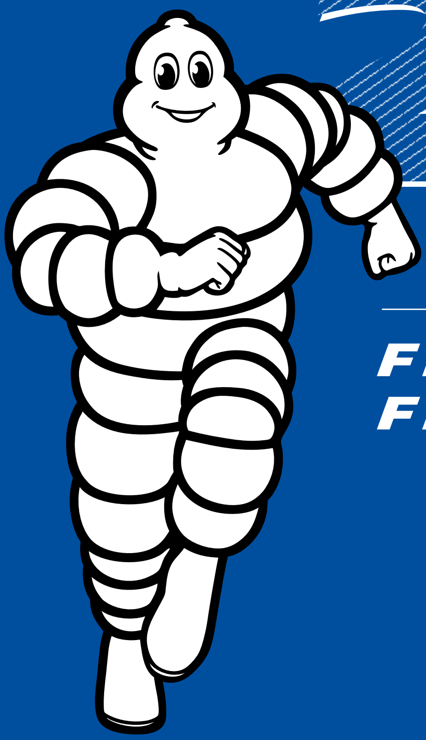
2020



FIRST-HALF FINANCIAL REPORT

CONTENTS

01. PRESS INFORMATION

PRESS RELEASE

Clermont-Ferrand – July 27, 2020

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Financial information for the six months ended June 30, 2020

Supported by its diversified offering, engaged employees and robust financial position, Michelin is demonstrating its resilience through a crisis that is as intense as unprecedented.

- The Group quickly deployed all the measures needed to safeguard employee health, ensure business continuity and conserve cash.
- Despite collapsing markets and a 20.6% contraction in sales, segment operating income ended the first half at €310 million:
  - 22.4% decline in volumes, leading to a deep fixed cost shortfall;
  - 0.3% gain from assertive pricing policy at a time of declining raw material prices;
  - 1.6% gain from the still buoyant mix, reflecting market share gains in the 18-inch and larger segment and resilience in the Specialty businesses;
  - €192 million reduction in SG&A costs, excluding €77 million in exceptional outlays directly related to Covid-19.
- A robust financial position recognized by the rating agencies to weather the crisis.
- Strategic choices validated during the first half:
  - a global presence and diversified business base (resilience in the Specialty businesses, with a 14.7% operating margin);
  - CO_2 reduction pathways and objectives approved by the Science Based Targets initiative.
- Expanded CSR governance within the Supervisory Board:

  Florent Menegaux, Managing Chairman, said: "After these recent months of unprecedented crisis, I want to express my immense pride in the remarkable engagement of our teams, which has enabled Michelin to fulfill its commitments to its customers, its communities and its partners. With this same determination, the Group has undertaken all the measures needed to secure the sustainability of its operations and attenuate the financial impact of the economic slowdown. In this still very uncertain environment, the Group pursues its competitiveness initiatives to maintain its leadership in the tire businesses and drive deployment of its growth strategy."
- Outlook for 2020:

  In 2020, after a first half shaped by the effects of the health crisis, notably the various restrictions on freedom of movement, global tire demand is expected to be impacted in the second half of the year by the economic recession ensuing from the pandemic. Passenger car and Light truck tire markets are expected to decline by 15% to 20% over the year and Truck tire markets by between 13% and 17%. Given the relative resilience of certain segments, the Specialty markets are expected to contract by 13% to 17%.

  In this still highly uncertain market scenario, Michelin's objectives are to deliver full-year segment operating income in excess of €1.2 billion at constant exchange rates and structural free cash flow[1] of more than €500 million, barring any new systemic impact from Covid-19.

(in € millions)	**First half 2020**	**First half 2019**
Sales	9,357	11,781
Segment operating income	310	1,438
Segment operating margin	3.3%	12.2%
Automotive and related distribution	-0.8%	10.3%
Road transportation and related distribution	-1.3%	8.9%
Specialty businesses and related distribution	14.7%	19.3%
Other operating income and expenses	(133)	(97)
Operating income	177	1,341
Net income/(loss)	(137)	844
Earnings per share	(0.75)	4.74
Segment EBITDA	1,192	2,296
Capital expenditure	490	665
Net debt	5,510	6,664
Gearing	45%	54%
Provisions for post-employment benefit obligations	3,858	3,976
Free cash flow[1]	(351)	(592)
Employees on payroll[2]	124,000	125,400

(1) Free cash flow: net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to other financial assets, before distributions.
(2) At period-end.

(1) Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S FINANCIAL POSITION AT JUNE 30, 2020

/ Review of the information released by the Group during the first six months of the year

- On February 10, 2020, the Group issued its guidance for 2020 excluding any impacts from a systemic crisis caused by Covid-19.
- On March 18, 2020 at 6:10 pm CET, the Michelin Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility at that time of assessing the potential impact or, by extension, the financial objectives of its 2020 plan.
- On April 1, 2020, the Group issued a press release announcing that the dividend to be submitted to shareholder approval at the Annual Shareholders Meeting, which had been postponed until June 23, 2020, would be reduced to €2.00 from the initially recommended €3.85.
- When the Group released its first-quarter sales figures on April 29, it described the initial impact of the health crisis on its business and presented the initiatives undertaken to safeguard the health of its employees and attenuate the negative impact on segment operating income and free cash flow. At the same time, the Group reaffirmed that its finances remained robust, noting that it had sufficient cash and cash equivalents to weather the crisis without having to draw down its confirmed lines of credit, even if demand were to collapse by 35% over the year. As of late April, the future direction of the health crisis remained too uncertain to issue any reliable market forecasts and a related profit scenario.
- On June 23, the Group's Annual Shareholders Meeting was held behind closed doors and broadcast live on the ag2020.michelin.com website. During the meeting, Yves Chapot, Managing Partner and Chief Financial Officer, again emphasized the strength of the Group's finances, noting in particular that the three leading credit rating agencies – Moody's, S&P and Fitch Ratings – had all confirmed the Group's ratings on May 14, 19 and 29, 2020, respectively.

/ Market review for the six months ended June 30, 2020

The health crisis and the lockdown policies applied by governments in most countries around the world led to an unprecedented slowdown in economic activity in the first half of the year, resulting in a steep plunge in tire demand in every geography and most of the business segments. Tire demand by business segment and region is described on page 6 below.

Initiatives undertaken to attenuate the impact of the crisis on current and future performance

From the very first signs of the pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees and doing everything in its power to ensure business continuity.

/ Protecting the health and safety of employees and impact on costs

As early as mid-March, the Group temporarily suspended part of its manufacturing operations in most of its geographies and implemented effective health and safety protocols to protect its employees and curb the spread of the virus. By early April, some of these operations were able to reopen to meet customer demand and ensure continuity of the public services that were playing a critical role in fighting the pandemic. Beginning in mid-April, all of the European plants gradually resumed their manufacturing operations, with capacity utilization varying considerably by business. As of the end of June, all of the Group's production plants were up and running.

