



APRIL 29, 2020

**SALES AT  
MARCH 31, 2020**



# In response to the health crisis, Michelin is taking action to protect its employees and support its host communities worldwide



## **SAFEGUARDING EMPLOYEES**

Production shutdowns,  
WFH solutions introduced

Necessary health precautions  
deployed to support the  
reopening of production lines

Production gradually being  
restarted



## **SUPPORTING COMMUNITIES**

Around 90k masks and other  
PPE donated

Tires and assistance donated  
free-of-charge for ambulances  
and other vehicles needed for  
the crisis

Masks (400k/week by mid-April)  
and hand sanitizer being  
produced in certain  
Group plants



## **PRODUCING HEALTH- CARE PRODUCTS**

12k polycarbonate face shields  
being fast-track produced for  
hospitals

Ventilator components and  
reusable masks being 3D  
printed

Positioning cushions being  
produced to help patients breathe

Mask production lines built with  
our Imeca subsidiary



# Q1 2020: sales down 8.3% and measures taken to attenuate the business and financial impact of the emerging systemic crisis

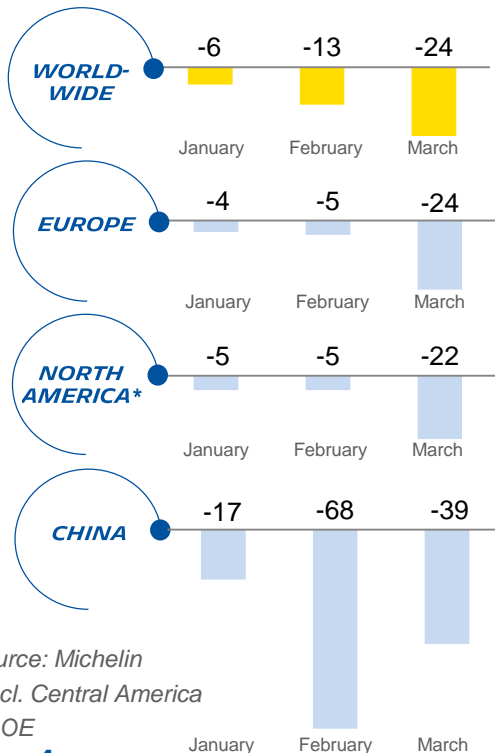


- Global tire demand collapsed as lockdown policies gradually spread around the world and adversely impacted every business segment:
  - PC/LT: demand fell 15% after OEMs suspended production and consumers went into isolation
  - Truck: markets down 17% year on year
  - Specialties: certain mining markets and Replacement agricultural tires remained relatively resilient
- First-quarter sales down 8.3% year on year at current exchange rates, reflecting:
  - An 11.7% contraction in volumes, which accelerated in March (down 21%)
  - A 2% gain from the robust price-mix, led by the strength of the MICHELIN brand
  - A 1% net increase from changes in the scope of consolidation (first-time inclusion of Multistrada and Masternaut and deconsolidation of BookaTable)
- The Group has implemented measures to mitigate the financial impact of the impending deep recession:
  - Tracking supply and demand on a weekly basis to keep inventory under control
  - Reducing capital expenditure by €500 million
  - Reducing the proposed dividend by a total €330 million and suspending the share buyback program, except for the firm commitments outstanding for 2020
  - Reducing overhead costs
- Michelin's financial strength will enable it to deal with the uncertainty surrounding the crisis:
  - Stress tests, based on volumes declining by between 20% and 35% over the full year, have shown that the Group has sufficient cash and cash equivalents, without drawing down its back-up lines

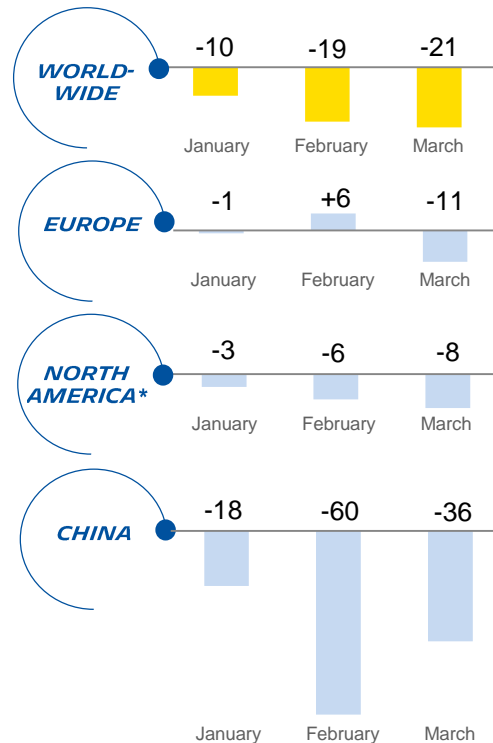
# Q1 2020: Steep drop in global tire demand in a time of systemic crisis



