

Michelin Luxembourg SCS

Société en Commandite Simple

Non audited accounts
as of and for the period ended June 30, 2019.

65, avenue de la Gare
L-1611, Luxembourg
R.C.S. - B96.546



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Michelin Luxembourg SCS

Declarations

Michelin Finance (Luxembourg) S.à r.l. a « société à responsabilité limitée » under Luxembourg law, with its registered office at 1611 Luxembourg, 65, avenue de la Gare, duly represented by Mr. Thomas C. PRAKTISH and Victor-Alin TRIF, Managers, sole Managing Partner of the company MICHELIN LUXEMBOURG SCS, a « société en commandite simple » under Luxembourg law, with its registered office at 1611 Luxembourg 65, avenue de la Gare, registered with the *Registre du Commerce et des Sociétés in Luxembourg* under number B 96.546 (hereinafter « the Issuer »);

states that to the best of its knowledge, the financial accounts 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.

Michelin Finance (Luxembourg) S.à r.l.

Signed by
Thomas C. PRAKTISH
Manager

Signed by
Victor-Alin TRIF
Manager

Half-yearly management report

Michelin Luxembourg SCS's (« the Partnership ») principal activity is the provision of loans to affiliates 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 ended June 30, 2019, the Partnership has registered a total interest charge of EUR 14'042'449 on the guaranteed bonds and an interest income of EUR 15'082'269 on the loans to Compagnie Financière Michelin SCmA.

The Partnership has also registered a charge of EUR 790'932 linked to the guarantee granted by Compagnie Financière Michelin SCmA on the bond issues and EUR 155'637 linked to the Commercial Paper Dealer Agreements.

The Partnership also continued with the "US Commercial Paper program". For 2019 the Partnership issued USD 397'000'000 in USCP's while 177'000'000 were reimbursed.

Risks

Market Risk:

The Partnership is not significantly exposed to interest-rate fluctuations as it borrows at a fixed-rate and lends at a fixed-rate. Any conversion to floating-rates is done at Group level at the Compagnie Financière Michelin SCmA. The Group policy is to systematically switch all new issues to floating-rates.

The Partnership borrows United States Dollars on the US market and lends United States Dollars to Group Companies. 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 an internal bank. The Group liquidity is managed centrally at Compagnie Financière Michelin SCmA.

Result:

The Annual General Meeting held on April 25, 2019 approved the profit for the year 2018 of EUR 50'859.55 and the distribution of the profit to the Partners on a pro-rata basis of their participation in the Partnership.

Michelin Luxembourg SCS

The result for the period up to June 30, 2019 is a loss of EUR 58'610.35 substantially generated by professional fees related to the outsourcing of accounting, legal/General Partner fees, bank fees related to the US commercial paper issuance and the weak volume of the US Commercial Paper program, which was not sufficient to cover the fees incurred to secure the Commercial Paper Dealer Agreement.

Subsequent events:

From July 1 until July 29, 2019 no significant events were noted.

Research and Development:

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

Others

For the second half year 2019 we do not foresee any new operations or actions.

