

Michelin Luxembourg SCS

Société en Commandite Simple

Audited annual accounts
as of and for the year ended December 31, 2017

43, avenue John F. Kennedy
L-1855, 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 1855 Luxembourg, 43, avenue John F. Kennedy, duly represented by Mr. Thomas C. PRAKTISH and Pierre METZLER, Managers, sole Managing Partner of the company MICHELIN LUXEMBOURG SCS, a « société en commandite simple » under Luxembourg law, with its registered office at 1855 Luxembourg 43, avenue John F. Kennedy, 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 annual accounts 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.

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

Thomas C. PRAKTISH
Manager

Pierre METZLER
Manager

Michelin Luxembourg SCS

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 year ended December 31, 2017, the Partnership has registered a total interest charge of EUR 28'961'500 on the guaranteed bonds and an interest income of EUR 31'159'593 on the loans to Compagnie Financière Michelin SCmA.

The Partnership has also registered a charge of EUR 1'605'280 linked to the guarantee granted by Compagnie Financière Michelin SCmA on the bond issues and EUR 311'586 linked to the Commercial Paper Dealer Agreements.

The Partnership also continued with the "US Commercial Paper program". For 2017 the Partnership issued USD 30'000'000 in USCP's.

The year ended December 31, 2017 was also characterized by the change of the General Partner of the Partnership and by the change of its registered office from 69, Boulevard de la Pétrusse, L-2320, Luxembourg to 43, avenue John F. Kennedy, L-1855, Luxembourg.

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 which on average amounts to EUR 239 per month for the year ended December 2017.

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.

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Result:

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

The result for the financial year 2017 is a loss of EUR 251'376.64 substantially generated by professional fees related to the outsourcing of accounting, and legal fees related to the change in the Partnership structure, 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 January 1 until April 23, 2018 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 2018 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) limited Partnership units and two thousand (2'000) unlimited Partnership units, with a par value of ten euros (EUR 10) each.

Each class of Partnership unit is entitled to the same rights and privileges.

Compagnie Financière Michelin SCmA holds ninety-eight thousand (98'000) limited Partnership units and Michelin Finance (Luxembourg) S.à r.l holds two thousand (2'000) unlimited Partnership units. Michelin Finance (Luxembourg) S.à r.l. 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 the 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

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Michelin Luxembourg SCS is a Partnership whose activity is limited to the provision of loans to affiliates within the Michelin Group of companies. The business and the legal structure are 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 after analysis and follow-up of the financial position of major holdings. All payments are approved by the General Partner and executed by a separate individuals in order to have a 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 23, 2018

Thomas C. PRAKTISH and Pierre METZLER,



Audit report

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

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Michelin Luxembourg S.C.S. (the "Company") as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2017;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The General Partner is responsible for the other information. The other information comprises the information stated in the Management report and the Corporate Governance Statement 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 identified above 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 that fact. We have nothing to report in this regard.

Responsibilities of the General Partner and those charged with governance for the annual accounts

The General Partner is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the General Partner is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it



exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner;
- conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.



Report on other legal and regulatory requirements

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

The Corporate Governance Statement is included in the Management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholders on 8 September 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 11 years.

Other matter

The Corporate Governance Statement includes the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 23 April 2018

A handwritten signature in blue ink, appearing to read 'J. Ghata', is written over a horizontal line. Below the signature, the name 'Julien Ghata' is printed in a standard black font.

