

Michelin Luxembourg SCS

Société en Commandite Simple

Audited annual accounts
for the year ended December 31, 2010

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



Michelin Luxembourg SCS

Declarations

COMPAGNIE FINANCIERE MICHELIN, 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 »);

Jean-Noël QUILLET, Chairman of the Supervisory Board of the Issuer. Professional address, 63040 Clermont-Ferrand (France), 23, Place des Carmes-Déchaux;

Marc HENRY, Member of the Supervisory Board of the Issuer. Professional address, 63040 Clermont-Ferrand (France), 23, Place des Carmes-Déchaux;

and

Bernard GERARDIN, Member of the Supervisory Board of the Issuer. Professional address, 63040 Clermont-Ferrand (France), 23, Place des Carmes-Déchaux,

state that to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards 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 MICHELIN

Signed by
Georges-Henri BARRAS,
Executive Vice-President

For the Supervisory Board of
MICHELIN LUXEMBOURG SCS

Signed by
Jean-Noël QUILLET,
Chairman of the Supervisory Board

Signed by
Marc HENRY,
Member of the Supervisory Board

Signed by
Bernard GERARDIN,
Member of the Supervisory Board



Michelin Luxembourg SCS

Balance sheet
as at December 31, 2010
(expressed in EUR)

ASSETS	Notes	31.12.2010 '000 EUR	31.12.2009 '000 EUR
Fixed assets			
Financial assets			
Long term loans to affiliated undertakings	3	1'245'000	1'245'000
		<u>1'245'000</u>	<u>1'245'000</u>
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year		71'181	70'012
Cash at bank		26	5
		<u>71'207</u>	<u>70'017</u>
Prepayments	4	5'551	7'613
		<u>1'321'758</u>	<u>1'322'630</u>
LIABILITIES			
Capital and reserves			
Subscribed capital	5	1'000	1'000
Legal reserve	6	100	100
Result for the financial year	7	(1'169)	116
Partners' compensation reserve	7	1'169	-
		<u>1'100</u>	<u>1'216</u>
Creditors			
Non-convertible guaranteed bonds			
becoming due and payable after more than one year	8	1'227'693	1'250'000
Amounts owed to affiliated undertakings			
becoming due and payable within one year		26'172	3'588
Interests accrued on guaranteed bonds			
becoming due and payable within one year		66'779	67'812
Other creditors			
becoming due and payable within one year		14	14
		<u>1'320'658</u>	<u>1'321'414</u>
		<u>1'321'758</u>	<u>1'322'630</u>

The accompanying notes form an integral part
of the annual accounts.



Michelin Luxembourg SCS

Profit and loss account
for the year ended December 31, 2010
(expressed in EUR)

	Note	31.12.2010 '000 EUR	31.12.2009 '000 EUR
CHARGES			
External charges		88	84
Interest payable and similar charges			
. charges in relation with the guarantee of the bonds		989	1'172
. interest on guaranteed bonds	8	96'609	85'446
. debt issuance costs	4	2'062	1'716
		<u>99'748</u>	<u>88'334</u>
. loss on bond partial repurchase	8	1'684	-
Profit for the financial year		<u>-</u>	<u>116</u>
		<u>101'432</u>	<u>88'534</u>
INCOME			
Income from loans forming part of fixed assets			
. derived from affiliated undertakings	3	100'263	79'687
Income from loans forming part of current assets			
. derived from affiliated undertakings		-	8'846
Other interest receivable and similar income		<u>-</u>	<u>1</u>
Loss for the financial year		<u>1'169</u>	<u>-</u>
		<u>101'432</u>	<u>88'534</u>

The accompanying notes form an integral part
of the annual accounts.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31, 2010
(continued)

1 Status and principal activities

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 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.

The Partnership’s financial year begins on the first day of January and terminates on the last day of December.

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 (“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. The consolidated accounts are available at CFM’s registered office.

2 Summary of significant accounting policies

2.1 Basis of presentation

The annual accounts of the Partnership are prepared in accordance with Luxembourg legal and regulatory requirements.

2.2 Accounting convention

The annual accounts have been prepared under the historical cost convention.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31, 2010
(continued)

2 Summary of significant accounting policies (cont.)

2.3 Financial assets

Financial assets are recorded at cost. Value adjustments are recorded at the end of the financial year if the net realizable value of any asset is lower than the book value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.4 Foreign currencies

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

The Partnership does not currently maintain any material assets or liabilities in foreign currencies.

2.5 Prepayments

Prepayments represent costs associated with the issuance of the guaranteed bonds. They are amortized to the profit and loss account over the contractual term of the bonds.

2.6 Loans and amounts owed by/to affiliated undertakings

Loans and amounts owed by/to affiliated undertakings are valued at their nominal value. Loans and amounts owed by affiliated undertakings are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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

2.7 Guaranteed bonds

Guaranteed bonds are valued at their nominal value and bear interests which are accrued on a pro rata temporis basis.