Supported by the outstanding commitment of its employees, the Group was also able to quickly produce surgical masks and hand sanitizer at many manufacturing facilities in Europe, thereby adding to its purchased stocks. All these protective measures resulted in additional costs during the first half, in an estimated amount of €77 million.

In the plants, the distancing rules prohibiting, for example, people from physically mingling during shift changes, had an adverse impact on productivity by slowing the pace of production. When combined with the period's very weak output, this decline in productivity increased the sensitivity of segment operating income to changes in demand (as of June 30, a one-point decline in volumes would feed through to a full-year reduction of €136 million).

While the plants were closed, the Group received financial support from governments to help fund employee furlough programs. These furlough grants totaled €140 million in the first half, of which €124 million was factored into the above-mentioned sensitivity calculations. The Group has not requested any other form of public support to get through the crisis, such as government-backed loans or longer payment deadlines.

In addition, Michelin took steps to make some of its masks more widely available by donating a total of 2.4 million of them to health authorities and emergency services in all of its host communities. Thanks to its expertise in metal and plastic 3D printing, the Group was also able to launch production of parts for ventilators, thousands of sterilizable polycarbonate face shields, and positioning cushions to make breathing easier for Covid-19 patients.

In addition, hundreds of outreach initiatives were organized by Michelin around the world, including the donation of 4,600 tires and free maintenance services for emergency vehicles, financial contributions and individual support.

/ Protecting business continuity by limiting the impact of the crisis on segment operating income and free cash flow

To conserve cash, the Group reduced its capital expenditure budget by around 30%, or €500 million, while maintaining its ability to support innovation and efficiency projects, and lowered the recommended 2019 dividend payout by €330 million.

Tracking supply and demand on a weekly basis helped to keep inventory under control. Corporate overheads were reduced by €192 million through a variety of cost-saving measures.

The Group was also careful to honor its commitments to all its partners, with a constant concern for protecting the most vulnerable.

Lastly, Michelin supplied masks and safety equipment to its customers and distributors, enabling them to conduct their activities in the best possible conditions.

/ Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of June 30, 2020:

- €2.8 billion in cash and cash equivalents. Over the first half, the Group issued €1.1 billion in commercial paper and arranged a two-year, €505 million bank loan;
- a €2.5 billion commercial paper program, of which €1,386 million had been utilized at June 30, 2020;
- a $0.7 billion commercial paper program, of which $50 million had been utilized at June 30, 2020;
- a €0.5 billion factoring program, of which €15 million had been utilized at June 30, 2020;
- €1.5 billion in confirmed, undrawn lines of credit.

Moreover, the stress tests based on a deep, prolonged market downturn, whose results were published by the Group on April 29, 2020, were updated to assess the Group's ability to meet its financial commitments given its sources of financing. The worst-case scenario assumed a 20% decline in demand in the second half of 2020 followed by an upturn of only 4% in 2021.These tests demonstrated that with all the financing mechanisms described above and the measures introduced to attenuate the negative impact of the crisis on segment operating income and free cash flow, the Group will be able to withstand any developments as the crisis unfolds, without even having to draw down its €1.5 billion in confirmed lines of credit. However, based on the trends observed to date, the Group expects business to return to 2019 levels in the second half of 2022.

Impact of the health crisis on the risk factors specific to the Group

To a certain extent, the current health crisis and the way it has unfolded has exacerbated a number of risks or classes of risks specific to the Group, such as business interruption or continuity of supply. On the other hand, the crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in section 2 "Risk Management" of the 2019 Universal Registration Document.

The supply chain encountered disruptions during the first half, but they did not prevent the delivery of critical components, semi-finished products and finished products even as the situation evolved very quickly and required the entire chain to respond accordingly.

The current crisis has shown that the main risk that has arisen so far concerns the sudden collapse in global demand and its impact on the economy, which by nature is not specific to the Group.

As of end-June, the business continuity procedures prepared by the Group have kept its manufacturing, sales and administrative operations up and running around the world. In addition, the Group has not identified any supply continuity risks.

MARKET REVIEW

Passenger car and Light truck tires

First half 2020/2019 *(in number of tires)*	Europe including CIS[1]	Europe excluding CIS[1]	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original Equipment	-39%	-39%	-40%[2]		-52%	-24%	-47%	**-34%**
Replacement	-19%	-19%	-21%	-26%	-27%	-15%	-32%	**-21%**

Second quarter 2020/2019 *(in number of tires)*	Europe including CIS[1]	Europe excluding CIS[1]	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original Equipment	-62%	-62%	-70%[2]		-84%	-16%	-76%	**-45%**
Replacement	-30%	-29%	-33%	-48%	-52%	-11%	-48%	**-30%**

(1) Including Turkey.
(2) North America and Central America.

In the first six months of 2020, tire demand was severely depressed by the Covid-19 health crisis and the related lockdown measures. During the period, the global Original Equipment and Replacement **Passenger car and Light truck** tire market contracted by 24% in number of tires sold.

/ Original Equipment

Worldwide unit sales of Original Equipment tires collapsed 34% in the first half of 2020, with a steep downturn in the last two weeks of March. This caused global tire demand to end the second quarter alone down 45%, after bottoming out at a 62% drop in April.

After a first quarter in which global demand fell by 22%, dragged down by the 46% drop in China due to the impact of the pandemic, the second quarter (down 45%) was shaped by the spread of the pandemic and the corresponding closure of carmaker plants across the European and US markets. In all, demand fell by 62% in Europe (with a low point of a 94% decline in April), by 70% in North America (with a low point of 99% in April), and by 84% in South America (with a low point of 100% decline in April). Over the same period, demand in China continued to recover, with a gain of 8%.

The other regions (Africa-India-Middle East and Asia excluding China) were also hard hit by the lockdown policies enforced in response to the pandemic.

/ Replacement

The global Replacement tire market ended the first half down a historic 21%. While demand declined by just 11% in the first quarter, given that the health crisis was only impacting China and certain neighboring countries, it dropped by 30% in the second quarter, buffeted by the lockdowns ordered in Europe and North America to deal with the pandemic.

- In Europe, the initial effects of the health crisis were felt in March, with demand falling 18%, and the full impact of lockdown measures took its toll on the second quarter, causing a 30% collapse in demand. The fall-off was more pronounced in France, Spain and Italy, where tight lockdowns were implemented. There was a clear improvement in June, with the decline easing to 12%.
- In North America, the collapse in demand was particularly steep in April and May, for a total 33% drop in the second quarter. In a difficult economy, consumers shifted to more entry-level tires.
- After passing South American markets by in the first quarter, which saw just a 1% decline in demand, the pandemic hit hard in the second three months, causing demand to plummet by 52%. There were no signs of recovery in June.
- After losing 31% in the first quarter due to the health crisis, the Chinese market returned to growth in the second quarter, with a 3% gain. The market is still being lifted as strong growth in the OE market in recent years steadily feeds through to Replacement demand.
- In Africa-India-Middle East, Replacement demand suffered both from the health crisis and the collapse in oil prices, which is increasing economic instability in the region.
- After showing some resilience to the pandemic in the first quarter (down 8%), demand in Southeast Asia was more adversely impacted in the second, losing 25%.