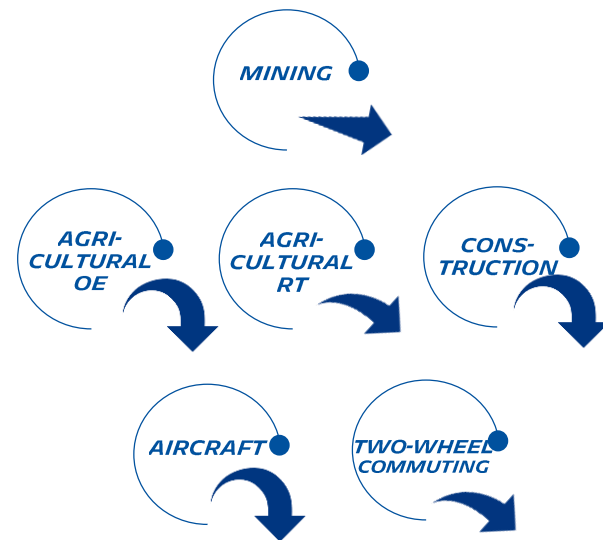
**PC/LT: -15%**



**TRUCK: -17%**



**SPECIALTIES**



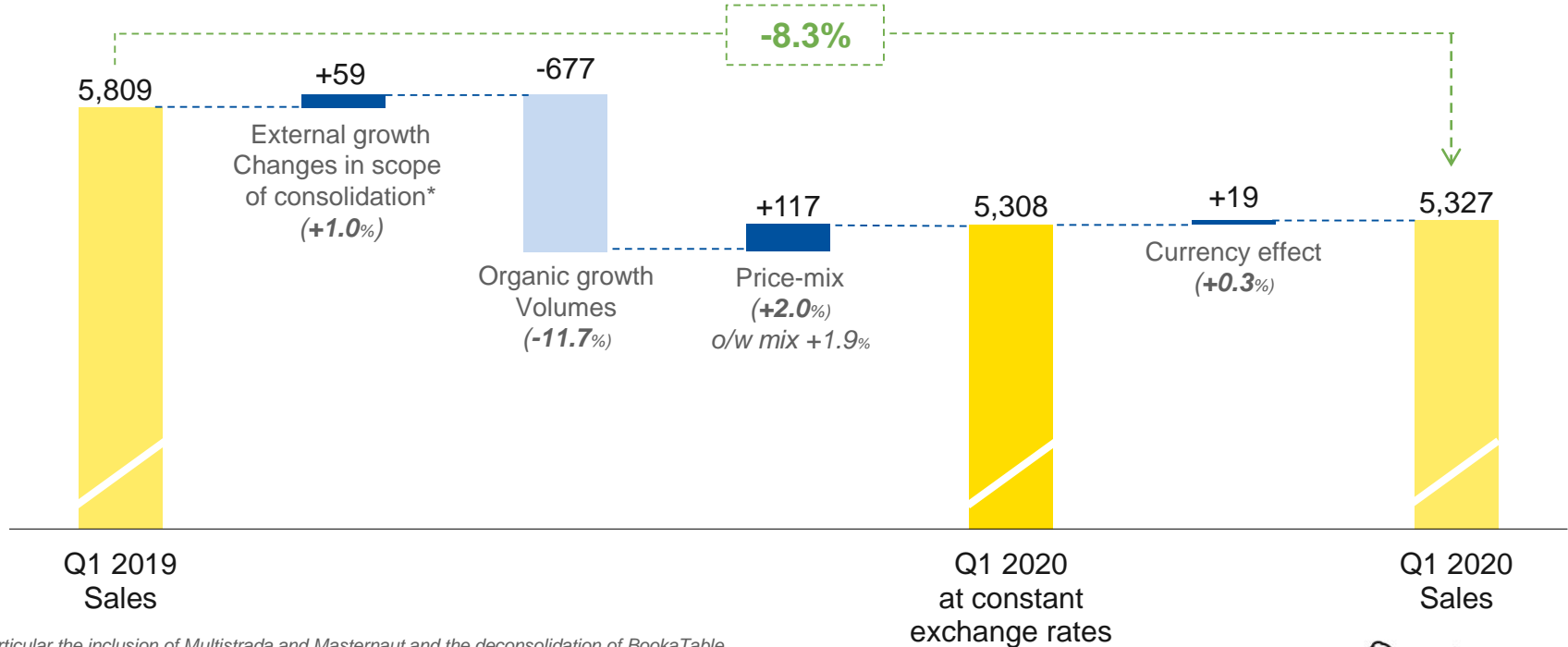
Source: Michelin

\* incl. Central America  
for OE



# As global tire demand plummeted, sales declined by 8.3% despite a robust price-mix effect

## YoY change (in € millions and %)



\* In particular the inclusion of Multistrada and Masternaut and the deconsolidation of BookaTable

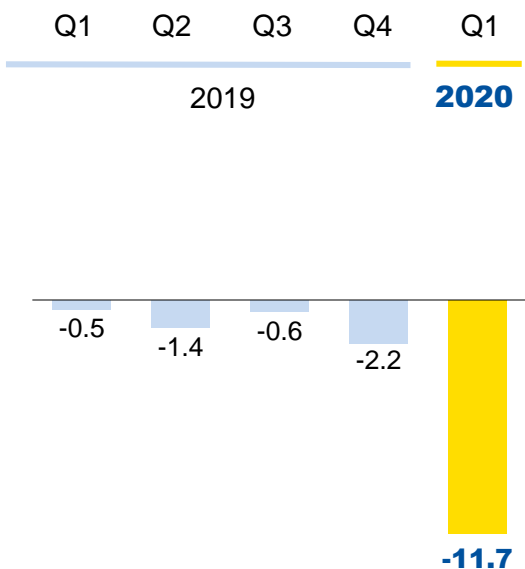


# Q1: the steep drop in global tire demand did not weaken the Group's pricing policies or enhancement of its product mix

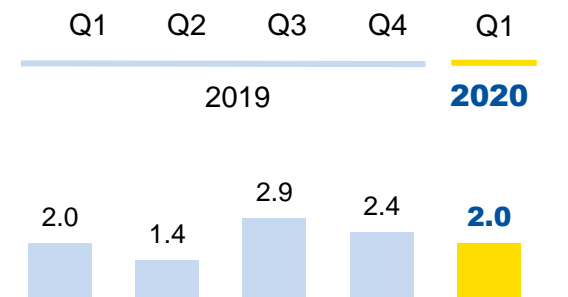


## YoY quarterly change 2019-2020 (in %)

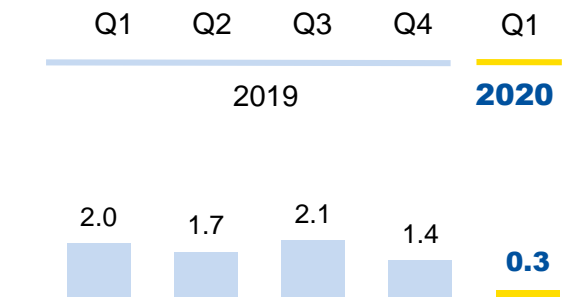
### Volumes




### Price-mix



### Currency effect



# In every business segment, disciplined pricing policies and the upmarket shift in the mix attenuated the decline in volumes

| (in € millions)  |           | 2020  | 2019  | Change |
|--|-----------|-------|-------|--------|
| <br><br> | SR1 sales | 2,597 | 2,788 | -7%    |
|  | SR2 sales | 1,360 | 1,550 | -12%   |
|  | SR3 sales | 1,370 | 1,471 | -7%    |