July 29, 2019

Signed by
Thomas C. PRAKTISH

Signed by
Victor-Alin TRIF

Michelin Luxembourg SCS

BALANCE SHEET

ASSETS	Note(s)	30.06.2019 EUR	31.12.2018 EUR
C. Fixed assets			
III. Financial assets			
2. Loans to affiliated undertakings	3	917'558'579.32	917'558'579.32
		<u>917'558'579.32</u>	<u>917'558'579.32</u>
D. Current assets			
II. Debtors			
2. Amounts owed by affiliated undertakings	4		
a) becoming due and payable within one year		202'222'924.20	397'673'406.84
IV. Cash at bank and in hand		8'444.73	8'782.49
		<u>202'231'368.93</u>	<u>397'682'189.33</u>
E. Prepayments			
	5	6'667'301.90	6'320'072.08
		<u>6'667'301.90</u>	<u>6'320'072.08</u>
Total Assets		<u><u>1'126'457'250.15</u></u>	<u><u>1'321'560'840.73</u></u>
LIABILITIES			
A. Capital and Reserves			
I. Subscribed capital	6	1'000'000.00	1'000'000.00
IV. Reserves			
1. Legal reserve	7	100'000.00	100'000.00
4. Other reserves including the fair value reserve			
a) other available reserves	8		
VI. Profit or loss for the financial year	8	-58'610.35	50'859.55
		<u>1'041'389.65</u>	<u>1'150'859.55</u>
C. Creditors			
1. Debenture loans	9		
b) Non-convertible loans			
i) becoming due and payable within one year		201'933'542.12	395'873'253.40
ii) becoming due and payable after more than one year		902'000'000.00	902'000'000.00
6. Amounts owed to affiliated undertakings			
a) becoming due and payable within one year		5'701'244.64	6'504'398.22
8. Other creditors			
c) Other creditors			
i) becoming due and payable within one year		72'892.71	24'945.08
		<u>1'109'707'679.47</u>	<u>1'304'402'596.70</u>
C. Deferred income			
		15'708'181.03	16'007'384.48
		<u>15'708'181.03</u>	<u>16'007'384.48</u>
Total Liabilities		<u><u>1'126'457'250.15</u></u>	<u><u>1'321'560'840.73</u></u>

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

Michelin Luxembourg SCS

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT	Note(s)	30.06.2019	31.12.2018
		EUR	EUR
5. Raw materials and consumables and other external expenses			
b) Other external expenses		-116'444.20	-250'100.17
11. Other interest receivable and similar income			
a) derived from affiliated undertakings	3	16'315'495.63	32'769'295.39
b) other interest and similar income	10	299'203.45	814'176.45
14. Interest payable and similar expenses			
a) concerning affiliated undertakings		-946'569.59	-1'908'197.12
b) other interest and similar expenses	9	-15'610'295.64	-31'374'315.00
		<hr/>	<hr/>
16. Profit or loss after taxation		-58'610.35	50'859.55
		<hr/>	<hr/>
18. Profit or loss for the financial year		-58'610.35	50'859.55
		<hr/> <hr/>	<hr/> <hr/>

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

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 affiliates within the Michelin group of companies. These loans have been financed by issuing guaranteed bonds on the Luxembourg Stock Exchange on June 20, 2012, May 28, 2015 (two separate issues), September 30, 2015 and September 30, 2016.

The Partnership also issued on April 12, 2012 a US Commercial Paper Program. Such US Commercial Papers are being issued for an average term of one two months at an average interest rate of 1.6 fixed and are guaranteed by Compagnie Financière Michelin SCmA (“CFM”).

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

The registered office of the Partnership is established at 65, avenue de la Gare, L- 1611, Luxembourg. The Partnership is registered with the Registre de Commerce of Luxembourg under the section B Number 96 546.

98% of the Partnership units are held by CFM and the remaining 2% are held by Michelin Finance (Luxembourg) S.à r.l. (together the “Partners”). These companies are both subsidiaries of Compagnie Générale des Etablissements Michelin. The registered office of CFM is at Route Louis-Braille 10 CH-1763 Granges-Paccot, Switzerland and Michelin Finance (Luxembourg) S.à r.l. is 65, avenue de la Gare, L-1611 Luxembourg.

The Partnership is included in the consolidated accounts of Compagnie Générale des Etablissements Michelin in Clermont-Ferrand, France forming the largest body of undertakings of which the Partnership forms a part as an indirect subsidiary undertaking. The consolidated accounts are available at the registered office of this company, 23, Place des Carmes-Déchaux, 63000 Clermont-Ferrand, France.

In addition, the Partnership is included in the consolidated accounts of CFM forming the smallest body of undertakings included in the body of undertakings referred to in the above-mentioned paragraph of which the Partnership forms part as a subsidiary undertaking. The consolidated accounts are available at CFM’s registered office.

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 General Partner.

Michelin Luxembourg SCS
Notes to the half-yearly unaudited accounts as at June 30, 2019

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the General Partner 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. General Partner believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates 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

Financial fixed assets consist of loans to affiliates and are valued at their nominal value. These Financial fixed assets bear interest that are accounted for in the current assets.

