

Michelin Luxembourg SCS

Société en Commandite Simple

Audited accounts
as of and for the year ended December 31, 2013

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 2013:

During the financial year ended December 31st, 2013, the Partnership continued with the repurchases of bonds. The Partnership repurchased for a total of EUR 346'438'000 of the 8,625% guaranteed bonds 2014. This operation had a negative impact on the profit and loss account of EUR 7'814'409. On the other hand the Partnership and COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie" also continued to amend the loan agreement between the two parties maintaining the loans at arm's length. These amendments produced an extra net income of EUR 1'082'068 for the Partnership.

During the year 2013, the Partnership has registered a total interest charge of EUR 50'192'552 on the guaranteed bonds and an interest income of EUR 53'218'799 on the loans to COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie".

The Partnership has also registered a charge of EUR 427'203 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 2013 USD 1'529'200'000 was issued and USD 1'661'700'000 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 euro 11'385 per month for the year ended December 2013.

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, 2013 approved the profit for the year 2012, being EUR 11'400'112 and the distribution to the Partners on a pro-rata basis of their participation in the Partnership.

The result for the financial year 2013 is a loss of EUR 6'065'817.

Subsequent events:

From January 1st until March 18th, 2014 the Partnership proceeded to additional repurchases on the EUR 750 million bond. As a consequence, as at March 18th, 2014, the outstanding amount of the EUR 750 million bond is EUR 401'503'000.

Future developments:

The Partnership will continue with the repurchases of bonds whenever the market conditions are favourable. On April 24th, 2014 COMPAGNIE FINANCIERE DU GROUPE MICHELIN, “Senard et Cie” will repay its loan of EUR 403'562'000 to the Partnership while with same value-date the Partnership will pay the remaining amount of the 2014 bond with maturity April 24th, 2014.

Research and Development:

The Partnership has not been active in the field of research and development during the year 2013.

Others

For the financial year 2014 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 18th, 2014

The Management,

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 2013, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Partners' responsibility for the annual accounts

Partners are 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 Partners determine 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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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)

R.C.S. Luxembourg B 65 477 - TVA LU25482518



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 2013, 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, 18 March 2014

A handwritten signature in black ink, appearing to be 'Luc Henzig', written over a horizontal line.

Luc Henzig

Michelin Luxembourg SCS

Balance sheet
as at December 31st, 2013
(expressed in EUR/000)

ASSETS	Note(s)	31.12.2013 '000 EUR	31.12.2012 '000 EUR
C. Fixed assets			
III. Financial assets			
2. Loans to affiliated undertakings	3	400'000	915'390
		<u>400'000</u>	<u>915'390</u>
D. Current assets			
II. Debtors			
2. Amounts owed by affiliated undertakings	4		
a) becoming due and payable after less than one year		483'728	197'747
IV. Cash at bank and in hand			
		40	17
		<u>483'768</u>	<u>197'764</u>
E. Prepayments	5	<u>1'182</u>	<u>2'292</u>
Total Assets		<u><u>884'950</u></u>	<u><u>1'115'446</u></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		6'066	
VI. Result for the financial year	8	<u>(6'066)</u>	<u>11'400</u>
		1'100	12'500
D. Non-subordinated debts			
1. Debenture loans			
b. Non-convertible loans			
i. becoming due and payable after less than one year	9	433'470	36'567
ii. becoming due and payable after more than one year	9	400'000	915'390
2. Amounts owed to credit institutions			
a. Becoming due and payable after less than one year	9	49'125	150'978
6. Amounts owed to affiliated undertakings			
a. becoming due and payable after less than one year	9	1'245	-
9. Other creditors			
a. becoming due and payable after less than one year		10	11
		<u>883'850</u>	<u>1'102'946</u>
Total liabilities		<u><u>884'950</u></u>	<u><u>1'115'446</u></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, 2013 to December 31st, 2013
(expressed in EUR/000)

	Note(s)	31.12.2013 '000 EUR	31.12.2012 '000 EUR
A. CHARGES			
2. Other external charges		196	465
8. Interest payable and similar charges			
a. concerning affiliated undertakings	9	1'799	1'071
b. other interest payable and similar charges	5,9	59'423	90'661
12. Profit for the financial year		-	11'400
Total charges		<u>61'418</u>	<u>103'597</u>
B. INCOME			
6. Income from financial fixed assets			
a. derived from affiliated undertakings	3	25'635	92'867
7. Income from financial current assets			
a. derived from affiliated undertakings	4	29'717	10'730
10. Loss for the financial year		6'066	-
Total income		<u>61'418</u>	<u>103'597</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, 2013

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”.

