moto Sida" aids prevention drive, financial support for the year-end school fiest, supply of equipment for a disabled people association.

• **Asia Pacific:** In China, RTSAC (Road and Traffic Security Association of China) road safety campaign in Chinese towns (Gui Zhou, Guang Xi, Chong Qing), contribution to the local red cross, 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).

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.

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, Koweït, South Africa, Poland, Romania, Hungary, Brazil) and extends technical legal support and prevention advice to the populations.

On the one hand, Michelin has identified the most accident-prone behavior in connection with its core business, tires. In 2007, the "Fill up with air" awareness building campaigns were rolled out in 11 countries (six in the European Union and Algeria, Croatia, Russia, Serbia and Turkey), giving drivers an opportunity to learn about proper tire inflation pressure. In all, some 16,000 cars were checked: 60.6% had at least one under-inflated tire. To facilitate proper inflation pressure maintenance, Michelin has installed 61 free Michelin Man inflation stations in nine countries, and another 24 are planned. In France, 29 Michelin Man inflation stations were installed through a partnership with the ASF motorway network and 5 with the COFIROUTE motorway network, and in Germany and Austria ADAC's and ÖAMTC's (automobile clubs) centers benefited from another 6 such stations.

On the other hand, Michelin supported road safety promotion through protection measures for the more vulnerable populations: the youth, cyclists, pedestrians. In France, at the Montceau-les-Mines, Bassens and La Roche-sur-Yon sites, "Michelin Junior Bike" operations were held to offer kids a fun opportunity of learning road traffic rules. 1,700 young cyclists aged 4 to 11 participated. Four similar operations were held in Italy (la Spezia, Parma, Santa-Maria-Maggiore, Viareggio).

In China, other than the circulation of a guide (50,000 copies distributed) Michelin produced a weekly TV show broadcast in 6 provinces, covering 5 million potential viewers. The TV program featuring the Michelin Man dealt with road hazards. Finally, Michelin largely contributed to the First Road Safety Week held by the World Health Organization on April 23-29 2007. A movie was produced and broadcast in 26 countries and globally by BBC World Asia Today and Al-Jazeera English. Simultaneously, the event was supported by public awareness campaigns in more than 14 countries.

12. Supplier Relations

In light of the relative weight of its purchasing costs in its net sales (more than 50%) and in order to promote deployment of its external actions among its suppliers, Michelin considers it very important to foster business relationships with suppliers that abide by the same principles as its own in terms of balanced and responsible development. Through ongoing exchanges with its suppliers, Michelin intends to select them not only based on product and service quality/price ratio, but also on their overall performance, including social, environmental and ethical aspects. Owing to the high geographic dispersion of its suppliers, the Group needs to be even more watchful.

In 2007, the Group's approach continued with gradual introduction of the Michelin Purchasing Code clauses in the agreements. The document, published at end 2004, requires suppliers to adhere to its social and environmental principles (International Labour Organization, assessment and control of environmental impact…). The internal and external audits include monitoring of the new clauses, in particular local agreement control and integration of the Purchasing Code requirements integrated in the framework agreements signed at headquarters.

Concerning raw material purchases, a "maturity scale" was drawn up and applied first to the largest suppliers, giving rise to a review and feedback, involving some thirty meetings. Detailed audits are conducted by our teams (30 to 40 each year). At end 2007, in Europe, more than 80% of raw material purchases originated from ISO14001 certified production sites. The monitoring of such certification is gradually taking place in Asia, North and South America and Brazil in particular.

In addition, Michelin has 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.

Environmental Information

1. The Group's environmental approach

1.1 Improving Michelin sites Environmental Footprint performance

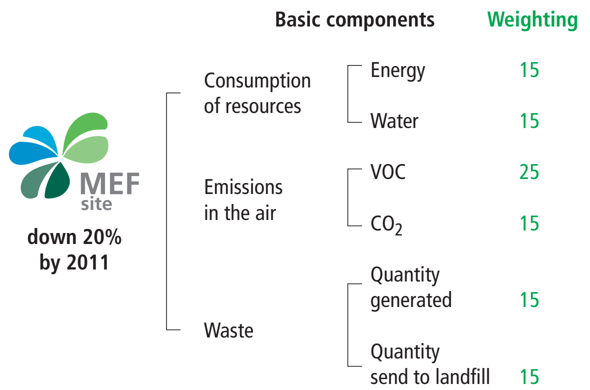
1.1.1 Group targets

Almost all (99.5% in tonnage) of Michelin's tires are currently produced in ISO 14001 certified plants, and the Group has practically achieved its certification objective. Its current objective is to achieve an overall 20% reduction by metric ton of tire in site environmental impact by 2011 versus 2005, while contributing to improving the Group's economic performance. This objective has been translated into six progress priorities including energy consumption and CO_2 emissions. Site achievement of the objective is monitored through a composite indicator integrated into the Group's scorecard.

Improving environmental performance implies reliance on adequate global measurements. The fifteen or so indicators per site we initially relied on were not adequate to properly track progress at Group, entity (Product line and Geographic zone), or even site level. In 2005, Michelin therefore developed a composite site environmental performance indicator called MEF (Michelin sites Environmental Footprint), including our six most relevant environmental challenges for the mid-term.

MEF integrates water and energy consumption, carbon dioxide (CO_2) and volatile organic compound (VOC) emissions and the generation of waste and its disposal in landfills. Each criterion is weighted according to its significance (see table) and calculated for actual tire production tonnages. In 2006, close cooperation between Michelin central and local Environment teams enabled the Group to define entity-level progress objectives for each indicator criteria. The Group's 2011 target is MEF down 20% versus 2005 (base year) using the applicable weighting of the six criteria and based on MEF indicator quarterly reports (available since 2006).

MEF (Michelin site Environmental Footprint) Indicator: Components and weighting



MEF (Michelin site Environmental Footprint) Indicator evolution between 2005 and 2007.

MEF (Michelin site Environmental Footprint) 2007 results

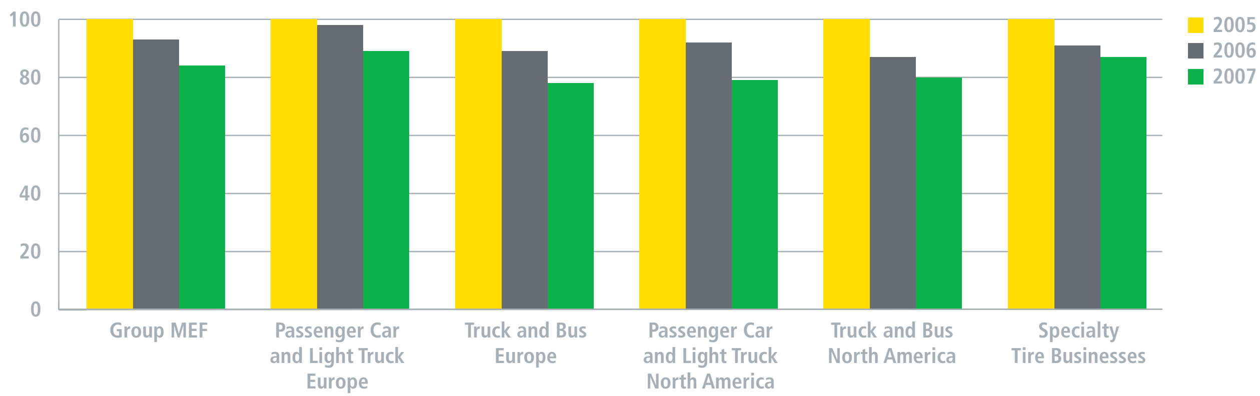
	2011 objective compared to 2005	2005	2006	2007	Changes over 2005-2007
MEF	- 20%	100	92.9	83.6	- 16.4%

MEF six criteria changes	Unit	2011 objective	2005	2006	2007	Changes over 2005-2007
Energy consumption**	Gj/t* PP	- 7%	17.4	17.2	15.6	- 10.3%
Water consumption**	m³/t PP	- 10%	15.0	14.9	13.3	- 11.3%
VOC emissions**	g/kg PP	- 25%	4.27	3.97	3.48	- 18.5%
CO_2 emissions**	t/t PP	- 10%	1.53	1.48	1.37	- 10.5%
Waste generated	kg/t PP	- 5%	140	130	128	- 8.6%
Landfill	kg/t PP	- 60%	33	26	20	- 39.4%

** t PP = ton of tire produced.*
*** The data production process of the indicators marked by two stars have been assessed by PricewaterhouseCoopers (see pages 169-170).*

At end 2007 the target was achieved for 4 out of 6 components. Michelin, based on the results achieved in the various Group entities, is now ahead of its schedule and an ambitious new 5-year target will be set in 2008.

MEF reporting segment yearly change (base 100: 2005)



Every entity contributes to the Group's overall progress.

1.1.2 Group site responses to climate change issues: Renewable Energy Policy

Fully aware of the global warming and greenhouse gas issues and their consequences, Michelin Group is determined to contribute to the drive to reduce global greenhouse gas emissions by the transportation and industrial sectors.

In order to achieve its - 10% CO_2 emission target for 2011 and in addition to ongoing actions to improve its energy efficiency, the Group adopted in 2007 a Renewable Energy (EnR) policy around the following key points:

- Objective: implement EnR technologies in every Group site: industrial, logistics, research center sites, etc.
- A Business Model
  - Globally improve site economic performance;
  - Have a partner make the investment;
  - Project integration in the local environment;
- Objectives:
  - All energy projects will integrate the EnR technologies as from the study phase. These will be implemented wherever these match the business model criteria;
  - By end 2008, all Group industrial sites will have identified the locally available sources of renewable energies to be introduced and drawn up an initial implementation plan.

