

Michelin Luxembourg SCS

Société en Commandite Simple

Audited accounts
as of and for the year ended December 31, 2016

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 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 Financière Michelin SCmA

Christophe MAZEL,
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:

During the period ended December 31st, 2016, operation and activities were determined by the issuing of an additional Tap on the 2045 bond.

On September 30th, 2016 the Partnership issued an additional Tap on the 3.250% bond of EUR 93'000'000 repayable September 30th, 2045.

During the period, the Partnership has registered a total interest charge of EUR 26'780'925 on the guaranteed bonds and an interest income of EUR 29'232'555 on the loans to Compagnie Financière Michelin SCmA.

The Partnership has also registered a charge of EUR 1'526'574 linked to the guarantee granted by Compagnie Financière Michelin SCmA on the bond issues and EUR 315'819 linked to the Commercial Paper Dealer Agreements.

The Partnership also continued with the “US Commercial Papers program”. For 2016 the Partnership issued USD 10'000'000 in USCP while USD 10'000'000 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 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 which is on average amounting to EUR 70 per month for the year ended December 2016.

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 Financiere Michelin SCmA as internal bank. The Group liquidity is managed centrally at Compagnie Financière Michelin SCmA.

Result:

The Annual General Meeting held on March 29th, 2016 approved the loss for the year 2015, being EUR 474'661,37 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 2016 is a loss of EUR 155'344,84 substantially generated by some additional legal- and professional fees necessary for the issuing of the new bonds and the volume of the US Commercial Paper was not sufficient to cover the fees incurred to secure the Commercial Paper Dealer Agreement.

Subsequent events:

From January 1st until April 7th, 2017 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 financial year 2017 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 Financière Michelin SCmA holds ninety-eight thousand (98'000) unlimited Partnership units. Compagnie Financière Michelin SCmA, 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.

April 7th, 2017

Christophe MAZEL,



Audit report

To the Partners of
Michelin Luxembourg S.C.S.

Report on the annual accounts

We have audited the accompanying annual accounts of Michelin Luxembourg S.C.S., which comprise the balance sheet as at 31 December 2016, 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 General Partner, 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 S.C.S. as of 31 December 2016, 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.

Other information

The General Partner is responsible for the other information. The other information comprises the information included in the management report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 7 April 2017

A handwritten signature in blue ink, appearing to read 'Malik Lekehal', written over a horizontal line.

Malik Lekehal

Annual Accounts Helpdesk :

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RCSL Nr. : B96546

Matricule : 2003 2100 199

eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2016 **to** 02 31/12/2016 (in 03 EUR)

Michelin Luxembourg SCS
 69, Boulevard de la Pétrusse
 L-2320 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
B. Formation expenses	1107	107	108
C. Fixed assets	1109	109	110
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B96546

Matricule : 2003 2100 199

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 _____	132 _____
4. Payments on account and tangible assets in the course of construction	1133 _____	133 _____	134 _____
III. Financial assets	1135 _____ 3	135 1.301.953.800,00	136 1.208.500.000,00
1. Shares in affiliated undertakings	1137 _____	137 _____	138 _____
2. Loans to affiliated undertakings	1139 _____ 3	139 1.301.953.800,00	140 1.208.500.000,00
3. Participating interests	1141 _____	141 _____	142 _____
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Investments held as fixed assets	1145 _____	145 _____	146 _____
6. Other loans	1147 _____	147 _____	148 _____
D. Current assets	1151 _____ 4	151 14.806.923,86	152 14.370.961,35
I. Stocks	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work in progress	1157 _____	157 _____	158 _____
3. Finished goods and goods for resale	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
II. Debtors	1163 _____ 4	163 14.799.981,48	164 14.327.773,92
1. Trade debtors	1165 _____	165 _____	166 _____
a) becoming due and payable within one year	1167 _____	167 _____	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____ 4	171 14.799.981,48	172 14.327.773,92
a) becoming due and payable within one year	1173 _____ 4	173 14.799.981,48	174 14.327.773,92
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____
4. Other debtors	1183 _____	183 _____	184 _____
a) becoming due and payable within one year	1185 _____	185 _____	186 _____
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____