Truck tires (radial and bias)

First half 2020/2019 *(in number of tires)*	Europe including CIS[1]	Europe excluding CIS[1]	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original Equipment	-32%	-34%	-41%[2]		-35%	+6%	-53%	**-15%**
Replacement	-9%	-16%	-5%	-17%	-21%	-23%	-26%	**-19%**

Second quarter 2020/2019 *(in number of tires)*	Europe including CIS[1]	Europe excluding CIS[1]	North America	Central America	South America	Asia (excluding India)	Africa/ India/ Middle East	Total
Original Equipment	-45%	-48%	-60%[2]		-59%	+31%	-59%	**-7%**
Replacement	-19%	-25%	-11%	-34%	-35%	-16%	-27%	**-20%**

(1) Including Turkey.
(2) North America and Central America.

The number of new **Truck** tires sold worldwide declined by 18% in the period ended June 30, 2020, hit by the collapse in freight demand at a time of deep economic distress. The second-quarter performance was in line with first-quarter trends.

/ Original Equipment

The global Original Equipment Truck tire market, as measured by the number of new tires sold, contracted by 15% in the first half of 2020.

The cyclical downturn that began in late 2019 in Europe and North America continued apace in the first quarter of 2020, leading to a 22% decline in demand, while the health crisis caused the Chinese market to plunge 18% over the period.

The second quarter (down 7%) saw a very strong 45% rebound in Original Equipment demand in China, but markets in the other regions sank under the weight of the health crisis and its economic impact. In June, markets were nevertheless relatively less depressed in Europe (down 18%) and, to a lesser extent, North America (down 36%).

Demand in the other regions is also being dragged steeply down by the health crisis and the ensuing economic impact, aggravated in the Africa-India-Middle East region by the collapse in oil prices.

/ Replacement

In the midst of an unprecedented health crisis, the global Replacement market fell by 19% in the first half of 2020, with the first quarter down 18% and the second down 20%.

- In Europe, after emerging relatively unscathed from the crisis in the first quarter, Replacement demand plunged 19% in the second quarter of the year. The impact of the crisis was somewhat cushioned by the return of Asian tires made in countries other than China (following customs duties introduced in May 2018 on Chinese tires).
- In North America, after a stable first quarter (up 1%), the impact of the health crisis was partially offset in the second quarter (down 11%) by favorable prior-year comparatives, reflecting deep drawdowns of dealer inventory in 2019 after the massive buildup in late 2018 ahead of new import duties.
- In South America, Replacement demand was relatively unaffected by the health crisis in the first quarter (down 6%) but plummeted 35% in the second three months of the year.
- In Africa-India-Middle East, Replacement markets fell steadily over the half, to end the six-month period down 26% overall.
- Demand in Southeast Asia contracted by 18%. After shedding 11% in the first quarter, the market downturn gained momentum in the second quarter (down 26%) as the pandemic spread throughout the region.

Specialty tires

- **Mining tires:** The mining tire market remained relatively resilient over the first half, although the Quarry and Underground Mining tire segments contracted in line with prevailing economic conditions.
- **Agricultural and Construction tires:** The weakness in Agricultural tire markets over the period masked recent rebounds in farm machinery output and demand in Europe. The Construction segments, which are more sensitive to the economic slowdown, fell sharply.
- **Two-wheel tires:** The Covid-19 crisis and ensuing lockdowns hindered mobility in both the Recreational and Commuting segments, particularly in Europe and Brazil. As people gradually return to the road, the Two-wheel tire market is rebounding, lifted by its image as a safer alternative to public transportation.
- **Aircraft tires:** The commercial aircraft tire market collapsed in the first half amid the health crisis and government-enforced lockdowns. At their low point in April, the number of worldwide landings in the Commercial and Regional segments were down by 75%. The Military and General Aviation segments are holding up well.
- **Conveyor belts:** Trends in the mining conveyor belt market varied by region and the length of their lockdowns, which have prevented certain mines from operating at full capacity. Mining operations remain strong in Australia, while in North America, some coal mines have closed and the economic slowdown is hurting industrial customers.
- **Specialty polymers:** As a whole, these markets demonstrated greater resilience (particularly in the medical applications segments), with the exception of energy seals.

FIRST-HALF 2020 SALES AND RESULTS

Sales

Sales for the first six months of 2020 totaled €9,357 million, a decline of 20.6% from the year-earlier period that was attributable to the net impact of the following factors:

- the steep 22.4% decrease in volumes caused by the worldwide collapse in tire demand in the wake of the health crisis and resulting lockdowns;
- the still positive 1.9% price-mix effect (+2.0% in the first quarter and +1.7% in the second). The €30 million positive price effect resulted from the Group's firm price discipline in the more competitive business environment created by plunging markets. The €187 million positive mix effect reflected (i) the sustained success of the MICHELIN brand's premium strategy, notably in the 18-inch and larger segment; (ii) the resilience of the specialty businesses, such as mining tires and replacement agricultural tires; and (iii) the favorable impact of the relative performances of OE and Replacement tire sales;
- the 0.5% negative currency effect;
- the 0.4% positive impact from changes in the scope of consolidation following the acquisitions of Masternaut and Multistrada in 2019 and the disposal of BookaTable.

Results

Segment operating income amounted to €310 million or 3.3% of sales, versus €1,438 million and 12.2% in first-half 2019.

The change in segment operating income primarily reflects:

- a €3 million increase from changes in the scope of consolidation, following the inclusion of Masternaut and Multistrada and the removal of BookaTable;
- a €1,522 million decrease from the 22.4% collapse in volumes due to the health crisis, a deep fixed cost shortfall and a loss of industrial productivity, partly offset by government-backed furlough grants;
- a robust €217 million increase from the price-mix effect, led by disciplined price management and the continuous enhancement in the value of the mix;
- a €44 million increase from the decline in the cost of raw materials;
- a €192 million increase from the reduction in SG&A expense enabled by the cost-saving measures deployed in response to the crisis;
- a €77 million decrease from Covid-19-related expenditure, including the cost of purchasing and producing masks and hand sanitizer.

Other operating income and expenses amounted to a net expense of €133 million, corresponding to the amortization of intangible assets acquired in business combinations (€45 million), impairment losses on non-current assets (€49 million) and restructuring costs.

In all, the Group reported a net loss of €137 million for the period.

Net financial position

Free cash flow ended the first half at a negative €351 million, a €241 million improvement on the prior-year period. The sharp decline in EBITDA caused by the fall in volumes was more than offset by the reduction in trade working capital, capital expenditure, tax paid and acquisition outlays. At June 30, 2020, gearing stood at 45%, corresponding to net debt of €5,510 million, up €326 million from December 31, 2019.