1.2 Controlling the impact of Michelin's products

The life cycle assessment of a tire shows that 80% of the impact on health and the environment relates to the use life phase mainly because of rolling resistance. In common use conditions, tires account for a significant proportion of vehicle fuel consumption, some 20% for passenger cars and more than 30% for trucks.

This has been one of Michelin's key priorities for many years: improving tire fuel efficiency along with other performance criteria and with a special emphasis on road safety. By reducing vehicle fuel consumption, lower tire rolling resistance also reduces local pollution and CO_2 emissions.

The current generation of Michelin Energy "green" tires, first invented in 1992, cuts rolling resistance by up to 25% compared to tire offerings on the market. It reduces a European car fuel consumption by an average of 0.2 l/100 km, and 4 g of CO_2/km.

In truck tire technology, the Energy range of tires, which was introduced in 1995, delivers an average gain of 1.5 l/100 km, and 40 g of CO_2/km.

In fifteen years, the 570 million Michelin green tires sold worldwide, when compared with any other type of tire account for an estimated 9 billion liters of fuel saving and more than 22 million metric tons of CO_2 emission saving, or the equivalent of the green sink potential of 880 million trees per year. Every second, they save 43.9 liters of fuel or 109.14 kg of CO_2 not emitted (or 3.4 million metric tons of CO_2 per year).

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.

1.3 Scope of environmental disclosures

The disclosures below cover an estimated 100% of Michelin's industrial operations (finished and semi-finished production), as well as research and development activities and rubber tree plantations.

2. Review of statutory indicators

2.1 Atmospheric emissions

2.1.1 Greenhouse gas effect

Direct CO_2 emissions by Group-owned boilers in 2007 were down 12% versus 2006 at 0.64 t by metric ton of finished product.

In European Union countries, emissions are subject to regulations providing for CO_2 emission rights or quotas. In 2007, as in 2006, Michelin's European site emissions were slightly below regulatory quotas, which was last year's level. This theme is treated in a separate paragraph in note 13 of the Consolidated Financial statement (page 100).

The Group's operations also indirectly account for CO_2 emissions by its power and thermal energy (steam) suppliers. Such indirect emissions were evaluated at 0.72 t by metric ton of finished product manufactured, or 4% less than in 2006. This reduction is accounted for by lower electrical consumption thanks to optimize operations and introduction the Group's best industrial practices.

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 (12,400 tons of indirect CO_2 emissions avoided in 2007).

Site	Technology	CO_2 volume not emitted
Bamberg, Hombourg, Bad Kreuznach, Landau (Germany)	Photovoltaic	- 6,000 t CO_2/year
Dundee (United Kingdom)	Windmill	- 3,100 t CO_2/year
Bassens (France)	Biomass: recovering steam generated by an incinerator located 1 km away	- 3,300 t CO_2/year

In this field the Group has set a 10% CO_2 emission reduction target by 2011 as compared with 2005.

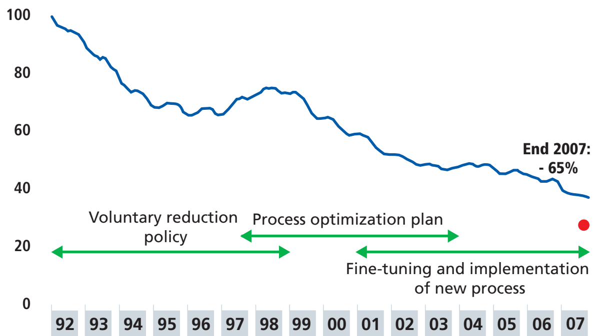
*2.1.2 Other atmospheric emissions**

Volatile Organic Compounds (VOC)

Group relative VOC emissions (3.48 kg/t of finished product) of finished product were down 12% between 2006 and 2007. The year 2007 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 (-65%) reductions were achieved since 1992 when the reduction program started.

In this field the Group has set a 25% VOC emission reduction target by 2011 as compared with 2005.



Nitrogen Oxides (NO_X)

Specific NO_X emissions from Group boilers were up + 4.7% to 0.89 kg per metric ton of finished product (versus 0.85 kg/t in 2005).

Sulfur Oxides (SO_X)

Sulfur oxide (SO_X) emissions rose 4% from 1.22 kg/t at 1.27 kg/t of finished product.

Such increases (NO_X and SO_X) result from introduction of new measurement systems on the second site which makes the largest contribution to emissions, which enhances the reliability of the indicator.

** Correspond to "acidification" and "photochemical" pollution items defined by ministerial decree of April 30, 2002.*

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 in production is either discharged to the environment or to local water treatment plants.

Michelin's specific water consumption amounted to 13.3 m^3 per metric ton of finished product, down 10.7% on 2006. Note that a change in water consumption measurement rules account for 20% of this difference.

The Group has set a 10% water consumption reduction objective by 2011 as compared with 2005.

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. These parameters are not specific to Michelin's processes but inherent in most industrial activities.

Concerning wire processing activities and synthetic elastomer manufacturing that require water in the manufacturing process, metal (copper, zinc) and hydrocarbon residues could respectively be discharged. In these facilities, Michelin has installed its own, efficient, water processing equipment.

All Group site discharges to the aquatic environment comply with local regulations.

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's Environmental Requirements provide for a high level of soil protection, derived from the strictest standards and are often more stringent that local regulations.

2.4 Waste

In 2007, the Group continued to keep waste disposal to a minimum. The gross amount of waste generated by production of one metric ton of tires dropped to 128 kg (-1.5%) and the actual disposed waste volumes declined 23% from 26 kg to 20 kg.

The Group has set a 60% waste disposal reduction objective by 2011 as compared with 2005.

2.5 Resource consumption

Energy

The Group's energy consumption by metric ton of tire produced decreased at 15.6 GJ from 17.2 GJ at constant scope, a decrease of more than 9% versus 2006.

The cross-functional entity set up at the end of 2004 to streamline plant power consumption through the promotion of best practices, has seen its energy audit method deployed in 2006 and a list of Group best practices and progress avenues was drawn up. By end 2007, 63 sites had been audited and action plans prepared. The remaining sites will be audited by the end of 2008.

The Group is in the process of developing a policy for use of renewable energies (see details section 1.1.2), and existing realizations have already had a positive impact not only environmentally speaking but also from an economic point of view.

2.6 Ecosystem Preservation

Michelin, as any other industrial company, benefits from the "services rendered" by ecosystems, is anxious to use them in a sustainable way, and therefore deploys a three-pronged action to limit its impact on them through:

- introduction of new processes and measures to limit water consumption;
- compliance with local environmental regulations concerning ecosystems combined with Group-level Environmental requirements where they are more stringent;
- production of fuel-efficient tires delivering longer service life and reducing raw material consumption;
- sustainable rubber farming (see box).

The examplary case of our PMB plantation in Bahia (Brazil)

South America's rain forest is a major stake in global ecosystem preservation owing to its extreme biodiversity. For instance, it is estimated that Brazil is home to one third of all animal and vegetal species on earth.

Fully aware of this, Michelin provided for a 3,000 ha ecological reserve in its Bahia Michelin Plantation (BMP) through a network of forest passageways connecting the multiple primary Atlantic forest patches that are part of the estate. The reserve is now host to a scheme to reintroduce threatened animal and vegetal species.

2.7 Pollution Risk Prevention

The subject is treated in the above paragraphs, as well as in the "Industrial Risk"section page 150.

2.8 Progress Approach

2.8.1 Certification and evaluation, statutory conformity guarantee

The robustness of the Group's environmental policy with respect to industrial sites is based on the Michelin Environmental Management System (MEMS), designed to enable Group facilities worldwide to control their environmental footprint on a day-to-day basis as well as in the longer term.

MEMS environmental management covers the following aspects:

- ensuring compliance with local regulations and Michelin standards;
- annual progress achieving, alignment with local requirements and establishment of targets;
- prevention of pollution due to accidental spillage.

The Group's objective is for all sites acquired more than 5 years ago to introduce MEMS. At the end of 2007, of the industrial sites and Technology Centers and plantations acquired over the last five years, 94% were using MEMS. This approach is in the process of being introduced in the logistics sites.

The MEMS also enables the Group's sites to obtain ISO 14001 certification. At the end of 2007, 99.5% of the Group's production came from certified sites. The Group's two rubber tree plantations and main Technology Center sites as well as all semi-finished production plants were also certified.

In addition, the "Group's Environmental Requirements", setting forth the required performance level, which are at times more stringent than applicable regulations apply to all new plants and plant development projects and will underpin ongoing progress toward environmental excellence at all Michelin sites.

Concerning existing facilities (industrial sites and Technology Center), 94% of the Group's plants were covered by end 2007 by a review of differences in relation to Group Requirements. An action plan was drawn up to bridge these gaps, aimed at 95% compliance by 2012. In addition, deployment will continue in 2008 and among the few remaining sites, two have already started their assessment.

2.8.2 Environmental Governance and Internal Organization.

To guarantee the robustness of risk analysis and the relevance of the solutions adopted, Michelin Group manages all of its environment, hygiene, workplace safety and industrial hazard prevention issues as part of a network.

The Group's Environment and Prevention network comprises a hundred or so experts who operate in the 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.

The objective of - 20% MEF (Michelin Environmental Footprint) by 2011 is monitored on a cross-sectional basis by the Group's manager in charge of Environmental affairs. The MEF indicator has been integrated into the Group's score card in 2006.