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Matricule : 2003 2100 199

	Reference(s)	Current year	Previous year
III. Investments	1189	189	190
1. Shares in affiliated undertakings	1191	191	192
2. Own shares	1209	209	210
3. Other investments	1195	195	196
IV. Cash at bank and in hand	1197	6.942,38	43.187,43
E. Prepayments	1199	7.782.146,57	8.177.814,84
	5		
	199		
	200		
TOTAL (ASSETS)		1.324.542.870,43	1.231.048.776,19
		201	202

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RCSL Nr. : B96546

Matricule : 2003 2100 199

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
I. Subscribed capital	1301 _____ 6	301 _____ 1.100.000,00	302 _____ 1.100.000,00
II. Share premium account	1303 _____	303 _____ 1.000.000,00	304 _____ 1.000.000,00
III. Revaluation reserve	1305 _____	305 _____	306 _____
IV. Reserves	1307 _____	307 _____	308 _____
1. Legal reserve	1309 _____ 7	309 _____ 255.344,84	310 _____ 574.661,37
2. Reserve for own shares	1311 _____	311 _____ 100.000,00	312 _____ 100.000,00
3. Reserves provided for by the articles of association	1313 _____	313 _____	314 _____
4. Other reserves, including the fair value reserve	1315 _____	315 _____	316 _____
a) other available reserves	1429 _____ 8	429 _____ 155.344,84	430 _____ 474.661,37
b) other non available reserves	1431 _____ 8	431 _____ 155.344,84	432 _____ 474.661,37
V. Profit or loss brought forward	1433 _____	433 _____	434 _____
VI. Profit or loss for the financial year	1319 _____	319 _____	320 _____
VII. Interim dividends	1321 _____ 8	321 _____ -155.344,84	322 _____ -474.661,37
VIII. Capital investment subsidies	1323 _____	323 _____	324 _____
	1325 _____	325 _____	326 _____
B. Provisions			
1. Provisions for pensions and similar obligations	1331 _____	331 _____	332 _____
2. Provisions for taxation	1333 _____	333 _____	334 _____
3. Other provisions	1335 _____	335 _____	336 _____
	1337 _____	337 _____	338 _____
C. Creditors			
1. Debenture loans	1435 _____ 9	435 _____ 1.306.196.834,05	436 _____ 1.229.948.776,19
a) Convertible loans	1437 _____ 9	437 _____ 1.297.873.253,40	438 _____ 1.221.216.588,09
i) becoming due and payable within one year	1439 _____	439 _____	440 _____
ii) becoming due and payable after more than one year	1441 _____	441 _____	442 _____
b) Non convertible loans	1443 _____	443 _____	444 _____
i) becoming due and payable within one year	1445 _____ 9	445 _____ 1.297.873.253,40	446 _____ 1.221.216.588,09
ii) becoming due and payable after more than one year	1447 _____ 9	447 _____ 13.273.253,40	448 _____ 12.716.588,09
2. Amounts owed to credit institutions	1449 _____ 9	449 _____ 1.284.600.000,00	450 _____ 1.208.500.000,00
a) becoming due and payable within one year	1355 _____	355 _____	356 _____
b) becoming due and payable after more than one year	1357 _____	357 _____	358 _____
	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B96546

Matricule: 2003 2100 199

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	367	368
a) becoming due and payable within one year	1369	369	370
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	9 8.298.540,61	380 8.607.053,39
a) becoming due and payable within one year	1381	9 8.298.540,61	382 8.607.053,39
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Other creditors	1451	9 25.040,04	452 125.134,71
a) Tax authorities	1393	393	394
b) Social security authorities	1395	395	396
c) Other creditors	1397	397 25.040,04	398 125.134,71
i) becoming due and payable within one year	1399	9 25.040,04	400 125.134,71
ii) becoming due and payable after more than one year	1401	401	402
D. Deferred income	1403	10 17.246.036,38	404
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 1.324.542.870,43	406 1.231.048.776,19

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RCSL Nr. : B96546

Matricule : 2003 2100 199

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from ₀₁ 01/01/2016 **to** ₀₂ 31/12/2016 (in ₀₃ EUR)

Michelin Luxembourg SCS
 69, Boulevard de la Pétrusse
 L-2320 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-181.100,42</u>	672 <u>-347.477,26</u>
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____	603 <u>-181.100,42</u>	604 <u>-347.477,26</u>
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