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.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2013

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, 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 67'825'250,70 on CFM and a liability of USD 67'500'000 on the US Commercial Papers.

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, 2013

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 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	<u>1'661'700'000</u>	<u>1'266'818'438</u>
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:

	'000 EUR
Book value-opening balance	915'390
Partial repayment up to April 24 th , 2013	(38'675)
Reclassified to Debtors as from April 24 th , 2013	(476'715)
Book value closing balance	<u>400'000</u>

Financial assets

	Within one year '000 EUR	After one year and within five years '000 EUR	After five year '000 EUR	Total 31.12.2013 '000 EUR	Total 31.12.2012 '000 EUR
Compagnie Financière du Groupe Michelin, “Senard et Cie” 8.87%					
Repayable on April 24 th , 2014	403'562			403'562	515'390
Compagnie Financière du Groupe Michelin, “Senard et Cie” 2.85%					
Repayable on June 20 th , 2019			400'000	400'000	400'000
Reclassified to current (note 4)					
Total	403'562		400'000	803'562	915'390

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2013

4 Debtors

	31.12.2013	31.12.2012
	'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	452'924	160'094
Interest receivable	30'804	37'653
	<u>483'728</u>	<u>197'747</u>

5 Prepayments

	31.12.2013	31.12.2012
	'000 EUR	'000 EUR
Prepayments are mainly composed of issuance costs relating to the guaranteed bonds		
Opening net book value	2'281	3'030
Issuing costs new bond	-	1'351
Amortization for the year	1'101	(2'100)
Closing net book value	<u>1'180</u>	<u>2'281</u>
Advance interest payment USCP	2	11
Total prepayments	<u>1'182</u>	<u>2'292</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, 2013

8 Result for the financial year

The Annual General Meeting held on April 3rd, 2013 approved the profit for the financial year 2012, being EUR 11'400'112,18 and the distribution to the Partners on a pro rata basis. The Partnership's result for the period ended December 31st, 2013 is a loss of EUR 6'065'817,49.

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, 2012	100		11'400
Movements for the year:			
• Allocation of previous year's profit or loss		11'400	(11'400)
• Distributions		(11'400)	
• Profit or loss for the year/period			(6'066)
• Other movements Partner's compensation reserve		6'066	
As at December 31st, 2013	100	6'066	(6'066)

9 Non-subordinated debts

The loans to COMPAGNIE FINANCIERE DU GROUPE MICHELIN, "Senard et Cie" are being financed by guaranteed bond issuances and by USCP totaling EUR 852'687 as per December 31st, 2013.

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2013

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

			Total	Total
			31.12.2013	31.12.2012
	Within one year	After one year and within five years	After five year	
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
750 million bond - 8.625% guaranteed bonds repayable on April 24 th , 2014	403'562		403'562	515'390
400 million bond – 2.75% guaranteed bonds repayable on June 20 th , 2019			400'000	400'000
Interest payable on bonds	29'908		29'908	36'567
Amounts owed to credit institutions	49'125		49'125	150'978
Total	482'595		400'000	882'595
			882'595	1'102'935

The total interest payable on the above guaranteed bonds amounts to EUR 50'192'552 for the period January 1st, 2013 up to December 31st, 2013.

The accrued interest payable as at December 31st, 2013 amounts to EUR 29'908'000.

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.

The entity repurchased on the EUR 750 million bond, for a total of EUR 346'438'000 of which EUR 111'828'000 during 2013.

The entity realized a loss of EUR 7'814'409 with the repurchases during the year.

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, 2013 the total debt amount to USD 67'500'000 equivalent to EUR 49'124'880.

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

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2013

Amounts owed to affiliated undertakings

	Within one year	Total	Total
	'000 EUR	31.12.2013	31.12.2012
		'000 EUR	'000 EUR
Compagnie Financière du Groupe Michelin, 'Senard et Cie'	1'245	1'245	-
Total	1'245	1'245	-

10 Staff

The Partnership does not have any employee, same in 2012.

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:

	2013	2012
	'000 EUR	'000 EUR
Audit fees	20'213	16'000
Total	20'213	16'000

13 Subsequent events

From January 1st, 2014 until March 18th, 2014 the Partnership proceeded to additional repurchases on the EUR 750 million bond. As a consequence, as at March 18th, 2014, the outstanding amount of the EUR 750 million bond is EUR 401'503'000.