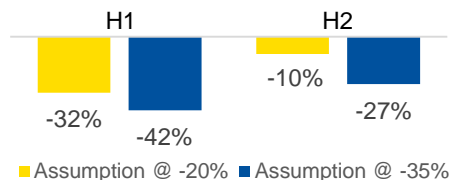
- SR1: market share gains in 18"+ and OE and firm RT prices helped to mitigate the steep plunge in tire demand and the unfavorable application of raw materials indexation clauses
- SR2: sharp drop in OE volumes since the beginning of the year and the impact of the health crisis on every business dragged sales sharply downwards despite a particularly robust price-mix effect
- SR3: despite a solid price-mix and resilience in certain segments (surface mining tires and RT agricultural tires), specialty tire sales were hard hit by the drop in the construction, OE agricultural and aircraft tire markets

# Michelin is taking all the initiatives required to limit the impact of the crisis on SOI and FCF

## An unprecedented crisis with a sudden, significant impact on SOI

- A collapse in volumes...

Stress test results assuming volumes down 20% and 35%\* over the year



- With a significantly deeper fixed cost shortfall:
  - Higher volume drop-through

*\*The volume trends presented above may not in any way be construed as guidance or a market scenario for 2020. They are simply assumptions used to test the Group's financial resistance to a demand shock.*

## Deployment of measures to cushion the impact on SOI and FCF

- Supply and demand tracked weekly to keep inventory under control
- Capital expenditure cut by around €500 million
- Proposed dividend reduced by €330 million
- Share buyback program suspended, except for the firm commitments outstanding for 2020
- Costs reduced, by:
  - Postponing unnecessary outlays
  - Freezing wage increases, except in regions where commitments have already been made
- Firm pricing strategy and moving the mix upmarket
- Raw materials impact expected to be positive

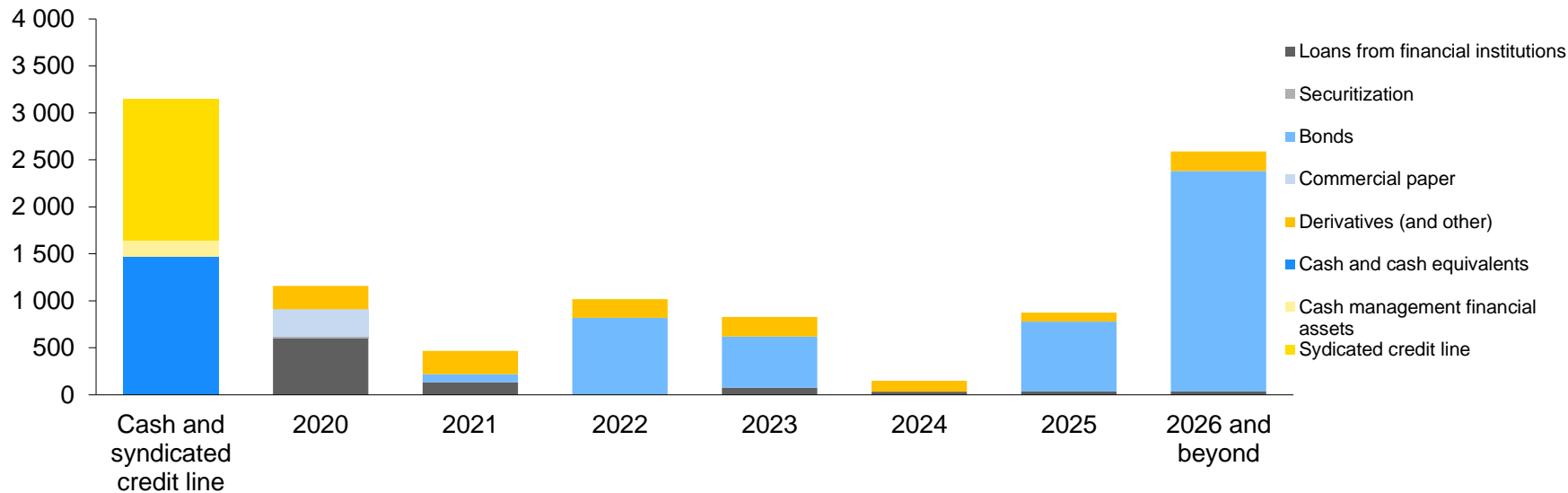




# Michelin's robust financial position will enable it to withstand an unprecedented tire demand shock



## Debt maturities at December 31, 2019 *(carrying amount, in € millions)*



- Stress tests have shown that the Group has sufficient cash and cash equivalents, without drawing down its confirmed back-up lines of credit (€1.5bn)
- The tested scenarios assume notably a decline in volumes ranging from 20% to 35% over the full year and reflect the measures now in place to conserve cash



# Michelin entered 2020 with a solid financial structure, recognized by the rating agencies



- ➔ Long-term ratings as of Dec. 31, 2019

|            |                         |   |
|------------|-------------------------|---|
| Short term | S&P<br>Moody's<br>Fitch | <b>A-2</b><br><b>P-2</b><br><b>F-2</b>          |
| Long term  | S&P<br>Moody's<br>Fitch | <b>A-</b><br><b>A3</b><br><b>A-</b>             |
| Outlook    | S&P<br>Moody's<br>Fitch | <b>Stable</b><br><b>Stable</b><br><b>Stable</b> |

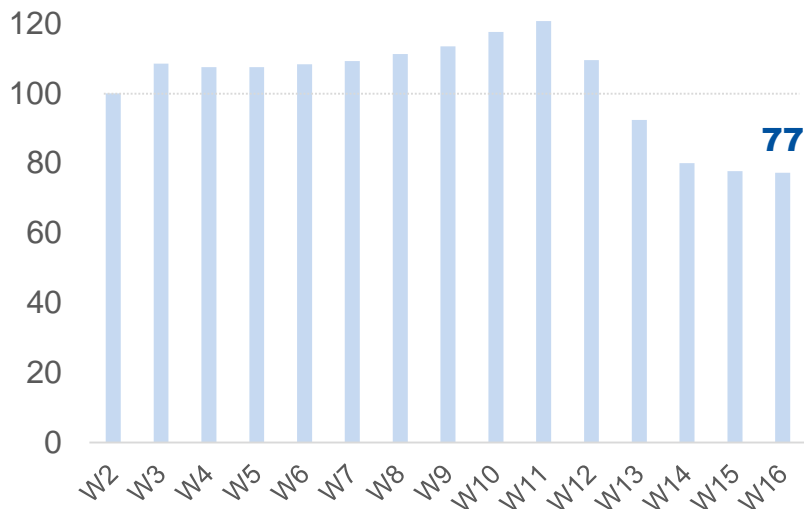


Under its commercial paper program, the Group took advantage of its excellent credit ratings to issue since March 1<sup>st</sup>, 2020 a net €1 billion in commercial paper with an average maturity of 7.5 months.