If the General Partner 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

Current assets consist of amounts owed by affiliates becoming due and payable within 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 books and records in euro (“EUR”).

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year/period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Only the unrealized exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realization.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealized losses are recorded in the profit and loss account whereas the net unrealized exchange gains are not recognized.

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 Creditors

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 affiliates bear interests which are accrued on a pro rata temporis basis.

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

2.6 Deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

Michelin Luxembourg SCS
Notes to the half-yearly unaudited accounts as at June 30, 2019

3. Financial assets

Amounts owed by affiliates represent interest bearing loans made to finance the development of the Michelin group's operations.

	After one year and within five years '000 EUR	After five year '000 EUR	Total 30.06.2019 '000 EUR	Total 31.12.2018 '000 EUR
Compagnie Financière Michelin SCmA 1,357% Repayable on May 28 th , 2022	300'000	0	300'000	300'000
Compagnie Financière Michelin SCmA 1,966% Repayable on May 28 th , 2027	0	300'000	300'000	300'000
Compagnie Financière Michelin SCmA 3,462% Repayable on September 30 th , 2045	0	209'000	209'000	209'000
Compagnie Financière Michelin SCmA 2,529% Repayable on September 30 th , 2045	0	93'000	93'000	93'000
Compagnie Financière Michelin SCmA 2,385% Repayable on September 30 th , 2045	2'392	13'167	15'559	15'559
Total	302'392	615'167	917'559	917'559

All loans are receivable from Limited Partner 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.

Michelin Luxembourg SCS
Notes to the half-yearly unaudited accounts as at June 30, 2019

The movements for the year are as follows :

	Opening Balance	Increase of the year	Decrease of the year	Total 30.06.2019
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Compagnie Financière Michelin SCmA 1,357%	300'000	0	0	300'000
Repayable on May 28, 2022				
Compagnie Financière Michelin SCmA 1,966%	300'000	0	0	300'000
Repayable on May 28, 2027				
Compagnie Financière Michelin SCmA 3,4626%	209'000	0	0	209'000
Repayable on September 30, 2045				
Compagnie Financière Michelin SCmA 2,529%	93'000	0	0	93'000
Repayable on September 30, 2045				
Compagnie Financière Michelin SCmA 2,385%	15'559	0	0	15'559
Repayable on September 30, 2045				
Total	917'559	0	0	917'559

Total interest income of the year amounts to EUR 15'082'269 of which EUR 8'503'457 remain accrued as at June 30, 2019.

4. Debtors

	30.06.2019	31.12.2018
	'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	193'720	383'244
Interest receivable	8'503	14'429
Total	202'223	397'673

On June 20, 2019, Compagnie Financière Michelin SCmA reimbursed the 2019 loan of EUR 382'600'000.

The actual amounts owed by affiliates of EUR 193'719'466.75 correspond to the loans to CFM related to the US Commercial Papers Program launched in 2019 EUR 193'121'059.86 (USD 219'269'619.83) and EUR 598'406.89 yearly instalment due on 30.09.2019 on CFM Loan 2,385 %.

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:

	30.06.2019	31.12.2018
	'000 EUR	'000 EUR
Opening net book value	6'320	7'141
Amortization for the year	-371	-821
USCP discount	718	0
Total	<u>6'667</u>	<u>6'320</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 limited Partnership units (parts commanditées) and 2'000 unlimited Partnership units (parts commanditaires) with a par value of EUR 10 per unit, each of them fully paid up.

Each class of Partnership unit has the same rights and privileges.

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

The limited Partnership units are owned by CFM and the unlimited Partnership units by Michelin Finance (Luxembourg) S.à r.l.

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. Movements for the year on the reserves and profit or loss items

The Annual General Meeting held on April 25, 2019 approved the profit for the financial year 2018, being EUR 50'859.55 and the distribution of the profit to the Partners on a pro rata basis. The Partnership's result for the period ended June 30, 2019 is a loss of EUR 58'610.35.

According to art. 18 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".