Julien Ghata

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BALANCE SHEET

ASSETS	Note(s)	31.12.2017 EUR	31.12.2016 EUR
C. Fixed assets			
III. Financial assets			
2. Loans to affiliated undertakings	3	1'301'355'393.10	1'301'953'800.00
D. Current assets			
II. Debtors			
2. Amounts owed by affiliated undertakings			
a) becoming due and payable within one year	4	39'544'236.52	14'799'981.48
IV. Cash at bank and in hand		9'466.97	6'942.38
		39'553'703.49	14'806'923.86
E. Prepayments			
	5	7'140'928.50	7'782'146.57
		7'140'928.50	7'782'146.57
Total Assets		1'348'050'025.09	1'324'542'870.43
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	251'373.64	155'344.84
VI. Profit or loss for the financial year	8	-251'373.64	-155'344.84
		1'100'000.00	1'100'000.00
C. Creditors			
1. Debenture loans	9		
b) Non-convertible loans			
i) becoming due and payable within one year		38'411'517.76	13'273'253.40
ii) becoming due and payable after more than one year		1'284'600'000.00	1'284'600'000.00
6. Amounts owed to affiliated undertakings			
a) becoming due and payable within one year		7'057'441.86	8'298'540.61
8. Other creditors			
c) Other creditors			
i) becoming due and payable within one year		60'525.65	25'040.04
		1'330'129'485.27	1'306'196'834.05
C. Deferred income			
	10	16'820'539.82	17'246'036.38
		16'820'539.82	17'246'036.38
Total Liabilities		1'348'050'025.09	1'324'542'870.43

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

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PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT	Note(s)	31.12.2017 EUR	31.12.2016 EUR
5. Raw materials and consumables and other external expenses			
b) Other external expenses		-222'488.27	-181'100.42
9. Income from participating interests			
a) derived from affiliated undertakings	3	31'109'854.21	30'551'071.96
11. Other interest receivable and similar income			
a) derived from affiliated undertakings	3	49'738.66	8'578.78
b) other interest and similar income	10	425'496.66	0.00
14. Interest payable and similar expenses			
a) concerning affiliated undertakings		-1'916'865.78	-1'842'392.42
b) other interest and similar expenses	9	-29'697'109.12	-28'691'502.74
16. Profit or loss after taxation		<u>-251'373.64</u>	<u>-155'344.84</u>
18. Profit or loss for the financial year		<u><u>-251'373.64</u></u>	<u><u>-155'344.84</u></u>

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

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Notes to the annual accounts as at December 31, 2017

1 General Information

Michelin Luxembourg SCS (“the Partnership”) is a limited liability Partnership (“société en commandite simple”) incorporated under the laws of the Grand-Duchy of Luxembourg on October 31, 2003.

The Partnership is established for an unlimited period.

The Partnership’s financial year starts on January 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 43, avenue John F. Kennedy, L-1855, 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 43, avenue John F. Kenney, L-1855 Luxembourg.

The Partnership is included in the consolidated accounts of Compagnie Générale des Etablissements Michelin of 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, 12, cours Sablon 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.

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

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Notes to the annual accounts as at December 31, 2017

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.

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Notes to the annual accounts as at December 31, 2017

3 Financial assets

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

	Within one year '000 EUR	After one year and within five years '000 EUR	After five years '000 EUR	Total 31.12.2017 '000 EUR	Total 31.12.2016 '000 EUR
Compagnie Financière Michelin SCmA 2,85% Repayable on June 20 th , 2019	0	382'600	0	382'600	382'600
Compagnie Financière Michelin SCmA 1,357% Repayable on May 28 th , 2022	0	300'000	0	300'000	300'000
Compagnie Financière Michelin SCmA 1,966% Repayable on May 28 th , 2027	0	0	300'000	300'000	300'000
Compagnie Financière Michelin SCmA 3,462% Repayable on September 30 th , 2045	0	0	209'000	209'000	209'000
Compagnie Financière Michelin SCmA 2,529% Repayable on September 30 th , 2045	0	0	93'000	93'000	93'000
Compagnie Financière Michelin SCmA 2,385% Repayable on September 30 th , 2045	0	0	16'755	16'755	17'354
Total	0	682'600	618'755	1'301'355	1'301'954

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.