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Notes to the audited annual accounts
as at December 31, 2010
(continued)

2.8 Law of 10 December 2010 on the introduction of international accounting standards for undertakings

In accordance with article 4 of the law dated December 10, 2010, on the introduction of international accounting standards for undertakings amending (i) the amended Law of December 19, 2002 on the register of the commerce and companies and the accounting and annual accounts of undertakings; (ii) the Law of August 10, 1915 on commercial companies as amended; and (iii) Article 13 of the Commercial Code, the Supervisory Board of the Partnership has resolved for the year ended December 31, 2010 not to implement the changes brought by this law to the content and the layout of the annual accounts, as well as to the related accounting principles and valuation policies.

3 Long term loans to affiliated undertakings

Long term loans to affiliated undertakings represent interest bearing loans made to finance the development of the Michelin group's operations. They comprise:

	31.12.2010 '000 EUR	31.12.2009 '000 EUR
Compagnie Financière Michelin/Michelin Invest Luxembourg SCS 8.87% repayable April 24, 2014*	750'000	750'000
Compagnie Financière Michelin/Michelin Invest Luxembourg SCS 6.83% repayable April 16, 2012**	495'000	495'000
	<u>1'245'000</u>	<u>1'245'000</u>

* On April 24, 2010 the debt was taken over by Compagnie Financière Michelin.

** On April 16, 2010 the debt was taken over by Compagnie Financière Michelin.

Total interest income for the year 2010 for both loans amounts EUR 100'263'394.

There is no guarantee attached to these loans.

4 Prepayments

	31.12.2010 '000 EUR	31.12.2009 '000 EUR
Issuance costs relating to the guaranteed bonds :		
Opening net book value	7'613	1'949
Issuance costs on the 8.625% guaranteed bonds	-	7'380
Amortization for the year	(2'062)	(1'716)
Closing net book value	<u>5'551</u>	<u>7'613</u>

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Notes to the audited annual accounts
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(continued)

5 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.

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

6 Legal reserve

Luxembourg companies are 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.

7 Profit for the financial year

The Annual General Meeting held on April 9, 2010 decided to distribute the profit of the financial year 2009, being EUR 116'189, to the Partners. The Partnership's result for the year ended December 31, 2010 is a loss of EUR 1'168'894.67.

According to art. 19 of the 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 accounts 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. As of December 31, 2010, the net result of the Partnership being a loss of EUR 1'168'894.67 a compensation reserve for an equivalent amount has been recognized. This amount is owed by the Partners and recorded under the caption 'Amounts owed by affiliated undertakings becoming due and payable within one year'.

8 Guaranteed bonds

The loans to Michelin group companies are being financed by guaranteed bond issuances totaling EUR 1'227'693 as per December 31, 2010.

Details of the guaranteed bonds outstanding at December 31, 2010 are as follows:

	31.12.2010 '000 EUR	31.12.2009 '000 EUR
8.625% guaranteed bonds repayable on April 24, 2014 *	750'000	750'000
6.5% guaranteed bonds repayable on April 16, 2012 **	477'693	500'000
	<u>1'227'693</u>	<u>1'250'000</u>

* The coupon is due and payable annually on April 24

** The coupon is due and payable annually on April 16

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(continued)

The 6.5% guaranteed bonds were issued on April 16, 2002 by Michelin Invest Luxembourg SCS (formerly Michelin Finance Luxembourg S.A.) and are listed on the Luxembourg Stock Exchange. The bonds were transferred to the Partnership on December 4, 2003 and are irrevocably and unconditionally guaranteed by CFM. They are due on April 16, 2012. In the course of 2010, the entity proceeded to four repurchases on the EUR 500 million bond, for a total of EUR 22'307'000, realizing a loss of EUR 1'684'138 on those repurchases.

8 Guaranteed bonds (cont.)

On April 24, 2009, under its Euro Medium Term Note Programme, the Partnership issued the 8.625% bonds of EUR 750'000'000 due April 24, 2014. These bonds are guaranteed by CFM.

These bonds are listed on the Luxembourg Stock Exchange.

Total interest charge for the year 2010 for both bonds amounts EUR 96'609'234.88.

9 Employees

The Partnership does not have any employee (2009: none).

10 Subsequent events

From January 1 until March 25, 2011, the Partnership proceeded to additional repurchases on the EUR 500 million bond. As a consequence, as at March 25, 2011, the outstanding amount of the EUR 500 million bond is EUR 454'870'000.

On February 1, 2011, Mr. Gérard CHAPIROT and Mr. Rudolf JURCIK have been substituted as Supervisory Board members by Mr. Marc HENRY and Mr. Bernard GERARDIN.



Audit report

To the Partners of
Michelin Luxembourg SCS

We have audited the accompanying annual accounts of Michelin Luxembourg SCS, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Supervisory Board's responsibility for the annual accounts

The Supervisory Board 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 Supervisory Board 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 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 Supervisory Board, 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.



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 2010, 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.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, 25 March 2011

A handwritten signature in blue ink, consisting of a large, stylized 'L' followed by a horizontal line and a small dot.

Luc Henzig