

Michelin Luxembourg SCS

Société en Commandite Simple

Audited accounts
as of and for the year ended December 31, 2014

69, Boulevard de la Pétrusse
L-2320, Luxembourg
R.C.S. - B96.546

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Michelin Luxembourg SCS

Declarations

COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” a « société en commandite par actions » under Swiss law, with its registered office at 1763 Granges-Paccot (Switzerland), Rte Louis-Braille 10, duly represented by Mr. Georges-Henri BARRAS , Executive Vice-President, sole Managing Partner of the company MICHELIN LUXEMBOURG SCS, a « société en commandite simple » under Luxembourg law, with its registered office at 2320 Luxembourg (Luxembourg), 69 Bvd de la Pétrusse, registered with the *Registre du Commerce et des Sociétés in Luxembourg* under number B 96.546 (hereinafter « the Issuer »);

state that to the best of their knowledge, the financial statements prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and that the management report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that it faces.

COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie”

Signed by
Georges-Henri BARRAS,
Executive Vice-President

Management report

Michelin Luxembourg SCS (« the Partnership ») principal activity is the provision of loans to affiliated undertakings within the Michelin group of companies. These loans have been financed by the issue of guaranteed bonds on the Luxembourg Stock Exchange and by the issuing of short term promissory notes and Commercial Papers.

Developments 2014:

During the period ended December 31st, 2014, operation and activities were determined by the repayment of the remaining amount of the 8,625% guaranteed bonds 2014 on April 24th, 2014 of EUR 401'503'000.

On March 27th, 2014 a partial repayment of EUR 2'059'000 was done by COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie", based on an amendment to the loan between the two parties, signed on March 26th, 2014, maintaining the loans at arm's length.

This amendment produced a negative premium of EUR 154'798 for the partnership.

On April 24th, 2014, COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie" repaid the remaining amount of the EUR 750'000'000 borrowing of EUR 401'503'000.

During the year 2014, the Partnership has registered a total interest charge of EUR 21'733'076 on the guaranteed bonds and an interest income of EUR 22'625'040 on the loans to COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie".

The Partnership has also registered a charge of EUR 262'221 linked to the guarantee granted by COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie" on the bond issues.

The Partnership also continued with the "US Commercial Papers program" with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC as dealers and with Bank of America as paying agent. The Obligations issued and the Issuer payments are denominated solely in United States Dollars. The purpose of the Program is to comply with short term financing needs; Commercial Papers are being issued for an average of one month at an average interest rate of 0,31 fixed paid in advance. For 2014 USD 811'000'000 was issued and USD 878'500'000 was reimbursed.

Risks

Market Risk:

The Partnership is not significantly exposed to interest-rate fluctuations as it borrows fixed-rate and lends fixed –rate. Any conversion to floating-rate is done at Group level on the head of COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie". The Group policy is to systematically switch all new issues to floating-rates.

The exposure on the US Commercial Papers is also not significant. The Partnership borrows United States Dollars and lends United States Dollars. The exposure is limited to the margin realized by the Partnership which is on average amounting to EUR 4'797 per month for the year ended December 2014.

Credit Risk:

The credit risk of the Partnership is considered low, the main income being generated by the loans to COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie”, a group company. No significant risks are expected relating to the financial capability of COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie”.

Liquidity Risk:

The Partnership does not run significant liquidity risk due to low credit risk and the Partnership uses COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” as internal bank. The Group liquidity is managed centrally at COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie”.

Result:

The Annual General Meeting held on April 3rd, 2014 approved the loss for the year 2013, being EUR 6'065'817 and the covering of the loss by the Partners on a pro-rata basis of their participation in the Partnership.

The result for the financial year 2014 is a loss of EUR 262'905.

Subsequent events:

From January 1st until March 26th, 2015 no significant events were noted.

Research and Development:

The Partnership has not been active in the field of research and development during the year 2014.

Others

For the financial year 2015 we do not foresee any new operations or actions.

Corporate Governance:

The Partnership's capital is set at one million euros (EUR 1'000'000), divided into two classes of Partnership units comprising ninety-eight thousand (98'000) unlimited Partnership units and two thousand (2'000) limited Partnership units, with a par value of ten euro's (EUR 10) each.

Each class of Partnership units entitles to the same rights and privileges.

COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” holds ninety-eight thousand (98'000) unlimited Partnership units. COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” is the general Partner and Manager of the Partnership.

The Partnership is being managed exclusively by the General Partner (Manager) who is vested with the broadest power to perform all acts of administration and disposition necessary or useful for accomplishing the Partnership's objects.

Annually the general meeting of Partners decides on amendment of the articles of association.