Segment information

	Sales		Segment operating income/(loss)		Segment operating margin	
(in € millions)	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Automotive and related distribution	4,394	5,658	(35)	585	-0.8%	10.3%
Road transportation and related distribution	2,411	3,144	(30)	279	-1.3%	8.9%
Specialty businesses and related distribution	2,552	2,979	375	574	14.7%	19.3%
GROUP	**9,357**	**11,781**	**310**	**1,438**	**3.3%**	**12.2%**

/ Automotive and related distribution

Sales in the Automotive and related distribution segment declined by 22.3% to €4,394 million in the first half of 2020, from €5,658 million in the prior-year period.

The Automotive segment operating loss amounted to €35 million or a negative 0.8% of sales, versus operating income of €585 million and a positive 10.3% in first-half 2019.

The steep decline was primarily due to the 24% drop in volumes in line with the contraction in the Passenger car and Light truck tire markets, which led to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. However, these negative impacts were partially offset by the positive price-mix effect stemming from the Group's disciplined price management and the growing proportion of 18-inch and larger tires in the sales mix.

/ Road transportation and related distribution

Sales in the Road transportation and related distribution segment amounted to €2,411 million in the first half of 2020, a 23.3% decline from the €3,144 million reported for the same period in 2019.

The Road transportation segment operating loss came to €30 million or a negative 1.3% of sales, versus operating income of €279 million and a positive 8.9% in first-half 2019. The collapse in global demand, along with, to a lesser extent, an unfavorable geographic mix and more selective sales policies, led to a sharp 25% contraction in volumes, which fed through to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat cushioned by the relative resilience of the Services & Solutions businesses and the robust, positive price-mix effect stemming from the Group's selective focus on value-creating market segments.

/ Specialty businesses and related distribution

Sales in the Specialty businesses and related distribution segment declined by 14.3% over the period, to €2,552 million from €2,979 million in first-half 2019.

Segment operating income in the Specialty businesses stood at €375 million or 14.7% of sales, versus €574 million and 19.3% in first-half 2019.

With a 15% decline in volumes, the Specialty businesses as a whole weathered the crisis better than the Automotive and Road transportation businesses. The most resilient segments were surface mining tires, replacement agricultural tires and conveyor belts. The sharp decline in volumes also led to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. The segment also benefited from a positive price-mix effect, led by disciplined price management.

"ALL SUSTAINABLE" MICHELIN – FIRST HALF 2020

Michelin has embedded the "All Sustainable" commitment deep in its strategic vision and has undertaken a number of results-oriented initiatives:

- **The Michelin Global Works Council** is an innovative forum for international social dialogue across the Group, created on January 27, 2020 by an agreement signed with the IndustriALL Global Union. It expresses the Group's strong belief that social dialogue is a core driver of its growth and performance, as well as a vector of progress in employee relations and social development. By bringing together and representing most of the Group's host countries, the Council will act as a locus of trust, relationships and open exchange, to facilitate greater, more consensual understanding of the economic, social and environmental changes that are transforming our world. Every member will be encouraged to get involved and engaged in serving the general interest and co-building tomorrow's world around sustainable performance and social progress.
- **Michelin's contribution to combating Covid-19:** In addition to maintaining its priority focus on safeguarding employee health and safety, Michelin leveraged its capacity for innovation and expertise to respond to healthcare needs. The Group is also leading outreach initiatives in its host communities. In all, since the beginning of the pandemic, the Group has donated more than 2.4 million surgical, FFP2, N95 and other masks, some 12,600 liters of hand sanitizer, around 4,600 tires mounted free of charge on ambulances, and tens of thousands of personal protective equipment items. It has also made numerous contributions in kind or in cash.
- **Changes in governance:** In line with its "All Sustainable" strategy, Michelin has created a new Corporate Social Responsibility Committee (CSRC) of the Supervisory Board, which will be chaired by Monique Leroux. In addition, at the Annual Meeting on June 23, 2020, shareholders approved the election of two Supervisory Board members representing employees, effective December 2020.
- **Taking action to prevent global warming:** Michelin's strategy to combat global warming is aligned with the Paris Agreement signed at COP21 in 2015. In May 2020, its CO_2 emissions reduction targets were approved by the SBTi[1], a leading independent organization in the field.

(1) Launched in 2015, several months before COP21, the Science Based Targets initiative (SBTi) is a collaboration between four organizations proposing a voluntary approach to fighting climate change in the private sector.

The Group has pledged to reduce its Scopes 1 and 2 greenhouse gas (GHG) emissions by 38% in absolute value by 2030 compared with the 2010 baseline. Note that in 2019, Scopes 1 and 2 emissions declined by nearly 25% compared with 2010. Michelin is committed to reducing a part of Scope 3 GHG emissions from fuel and energy-related activities, upstream and downstream transportation and distribution, and end-of-life treatment of sold products by 15% in absolute value by 2030 compared with the 2018 baseline. Michelin is also committed to ensuring that 70% of its raw material suppliers (as measured by their GHG emissions) have defined science-based targets by 2024.

SBTi approval represents the first step toward carbon neutrality, by paving the way to achieving net zero Scopes 1 and 2 emissions in all of the Group's plants by 2050. The SBTi program also offers Michelin an opportunity to deepen its engagement with suppliers and raise their social responsibility commitment by taking targeted action to reduce carbon emissions from raw materials production.

- **Sustainable materials:** Michelin has embarked on a huge challenge to make every tire component sustainable, by ensuring that by 2050, 80% of the materials used to make its tires are sustainable (versus 26% in 2019). The Group is working on an array of ambitious, extremely innovative programs, such as the recent partnership with Enviro to use pyrolysis technology to recycle end-of-life tires and recover new materials, such as carbon black, oil and gas.
- **Tire road and wear particles (TRWP):** The Michelin Group is doubly committed to reducing abrasion:
  - individually, by attenuating the abrasion of its own products by (i) leveraging its materials expertise and a design strategy focused on optimizing the use of raw materials and reducing their quantities and (ii) already working to define an ambitious target for reducing TRWP emissions from its tires in coming years;
  - collectively, by collaborating with industry and public authority stakeholders to help introduce maximum abrasion limits and support deeper scientific understanding of TRWPs.
- **Movin'On:** the world's leading sustainable mobility ecosystem, Movin'On is a core pillar of Michelin's "All Sustainable" strategy. It brings together corporate partners, institutions, NGOs and cities that all share the same vision of innovating together to build tomorrow's mobility solutions. The 2020 Movin'On summit, which was scheduled to be held in Montreal in June to review work in progress, was canceled due to the pandemic. However, Movin'On maintained its forward momentum by digitizing its initiatives. Online meetings organized on June 3 and 4 enabled more than 1,700 experts to actively engage in discussions, while 20 new communities of interest were launched and 3,500 people selected startups to participate in a tailor-made support program to develop their innovative mobility solutions.