Improvement objectives are defined yearly under the Annual Plan. MEF deployment at business level is key to its robustness. MEF progress is monitored on a quarterly basis by the DPPI (Industrial Prevention and Performance Department) and on a yearly basis at Group top executive level.

Michelin has in fact moved ahead of schedule: - 16.3% by end 2007 with a - 20% objective at end 2011, a new 5-year target will be set in 2008.

2.8.3 Employee training and information

MEMS 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 7.5 million as of December 31, 2007.

The Group spent EUR 34.5 million in its industrial facilities in 2007 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 thousand)	Investments	Operating expenses	Total expenses	
	2007	2007	2007	2006
Air pollution prevention	18,134	1,047	19,181	18,582
Surface water pollution prevention	4,227	582	4,809	3,399
Underground water and ground pollution prevention	1,193	1,999	3,192	4,137
Other	6,300	973	7,273	6,963
Total	**29,854**	**4,601**	**34,455**	**33,081**

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 that are built in or near urban areas.

Deployment of a standard solution across the Group is continuing. The solution, using effluent thermal oxidation is now operational in four European plants. The Group is researching into even more efficient and environmentally friendly techniques.

More generally, site teams, supported by Group experts, take every step to reduce the odor, sound or other nuisance generated by its industrial activities.

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 EnR implementation in Europe and the United States, in 2007, Michelin joined the Green Power Market Development Group, led by the World Resources Institue (WRI) NGO.

3 Data Recap Table

Indicators are based on the Global Reporting Initiative (GRI).

	2005	2006	2007	2007/2006	GRI Indicators
Water consumption**	15.0 m³/t	14.9 m³/t	13.3 m³/t	- 10.7%	EN8
Energy consumption**	17.4 GJ/t	17.2 GJ/t	15.6 GJ/t	- 9.3%	EN3-EN4
of which : Michelin stationary sources	*10.6*	*10.5*	*9*	*- 14.3%*	*EN3*
Steam	*1.0*	*1.1*	*1.2*	*+ 9%*	*EN4*
Power	*5.7*	*5.6*	*5.4*	*- 3.6%*	*EN4*
Greenhouse gas emissions**	1.53 t/t	1.48 t/t	1.37	- 7.4%	EN16
of which : Michelin direct stationary source emissions	*0.75*	*0.73*	*0.64*	*- 12.3%*	*EN16*
Indirect steam emissions	*0.11*	*0.12*	*0.13*	*+ 8.3%*	*EN16*
Indirect power emissions	*0.66*	*0.63*	*0.59*	*- 6.35%*	*EN16*
Michelin emissions avoided			*12,400 t*		*EN18*
Sulfur dioxide emissions	1.65 kg/t	1.22 kg/t*	1.27 kg/t	+ 4.7%	EN20
Nitrogen dioxide emissions	1.01 kg/t	0,85 kg/t*	0,89 kg/t	+ 4.7%	EN20
Volatile Organic Compound Emissions**	4.27 kg/t	3.97 kg/t	3.48 kg/t	- 12.3%	EN20
Waste production	140 kg/t	130 kg/t	128 kg/t	- 1.5%	EN22
Waste disposal volume	33 kg/t	26 kg/t	20 kg/t	- 23.0%	EN22
Environmental management (% of finished products manufactured at ISO 14001 certified sites)**	94.8%	99.4%	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 production process of the indicators marked by two stars have been assessed by PricewaterhouseCoopers (see pages 169-170).*

For more information on Michelin Group's environmental policy, please refer to Michelin's Performance and Responsibility Report 2005-2006 published in May 2007 (the update available in May 2008).

Review report from Pricewaterhouse Coopers

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 this Annual Report for 2007:

• 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 154, 159, 163 and 168 of this 2007 Annual Report).

These processes, together with the indicators set forth in this 2007 Annual Report, are the responsibility of the "Environment and Prevention Group Service", the "Personnel Group Service", and the Michelin Group "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 "Personnel Group Service" and its "Information Systems" and "Global Compensation" Departments; the "Hygiene, Safety and Ergonomics Department" within the "Environment and Prevention Group Service"; and the "Environment Department" and IT services within the "Environment and Prevention Group Service";

• We also compiled and sent a questionnaire to 19 Group sites in 12 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 2007 Annual Report we selected a sample of industrial plants (Anderson, Ardmore, Bassens, Fossano, Hombourg, Louisville, Olsztyn, Phrapradaeng and Vitoria) on the basis of their contribution to the Group's consolidated data. We checked, on site, that the procedures had been properly understood and implemented at these selected sites and performed in-depth checks on a test basis to verify the calculations and reconcile the data with the supporting documents. The contribution of these sites to the consolidated data was as follows:

- Contribution to overall social indicators: 12% of the Group's total headcount, expressed as full time equivalents and 16% of hours worked;
- Contribution to overall environmental indicators: energy consumption: 29%; water consumption: 39%; SOx emissions: 52%; NOx emissions: 50%; VOC emissions: 22%; tire manufacturing: 18%.

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

Conclusion

Based on our work, no material irregularities came to light causing us to believe that the following processes and indicators do not comply with the Michelin Group's reporting indicators for 2007:

- 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 2007 Annual Report) in accordance with the Group's internal reporting standards applicable in 2007.

Neuilly-sur-Seine, February 20, 2008

PricewaterhouseCoopers Audit
Christian Marcellin
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable Development Department

Production Sites

69 production sites in 19 countries

Passenger Car and Light Truck Product Line: 38 sites in 18 countries

France: Cholet, Clermont-Ferrand (2 sites), Lille, Montceau-les-Mines, Roanne, Toul

Germany: Bad-Kreuznach, Bamberg

Spain: Lasarte, Valladolid, Vitoria

Hungary: Nyiregyhaza

Italy: Cuneo, Turin

Pologne : 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

Truck Product Line (including retread workshops): 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: 18 sites in 9 countries

France: Bourges, Clermont-Ferrand, Le Puy-en-Velay, Montceau-les-Mines, Troyes

Spain: Lasarte, Valladolid, Vitoria

Hungary: Nyiregyhaza

Italy: Cuneo

Poland: Olsztyn

Serbia: Pirot

United States: Lexingtoon, Norwood, Kansas City

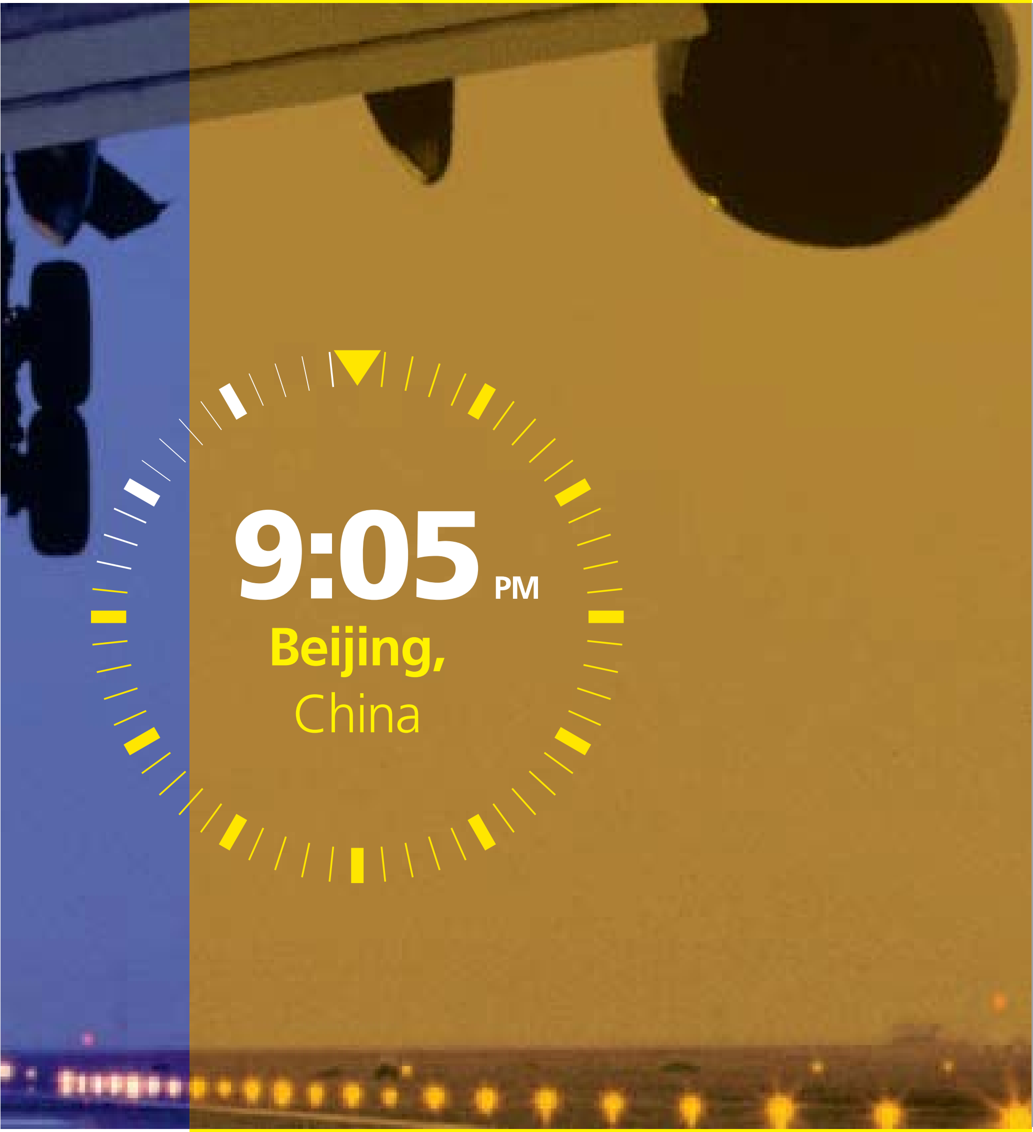
Brazil: Campo Grande

Thailand: Nongkae, Phrapadaeng

Please refer to note 14 of the Consolidated Financial Statements for detailed review of Property, Plant and Equipment.