Internal control is the process that is run by the Partnership management for the purpose of building confidence that the Partnership:

- Has an appropriate and efficient organization for its business operations
- Produces reliable financial reports, and
- Complies with applicable laws and regulations

Michelin Luxembourg is a Partnership whose activity is limited to the provision of loans to affiliated undertakings within the Michelin Group of companies. The business and the legal structure is straight forward.

In order to produce reliable financial information, upon which business decisions can be made, the Partnership has a number of control activities in place. For example reconciliation of bank-accounts on a monthly basis, follow-up of decisions made an analysis and follow-up of the financial position of major holdings. All payments are approved by the General Partner and executed by a different individual in order to have segregation of duties.

Michelin conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks through consultation between management and other parties.

Policies, guidelines and internal manuals are continuously updated and communicated within the Michelin Group and promptly adopted by Partnership.

Considering that the Partnership has a simple structure and organization, the General Partner has not found it necessary to set-up an internal audit, based on the view that the monitoring and examination described above are sufficient to maintain effective internal controls in respect of financial reporting.

March 26th, 2015

Georges-Henri BARRAS,



Audit report

To the Partners of
Michelin Luxembourg SCS

Report on the annual accounts

We have audited the accompanying annual accounts of Michelin Luxembourg SCS, which comprise the balance sheet as at 31 December 2014, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

General Partner's responsibility for the annual accounts

The General Partner is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the General Partner determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Partners, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Michelin Luxembourg SCS as of 31 December 2014, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, including corporate governance statement, which is the responsibility of the Partners, is consistent with the annual accounts and includes the information required by the law with respect to the corporate governance statement.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 March 2015

Malik Lekehal

Michelin Luxembourg SCS

Balance sheet
as at December 31st, 2014
(expressed in EUR/000)

ASSETS	Note(s)	31.12.2014 '000 EUR	31.12.2013 '000 EUR
C. Fixed assets			
III. Financial assets			
2. Loans to affiliated undertakings	3	400'000	400'000
		<u>400'000</u>	<u>400'000</u>
D. Current assets			
II. Debtors			
2. Amounts owed by affiliated undertakings	2,3, 4		
a) becoming due and payable after less than one year		6'397	483'728
IV. Cash at bank and in hand		31	40
		<u>6'428</u>	<u>483'768</u>
E. Prepayments	5	892	1'182
		<u>892</u>	<u>1'182</u>
Total Assets		<u>407'320</u>	<u>884'950</u>
LIABILITIES			
A. Capital and Reserves			
I. Subscribed capital	6	1'000	1'000
IV. Reserves			
1. Legal reserve	7	100	100
4. Other reserves		263	6'066
VI. Result for the financial year	8	(263)	(6'066)
		<u>1'100</u>	<u>1'100</u>
D. Non-subordinated debts			
1. Debenture loans			
b. Non-convertible loans			
i. becoming due and payable after less than one year	9	5'877	433'470
ii. becoming due and payable after more than one year	9	400'000	400'000
2. Amounts owed to credit institutions			
a. Becoming due and payable after less than one year	9	0	49'125
6. Amounts owed to affiliated undertakings			
a. becoming due and payable after less than one year	9	327	1'245
9. Other creditors			
a. becoming due and payable after less than one year		16	10
		<u>406'220</u>	<u>883'850</u>
Total liabilities		<u>407'320</u>	<u>884'950</u>

The accompanying notes form an integral part of the Annual Accounts.

Michelin Luxembourg SCS

Profit and loss account
For the period from January 1st, 2014 to December 31st, 2014
(expressed in EUR/000)

	Note(s)	31.12.2014 '000 EUR	31.12.2013 '000 EUR
A. CHARGES			
2. Other external charges		50	196
8. Interest payable and similar charges			
a. concerning affiliated undertakings		696	1'799
b. other interest payable and similar charges	5,9	22'142	59'423
Total charges		<u>22'888</u>	<u>61'418</u>
B. INCOME			
6. Income from financial fixed assets			
a. derived from affiliated undertakings	3	11'400	25'635
7. Income from financial current assets			
a. derived from affiliated undertakings	4	11'225	29'717
10. Loss for the financial year		<u>263</u>	<u>6'066</u>
Total income		<u><u>22'888</u></u>	<u><u>61'418</u></u>

The accompanying notes form an integral part of the Annual Accounts.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2014

1 General Information

Michelin Luxembourg SCS (“the Partnership”) is a limited liability Partnership (“société en commandite simple”) incorporated under the laws of the Grand-Duchy of Luxembourg on October 31, 2003.

The Partnership is established for an unlimited period.

The Partnership’s financial year starts on January 1st and ends on December 31st of each year.