FIRST-HALF 2020 HIGHLIGHTS

- Michelin and HDI Global SE have formed a partnership to help prevent and reduce road risk for company vehicle fleets, thereby enhancing the Group's offering of connected solutions (January 17, 2020).
- Closure of the Michelin plant in La Roche-sur-Yon – The proposed support program for employees at the Michelin plant in La Roche-sur-Yon, France has been signed by the CFDT, CFE-CGC, SUD and FO trade unions (January 23, 2020).
- This year, the MICHELIN Guide France 2020 celebrates sustainable gastronomy with a new green star pictogram (January 27, 2020).
- Fenner Precision Polymers acquires Fabri Cote, a leader in the development and manufacture of custom rubber-coated fabrics for aerospace applications (February 3, 2020).
- During the third Global Ministerial Conference on Road Safety, Michelin reaffirmed its commitment to safer mobility through a wide range of global partnerships and a variety of initiatives to raise the awareness of public authorities and communities (February 18, 2020).
- Michelin and Total subsidiary AS 24 join forces to design and trial Fleet Diag 24, a new connected diagnostic solution to inspect truck tires in service stations (February 24, 2020).
- Michelin wins a double at the Tire Technology Expo in Hanover, being voted "Tire Manufacturer of the Year" for the second consecutive year and earning the Innovation Award for Uptis, its puncture-proof tire (February 27, 2020).
- Fenner launches the new Eagle Poly-V line of conveyor belts for roller conveyor applications (March 2, 2020).
- Covid-19: Michelin and other companies in France's Auvergne-Rhône-Alpes region step up to manufacture reusable face masks (April 8, 2020).
- Michelin has partnered with Enviro to develop and mass produce an innovative pyrolysis technology to recycle end-of-life tires. The partnership fits seamlessly with Michelin's "All Sustainable" vision (April 15, 2020).
- The international Science Based Targets initiative (SBTi[1]), a leading independent organization, has approved Michelin's CO_2 reduction targets. This milestone corroborates the effectiveness of Michelin's environmental initiatives, undertaken in particular to fight against global warming in line with the COP21 Paris Climate Agreement (May 21, 2020).
- Michelin and Essilor unveil a joint awareness campaign for safe mobility during the Movin'On summit (June 4, 2020).
- Rendezvousing with the future of sustainable mobility during "Digital meetings by Movin'On" (June 3-4, 2020).
- All four MICHELIN Power motorcycle tire ranges entirely refreshed (June 8, 2020).
- Michelin unveils its new MICHELIN Pilot Sport CUP2 CONNECT tire, delivering higher, longer-lasting performance and 100% connect-ready (June 10, 2020).
- Michelin and Symbio: creating the future of motorsports as partners of MissionH24.

  Through Symbio, its joint venture with automotive equipment manufacturer Faurecia, Michelin has become a preferred partner of the MissionH24 project, which aims to accelerate the development of zero-emission mobility by using hydrogen fuel cell technology in endurance racing (June 10, 2020).
- Michelin announces the publication of the first MICHELIN Guide *Slovenia* and its newly curated MICHELIN Guide Main Cities of Europe 2020 (June 15, 2020).
- The 2020 Annual Meeting of Michelin shareholders was held behind closed doors for the first time (June 23, 2020).

(1) Launched in 2015, several months before COP21, the Science Based Targets initiative (SBTi) is a collaboration between four organizations proposing a voluntary approach to fighting climate change in the private sector.

- Creation of a Corporate Social Responsibility Committee (CSRC) of the Supervisory Board and governance changes (June 24, 2020).
- New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life (June 25, 2020).
- Michelin will remain supplier of Formula E until 2022. As a founding partner of the world's leading championship race for 100% electric single-seaters since its first season in 2014/2015, Michelin has long considered Formula E motorsports as a fantastic opportunity to support its sustainable mobility vision. In addition to this pioneering motorsport, the Group is developing a wide array of innovations as part of other ambitious programs geared towards the mobility of the future, such as the MissionH24 project to introduce hydrogen technology in endurance racing, and MotoE™, a fully electric motorcycle championship organized as part of MotoGP™ (July 1, 2020).
- Michelin joins the Coalition for the Energy of the Future. The Coalition aims to accelerate the development of energy sources and technologies to address the challenges posed by sustainable mobility in the transportation and logistics industry (July 3, 2020).
- Michelin has joined the European Clean Hydrogen Alliance, launched by the European Commission to support the EU's commitment to reach carbon neutrality by 2050. This objective is also compatible with Michelin's "All Sustainable" vision (July 8, 2020).

A full description of first-half 2020 highlights may be found on the Michelin website: http://www.michelin.com.

Presentation and conference call

First-half 2020 results will be reviewed with analysts and investors during a presentation today, Monday, July 27, at 6:30 p.m. CEST. The event will be in English, with simultaneous interpreting in French.

Webcast

The presentation will be webcast live on: www.michelin.com/en/finance

Conference call

Please dial-in on one of the following numbers from 6:20 pm CEST:

- In France: +33 (0)1 70 71 01 59 (French) PIN code: 88974766#
- In France: +33 (0)1 72 72 74 03 (English) PIN code: 66281872#
- In the United Kingdom: +44 (0) 207 194 3759 (English) PIN code: 66281872#
- In North America: (+1) (646) 722 4916 (English) PIN: 66281872#
- From anywhere else: +44 (0) 207 194 3759 (English) PIN code: 66281872#

The presentation of financial information for the six months ended June 30, 2020 (press release, presentation, financial report) may also be viewed at http://www.michelin.com/en, along with practical information concerning the conference call.

Investor calendar

Financial information for the nine months ending September 30, 2020: Thursday, October 22, 2020 after close of trading.

Investor Relations

Édouard de Peufeilhoux
+33 (0) 6 89 71 93 73 (mobile)
edouard.de-peufeilhoux@michelin.com

Humbert de Feydeau
+33 (0) 4 73 32 68 39
+33 (0) 6 82 22 39 78 (mobile)
humbert.de-feydeau@michelin.com

Pierre Hassaïri
+33 (0) 6 84 32 90 81 (mobile)
pierre.hassairi@michelin.com

Media Relations

Paul-Alexis Bouquet
+33 (0) 6 79 33 51 47
paul-alexis.bouquet@michelin.com

Individual Shareholders

Isabelle Maizaud-Aucouturier
+33 (0) 4 73 32 23 05
isabelle.maizaud-aucouturier@michelin.com