Important Agreements

There were no significant agreements other than those concluded in the ordinary course of business.



Certified for the Embraer 190 jets, the short and mid-range regional aircraft, Michelin radial tires deliver 300 landings for the front tires and 500 landings for the rear tires, or respectively 17% and 50% more landings than the crossply solution. And they are lighter, which also reduces fuel consumption.

OTHER LEGAL AND FINANCIAL INFORMATION

05

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General Information concerning 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 Clermont-Ferrand (Puy-de-Dôme). The corporate name Michelin et Cie was adopted in 1889, the very 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. Their 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.

Compagnie Financière became the parent company of most of the Group's main industrial companies, thus forming a coherent group of companies, while providing Manufacture Française access to more diverse sources of finance.

Compagnie Générale des Etablissements Michelin holds considerable technological assets and receives royalties for their use.

In 2002, in order to streamline the Group's legal structure and to leverage improved terms of access to financial markets, the Company carried out an exchange offer for the bearer shares of Compagnie Financière Michelin, followed by a "squeeze-out" procedure for the shares not tendered in the offer.

This operation involved creation of a total of 5.97 million new shares, or 4.20% of capital, of which 5.78 million, issued on November 20, 2002, served to remunerate Compagnie Financière Michelin bearer shares tendered in the exchange, with the balance issued on June 30, 2003 under the share squeeze-out, for securities not tendered in the exchange.

Michelin's history is bound up with that of the pneumatic tire. Ever since its first patent was registered, Michelin continuously drove innovation in tire technology, which accounts for the bulk of its operations.

Michelin's invention of radial tires in 1946 still stands as a major technological breakthrough in the transportation industry and improved performance in a number of key areas including: grip, safety, durability, comfort and fuel consumption. While at first mainly used in Europe due to Michelin's marketing efforts, in the 1970's the radial architecture was gradually adopted by the main tire manufacturers worldwide, notably in the United States and Japan, where radial technology, very limited at the time, now accounts for nearly 100% of sales.

In recent years, Michelin has focused research on environment-friendly tire technologies, introducing the "green" tire under the "Energy" trademark. This fuel-saving technological innovation, which addresses environmental concerns by reducing fuel consumption significantly, maintains the high standards of wet grip and wear resistance Michelin is famous for.

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). M.F.P.M. coordinates all France-based industrial, sales and research operations; it invoices its services based on a proportional allocation method, and is refunded for its research expenses.

• 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 non French industrial, trading and research Companies.

The parent Company and its subsidiary, Compagnie Financière Michelin, have negotiated agreements with the Group's business entities governing the services rendered to them.

Both Companies have assigned Manufacture Française des Pneumatiques Michelin the mission of providing these services, MFPM 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, equipments, raw materials, finished and semi-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 (United Kingdom), 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. In 1995, Michelin also took a 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 turn 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 50% of world tire sales.

Incorporation Documents and Bylaws

Corporate name

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN

Trade and Companies Register

855 200 887 R.C.S. CLERMONT-FERRAND

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)
Phone: 04.73.98.59.00

Legal Status / Governing Law

Partnership Limited by Shares governed by articles L.226-1 to L.226-14 of Code de Commerce.

General Partners (Article 1 of the Bylaws)

- Mr Michel Rollier, Managing Partner
- Société Auxiliaire de Gestion – SAGES, a simplified joint stock company, having its head office in Clermont-Ferrand (Puy de Dôme), whose purpose is to act as Managing Partner in the absence of any acting Managing Partner and to convene an Extraordinary Shareholders Meeting to appoint a new Managing Partner. To enable it to fulfil its role better and in order to support the bylaw changes decided by the last Joint Annual Shareholders Meeting, SAGES shareholding was diversified, as presented in the Annual Report 2006, in the course of 2007. The shareholding will now include members of the founding family, Michelin current or former managers, and qualified third-party personalities; all 3 colleges are represented in equal proportions within its governing body.

Business 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 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 (all undertaken directly, or via subsidiaries).
- 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)*

**Also refer to information provided in the Corporate Governance section pages 140 to 144.*

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)

12% of the net earnings for the financial year, capped to 1% of the consolidated net earnings is allocated to the General Partners. Any surplus is to be transferred to the balance of profit to be appropriated.
The balance of net income, plus, as the case may be, earnings brought forward from the previous year, is attributable to shareholdings.
From this is deducted an optional amount to be allocated, upon recommendation by the Managing Partner(s), toward creating or augmenting one or more reserve or contingency fund(s), over which the General Partner(s) will no longer possess any right.
The balance of net income attributed to shareholders, after the above deductions, will be available for distribution.

Shareholders Meetings

Notification (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 and 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 living spouses 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

Due 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 meeting, 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 different Interim and Annual Reports) are available from the Company's website at www.michelin.com/corporate (Finance / Downloads section) and at the Company's head office for consultation.

Additional Information concerning the Capital

Table of change in capital

Year	Nature of operations	Change in capital			Capital after the operation	
		Number of shares	Par (in EUR)	Premium (in EUR)	Amount (in EUR)	Cumulated number of shares
As at December 31, 2001					269,431,746	137,715,873
2002	Capital increase reserved to Group employees	1,292,143	2,584,286	42,640,719	272,016,032	136,008,016
	Remuneration of the bearer shares of Compagnie Financière Michelin tendered in the Exchange Offer initiated by the Company	5,784,714	11,569,428	159,600,259.26	283,585,460	141,792,730
2003	Capital increase reserved to Group employees	1,404,300	2,808,600	29,490,300	286,394,060	143,197,030
	Remuneration of the bearer shares of Compagnie Financière Michelin not tendered in the Exchange Offer initiated by the Company (squeeze-out)	189,995	379,990	5,241,962.05	286,774,050	143,387,025
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

Statement of current mandates and authorizations

Granted by the Joint Shareholders Meeting of May 12, 2006

Issues with pre-emptive rights

Securities concerned	Resolution no.	Term of authorization (expiry)	Maximum number of issues on the basis of a EUR 52 price (in euros)	Maximum nominal amount of capital increase in euros	Utilized in the financial year
Capital increase (ordinary shares and securities giving access to capital)	9th	26 months (July 2008)	2.6 billion (Ordinary shares) 1 billion (3) (securities giving access to capital)	100 million (1) (2) or 35% of current issued capital	None
Capital increase through incorporation of reserves	13th	26 months (July 2008)	2.08 billion	80 million	None

(1) Capping of global nominal amount of capital increase for operations authorized under the 9th, 10th and 14th resolutions (18th 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 9th and 10th resolutions (11th resolution).
(3) EUR 1 billion cap to the global amount of all bond or debt issues giving access to capital or not, authorized by the 7th, 9th, 10th and 15th resolutions (18th resolution).

Issues without pre-emptive rights

Securities concerned	Resolution no.	Term of authorization (expiry)	Maximum number of issues on the basis of a EUR 52 price (in euros)	Maximum nominal amount of capital increase in euros	Utilized in the financial year
Capital increase (ordinary shares and securities giving access to capital)	10th	26 months (July 2008)	1.12 billion Ordinary shares 700 million (1) (securities giving access to capital)	43 million (2) (3) or 15% of current issued capital	OCEANE issue in an amount of EUR 700 million (5)
Capital increase (ordinary shares) to remunerate share contributions in the event of public exchange offerings or contributions in kind	14th	26 months (July 2008)	1.12 billion	43 million (4)	None

(1) EUR 1 billion cap to the global amount of all bond or debt issues giving access to capital or not, authorized by the 7th, 9th, 10th and 15th resolutions (18th 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 9th and 10th resolutions (11th resolution).
(3) Authorization to determine the issuing price of ordinary shares, capped at 10% of the Company's capital per year (12th resolution).
(4) Amount deducted from global ceiling set forth in the 10th resolution.
(5) Please refer to the main characteristics on pages 114 and 179.

Issues reserved to employees

Securities concerned	Resolution no.	Term of authorization (expiry)	Comments	Utilized in the financial year
Capital increase	16th	26 months (July 2008)	capped at 2% of current issued capital	None
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	Share Subscription options (1)

(1) Please refer to the table on page for more information on page 147.

Debt instruments not giving access to capital / bond issues

Securities concerned	Resolution no.	Term of authorization (expiry)	Issue maximum nominal amount (in euros)	Utilized in the financial year
Issuance of securities giving entitlement to debt instruments that do not give access to capital	15th	26 months (July 2008)	1 billion (1)	None
Bond issues	7th	5 years (May 2011)	1 billion (1)	None

(1) EUR 1 billion cap to the global amount of all bond or debt issues giving access to capital or not, authorized by the 7th, 9th, 10th and 15th resolutions (18th resolution).