The principal activity of the Partnership is the provision of loans to affiliated undertakings within the Michelin group of companies. These loans have been financed by the issue of guaranteed bonds on the Luxembourg Stock Exchange. On April 2, 2009, the Partnership set up a Euro Medium Term Note Programme registered with the Luxembourg Stock Exchange. The Partnership launched a Bond issue on June 20, 2012 at the Luxembourg Stock Exchange and issued on April 12, 2012 a US Commercial Paper Programme. The US Commercial Papers are being issued for an average term of one month at an average interest rate of 0,31 fixed. The US Commercial Papers Programme is also guaranteed by COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie”. On April 24th, 2014 the Partnership repaid the remaining amount of EUR 401’503’000 of the 8.625% guaranteed bonds 2014.

The principal activities of Michelin Group companies include the manufacture and distribution of vehicle tyres and the publication of travel guides and maps.

The registered office of the Partnership is established at 69, boulevard de la Pétrusse, L-2320, Luxembourg. The Partnership is registered with the Registre de Commerce of Luxembourg under the section B Number 96 546.

98% of the share capital of the Partnership is held by COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” (“CFM”) and the remaining 2% is held by Nitor S.A. (together the “Partners”). These companies are both subsidiaries of Compagnie Générale des Etablissements Michelin. The registered office of CFM and Nitor S.A. is at Route Louis-Braille 10 CH-1763 Granges-Paccot, Switzerland.

The Partnership is included in the consolidated accounts of CFM, which is the undertaking which draws up the consolidated accounts of the smallest and the largest body of undertakings of which the Partnership forms a part as a subsidiary undertaking. The consolidated accounts are available at CFM’s registered office.

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2 Summary of significant accounting policies

2.1. Basis of preparation

The accounts of the Partnership have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, as amended, determined and applied by the Management.

2.2. Financial fixed and current assets

Financial fixed assets consist of loans to affiliated undertakings bearing accrued interest are valued at their nominal value.

If the Management determines that a durable impairment has occurred in the value of a financial fixed asset, a value adjustment is made in order to reflect that loss.

These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Current assets consist of amounts owed to affiliated undertakings becoming due and payable after less than one year and are recorded at their nominal value.

A value adjustment is made when their recovery is partly or completely in doubt.

These value adjustments are not continued if the reasons for which they were made have ceased to apply.

2.3. Foreign currencies translation

The Partnership maintains its financial records in euros ("EUR"). Assets and liabilities denominated in other currencies are translated into EUR at the rate effective at the balance sheet date. Income and expense transactions are recorded at the rate effective at the date of the transactions. Realized exchange gains and losses, and unrealized exchange losses, are recorded in the profit and loss account.

Currently the Partnership has an asset of USD 372'022,20, equivalent to EUR 306'670,55 on CFM.

2.4. Prepayments

Prepayments represent costs associated with the issuance of the guaranteed bonds which are amortized to the profit and loss account over the contractual term of the bonds, and the interest paid in advance on the US Commercial Papers.

2.5. Debts

Debts are recorded at their reimbursement value.

Loans and amounts owed to affiliated undertakings bear interests which are accrued on a pro rata temporis basis.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2014

2.6. Non-convertible loans

Non-convertible loans are represented by guaranteed bonds such are valued at their nominal value and bear interests which are accrued on a pro rata temporis basis.

2.7. US Commercial Papers

US Commercial Papers ("USCP") are recorded at their reimbursement value. Where the amount repayable is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt.

The movements for 2014 were as follows:

	USD	EUR
Openings balance	67'500'000	49'124'880
Amount issued	811'000'000	604'099'815
Amount reimbursed	878'500'000	653'224'695
Balance at December 31, 2014	0'00	0'00

The movements for 2013 were as follows:

	USD	EUR
Openings balance	200'000'000	150'977'600
Amount issued	1'529'200'000	1'164'965'718
Amount reimbursed	1'661'700'000	1'266'818'438
Balance at December 31, 2013	67'500'000	49'124'880

The maximum outstanding amount at any time is USD 700'000'000. The Partnership has no commitment to perform monthly issuance of USCP, issuances are performed only upon Partnership request.

3 Financial assets

Amounts owed by affiliated undertakings represent interest bearing loans made to finance the development of the Michelin group's operations. Movements for the year are as follows:

	After one year and within five years	After five year	Total 31.12.2014	Total 31.12.2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Compagnie Financière du Groupe Michelin, "Senard et Cie" 8.87%				
Repayable on April 24 th , 2014				403'562
Compagnie Financière du Groupe Michelin, "Senard et Cie" 2.85%				
Repayable on June 20 th , 2019	400'000		400'000	400'000
Total	0	400'000	400'000	803'562

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2014

4 Debtors

	31.12.2014	31.12.2013
	'000 EUR	'000 EUR
Debtors are mainly composed of amounts owed by affiliated undertakings becoming due and payable within one year		
Amounts owed by affiliated undertakings	307	452'924
Interest receivable	6'090	30'804
	<u>6'397</u>	<u>483'728</u>