## Despite the resilience of freight demand in afflicted regions and the reopening of business in China, the situation remains too volatile to map out a market scenario

### Road transportation: number of kilometers traveled per week in Europe

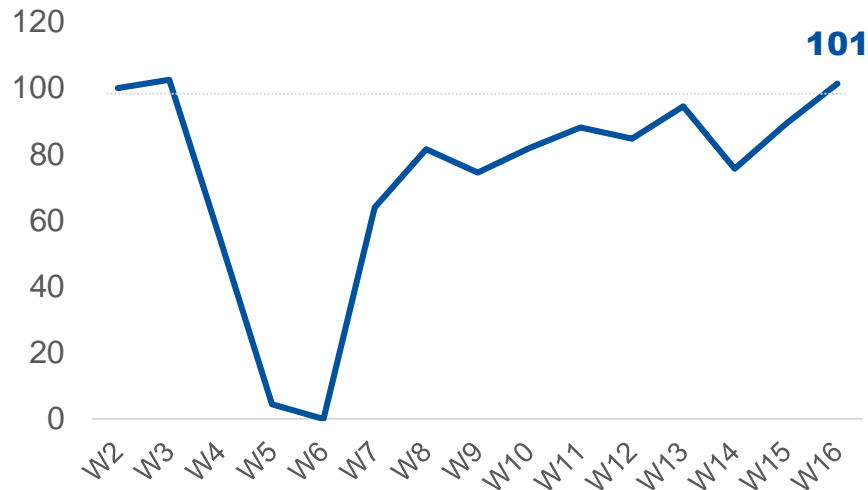
Base 100: second week in January 2020



Source: Effitraler / Michelin

### Michelin manufacturing output in China (in tons)

Base 100: second week in January 2020



Source: Michelin



***Our purpose:  
OFFERING EVERYONE  
A BETTER WAY  
FORWARD***

***“Because we believe that mobility is essential for human development, we are innovating passionately to make it safer, more efficient and more environmentally friendly.***

***Our priority and firm commitment is to offer our customers uncompromising quality(...).”***





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April 29, 2020

**Sales at  
March 31, 2020**

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# ***Appendices***

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- **Coming events :**

- **June 23, 2020** : Annual Shareholders Meeting \*
- **July 27, 2020 (after close of trading)** : First-half 2020 results
- **October 22, 2020 (after close of trading)** : Third-quarter and 9 months 2020 sales
- **December 8, 2020**: Investor Day

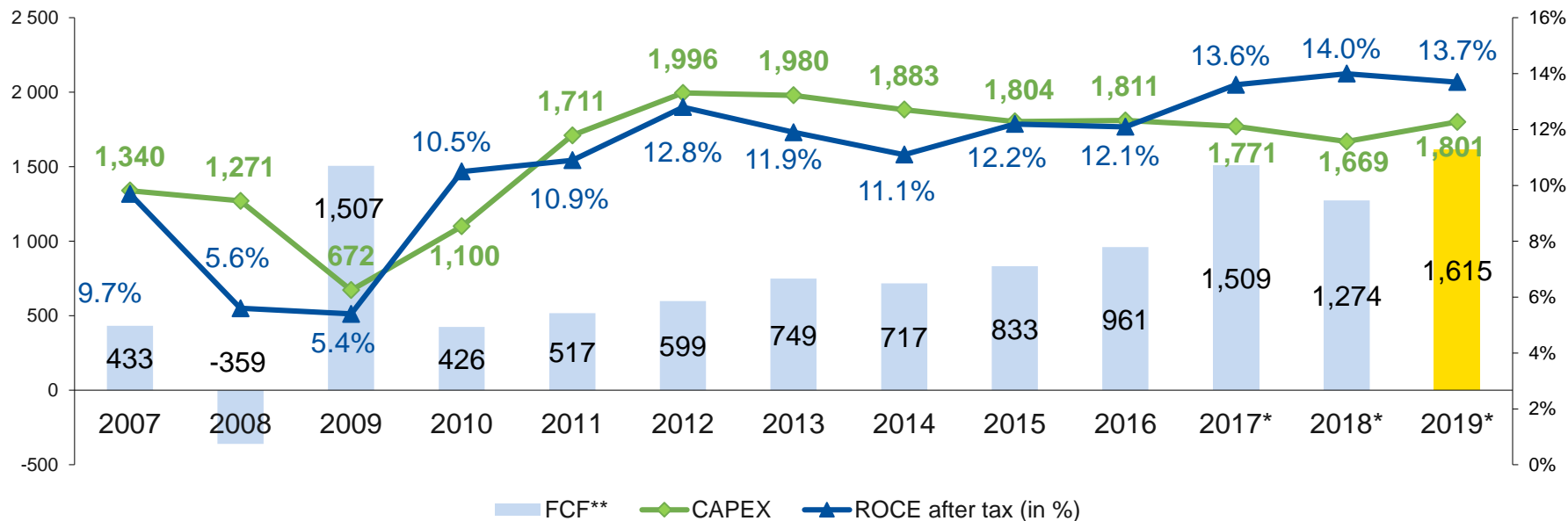
- **Dividend date:**

- **July 3, 2020**: Payment date

*\* In response to social distancing measures and restrictions on movement, **the Group will, exceptionally, hold its Annual Shareholders Meeting behind closed doors and without shareholders in physical attendance, at 9:00 am (CEST) on June 23, 2020. This event will be broadcast live and remotely on the [AG2020.michelin.com](https://www.ag2020.michelin.com) website.***