Granted by the Joint Shareholders Meeting of May 11, 2007

Share buyback program

Securities concerned	Resolution no.	Term of authorization (expiry)	Comments	Utilized in the financial year
Shares	16th	18 months (November 2008)	Statutory limit of 10% of the capital Maximum buying price: EUR 100 Minimum selling price: EUR 60	None

As at December 31, 2007 the number of shares publicly held is of 143,999,169 corresponding to 100% of voting rights.
To the Company's knowledge:
- Capital Research and Management Company held 14,288,000 shares as at August 7, 2007 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 stock held in portfolio: 0.
No significant change occurred in the breakdown of capital during the last three years.

Issuance of OCEANE securities giving access to capital

Based on the authorization granted by the Annual Shareholders Meeting of May 12, 2006, the Managing Partners decided in March 2007 (subject to a priority right reserved to Shareholders), to make an OCEANE (obligations à option de conversion ou d'échange en actions nouvelles ou existantes) bond issue (convertible or exchangeable with new or existing shares), which was fully subscribed.
The corresponding issue contract prospectus (number 07-082) was approved by Autorité des Marchés Financiers on March 12, 2007 and a transaction note was published in Bulletin des annonces légales obligatoires on March 14, 2007 (along with addenda published on March 19 and 21, 2007).
The main characteristics of this bond issue, after exercise of the surplus demand option, were as follows:
- listing place stock exchange: Euronext Paris
- ISIN Code: FR0010449264
- total amount of capital: 699,999,913.16 euros
- number of bonds issued: 6,742,438
- number of bonds outstanding on January 15, 2008: 6,742,417
- par value of each bond: 103.82 euros
- bond issue price: par
- bond issue date, ownership and payment date: March 21, 2007
- term of the borrowing: 9 years and 286 days
- 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 where, 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
- the conversion or share exchange ratio set at the issue date and applicable on the present report's publication date: 1 share for 1 bond; this ratio could be altered as per applicable legal and contract issue provisions.

Description of the share buyback program authorized by the Joint Annual Shareholders' Meeting of May 16, 2008

This description was drawn up pursuant to articles 241-1 and following of Règlement Général de l'Autorité des Marchés Financiers (General rules governing financial markets) and pursuant to the provisions of European Regulation no. 2273/2003 of December 22, 2003.

Date of the Annual Shareholders Meeting having authorized the share buyback program

May 16, 2008.

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

- The regularization of the Stock Market share price or share liquidity by an investment services provider under a liquidity contract drafted in accordance with the ethical practices charter adopted by the AMF;
- the allocation of shares to Group and Group companies employees and executives pursuant to applicable legal provisions, especially concerning stock option calls and free allocation of existing shares, and in the event of share contributions to operations reserved to employees;
- the granting of shares upon calling of rights attached to marketable securities giving access to the Company's capital;
- their 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 was set at 10% of the total number of existing shares or 14,399,916 shares at the date of this description. Based on the maximum price of EUR 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 EUR 1,439,991,600.
Pursuant to provisions of article L.225-210 of Code de Commerce, 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 to December 31, 2007, excluding the legal reserve.

Buyback Program Duration

18 months from the May 16, 2008 Joint Shareholders Meeting approval, or until November 16, 2009 included.

Operations involving acquisition, sale or transfer as part of the previous share buyback program

In 2007, no such operation was concluded.

Additional Information concerning Management and Supervisory Bodies

Mandates and positions held in other companies filled during the last five years by Group Directors

General Managing Partner: Michel ROLLIER

2003 - 2004 - 2005
Director of Moria SA
Member of Altamo's Supervisory Board

2006
Partner of Compagnie Financière Michelin
Director of Moria SA
Member of Altamo's Supervisory Board

2007
Partner of Compagnie Financière Michelin
Director of Moria SA

Managing Partner: Didier MIRATON

2003 - 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)

Managing Partner: Jean-Dominique SENARD

2003
Head of Péchiney group's Primary Aluminium sector

2004
Member of Alcan group's Executive Committee in charge of integrating Péchiney
Chairman of Péchiney SA

2005 - 2006 - 2007
Michelin Group CFO
(until he was appointed Managing Partner)

Members of the Supervisory Board:

Eric BOURDAIS DE CHARBONNIERE

2003
Chairman of Oddo et Cie's Supervisory Board
Member of Thomson SA's Board of Directors and Chairman of Thomson SA's Audit Committee

2004 - 2005 - 2006
Chairman of Oddo et Cie's Supervisory Board
Member of Thomson SA's Board of Directors and Chairman of Thomson SA's Audit Committee
Member of ING Group's Supervisory Board

2007
Chairman of Oddo et Cie's Supervisory Board
Member of Thomson SA's Board of Directors
Member of ING Group's Supervisory Board

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

François GRAPPOTTE

2003
Chief Executive Officer of Legrand
Director of BNP Paribas
Member of Banque de France's Advisory Board
F.I.E.E.C. (1) Board Member
Gimélec (2) Board Member
Promotelec (3) Board Member

2004
Chief Executive Officer of Legrand
Director of BNP Paribas
Director of Valeo
Member of Banque de France's Advisory Board
F.I.E.E.C. (1) Board Member
Gimélec (2) Board Member
Promotelec (3) Board Member

2005
Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Galeries Lafayette Supervisory Board Member
Member of Banque de France's Advisory Board
F.I.E.E.C. (1) Board Member
Gimélec (2) Board Member
Promotelec (3) Board Member

2006
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of Banque de France's Advisory Board
F.I.E.E.C. (1) Board Member
Gimélec (2) Board Member
Promotelec (3) Board Member

2007
Honorary Chairman of Legrand
Director of BNP Paribas
Director of Valeo
Member of Banque de France's Advisory Board
Promotelec (3) Board Member

(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

2003 - 2004 - 2005 - 2006 - 2007
No mandate held in other companies.

Laurence PARISOT

2003 - 2004
Chief Executive Officer of Ifop
Chief Executive Officer of Optimum

2005
Ifop Chairwoman
Director of BNP Paribas
Director of Havas
Euro Disney SCA Supervisory Board Member
MEDEF Chairwoman

2006
Ifop Chairwoman
Director of BNP Paribas
Director of Havas *(until June 2006)*
Euro Disney SCA Supervisory Board Member *(until January 2006)*
MEDEF Chairwoman

2007
Ifop Chairwoman
Director of BNP Paribas
Director of Coface SA *(since February 1, 2007)*
MEDEF Chairwoman

Benoît POTIER

2003
Chairman of l'Air Liquide SA's Directoire
Chief Executive Officer of L'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 L'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 Groupe Danone
Director of Ecole Centrale des Arts & Manufactures

2004
Chairman of l'Air Liquide SA's Directoire
Chief Executive Officer of L'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 L'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 L'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 L'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 of Groupe Danone and Chairman of its Audit Committee
Director of Ecole Centrale des Arts & Manufactures

2006
Chief Executive Officer of 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 España
Director of Groupe Danone and Chairman of its Audit Committee
Member of the Board of Directors: Ecole Centrale des Arts & Manufactures
Insead France Board Member

2007
Chief Executive Officer of 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 España *(until May 2007)*
Director of Groupe Danone and Chairman of its Audit Committee
Member of the Board of Directors: Ecole Centrale des Arts & Manufactures
Member of Insead's Supervisory Board

Edouard de ROYERE

(until November 30, 2007)

2003
Honorary Chairman of l'Air Liquide SA's Supervisory Board
Director of American Air Liquide Inc., Air Liquide International Corporation, L'Oréal, Sodexho Alliance
Adviser to the Board of Fimalac and Wanadoo
Chairman of Association Nationale des Sociétés par Actions (ANSA)

2004
Honorary Chairman of l'Air Liquide SA's Supervisory Board
Administrateur : American Air Liquide Inc., Air Liquide International Corporation, L'Oréal, Sodexho Alliance, Siparex Associés *(from July 2004)*
Adviser to the Board of Fimalac and Wanadoo
Chairman of Association Nationale des Sociétés par Actions (ANSA)

2005
Honorary Chairman of l'Air Liquide SA's Supervisory Board
Director of Sodexho Alliance (until February), Siparex Associés
Adviser to the Board of Fimalac and Wanadoo
Chairman of Association Nationale des Sociétés par Actions (ANSA)

2006
Member of the Supervisory Board: Air Liquide SA
Adviser to the Board of Fimalac
Honorary Chairman of Association Nationale des Sociétés par Actions (ANSA)

2007
Member of the Board of directors: Air Liquide SA
Adviser to the Board of Fimalac
Honorary Chairman of Association Nationale des Sociétés par Actions (ANSA)

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;
• no potential conflict of interest between Company Directors' emoluments from the Company and their private interests or other obligations;
• no 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 General Managing Partners.

Corporate Financial Statements
of Compagnie Générale des Etablissements Michelin

The Financial Statements of the Company for financial year 2007 show a profit of EUR 277,547,730.64, up EUR 52 million on 2006 which amounted to EUR 225,095,285.33.

Operating income was up EUR 72.6 million to EUR 166.4 million versus EUR 93.8 million in 2006. This reflects an EUR 10 million increase in royalties paid by subsidiaries and an EUR 62 million reduction in Operating Expenses, mainly related to a reduction in research and racing expenses invoiced to the Company.

Net interest and other investment income was down EUR 19.4 million. This change is the combined result of the following factors:

• EUR + 35.4 million increase in income from subsidiaries;

• EUR + 22 million net increase in interest income;

• the impact of provision charges for shares in the subsidiaries, translating in 2007 into an EUR - 55 million charge (versus EUR + 26 million in 2006). This increase mainly resulted from the impact of the decision of the Company's ViaMichelin subsidiary to stop developing new GPS devices.

These different items are reflected in the change in Income from Ordinary Activities which amounted to EUR 278 million versus EUR 224.8 million in 2006.