The movements for the year are as follows:

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Notes to the annual accounts as at December 31, 2017

	Opening Balance	Increase of the year	Decrease of the year	Total 31.12.2017
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Compagnie Financière Michelin SCmA 2,85%	382'600	0	0	382'600
Repayable on June 20, 2019				
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%	17'354	0	599	16'755
Repayable on September 30, 2045				
Total	1'301'954	0	599	1'301'355

Total interest income of the year amounts to EUR 31'159'593 of which EUR 14'432'542 remain accrued at year end.

4 Debtors

	31.12.2017	31.12.2016
	'000 EUR	'000 EUR
Debtors are mainly composed of amounts owed by affiliated undertakings becoming due and payable within one year		
Amounts owed by affiliated undertakings	25'112	364
Interest receivable	14'433	14'436
Total	39'545	14'800

The amounts owed by affiliates for EUR 25'111'694.54 (USD 29'968'291.57) correspond to the loans to CFM related to the US Commercial Papers Program launched in 2017.

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Notes to the annual accounts as at December 31, 2017

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:

	31.12.2017	31.12.2016
	'000 EUR	'000 EUR
Opening net book value	7'782	8'178
Issuing costs new bond	0	326
Amortization for the year	-664	-722
USCP discount	23	0
Total	7'141	7'782

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 12, 2017 approved the loss for the financial year 2016, being EUR 155'344.84 and the covering of the loss by the Partners on a pro rata basis. The Partnership's result for the year ended December 31, 2017 is a loss of EUR 251'373.64.

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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Notes to the annual accounts as at December 31, 2017

	Legal reserve	Other reserves	Profit or loss for the financial year
	'000 EUR	'000 EUR	'000 EUR
As at December 31st, 2016	100	155	-155
Movement for the year :			
- Previous year's loss covered	0	-155	155
- Loss for the year	0	0	-251
- Other movements Partner's compensation reserve	0	251	0
As at December 31st, 2017	100	251	-251

9 Creditors

Creditors are mainly represented by guaranteed bond issues amounting to EUR 1'284'600'000 (December 31, 2016: EUR 1'284'600'000).

	Within one year	After one year and within five years	After five years	Total 31.12.2017	Total 31.12.2016
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
400 million bond – 2,75% guaranteed bonds repayable on June 20 th , 2019	0	382'600	0	382'600	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	13'273	0	0	13'273	13'273
US Commercial Papers	25'138	0	0	25'138	0
Amounts owed to affiliated undertakings	7'057	0	0	7'057	8'299
Other creditors	61	0	0	61	25
Total	45'529	682'600	602'000	1'330'129	1'306'197

Michelin Luxembourg SCS

Notes to the annual accounts as at December 31, 2017

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

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 28'961'500 for the year January 1st, 2017 up to December 31, 2017 and the accrued interest payable as at December 31, 2017 amounts to EUR 13'273'253.

Regarding the "US Commercial Papers program" started in 2012, as per December 31, 2017 there are two outstanding US Commercial Papers (none as per December 31, 2016). The table below summarizes the movements of the last two years:

The movements for 2017 are as follows:

	USD	EUR
Opening Balance	0	0
Amount issued	30'000'000	25'138'264
Amount reimbursed	0	0
Balance at December 31, 2017	30'000'000	25'138'264

The movements for 2016 were as follows:

	USD	EUR
Opening 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 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, 2017 up to December 31, 2017 amounts to USD 54'666.66 equivalent to EUR 45'877.68.

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 1.1.2017	17'246
Amortization of the year	-425
Closing balance 31.12.2017	<u>16'821</u>

11 Staff

The Partnership does not have any employees, as in 2016.

12 Related parties transactions

During the financial year, the transactions entered with related parties, described in the previous notes, have been carried out at arm's length.

13 Auditor's fees

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

	2017	2016
	'000 EUR	'000 EUR
Audit fees	17	17
Total	17	17

14 Subsequent events

From January 1 until April 23, 2018 no significant events were noted.