# 2007 – 2019 : Group capacity to protect and improve its Free Cash Flow generation

## 2007 - 2019 Free Cash Flow, CAPEX & ROCE\*



\* With standard tax rate at 28% for 2017 and 26% for 2018 & 2019 and excluding goodwill, acquired intangibles, associates and joint ventures for 2017, 2018 & 2019

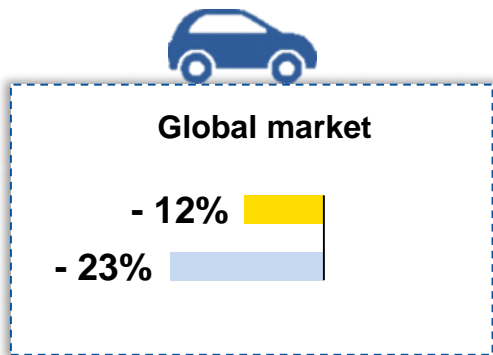
\*\* Reported FCF from 2007 to 2010, Structural FCF from 2011 onwards.



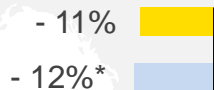
# PC/LT: the COVID-19 health crisis is brutally impacting demand in every region as it spreads

## Passenger car tire markets at march 31, 2020

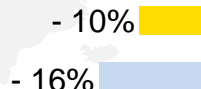
(% change YoY, in number of tires)



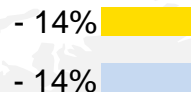
### North America



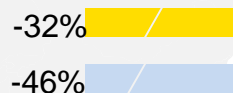
### Western and Central Europe



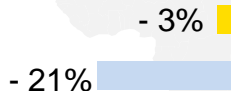
### Eastern Europe



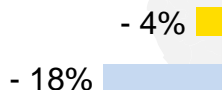
### China



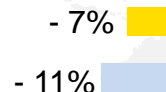
### Africa, India and Middle East



### South America



### Asia (exc. China & India)



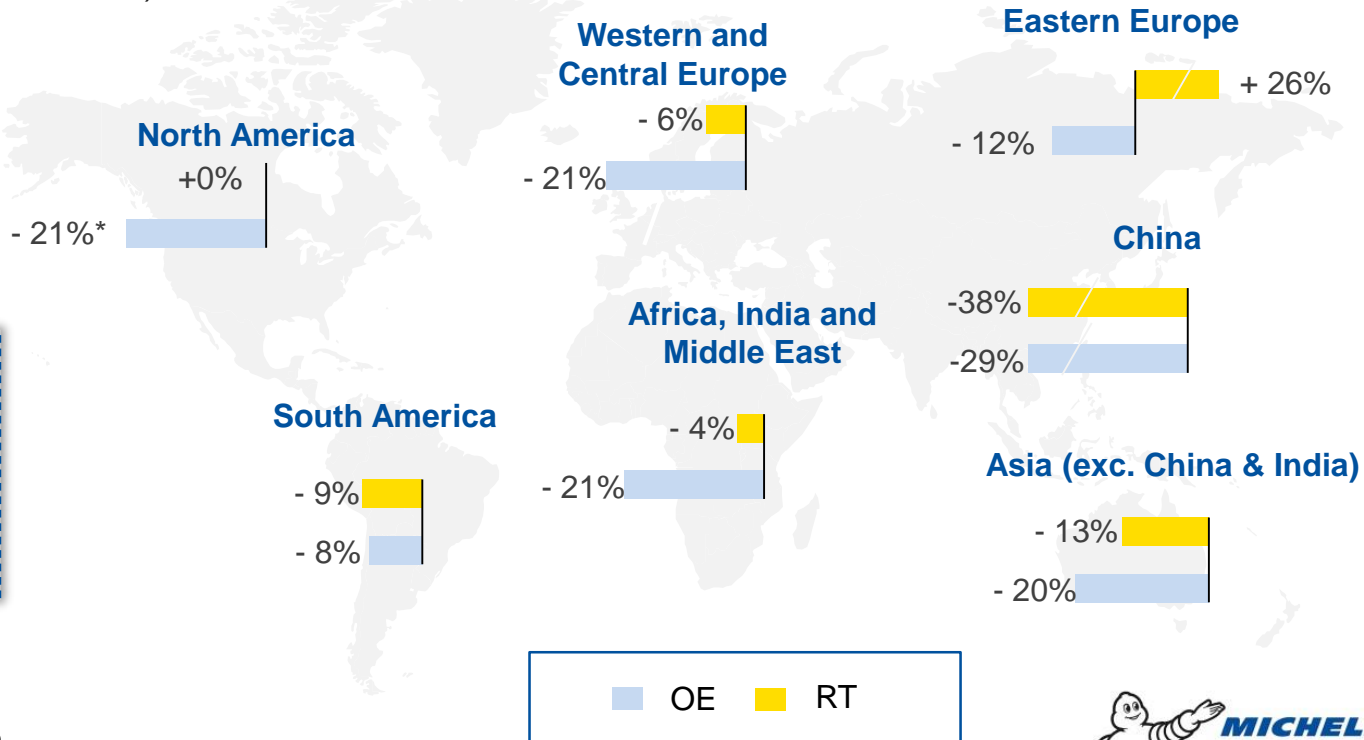
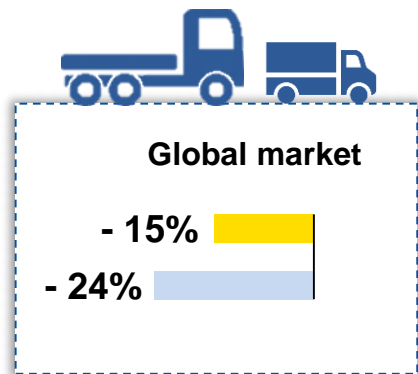
Source : Michelin.

\* incl. Central America.



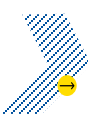
# Truck: OE cycle downturn and the spread of COVID-19 are causing demand to plummet in every region

- Truck tire markets at March 31, 2020  
(% change YoY, in number of tires)



Source : Michelin.