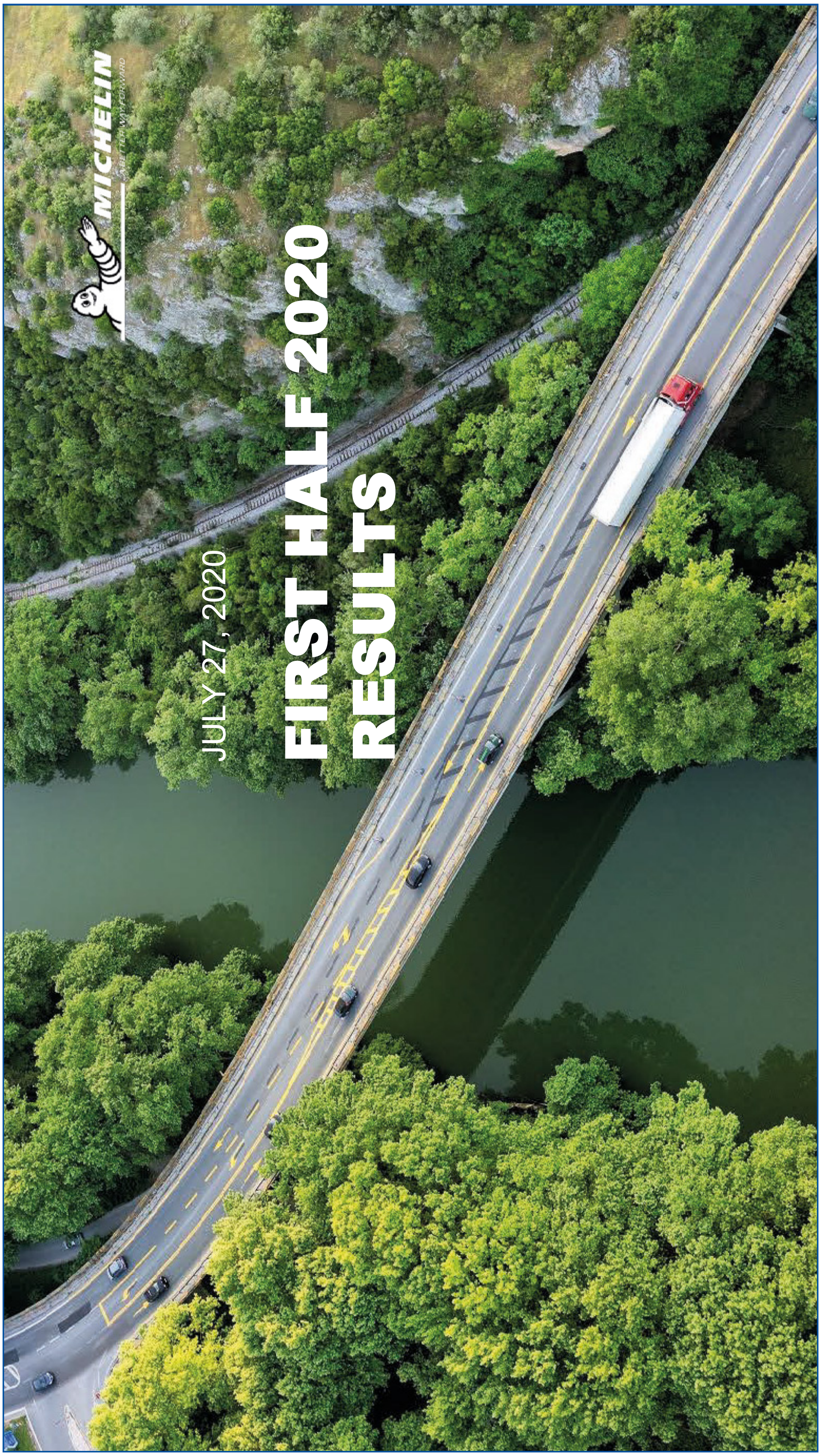
Clémence Rodriguez
+33 (0) 4 73 32 15 11
clemence.daturi-rodriguez@michelin.com

Disclaimer

This press release is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documents filed in France with *Autorité des marchés financiers,* which are also available from the Michelin website https://www.michelin.com/en.

This press release may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of publishing this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or inferred by these statements.

02. SLIDESHOW


MICHELIN
JULY 27, 2020
FIRST HALF 2020
RESULTS

Supported by its diversified offering, engaged employees and robust financial position, Michelin demonstrates its resilience through a crisis of unprecedented intensity

- Quick deployment of all the measures needed to safeguard employees, ensure business continuity and conserve cash
- Despite collapsing markets and a 20.6% contraction in sales, SOI* ended the first half at €310m:
  - 22.4% decline in volumes, leading to a deep fixed cost shortfall
  - 0.3% gain from assertive pricing policy at a time of declining raw material prices
  - 1.6% gain from the still buoyant mix, reflecting market share gains in the 18”+ segment and resilience in the Specialty businesses
  - €192m reduction in SG&A costs, excluding €77m in exceptional outlays directly related to Covid-19
- A robust financial position recognized by the rating agencies, to weather the crisis
- Strategic choices validated during the first half:
  - A global presence and diversified business base (resilience in the Specialty businesses, with a 15% operating margin)
  - CO_2 reduction pathways and objectives approved by the Science Based Targets initiative**
- Expanded CSR governance within the Supervisory Board

** Segment Operating Income*

*** Initiative launched in 2015, a few months before COP21, SBTi is a collaboration of 4 organizations that offer a voluntary approach to fight against global warming in the private sector*

2 First-half 2020 results – July 27, 2020

MICHELIN A BETTER WAY FORWARD

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

SAFEGUARDING EMPLOYEES

- Production shutdowns, home office solutions introduced
- Necessary health precautions deployed to support the reopening of production lines
- Production gradually being restarted
- Business safely resumed
- Sustained, diligent tracking to respond promptly to any resurgence of the epidemic

