

# **Michelin Luxembourg SCS**

## **Société en Commandite Simple**

Non audited accounts  
as of and for the period ended June 30<sup>th</sup>, 2017

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



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## Michelin Luxembourg SCS

### Declarations

**Compagnie Financière Michelin SCmA** 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. Christophe MAZEL, 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 half-yearly unaudited 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 Financière Michelin SCmA

Signed by  
Christophe MAZEL,  
Executive Vice-President

## Half-yearly 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:

During the period, the Partnership has registered a total interest charge of EUR 14'361'730.15 on the guaranteed bonds and an interest income of EUR 15'359'711.31 on the loans to Compagnie Financière Michelin SCmA.

The Partnership has also registered a charge of EUR 796'698 linked to the guarantee granted by Compagnie Financière Michelin SCmA on the bond issues and EUR 160'795 linked to the Commercial Paper Dealer Agreements.

During the period the Partnership had no US Commercial Papers linked to its "US Commercial Papers program".

### 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 Financière Michelin SCmA. 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.

#### Credit Risk:

The credit risk of the Partnership is considered low, the main income being generated by the loans to Compagnie Financière Michelin SCmA, a group company. No significant risks are expected relating to the financial capability of Compagnie Financière Michelin SCmA.

#### Liquidity Risk:

The Partnership does not run significant liquidity risk due to low credit risk and the Partnership uses Compagnie Financière Michelin SCmA as internal bank. The Group liquidity is managed centrally at Compagnie Financière Michelin SCmA.

Result:

The Annual General Meeting held on April 12<sup>th</sup>, 2017 approved the loss for the year 2016, being EUR 155'344.84 and the covering of the loss by the Partners on a pro-rata basis of their participation in the Partnership.

The result for the period up to June 30<sup>th</sup>, 2017 is a loss of EUR 119'627.56, substantially generated by the volume of the US Commercial Paper which was not sufficient to cover the fees incurred to secure the Commercial Paper Dealer Agreement.

Others:

For the second half year 2017 we do not foresee any new operations or actions.

The Management,

## Michelin Luxembourg SCS

Balance sheet  
as at June 30<sup>th</sup>, 2017  
(expressed in EUR/000)

ASSETS	Note(s)	30.06.2017 ‘000 EUR	31.12.2016 ‘000 EUR
<b>C. Fixed assets</b>			
III. Financial assets			
2. Loans to affiliated undertakings	3	1'301'954	1'301'954
		1'301'954	1'301'954
<b>D. Current assets</b>			
II. Debtors			
2. Amounts owed by affiliated undertakings	2,3, 4		
a) becoming due and payable after less than one year		8'853	14'800
IV. Cash at bank and in hand		10	7
		8'863	14'807
<b>E. Prepayments</b>	5	7'455	7'782
<b>Total Assets</b>		1'318'272	1'324'543
<b>LIABILITIES</b>			
<b>A. Capital and Reserves</b>			
I. Subscribed capital			
	6	1'000	1'000
IV. Reserves			
1. Legal reserve	7	100	100
4. Other reserves			155
VI. Result for the financial year			
	8	(120)	(155)
		980	1'100
<b>D. Non-subordinated debts</b>			
1. Debenture loans			
b. Non-convertible loans			
i. becoming due and payable after less than one year	9	8'489	13'273
ii. becoming due and payable after more than one year		1'284'600	1'284'600
iii. deferred income	10	17'036	17'246
2. Amounts owed to credit institutions			
a. Becoming due and payable after less than one year	9	0	0
6. Amounts owed to affiliated undertakings			
a. becoming due and payable after less than one year	9	7'161	8'299
b. becoming due and payable after more than one year	9	0	0
9. Other creditors			
a. becoming due and payable after less than one year		6	25
		1'317'292	1'323'443
<b>Total liabilities</b>		1'318'272	1'324'543

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

## Michelin Luxembourg SCS

Profit and loss account  
For the period from January 1<sup>st</sup>, 2017 to June 30<sup>th</sup>, 2017  
(expressed in EUR/000)

	Note(s)	30.06.2017 '000 EUR	31.12.2016 '000 EUR
<b>A. CHARGES</b>			
2. Other external charges		87	181
8. Interest payable and similar charges			
a. concerning affiliated undertakings		957	1'842
b. other interest payable and similar charges	5,9	14'506	28'692
<b>Total charges</b>		<u>15'550</u>	<u>30'715</u>
<b>B. INCOME</b>			
6. Income from financial fixed assets			
a. derived from affiliated undertakings	3	15'429	30'551
7. Income from financial current assets			
a. derived from affiliated undertakings	4	1	9
10. Loss for the financial year		<u>120</u>	<u>155</u>
<b>Total income</b>		<u>15'550</u>	<u>30'715</u>