\* incl. Central America.



# Sales by currency and SOI impact



|  | % of sales<br>(2019 FY) |      | 2020 Q1<br>€ change vs.<br>currency | Droptthrough<br>sales/SOI* |
|--|-------------------------|------|-------------------------------------|----------------------------|
|  | ARS                     | 0.4% | +53%                                | 80% - 85%                  |
|  | AUD                     | 3%   | +5%                                 | 80% - 85%                  |
|  | BRL                     | 3%   | +14%                                | -20% / - 30%               |
|  | CAD                     | 3%   | -2%                                 | 25% - 30%                  |
|  | CNY                     | 5%   | 0%                                  | 25% - 30%                  |
|  | EUR                     | 31%  | -                                   | -                          |
|  | GBP                     | 3%   | -1%                                 | 25% - 30%                  |
|  | INR                     | 1%   | 0%                                  | 25% - 30%                  |
|  | JPY                     | 1%   | -4%                                 | 80% - 85%                  |

|  | % of sales<br>(2019 FY) |      | 2020 Q1<br>€ change vs.<br>currency | Droptthrough<br>sales/SOI* |
|--|-------------------------|------|-------------------------------------|----------------------------|
|  | MXN                     | 1%   | 0%                                  | 25% - 30%                  |
|  | PLN                     | 0.4% | 0%                                  | 25% - 30%                  |
|  | RUB                     | 1%   | -3%                                 | 25% - 30%                  |
|  | SEK                     | 1%   | +2%                                 | 80% - 85%                  |
|  | THB                     | 1%   | -4%                                 | -100% / -130%              |
|  | TRY                     | 1%   | +10%                                | 80% - 85%                  |
|  | USD                     | 38%  | -3%                                 | 25% - 30%                  |
|  | ZAR                     | 0.5% | +5%                                 | 80% - 85%                  |
|  | Other                   | 4.9% | -                                   | 80% - 85%                  |

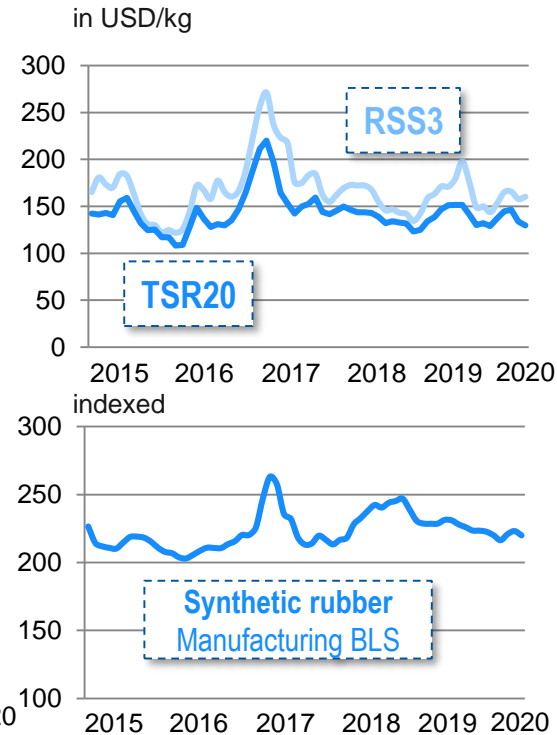
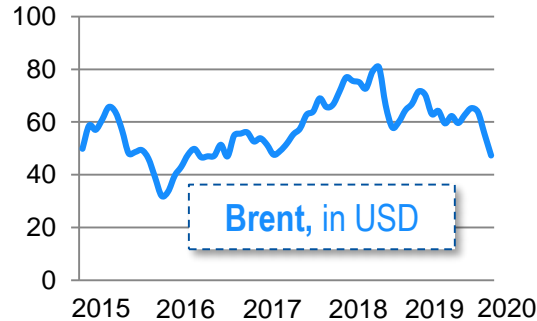
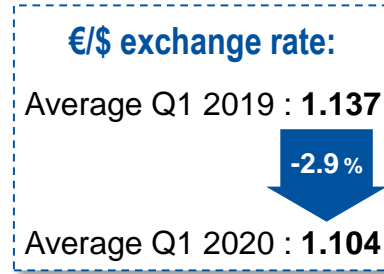
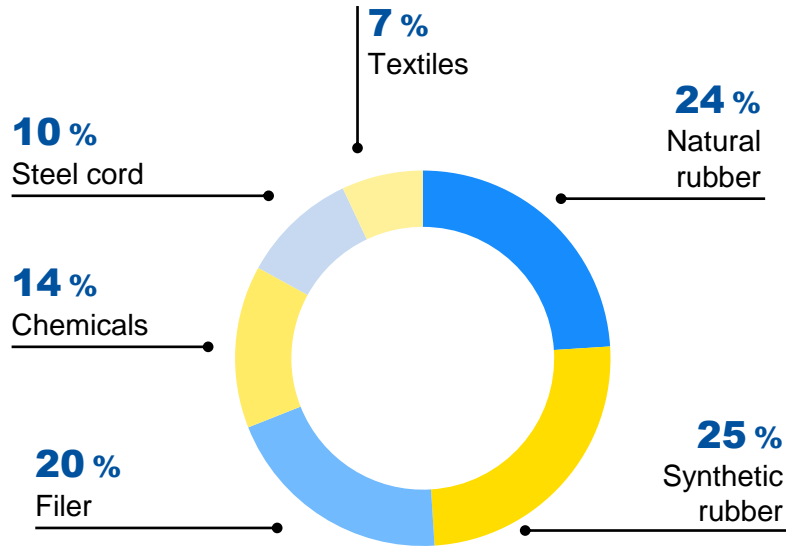
\*actual droptthrough linked to the export/manufacturing/sales base