Finally, CGEM's income tax amounted to EUR 2.9 million.

Note that the share capital structure was changed through creation of 346,851 shares – for a total amount in capital and issue premium of EUR 13,764,252 – following exercise of share subscription options and conversion of bonds during 2007.

In the debt structure, the increase in long-term commitments resulted from the Oceane (convertible or exchangeable for new or existing shares) bond issue of Compagnie Générale des Etablissements Michelin. The main characteristics of this bond issue were as follows:

Issue date:	**March 21, 2007**
Number of bonds issued:	6,742, 438 bonds
Direct issue costs:	EUR 6 million
Net issue proceeds:	EUR 694 million
Nominal interest rate:	0.00%
Gross annual yield:	3.07%
Conversion or share exchange ratio:	1 bond for 1 ordinary share
Maturity:	January 1, 2017
Redemption amount at maturity:	EUR 941 million

The bondholders may, at any time, request the conversion into, (or exchange) of their bonds for, Compagnie Générale des Etablissements Michelin shares. Subject to certain conditions, from March 21, 2011, the Company will be entitled to redeem all of the bonds then outstanding.

Balance Sheet at December 31, 2007

ASSETS

(in EUR)		2007 Cost	2007 Amort. Depreciation	2007 Net	2006 Net
FIXED ASSETS					
Intangible assets:					
Patents, licenses and other rights		25,826,409.22	24,989,843.90	836,565.32	701,447.98
Other intangible assets		61,296.21	53,594.08	7,702.13	8,985.81
Assets under construction		–	–	–	–
		25,887,705.43	**25,043,437.98**	**844,267.45**	**710,433.79**
Tangible assets:					
Land		102,469.01	–	102,469.01	102,469.01
Buildings		1,836,860.64	1,787,784.88	49,075.76	58,351.43
Other tangible assets		343,678.76	297,807.36	45,871.40	51,755.74
Assets under construction		–	–	–	–
Prepayments		–	–	–	–
		2,283,008.41	**2,085,592.24**	**197,416.17**	**212,576.18**
Investments [1]:					
Share in subsidiaries and affiliates		4,722,840,039.51	117,214,011.62	4,605,626,027.89	4,611,420,439.33
Loans and advances to subsidiaries and affiliates		1,460,120,888.59	–	1,460,120,888.59	1,140,630,938.28
Other equity interests		3,035,122.34	–	3,035,122.34	8,436,965.46
Loans		–	–	–	–
Other investments		20,121.45	–	20,121.45	21,121.45
		6,186,016,171.89	**117,214,011.62**	**6,068,802,160.27**	**5,760,509,464.52**
	(I)	**6,214,186,885.73**	**144,343,041.84**	**6,069,843,843.89**	**5,761,432,474.49**
CURRENT ASSETS					
Accounts receivable		187,742,063.59	–	187,742,063.59	188,554,150.75
Cash equivalents:					
Treasury Stock		–		–	–
Other marketable securities		656.08	15.78	640.30	640.30
		656.08	**15.78**	**640.30**	**640.30**
Cash		390,982.17	–	390,982.17	149,909.29
ACCRUALS					
Prepaid expenses [2]		536,286.49	–	536,286.49	2,294,724.87
	(II)	**188,669,988.33**	**15.78**	**188,669,972.55**	**190,999,425.21**
Deferred charges and bond call premiums	**(III)**	**4,546,411.46**	**–**	**4,546,411.46**	**5,669,255.28**
Conversion losses	**(IV)**	**–**	**–**	**–**	**–**
TOTAL ASSETS	**(I + II + III + IV)**	**6,407,403,285.52**	**144,343,057.62**	**6,263,060,227.90**	**5,958,101,154.98**
(1) of which due in less than one year				*1,460,120,888.59*	*1,131,087,856.25*
(2) of which due in more than one year				*–*	*–*

LIABILITIES

(in EUR)		2007	2006
Shareholders equity			
Capital		287,998,338.00	287,304,636.00
Paid in capital in excess of par		1,863,637,079.24	1,850,566,528.77
revaluation reserve		626,682,176.36	627,958,740.91
Reserves		1,276,770,085.27	1,276,717,146.67
Retained earnings		241,845,315.52	230,829,954.18
Net income for the year		277,547,730.64	225,095,285.33
Untaxed reserves		61,597,677.21	61,597,677.21
	(I)	**4,636,078,402.24**	**4,560,069,969.07**
Provisions for contingencies and charges			
Provisions for contingencies		–	–
Provisions for charges		174,896.00	–
	(II)	**174,896.00**	**–**
Liabilities [1]			
Convertibles bond loan		716,771,000.41	–
Subordinated issues		470,981,853.44	502,532,534.25
Other bond issues		16,382.66	17,191.18
Other liabilities		220,000,000.00	686,000,000.00
Bank borrowings [2]		–	–
Other long and short term debt [2]		128,197,667.59	103,405,955.13
Accrued taxes and payroll costs		7,166,879.91	9,279,927.05
Due to suppliers of fixed assets		–	–
Other liabilities		83,668,759.89	96,791,282.71
		1,626,802,543.90	**1,398,026,890.32**
Accruals			
Deferred income [1]		4,385.76	4,295.59
	(III)	**1,626,806,929.66**	**1,398,031,185.91**
Conversion gains	**(IV)**	**–**	**–**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(I + II + III + IV)**	**6,263,060,227.90**	**5,958,101,154.98**
(1) of which due in more than one year		*1,185,467,000.41*	*500,000,000.00*
of which due in less than one year		*441,339,929.25*	*898,031,185.91*
(2) of which short-term bank loans and overdrafts		*–*	*–*

Statement of income 2007

(in EUR)		2007	2006
Operating revenue [1]			
Royalties (including export revenues: 363,224,267.50)		429,237,593.81	419,120,580.51
Other revenue		3,507,887.16	3,074,431.84
Total operating revenue	**(I)**	**432,745,480.97**	**422,195,012.35**
Operating expenses [2]			
External charges		258,004,540.45	318,721,624.82
Taxes other than on income		3,824,524.86	2,562,018.31
Wages and salaries		1,956,082.01	1,113,338.52
Payroll taxes		692,839.80	379,481.63
Depreciation and amortization:			
• Fixed assets		441,899.20	23,980.06
• Deferred charges		–	–
Other expenses		1,384,628.89	5,564,354.81
Total operating expenses	**(II)**	**266,304,515.21**	**328,364,798.15**
Operating income	**(I - II)**	**166,440,965.76**	**93,830,214.20**
Interest and other investment income			
Dividends from subsidiaries and affiliates [3]		234,859,531.55	199,735,589.99
Interest income [3]		8,287,897.71	108,414.41
Reversals of allowances		–	81,832.53
Exchange gains		1,704,057.38	6,417,842.84
Net gains on sales of marketable securities		–	–
Total interest and other investment income	**(III)**	**244,851,486.64**	**206,343,679.77**
Interest and other investment expense			
Charges to allowances for impairment in value		55,865,745.97	27,537,967.27
Interest expense [4]		74,186,319.40	43,894,433.86
Exchange losses		3,201,671.71	3,854,205.04
Net losses on sales of marketable securities		–	–
Total interest and other investment expenses	**(IV)**	**133,253,737.08**	**75,286,606.17**
Net interest and other investment income	**(III - IV)**	**111,597,749.56**	**131,057,073.60**
Income from ordinary activities	**(I - II + III - IV)**	**278,038,715.32**	**224,887,287.80**

(in EUR)		2007	2006
Non-recurring income			
From revenue transactions		111,583.97	66,410.47
From capital transactions		7,737,340.30	855,647.15
Reversals of allowances		–	–
Total non-recurring income	**(V)**	**7,848,924.27**	**922,057.62**
Non-recurring expenses			
On revenue transactions		49.83	–
On capital transactions		5,401,843.12	521,061.09
Charges to allowances		–	–
Total non-recurring expenses	**(VI)**	**5,401,892.95**	**521,061.09**
Net non-recurring income	**(V - VI)**	**2,447,031.32**	**400,996.53**
Income tax	**(VII)**	**2,938,016.00**	**192,999.00**
Total revenues	**(I + III + V)**	685,445,891.88	629,460,749.74
Total expenses	**(II + IV + VI + VII)**	407,898,161.24	404,365,464.41
Net income/loss		**277,547,730.64**	**225,095,285.33**
(1) of which revenues relating to prior years		–	–
(2) of which expenses relating to prior years		–	–
(3) of which revenues from related party transactions		*234,585,520.92*	*199,157,498.05*
(4) of which expenses from related party transactions		*4,669,734.33*	*1,001,959.68*

Notes to the Financial Statements

The Company's total assets at 31 December 2007 amounted to € 6,263,060,227.90.
Income statement totals for the year are as follows, in euros:

Total revenues	685,445,891.88
Total expenses	407,898,161.24
Net income for the year	**277,547,730.64**

The Company's financial year covers the 12 months from January 1 to December 31.
The following notes form an integral part of the financial statements.

Significant events of the year

On March 21, 2007, the company made a EUR 700 million bond issue, convertible into new shares or exchangeable for existing shares.

Summary of significant accounting policies

The principles used to determine Group earnings remain unchanged as compared with previous reporting periods.
Company accounts for the financial year to December 31, 2007, 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

"Patents, licenses and other rights" are kept at cost of acquisition. Concessions and patents are amortized over 12 months. Similar rights, correspond primarily to purchased software are amortized over periods ranging from 12 months to 3 years depending on the materiality of the amounts involved.
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 at revaluation in the case of assets held at the time of the 1976/1978 legal revaluation.