SUPPORTING COMMUNITIES

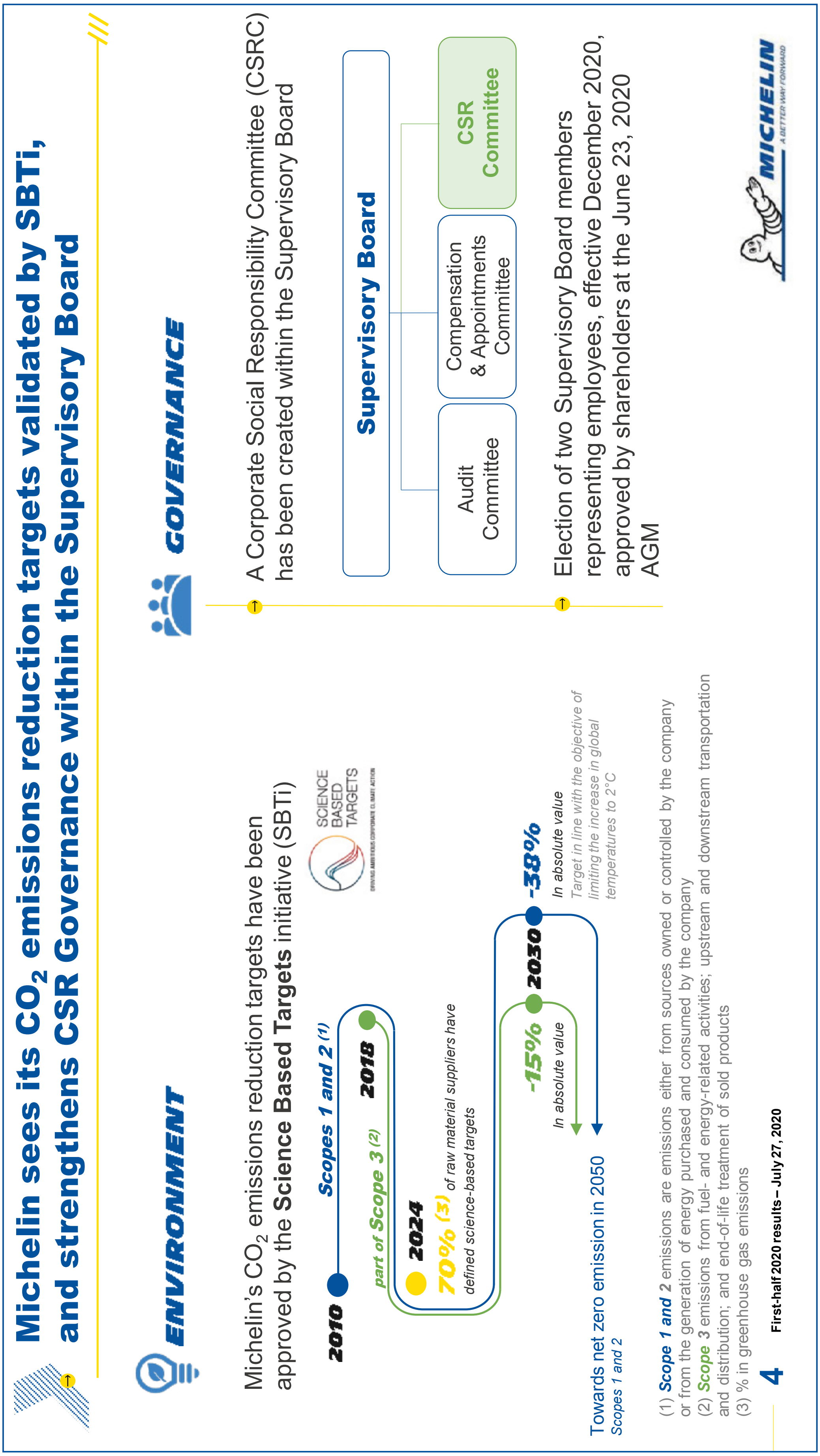
- Masks (~2.4m), hand sanitizer (~12,000 liters) and other PPE donated
- Tires (~4,600) donated and free-of-charge assistance provided for ambulances and other vehicles needed for the crisis
- Masks (400k/week) and hand sanitizer being produced in certain Group plants
- Financial and in-kind donations made