Michelin Luxembourg SCS
Notes to the half-yearly unaudited accounts as at June 30, 2019

	Legal reserve	Other reserves	Profit or loss for the financial year
	'000 EUR	'000 EUR	'000 EUR
As at December 31, 2018	100	-51	51
Movement for the year :			
- Previous year's profit paid	0	51	-51
- Loss for the year	0	0	-59
- Other movements Partner's compensation reserve	0	59	0
As at June 30, 2019	100	59	-59

9. Creditors

Creditors are mainly represented by guaranteed bond issues amounting to EUR 902'000'000 (December 31, 2018: EUR 1'284'600'000).

	Within one year	After one year and within five years	After five year	Total 30.06.2019	Total 31.12.2018
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
400 million bond – 2,75% guaranteed bonds repayable on June 20 th , 2019	0	0	0	0	382'600
300 million bond – 1,125% guaranteed bonds repayable on May 28 th , 2022	0	300'000	0	300'000	300'000
300 million bond – 1,75% guaranteed bonds repayable on May 28 th , 2027	0	0	300'000	300'000	300'000
209 million bond – 3,250% guaranteed bonds repayable on September 30 th , 2045	0	0	209'000	209'000	209'000
93 million bond – 3,250% guaranteed bonds repayable on September 30 th , 2045	0	0	93'000	93'000	93'000
Interest payable on bonds	8'169	0	0	8'169	13'273
US Commercial Papers	193'764	0	0	193'764	0
Amounts owed to affiliated undertakings	5'701	0	0	5'701	6'504
Other creditors	73	0	0	73	25
Total	207'707	300'000	602'000	1'109'707	1'304'402

On June 20, 2019, the Partnership reimbursed the 2,75% guaranteed bonds of EUR 382'600'000 issued on June 20, 2012 (EUR 400'000'000, of which 500'000 was repurchased in 2015 and 16'900'000 in 2016).

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Notes to the half-yearly unaudited accounts as at June 30, 2019

On May 28, 2015, the Partnership issued two bonds: *i*) 1,125% guaranteed bonds of EUR 300'000'000 due May 28, 2022, *ii*) 1,75% guaranteed bonds of EUR 300'000'000 due May 28, 2027.

On September 30, 2015, the Partnership issued the 3,250% guaranteed bonds of EUR 209'000'000 due September 30, 2045.

On September 30, 2016, the Partnership issued an additional amount on the EUR 209'000'000 guaranteed bonds a 3,250% September 30, 2045 of EUR 93'000'000.

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

The total interest payable on the above guaranteed bonds amounts to EUR 14'042'449 for the period January 1st, 2019 up to June 30, 2019 and the accrued interest payable as at June 30, 2019 amounts to EUR 8'169'202.12.

Regarding the "US Commercial Papers program" started in 2012, as per June 30, 2019 there are four outstanding US Commercial Papers (zero as per December 31, 2018). The table below summarizes the movements of the last two years:

The movements for 2019 are as follows:

	USD	EUR
Opening balance	0	0
Amount issued	397'000'000	349'656'509
Amount reimbursed	-177'000'000	-155'892'169
Balance at June 30, 2019	220'000'000	193'764'340

The movements for 2018 were as follows:

	USD	EUR
Openings balance	30'000'000	25'138'264
Amount issued	370'000'000	314'694'496
Amount reimbursed	-400'000'000	-339'832'760
Balance at December 31, 2018	0	0

The maximum outstanding amount at any time is USD 700'000'000. The Partnership has no commitment to perform monthly issuance of Commercial Papers. Issuances are performed only upon Partnership request. The total interest payable for the year January 1, 2019 up to June 30, 2019 amounts to USD 1'348'697.23 equivalent to EUR 1'196'290.99.

Finally, amount owed to affiliates is represented by advances from CFM for payment of legal fees of bonds and also the payment of the quarterly guarantee fee.

10. Deferred Income

Deferred income represent the above par issuing of the 93 million 3,250% guaranteed bond issued September 30, 2016. It is straight-lined over the duration period of the bond.

	'000 EUR
Opening balance 1.1.2019	16'007
Amortization of the year	<u>-299</u>
Closing balance 31.06.2019	<u><u>15'708</u></u>

11. Staff

The Partnership does not have any employees, as in 2018.

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.

13. Subsequent events

From July 1 until July 29, 2019 no significant events were noted.