Depreciation
The straight-line basis method is applied. The following useful lives are as follows:

- Buildings: 30 years,
- Other tangible assets: 10 years, except for computer equipment which is depreciated over 5 years.

c) Investments

Share in subsidiaries and affiliates
• Gross Values: Shares in subsidiaries and affiliates are stated at historical cost or at valuation, in the case of assets held at the time of the 1976/1978 legal revaluation.
• Net Values: in the case of subsidiaries and affiliates other than non-autonomous entities, the useful value cannot be greater than that resulting from the equity method, applied to net corporate or consolidated assets, as revalued where applicable.

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 method 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 caption correspond to reinvested capital gains set off against write downs of securities in application of the former Article 40 of the 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 at their year-end exchange rate.
Contracts for the forward purchase or sale of foreign currencies that are outstanding at the balance sheet date are recorded in the balance sheet.

h) Deferred charges and bond call premiums

Such charges and premiums concern:

- 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 1,2007	Additions, New loans accrued interest for the year	Disposals, decommissioning Decrease in accrued loans and interest	Gross carrying amounts at December 31, 2007
Intangible assets	25,334,305	553,400	–	25,887,705
Property and Equipment	2,275,836	7,173	–	2,283,009
	27,610,141	**560,573**	**–**	**28,170,714**
Investments				
Shares in subsidiaries and affiliates	4,672,311,332	50,528,708	–	4,722,840,040
Loans and advances to subsidiaries and affiliates	1,140,630,938	813,022,568	493,532,618	1,460,120,888
Other equity interests	8,436,966	–	5,401,843	3,035,123
Loans	–	–	–	–
Other investments	21,121	–	1,000	20,121
	5,821,400,357	**863,551,276**	**498,935,461**	**6,186,016,172**
Total	**5,849,010,498**	**864,111,849**	**498,935,461**	**6,214,186,886**

Depreciation and amortization

(in EUR)	Accumulated depreciation at January 1,2007	Increases: for the year	Decreases: for asset disposals	Accumulated depreciation at December 31 2007
Intangible assets	24,623,872	419,566	–	25,043,438
Property and Equipment	2,063,259	22,333	–	2,085,592
	26,687,131	**441,899**	**–**	**27,129,030**
Deferred charges	4,735,386	575,691	–	5,311,077
Deb issue repayment premium	749,847	243,500	–	993,347
Total	**32,172,364**	**1,261,090**	**–**	**33,433,454**

Provisions

Nature of provisions (in EUR)	Amounts at January 1, 2007	Increases for the year	Decreases: writebacks for the year	At December 31, 2007
Untaxed reserves	**61,597,677**	**–**	**–**	**61,597,677**
Provisions for contingencies and charges:				
	61,597,677	–	–	61,597,677
Impairment [(1)]				
	60,890,907	56,323,120	–	117,214,027
Total	**122,488,584**	**56,323,120**	**–**	**178,811,704**

	Increases for the year	Decreases: writebacks for the year
Of which changes related to:		
• Net interest and other Investment income	55,046,555	–
• Transfer to Revaluation reserve	1,276,565	–

(1) Movements in allowances for impairment in value can be analyzed as follows:	
- Allowances: PARDEVI shares	*55,046,555*
- Decreases: SEM shares	*1,276,565*

Items relating to several balance sheet items

Balance sheet items (in EUR)	Transactions involving: related companies	Transactions involving: other entities in which the Company holds an equity interest	Payables or receivables represented by trade notes
Shares in subsidiaries and affiliates (net book value)	4,605,626,028	–	–
Loans and advances to subsidiaries and affiliates	1,460,120,889	–	–
Other equity interests	–	3,035,122	–
Other receivables	151,664,618	–	–
Long and short-term debt	128,197,668	–	–
Other liabilities	80,580,751	–	–

Treasury stock

As at December 31, 2007, 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	1,460,120,889	1,460,120,889	–
Loans	–	–	–
Other investments	20,121	–	20,121
Current Assets			
Other receivables	187,742,064	187,742,064	–
Total	**1,647,883,074**	**1,647,862,953**	**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**
Subordinated loan	716,771,000	–	–	716,771,000 (1)
Other bond issues	470,981,853	2,285,853	–	468,696,000 (2)
Other long and short-term debt	16,383	16,383	–	–
Bank borrowings	220,000,000 (3)	220,000,000	–	–
Long and short-term debts	–	–	–	–
Accrued taxes and payroll costs	128,197,668	128,197,668	–	–
Social and tax debt	7,166,880	7,166,880	–	–
Due to suppliers of fixed assets	–	–	–	–
Other liabilities	83,668,760	83,668,760	–	–
Deferred income	4,386	4,386	–	–
Total	**1,626,806,930**	**441,339,930**	**–**	**1,185,467,000**

(1) 2007-2017 convertible bond issue. The related issuance costs were expensed.
(2) Fixed-rate 6.375% 2003 until 2013, and variable rate from 2014 to 2033.
(3) In the course of 2006, the Company introduced a EUR 1 billion treasury note issue program. The nominal value of the amount outstanding as of December 31, 2007 amounted to EUR 220 million.

Accrued charged

Accrued Charges included in the following balance sheet captions (in EUR)	**Amounts**
Subordinated loan	2,285,853
Other long and short-term debt	1,246,959
Accrued taxes and payroll costs	1,431,831
Other liabilities	3,077,867
Total	**8,042,510**

Prepaid expenses and accrued income

Prepaid expenses correspond exclusively to operating expenses.
In an amount of EUR 536,286
Accrued income corresponds exclusively to operating income.
In an amount of EUR 4,386

Revaluation reserve

Revaluation reserve amounts to EUR 626,682,176 of which:

- € 32,091 related to land,
- € 626,650,085 related to shares in subsidiaries and affiliates.

Reserves (in EUR)

Reserves at December 31 2007 break down as follows:

Legal reserve of which 26,943,175 allocated to long-term capital gains	28,730,463
Special long-term capital gains reserve	881,419,039
Other reserves	366,620,583
	1,276,770,085

Common stock

	Number of	Par value
1. Common stock at January 1, 2007	143,652,318	EUR 2
2. Common stock issued during the year	346,851	EUR 2
3. Common stock cancelled during the year	–	–
4. Common stock at December 31, 2007	143,999,169	EUR 2

Share Subscription Stock Option Plan

Status of the share subscription option plans to December 31, 2007:

Date			Call price	Options	
Grant	Call	Expiry	(in EUR)	December 31, 2007	December 31, 2006
May 2002	May 2006	May 2011	44.00	240,085	453,407
May 2003	May 2007	May 2012	32.25	118,447	223,800
November 2003	November 2007	November 2012	34.00	186,645	214,500
May 2004	May 2008	May 2013	40.00	169,900	169,900
July 2004	July 2008	July 2013	44.50	120,700	121,300
May 2005	May 2009	May 2014	48.00	218,500	218,500
November 2005	November 2009	November 2014	48.00	888,000	903,950
May 2006	May 2010	May 2015	58.00	136,700	136,700
May 2007	May 2011	May 2015	91.00	1,182,750	-
Number of options outstanding				**3,261,727**	**2,442,057**

Operating revenue

Revenue for the year, consisting entirely of royalties, totaled EUR 429,237,594. This amount breaks down as follows:

France	66,013,326
Outside France	363,224,268
	429,237,594

Income tax

Compagnie Générale des Etablissements Michelin makes up, together with its six 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 6 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 6 subsidiary companies regardless of consolidation would amount to EUR 2,291,767.
Income tax includes current taxes and deferred taxes.
Income tax for 2007 amounted to EUR 2,938,016.

Market risks

a) Interest rate risk

The Company does not have any interest rate instruments.

b) Currency risk

At December 31, 2007 the Company had receivables corresponding to royalties with a net book value of EUR 88 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.

c) 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

The Company is administered by:

• Managing Partners ("Gérants") at least one of whom is also General Partner ("Associés commandités") of the Company. As such, they 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 compensation or other benefits.

• Two Managing Partners having a Non-General Partner status whose compensation is paid by the Company.

The amount allocated to the General Managing Partner in 2007 for the financial year 2006, in the form of a statutory share of profits, amounted to EUR 4.2 million (in 2006 with respect to financial year 2005, for the three General Managing Partners: EUR 9.9 million).
The payroll costs for the Non-General Managing Partners amounted to EUR 1.4 million for the period since they assumed their function in May 2007. This amount breaks down into short-term benefits (EUR 1.2 million), post-employment benefits (EUR 0.1 million) and benefits related to the share option plan (EUR 0.1 million).

Average number of employees

	Employees on the Company's payroll	Employees seconded to the Company
Management	2	–
Supervisory	5	–
Technical staff	–	–
Administrative employees	22	–
Service employees	–	1
	29	**1**

Long-term 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, 2007 was around EUR 0.9 million. No provision has been recorded for this amount.