# Raw materials

## Raw material purchases in 2019 (€5.1bn)

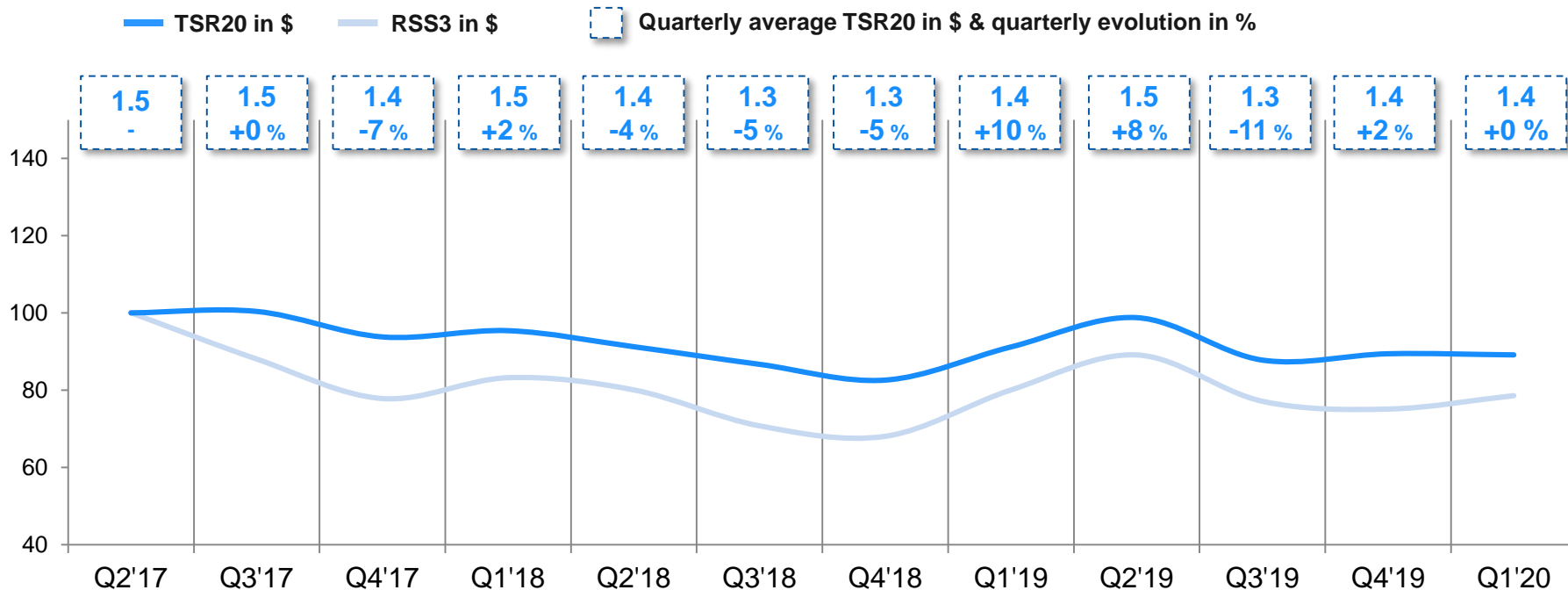




# Natural Rubber price trend



➔ At end of March 2020 (per kg, base 100 in Q2'17)



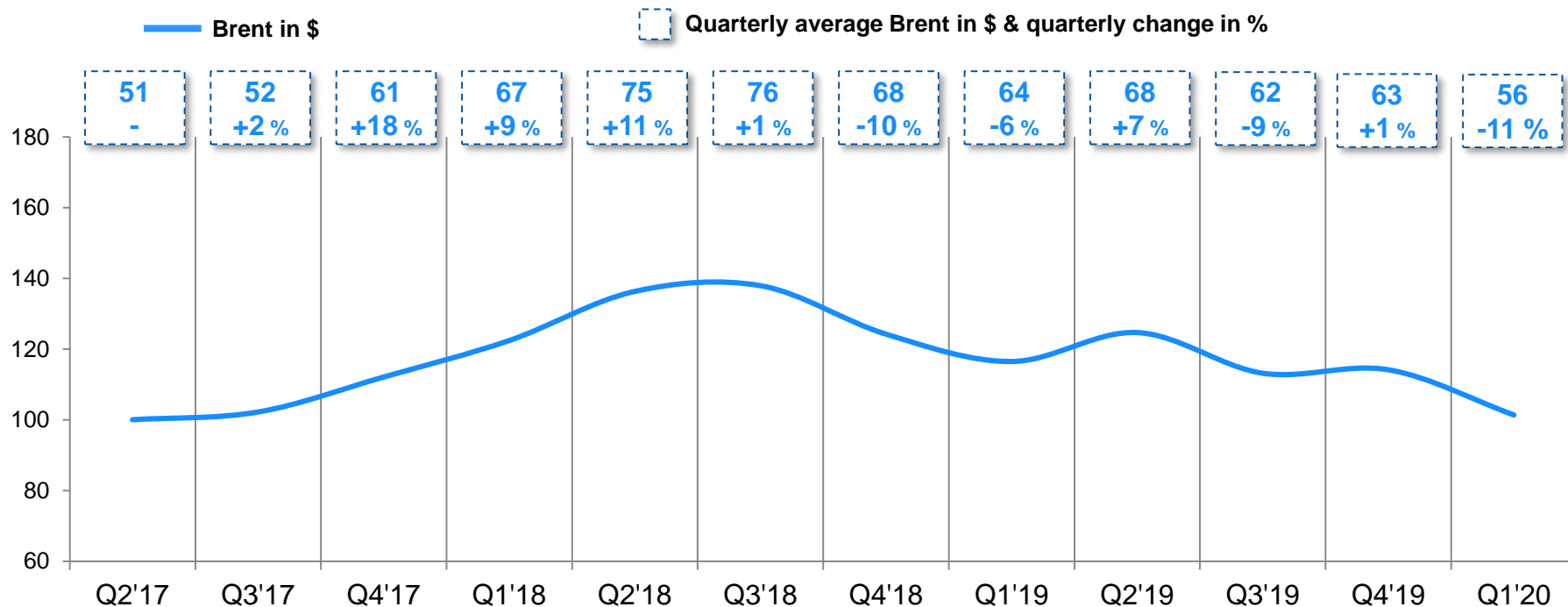
Source : SICOM.