5 Prepayments

	31.12.2014	31.12.2013
	'000 EUR	'000 EUR
Prepayments are mainly composed of issuance costs relating to the guaranteed bonds		
Opening net book value	1'182	2'281
Amortization for the year	290	1'101
Closing net book value	<u>892</u>	<u>1'180</u>
Advance interest payment USCP	-	2
Total prepayments	<u>892</u>	<u>1'182</u>

6 Subscribed Capital

The Partnership's subscribed capital is set at EUR 1'000'000 divided into two classes of Partnership units, comprising 98'000 unlimited Partnership units (parts commanditées) and 2'000 limited Partnership units (parts commanditaires) with a par value of EUR 10 per unit, each one of them fully paid up.

Each class of Partnership units entitles the same rights and privileges.

The authorized capital amounts to EUR 1'000'000.

The unlimited Partnership units are owned by CFM and the limited Partnership units by Nitor S.A.

No movement in the subscribed capital during the current period occurred.

7 Legal reserve

The Partnership is required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2014

8 Result for the financial year

The Annual General Meeting held on April 3rd, 2014 approved the loss for the financial year 2013, being EUR 6'065'817,49 and the covering of the loss by the Partners on a pro rata basis. The Partnership's result for the period ended December 31st, 2014 is a loss of EUR 262'904,91.

According to art. 19 of Articles of Association of the Partnership, the net result of the Partnership as reported in the annual accounts, be it a profit or a loss, will be automatically recorded in the profit and loss of the Partners on a pro rata basis of their participation, in the Partnership. The net profit will be distributed among the Partners, unless the Annual General Meeting of the Partners decides that the profit be either carried forward or transferred to a reserve. In case the net result is a loss, this will be immediately covered by the Partners on a pro rata basis of their participation and meanwhile recorded as "other reserves".

	Legal reserve (EUR)	Other reserves (EUR)	Result for the financial year (EUR)
As at December 31st, 2013	100	6'066	(6'066)
Movements for the year:			
• Previous year's loss covered		(6'066)	6'066
• Loss for the year			(263)
• Other movements Partner's compensation reserve		263	
As at December 31st, 2014	100	263	(263)

9 Non-subordinated debts

The loans to COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie" are being financed as at December 31st, 2014 by guaranteed bond issuances amounting to EUR 400,000,000 (December 31st, 2013: EUR 803,562,000) and by USCP amounting to EUR 0 (December 31st, 2013: EUR 49,124,880).

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Notes to the audited annual accounts
as at December 31st, 2014

Non-convertible guaranteed bonds/amounts owed to credit institutions.

				Total	Total
				31.12.2014	31.12.2013
	Within one year	After one year and within five years	After five year	'000 EUR	'000 EUR
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
750 million bond - 8.625% guaranteed bonds repayable on April 24 th , 2014					403'562
400 million bond – 2.75% guaranteed bonds repayable on June 20 th , 2019		400'000		400'000	400'000
Interest payable on bonds	5'877			5'877	29'908
Amounts owed to credit institutions					49'125
Total	5'877	400'000		405'877	882'595

The total interest payable on the above guaranteed bonds amounts to EUR 21'733'076 for the period January 1st, 2014 up to December 31st, 2014.

The accrued interest payable as at December 31st, 2014 amounts to EUR 5'876'712.

On April 24, 2014, the 8,625% bond, issued on April 24th, 2009 was completely repaid.

On June 20th, 2012, the Partnership issued the 2.75% bonds of EUR 400'000'000 due June 20th, 2019.

On April 12th, 2012, the Partnership started issuing US Commercial Paper. As per December 31st, 2014 there were no outstanding US Commercial Papers. The total interest paid for the year 2014 amounted to USD 153,104 equivalent to EUR 114,176.

The 2019 bond is listed on the Luxembourg Stock Exchange and guaranteed by CFM.

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Notes to the audited annual accounts
as at December 31st, 2014

Amounts owed to affiliated undertakings

	Within one year '000 EUR	Total 31.12.2014 '000 EUR	Total 31.12.2013 '000 EUR
Compagnie Financière du Groupe Michelin, 'Senard et Cie'	327	327	1'245
Total	327	327	1'245

10 Staff

The Partnership does not have any employee, same in 2013.

11 Related parties transactions

During the financial year, the transactions entered with related parties, described in the previous notes, have been carried out at arm's length.

12 Auditor's fees

The total fees accrued by the Partnership and paid to the audit firm are presented as follows:

	2014 '000 EUR	2013 '000 EUR
Audit fees	16	20
Total	16	20

13 Subsequent events

From January 1st, until March 26th, 2015 no significant events were noted.