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Matricule: 2003 2100 199

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715 <u>3</u>	715 <u>30.551.071,96</u>	716 <u>19.331.855,97</u>
a) derived from affiliated undertakings	1717 <u>3</u>	717 <u>30.551.071,96</u>	718 <u>19.331.855,97</u>
b) other income from participating interests	1719 _____	719 _____	720 _____
10. Income from other investments and loans forming part of the fixed assets	1721 _____	721 _____	722 _____
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income not included under a)	1725 _____	725 _____	726 _____
11. Other interest receivable and similar income	1727 <u>4</u>	727 <u>8.578,78</u>	728 <u>127.775,11</u>
a) derived from affiliated undertakings	1729 <u>4</u>	729 <u>8.578,78</u>	730 <u>127.775,11</u>
b) other interest and similar income	1731 _____	731 _____	732 _____
12. Share of profit or loss of undertakings accounted for under the equity method	1663 _____	663 _____	664 _____
13. Value adjustments in respect of financial assets and of investments held as current assets	1665 _____	665 _____	666 _____
14. Interest payable and similar expenses	1627 _____	627 <u>-30.533.895,16</u>	628 <u>-19.586.815,19</u>
a) concerning affiliated undertakings	1629 _____	629 <u>-1.842.392,42</u>	630 <u>-1.181.313,72</u>
b) other interest and similar expenses	1631 <u>5.9</u>	631 <u>-28.691.502,74</u>	632 <u>-18.405.501,47</u>
15. Tax on profit or loss	1635 _____	635 _____	636 _____
16. Profit or loss after taxation	1667 _____	667 <u>-155.344,84</u>	668 <u>-474.661,37</u>
17. Other taxes not shown under items 1 to 16	1637 _____	637 _____	638 _____
18. Profit or loss for the financial year	1669 _____	669 <u>-155.344,84</u>	670 <u>-474.661,37</u>

The notes in the annex form an integral part of the annual accounts

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2016

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 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 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 (“CFM”).

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 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, 2016

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.

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 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

Financial fixed assets consist of loans to affiliated undertakings 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 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 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

Michelin Luxembourg SCS

Notes to the audited annual accounts
as at December 31st, 2016

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. Solely 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.

2.4 Prepayments

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 recognised.

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 affiliated undertakings 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 audited annual accounts
as at December 31st, 2016

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 '000 EUR	After one year and within five years '000 EUR	After five year '000 EUR	Total 31.12.2016 '000 EUR	Total 31.12.2015 '000 EUR
Compagnie Financière Michelin SCmA 2,85% Repayable on June 20 th , 2019		382'600		382'600	399'500
Compagnie Financière Michelin SCmA 1,357% Repayable on May 28 th , 2022			300'000	300'000	300'000
Compagnie Financière Michelin SCmA 1,966% Repayable on May 28 th , 2027			300'000	300'000	300'000
Compagnie Financière Michelin SCmA 3,462% Repayable on September 30 th , 2045			209'000	209'000	209'000
Compagnie Financière Michelin SCmA 2,529% Repayable on September 30 th , 2045			93'000	93'000	
Compagnie Financière Michelin SCmA 2,385% Repayable on September 30 th , 2045			17'354	17'354	
Total	0	382'600	919'354	1'301'954	1'208'500

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.

The movements for the year are as follows:

	Opening Balance '000 EUR	Increase of the year '000 EUR	Decrease of the year '000 EUR	Total 31.12.2016 '000 EUR
Compagnie Financière Michelin SCmA 2,85% Repayable on June 20 th , 2019	399'500		16'900	382'600
Compagnie Financière	300'000			300'000

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Michelin SCmA 1,357%				
Repayable on May 28 th , 2022				
Compagnie Financière				
Michelin SCmA 1,966%				
Repayable on May 28 th , 2027				
300'000(?)				
Compagnie Financière				
Michelin SCmA 3,4626%				
Repayable on September 30 th , 2045	209'000			209'000
Compagnie Financière				
Michelin SCmA 2,529%				
Repayable on September 30 th , 2045		93'000		93'000
Compagnie Financière				
Michelin SCmA 2,385%				
Repayable on September 30 th , 2045		17'354		17'354
Total	1'208'500	110'354	16'900	1'301'954

Total interest income of the year amounts to EUR 29'232'555 of which EUR 14'436'178 remain accrued at year end.