## Brent price trend



➔ At end of March 2020 (per barrel, base 100 au Q2'17)





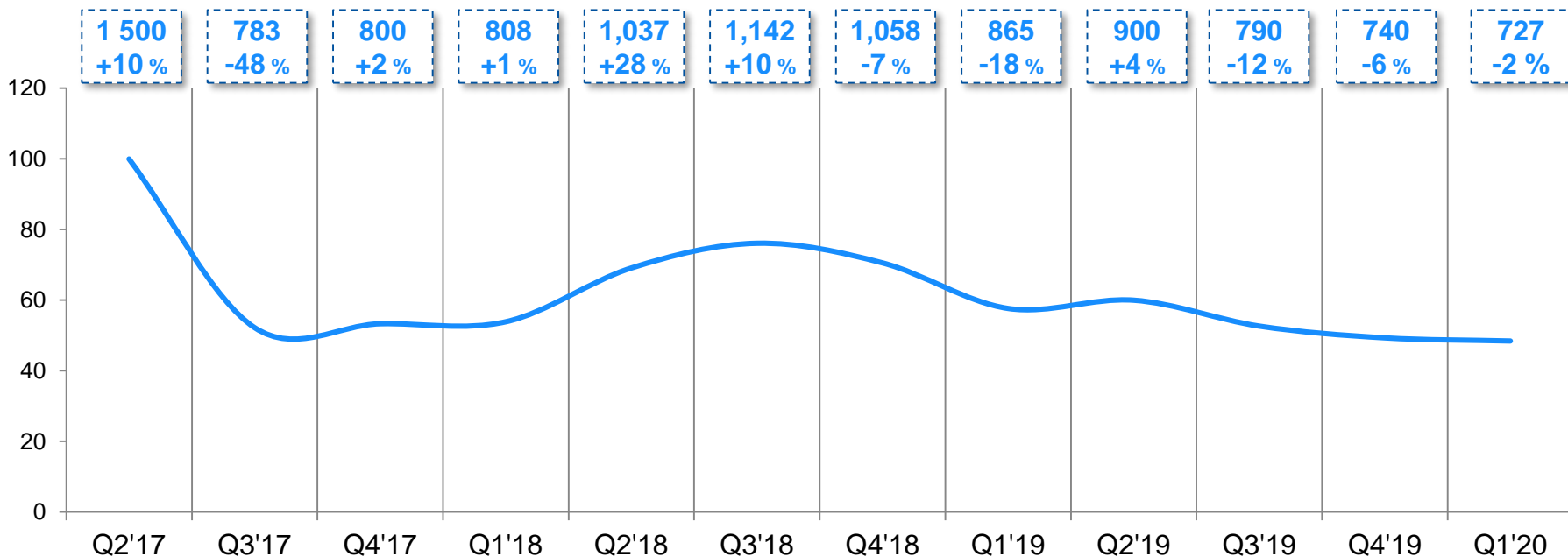
# Butadiene price trend



➔ At end of March 2020 (per ton, base 100 in Q2'17)

— Butadiene Europe

Quarterly average Butadiene in € & quarterly change in %





# Outstanding bond issues (as of March 31, 2020)



| Issuer   | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN  | Compagnie Générale<br>des Etablissements<br>MICHELIN  | MICHELIN<br>Luxembourg                          | MICHELIN<br>Luxembourg                          | MICHELIN<br>Luxembourg                          |
|--|--|--|--|---|---|---|---|---|
| <b>Issue</b>                                   | Senior Note  | Senior Note  | Senior Note  | Senior Note   | Senior Note   | Senior Note                                     | Senior Note                                     | Senior Note                                     |
| <b>Type</b>                                    | Bond   | Bond   | Bond   | Convertible   | Convertible   | Bond  | Bond  | Bond  |
| <b>Principal Amount</b>                        | € 750 mn   | € 1'000 mn   | € 750 mn   | \$ 600 mn   | \$ 500 mn + TAP \$100 mn                              | € 302 mn  | € 300 mn  | € 300 mn  |
| <b>Offering price</b>                          | 99,099%  | 99,262%  | 99,363%  | 95,50%  | 100% & 103,85%  | 98,926%   | 99,967%   | 99,081%   |
| <b>Rating corporation<br/>at Issuance date</b> | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                              | A- (S&P)<br>A3 (Moody's)                              | A- (S&P)<br>A3 (Moody's)                        | BBB+ (S&P)<br>A3 (Moody's)                      | BBB+ (S&P)<br>A3 (Moody's)                      |
| <b>Current corporation rating</b>              | A- (S&P) ; A3 (Moody's) ; A- (Fitch)                 |  |  |   |   |   |   |   |
| <b>Coupon</b>                                  | 0,875% p.a   | 1,75% p.a  | 2,50% p.a  | ZERO<br>Conv premium 130%                             | ZERO<br>Conv premium 128%                             | 3,25% p.a                                       | 1,125% p.a                                      | 1,75% p.a                                       |
| <b>Issue Date</b>                              | 3-sept.-18   | 3-sept.-18   | 3-sept.-18   | 05/jan/2018   | 05/jan/2017 &<br>25/apr/2017                          | 21/sep/2015 &<br>27/sep/2016                    | 19-mai-15                                       | 19-mai-15                                       |
| <b>Maturity</b>                                | 3-sept.-25   | 3-sept.-30   | 3-sept.-38   | 10-nov.-23  | 10-janv.-22   | 30-sept.-45                                     | 28-mai-22                                       | 28-mai-27                                       |
| <b>Interest payment</b>                        | Annual<br>Sept 03                                    | Annual<br>Sept 03                                    | Annual<br>Sept 03                                    | N/A   | N/A   | Annual<br>Sept 30                               | Annual<br>May 28                                | Annual<br>May 28                                |
| <b>ISIN</b>                                    | FR0013357845   | FR0013357852   | FR0013357860   | FR0013309184  | FR0013230745  | XS1298728707                                    | XS1233732194                                    | XS1233734562                                    |
| <b>Denomination</b>                            | € 100'000 with min.<br>tradable amount<br>€ 100'000  | € 100'000 with min.<br>tradable amount<br>€ 100'000  | € 100'000 with min.<br>tradable amount<br>€ 100'000  | \$ 200'000 with min.<br>tradable amount<br>\$ 200'000 | \$ 200'000 with min.<br>tradable amount<br>\$ 200'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 |





# Disclaimer



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