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

# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

## 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 1<sup>st</sup> and ends on December 31<sup>st</sup> 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 issuing guaranteed bonds on the Luxembourg Stock Exchange on June 20<sup>th</sup>, 2012, May 28<sup>th</sup>, 2015 (two separate issues), September 30<sup>th</sup>, 2015 and September 30<sup>th</sup>, 2016.

The Partnership also issued on April 12<sup>th</sup>, 2012 a US Commercial Paper Programme. Such US Commercial Papers are being issued for an average term of one month at an average interest rate of 0,31 fixed and is guaranteed by Compagnie Financière Michelin SCmA.

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 Financière Michelin SCmA, (“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.



# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

## 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.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimate and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 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 euro ("EUR"). Assets and liabilities denominated in other currencies are translated into EUR at the rate in effect at the balance sheet date. Income and expense transactions are recorded at the rate in effect at the date of the transactions. Realized exchange gains and losses, and unrealized exchange losses, are recorded in the profit and loss account.

# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

## 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 Non-subordinated debts

Debts 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 based on a linear method.

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

US Commercial Papers (“USCP”) are also accounted for under this caption.

## 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.

## 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:

	Within one year	After one year and within five years	After five year	Total 30.06.2017	Total 31.12.2016
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Compagnie Financière Michelin SCmA 2,85% Repayable on June 20 <sup>th</sup> , 2019		382'600		382'600	382'600
Compagnie Financière Michelin SCmA 1,357% Repayable on May 28 <sup>th</sup> , 2022		300'000		300'000	300'000
Compagnie Financière Michelin SCmA 1,966% Repayable on May 28 <sup>th</sup> , 2027			300'000	300'000	300'000
Compagnie Financière Michelin SCmA 3,462% Repayable on September 30 <sup>th</sup> , 2045			209'000	209'000	209'000
Compagnie Financière Michelin SCmA 2,529% Repayable on September 30 <sup>th</sup> , 2045			93'000	93'000	93'000
Compagnie Financière Michelin SCmA 2,385% Repayable on September 30 <sup>th</sup> , 2045			17'354	17'354	17'354
Total	0	682'600	619'354	1'301'954	1'301'954

# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

All loans are receivable from the parent holding company and no allowance for uncollectible amount has been recorded in consideration of its profitability and good financial position.

The above loans to Compagnie Financière Michelin SCmA are being financed by guaranteed bond issuances. Refer also to note 9 below.

## 4 Debtors

	30.06.2017	31.12.2016
	'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	0	364
Interest receivable	8'853	14'436
	<u>8'853</u>	<u>14'800</u>

## 5 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:

	30.06.2017	31.12.2016
	'000 EUR	'000 EUR
Opening net book value	7'782	8'178
Issuing costs new bond	0	326
Amortization for the year	327	722
Closing net book value	<u>7'455</u>	<u>7'782</u>
Advance interest payment USCP	-	-
Total prepayments	<u>7'455</u>	<u>7'782</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.

# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

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.

## 8 Result for the financial year

The Annual General Meeting held on April 12<sup>th</sup>, 2017 approved the loss for the financial year 2016, being EUR 155'344.84 and the covering of the loss by the Partners on a pro rata basis. The Partnership's result for the period ended June 30<sup>th</sup>, 2017 is a loss of EUR 119'627.56.

	Legal reserve (EUR)	Other reserves (EUR)	Result for the financial year (EUR)
<b>As at December 31<sup>st</sup>, 2016</b>	100	155	(155)
Movements for the year:			
• Previous year's loss covered		(155)	155
• Loss for the year			(120)
• Other movements Partner's compensation reserve			
<b>As at June 30<sup>th</sup>, 2017</b>	<b>100</b>	<b>0</b>	<b>(120)</b>

## 9 Non-subordinated debts

Non-subordinated debts are represented by guaranteed bond issues amounting to Euro 1'284'600'000 (December 31<sup>st</sup>, 2016: Euro 1'284'600'000). The table below summarizes the movements of the year.

## Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

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

			<b>Total</b>	<b>Total</b>
	<b>Within one year</b>	<b>After one year and within five years</b>	<b>After five year</b>	
	<b>'000 EUR</b>	<b>'000 EUR</b>	<b>'000 EUR</b>	
			<b>30.06.2017</b>	<b>31.12.2016</b>
			<b>'000 EUR</b>	<b>'000 EUR</b>
400 million bond – 2,75% guaranteed bonds repayable on June 20 <sup>th</sup> , 2019		382'600	382'600	382'600
300 million bond – 1,125% guaranteed bonds repayable on May 28 <sup>th</sup> , 2022		300'000	300'000	300'000
300 million bond – 1,75% guaranteed bonds repayable on May 28 <sup>th</sup> , 2027			300'000	300'000
209 million bond – 3,250% guaranteed bonds repayable on September 30 <sup>th</sup> , 2045			209'000	209'000
93 million bond – 3,250% guaranteed bonds repayable on September 30 <sup>th</sup> , 2045			93'000	93'000
		682'600	602'000	1'284'600
Interest payable on bonds	8'489		8'489	13'273
Amounts owed to credit institutions	7'161		7'161	8'299
<b>Total</b>	15'650	682'600	602'000	1'306'172

The total interest payable on the above guaranteed bonds amounts to EUR 14'361'730 for the period January 1<sup>st</sup>, 2017 up to June 30<sup>th</sup>, 2017 and the accrued interest payable as at June 30<sup>th</sup>, 2017 amounts to EUR 8'488'484.

On June 20<sup>th</sup>, 2012, the Partnership issued the 2.75% bonds of EUR 400'000'000 due June 20<sup>th</sup>, 2019, of which 500'000 was repurchased in 2015 and 16'900'000 in 2016.

On May 28<sup>th</sup>, 2015, the Partnership issued two bonds: *i*) 1.125% bonds of EUR 300'000'000 due May 28<sup>th</sup>, 2022, *ii*) 1.75% bonds of EUR 300'000'000 due May 28<sup>th</sup>, 2027;

On September 30<sup>th</sup>, 2015, the Partnership issued a 3.250% bond of EUR 209'000'000 due September 30<sup>th</sup>, 2045.

Moreover, on September 30<sup>th</sup>, 2016, the Partnership issued a 3.250% bond of EUR 93'000'000 due September 30<sup>th</sup>, 2045.

The bonds are listed on the Luxembourg Stock Exchange and guaranteed by CFM.

## Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

Regarding the “US Commercial Papers program” started in 2012, as per December 31<sup>st</sup>, 2016, there were no outstanding US Commercial Papers (as per December 31<sup>st</sup> 2015). The table below summarizes the movements of the last two years:

Movements for 2017 are as follows:

	USD	EUR
Openings balance	0	0
Amount issued	0	0
Amount reimbursed	0	0
Balance at June 30 <sup>th</sup> , 2017	0'00	0'00

Movements for 2016 were as follows:

	USD	EUR
Openings balance	0	0
Amount issued	10'000'000	8'932'160
Amount reimbursed	10'000'000	8'932'160
Balance at December 31 <sup>st</sup> , 2016	0'00	0'00

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.

The total interest paid for the period January 1<sup>st</sup>, 2017 up to June 30<sup>th</sup>, 2017 amounted to USD 0.00 equivalent to EUR 0.00.

Finally, amount owed to affiliated undertakings is represented by advances for payment of issuing fees and legal fees of bonds, the payment of the repurchasing of bonds and also the payment of the quarterly guarantee fee.

	Within one year '000 EUR	After one year and within five years '000 EUR	Total 30.06.2017 '000 EUR	Total 31.12.2016 '000 EUR
Compagnie Financière Michelin SCmA	7'161	0	7'161	8'299
<b>Total</b>	<b>7'161</b>	<b>0</b>	<b>7'161</b>	<b>8'299</b>

# Michelin Luxembourg SCS

Notes to the half-yearly unaudited accounts  
as at June 30<sup>th</sup>, 2017

## 10 Deferred income

Deferred income represent the above par issuing of the 93 million 3.250% guaranteed bond issued September 30<sup>th</sup>, 2016 . It is straight-lined over the duration period of the bond.

Issuance value December 31 <sup>st</sup> , 2016	17'246
Amortization of the year	210
Value June 30 <sup>th</sup> , 2017	17'036

## 11 Staff

The Partnership does not have any employee, same in 2016.

## 12 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.