4 Debtors

	31.12.2016	31.12.2015
	'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	364	356
Interest receivable	14'436	13'972
	14'800	14'328

Currently the Partnership has an asset of USD 380'592,54, equivalent to Euro 363'803,08.

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:

	31.12.2016	31.12.2015
	'000 EUR	'000 EUR
Opening net book value	8'178	892

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Issuing costs new bond	326	7'741
Amortization for the year	-722	-455
Total prepayments	7'782	8'178

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.

8 Movements for the year on the reserves and profit and loss items

The Annual General Meeting held on March 29th, 2016 approved the loss for the financial year 2015, being EUR 474'661,37 and the covering of the loss by the Partners on a pro rata basis. The Partnership's result for the period ended December 31st, 2016 is a loss of EUR 155'344,84.

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".

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	Legal reserve (EUR)	Other reserves (EUR)	Result for the financial year (EUR)
As at December 31st, 2015	100	475	(475)
Movements for the year:			
• Previous year's loss covered		(475)	475
• Loss for the year			(155)
• Other movements Partner's compensation reserve		155	
As at December 31st, 2016	100	155	(155)

9 Creditors

Creditors are represented by guaranteed bond issues amounting to Euro 1'284'600'000 (December 31st, 2015: Euro 1'208'500'000). The table below summarizes the movements of the year.

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

				Total 31.12.2016	Total 31.12.2015
	Within one year '000 EUR	After one year and within five years '000 EUR	After five year '000 EUR	'000 EUR	'000 EUR
400 million bond – 2.75% guaranteed bonds repayable on June 20 th , 2019		382'600		382'600	399'500
300 million bond – 1,125% guaranteed bonds repayable on May 28 th , 2022			300'000	300'000	300'000
300 million bond – 1,75% guaranteed bonds repayable on May 28 th , 2027			300'000	300'000	300'000
209 million bond – 3,250% guaranteed bonds repayable on September 30 th , 2045			209'000	209'000	209'000
93 million bond – 3,250% guaranteed bonds repayable on September 30 th , 2045			93'000	93'000	-
Interest payable on bonds	13'273			13'273	12'717
Amounts owed to affiliated undertakings	8'299			8'299	8'607
Total	21'572	382'600	902'000	1'306'172	1'229'824

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The total interest payable on the above guaranteed bonds amounts to EUR 26'780'925 for the period January 1st, 2016 up to December 31st, 2016 and the accrued interest payable as at December 31st, 2016 amounts to EUR 13'273'253.

On June 20th, 2012, the Partnership issued the 2.75% bonds of EUR 400'000'000 due June 20th, 2019, of which 500'000 was repurchased in 2015.

On May 28th, 2015, the Partnership issued two bonds: 165i) 1.125% bonds of EUR 300'000'000 due May 28th, 2022, ii) 1.75% bonds of EUR 300'000'000 due May 28th, 2027;

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

On September 30th, 2016, the Partnership issued an additional amount on the EUR 209'000'000 bond a 3.250% September 30th, 2045 of EUR 93'000'000.

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

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

Movements for 2016 are 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, 2016	0'00	0'00

The movements for 2015 were as follows:

	USD	EUR
Openings balance	0	0
Amount issued	329'000'000	297'199'226
Amount reimbursed	329'000'000	297'199'226
Balance at December 31, 2015	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 1st, 2016 up to December 31st, 2016 amounted to USD 5'597 equivalent to EUR 5'127.

Finally, amount owed to affiliated undertakings is represented 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.

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	Within one year '000 EUR	After one year and within five years '000 EUR	Total 31.12.2016 '000 EUR	Total 31.12.2015 '000 EUR
Compagnie Financière Michelin SCmA	8'299	0	8'299	8'607
Total	8'299	0	8'299	8'607

10 Deferred Income

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

Issuance value	17,354
Amortization of the year	108
Closing value	17,246

11 Staff

The Partnership does not have any employee, same in 2015.

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 Auditor's fees

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

	2016 '000 EUR	2015 '000 EUR
Audit fees	17	16
Total	17	16

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14 Subsequent events

From January 1st until April 7th, 2017 no significant events were noted.