Unrecognized deferred tax assets and liabilities

Description of temporary differences	Amounts
Unrecognized deferred tax liabilities	–
Unrecognized deferred tax assets	
C3M patent licence amortization	3,430,108
"ORGANIC" tax provision	681,882
Unrecognized deferred tax assets	
Reduced tax rate 15%	616,799
Total	**616,799**

Inventory of securities held as at december 31, 2007

(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
Participation et Développement Industriels S.A. "Pardevi"	1,199,998 shares	44,853,076.51
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	120,522 shares	1,639,625.67
Société Financière d'Innovation du Sud-Est "Sudinnova"	21,786 shares	335,392.72
Société d'Exportation Michelin	20,000 shares	1,934,240.13
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		Outstanding loans and advances	Guarantees given by the Company	Last published net sales of previous financial year [1]	Result of previous financial year	Dividends received by the Company during the financial year
				Cost	Net					
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):										
Société d'Exportation Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand	160,000 euros	874,889 euros	100	4,182,057 euros	1,934,240 euros	–	–	824,148 euros	921,553 euros	2,400,000 euros
Participation et Développement Industriels S.A. "Pardevi" 23, rue Breschet, 63000 Clermont-Ferrand	18,000,000 euros	81,899,798 euros	99.99	159,728,034 euros	44,853,077 euros	–	–	–	55,046,647 euros	–
Compagnie Financière Michelin Route Louis-Braille 10, 1763 Granges-Paccot (Switzerland)	2,238,949,500 Swiss Francs	4,916,705,356 Swiss Francs	99.99	3,615,110,164 euros	3,615,110,164 euros	1,459,968,271 euros	–	–	245,432,723 Swiss Francs	130,141,002 euros
Société de Technologie Michelin 23, rue Breschet, 63000 Clermont-Ferrand	15,200,000 euros	1,930,148 euros	100.00	15,244,902 euros	15,244,902 euros	–	–	160,899,625 euros	2,798,065 euros	2,400,000 euros
Spika S.A. 23, rue Breschet, 63000 Clermont-Ferrand	3,000,000 euros	37,878,196 euros	100.00	25,914,729 euros	25,914,729 euros	–	–	–	16,353,891 euros	2,000,000 euros
2 - Subsidiaries (10 to 50% of equity owned):										
Manufacture Française des Pneumatiques Michelin Place des Carmes-Déchaux, 63000 Clermont-Ferrand	304,000,000 euros	775,702,187 euros	39.99	902,568,916 euros	902,568,916 euros	–	–	5,172,431,359 euros	61,150,339 euros	39,998,738 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)

	2006	2007
Net income for the year (in thousands of euros and euros per share)		
Net income		
Total: Net income/(Loss)	225,095	277,548
Earnings per share: Net income/(Loss)	1.57	1.93
Proposed dividend		
Total	208,296	230,399
Per share	1.45	1.60
Statement of changes in Shareholders' equity (in thousands of euros)		
A) 1 - Shareholders equity at December 31, 2006	4,525,687	4,560,070
2 - Dividend approved by the Ordinary Shareholders Meeting	202,467	214,027
3 - Shareholders equity at January 1, 2007	4,323,220	4,346,043
B) Capital contributions credited to 2007 opening Shareholders equity:		
1 - Change in common stock		
2 - Change in other items		
C) Shareholders equity at January 1, 2007 including capital contributions **(A3 + B)**	4,323,220	4,346,043
D) Movements for the year:		
1 - Change in common stock	529	694
2 - Increase in paid-in capital in excess of par	10,901	13,070
3 - Increase in revaluation reserve	325	(1,277)
4 - Change in other reserves	–	–
5 - Change in untaxed reserves	–	–
6 - Increase in retained earnings	–	–
7 - Net income for the year 2007	225,095	277,548
E) Shareholders equity at 31 December 2007 before dividends (C + D)	4,560,070	4,636,078
F) Total change in Shareholders equity (E - C)	**236,850**	**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)	**236,850**	**290,035**
Notes:		
D3: - Amounts transferred to the revaluation reserve during the year	325	(1,277)
D6: - Dividends on own shares credited to retained earnings	–	–

Appropriation of 2007 net income

Amounts to be appropriated (in EUR)		
Retained earnings brought forward from prior year		241,845,315.52
Net income		277,547,730.64
Recommended appropriations		
Legal Reserve	69,370.20	
Special long-term capital gains reserve	–	
Dividends	230,398,670.40	
Statutory share of income attributed to the General Partners in accordance with the bylaws	7,718,000.00	
Tax on distributed earnings	–	
Other reserves	–	
Retained earnings	281,207,005.56	
Total	**519,393,046.16**	**519,393,046.16**

Five-year key figures and ratios

(in EUR)	2003	2004	2005	2006	2007
I - Shareholders equity at year-end					
a) Common stock	286,774,050	286,774,050	286,775,250	287,304,636	287,998,338
b) Number of common shares outstanding	143,387,025	143,387,025	143,387,625	143,652,318	143,999,169
c) Number of non-voting preferred shares outstanding	–	–	–	–	–
d) Maximum number of future shares to be created	–	–	–	–	–
II - Results of operations					
a) Net revenues	349,657,871.00	358,973,808.26	394,642,982.30	419,120,580.51	429,237,593.81
b) Income before tax, depreciation, amortization and provision expenses	171,879,396.33	232,415,973.57	196,470,258.86	252,768,399.13	336,793,391.81
c) Income tax	4,304,116.00	27,222,094.00	11,225,190.00	192,999.00	2,938,016.00
d) Employee profit-sharing	–	–	–	–	–
e) Net income	178,237,815.34	295,151,971.68	270,156,351.29	225,095,285.33	277,547,730.64
III - Per share data					
a) Earnings per share before tax, after depreciation amortization and provision expenses	1.17	1.43	1.29	1.76	2.32
b) Earnings per share	1.24	2.06	1.88	1.57	1.93
c) Dividend per share	0.93	1.25	1.35	1.45	1.60
IV - Employee data					
a) Average number of employees	36	31	30	29	29
b) Total payroll	1,224,689.86	1,135,963.43	1,068,495.48	1,113,338.52	1,956,082.01
c) Total benefits	498,850.08	461,065.13	410,152.95	379,481.63	692,839.80

Statutory Auditors' Report

on the financial Statements

Year ended December 31, 2007

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 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 statutory financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the statutory 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 the Shareholders, we present to you our report for the Financial Year ended December 31, 2007 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion the financial statements give a true and fair view of the Company's financial position and assets and liabilities for the year ended in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:
- The Company makes an annual evaluation 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 reviewed the approach used by the Company and, on the basis of available information, we verified the fairness of the estimations provided by the Company as at December 31, 2007.
These assessments were made in the context of our audit of the annual financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.
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 11, 2008

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of the Compagnies Régionales de Versailles et Paris

Statutory Auditors' Special Report

on regulated agreements

Year ended December 31, 2007

This is a free translation into English language of the Statutory Auditors' special report on regulated agreements 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.

Ladies and Gentlemen,

In our capacity as Statutory Auditors of your Company, we are required to report to Shareholders on agreements 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 agreements governed by article L.226-10 of the French Commercial Code.

Neuilly-sur-Seine and Paris, February 11, 2008

PricewaterhouseCoopers Audit
Christian MARCELLIN

Corevise
Stéphane MARIE

The Statutory Auditors
Members of the Compagnies Régionales de Versailles et Paris

Incorporation of 2005 and 2006 Financial Statements by way of Reference

The following information is incorporated by reference in this Reference Document:

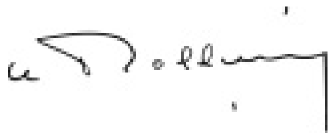
- Annual and consolidated financial statements for the period ended December 31, 2006 as well as the relevant Statutory Auditors' reports contained in the Reference Document filed with AMF on March 2, 2007 (D.07-0133).
- Annual and consolidated financial statements for the period ended December 31, 2005 as well as the relevant Statutory Auditors' reports contained in the Reference Document filed with AMF on November 7, 2006 (D.06-1044).

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, General Managing 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 of the Company and that of its subsidiaries included in the scope of consolidation, and that the business report (pages 16 to 61; 64; 150 to 153; 176 to 179 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 of the Company 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 they tested the information concerning the financial situation and statements presented in this Reference Document and in the full body of text comprising this Document.

Clermont-Ferrand, February 28, 2008



Mr Michel ROLLIER
Managing Partner

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FINANCIAL AGENDA FOR 2008

Annual Shareholders' Meeting	May 16, 2008
Dividend distribution	May 23, 2008

First Quarter 2008 Net Sales	April 28, 2008
First Half 2008 Results	July 30, 2008
Third Quarter 2008 Net Sales	October 27, 2008

Meetings with Shareholders:	
In Paris – Grande Arche de la Défense	October 16, 2008
In the provinces:	
• Toulouse	April 29, 2008
• Amiens	June 26, 2008
• Rennes	September 25, 2008
• Strasbourg	October 7, 2008
• Dijon	November 6, 2008
• Grenoble	November 25, 2008

Compagnie Générale des Etablissements Michelin
Headquarters: 12, cours Sablon • Clermont-Ferrand (Puy-de-Dôme) • France

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This reference document was lodged with *Autorité des Marchés Financiers* on February 29, 2008 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.*

INVESTOR RELATIONS

Christophe Mazel
Jacques-Philippe Hollaender
+ 33 (0) 1 45 66 16 15
46, avenue de Breteuil
75324 Paris Cedex 07 – France
investor-relations@fr.michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS

Jacques Engasser
+ 33 (0) 4 73 98 59 00
12, cours Sablon
63040 Clermont-Ferrand Cedex 9 – France
Toll-free calls in France: 0 800 000 222
actionnaires-individuels@fr.michelin.com

MEDIA RELATIONS

Fabienne de Brébisson
+ 33 (0) 1 45 66 22 22
46, avenue de Breteuil
75324 Paris Cedex 07 - France

MICHELIN

23, place des Carmes-Déchaux
63040 Clermont-Ferrand Cedex 9 – France
+ 33 (0) 4 73 32 20 00

www.michelin.com

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