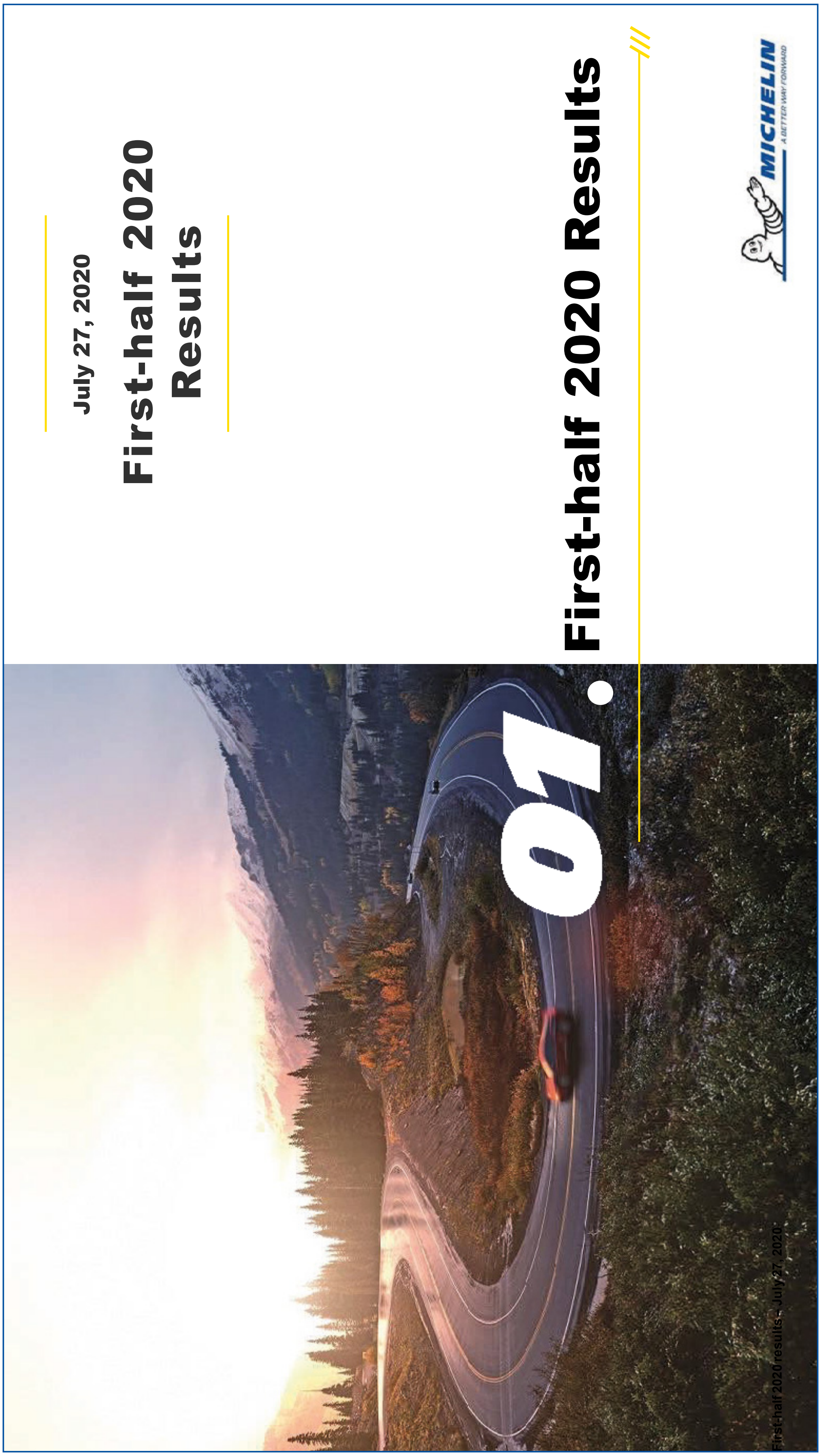
PRODUCING HEALTHCARE PRODUCTS

- 12,000 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

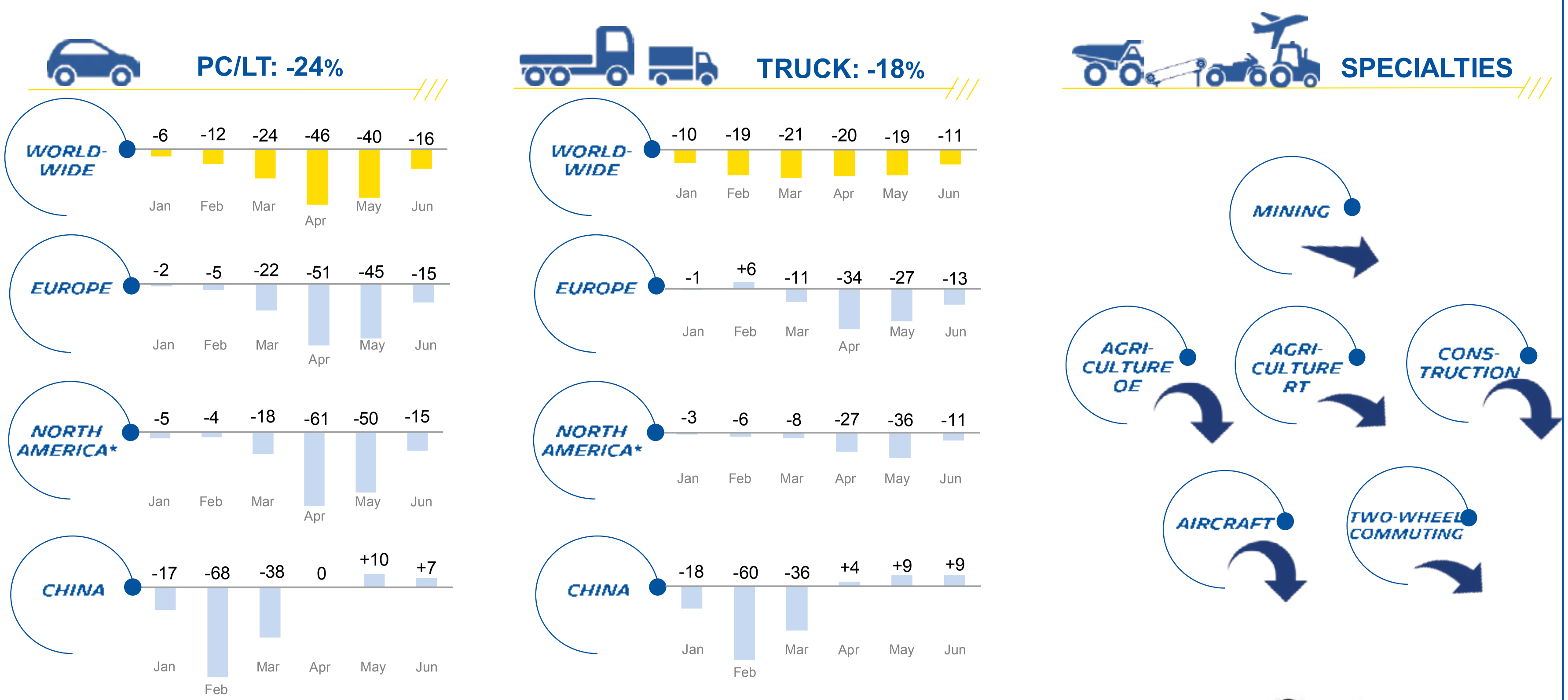
3 First-half 2020 results – July 27, 2020

MICHELIN A BETTER WAY FORWARD


Michelin sees its CO_2 emissions reduction targets validated by SBTi, and strengthens CSR Governance within the Supervisory Board
ENVIRONMENT
Michelin's CO_2 emissions reduction targets have been approved by the **Science Based Targets** initiative (SBTi)
SCIENCE BASED TARGETS
2010
Scopes 1 and 2 (1)
2018
part of Scope 3 (2)
2024
70% (3) of raw material suppliers have defined science-based targets
-15% In absolute value
2030
-38% In absolute value
Target in line with the objective of limiting the increase in global temperatures to 2°C
Towards net zero emission in 2050
Scopes 1 and 2
(1) Scope 1 and 2 emissions are emissions either from sources owned or controlled by the company or from the generation of energy purchased and consumed by the company
(2) Scope 3 emissions from fuel- and energy-related activities; upstream and downstream transportation and distribution; and end-of-life treatment of sold products
(3) % in greenhouse gas emissions
GOVERNANCE
A Corporate Social Responsibility Committee (CSRC) has been created within the Supervisory Board
Supervisory Board
Audit Committee
Compensation & Appointments Committee
CSR Committee
Election of two Supervisory Board members representing employees, effective December 2020, approved by shareholders at the June 23, 2020 AGM
MICHELIN
A BETTER WAY FORWARD
4
First-half 2020 results – July 27, 2020


July 27, 2020
First-half 2020
Results
01. First-half 2020 Results
MICHELIN
A BETTER WAY FORWARD
First-half 2020 results – July 27, 2020

H1 2020: in a world shaken by Covid-19, a steep drop in tire markets followed by an uncertain recovery depending on the region



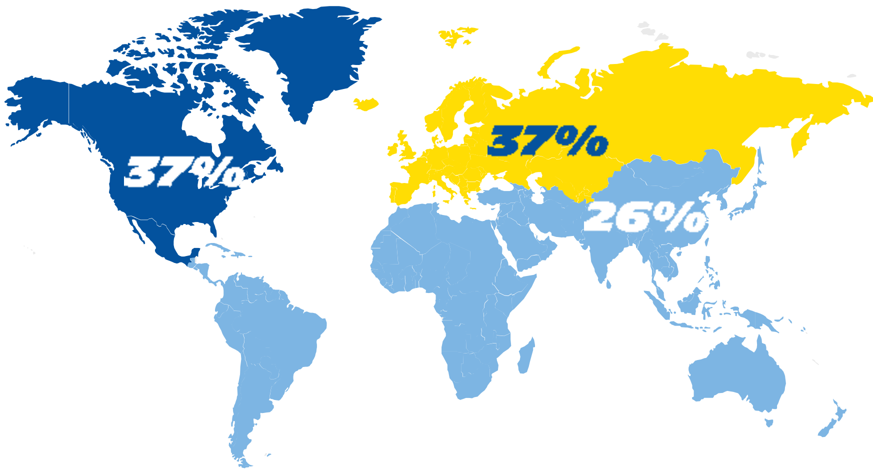
6 First-half 2020 results – July 27, 2020

Source: Michelin
* Including Central America for OE

MICHELIN A BETTER WAY FORWARD

A resilient multidimensional Group in an unprecedented systemic crisis

2019 sales by region



North America (incl. Mexico)
Europe (including CIS)
Asia and Rest of the World

2019 sales by growth driver

CONSUMPTION

COMMODITIES

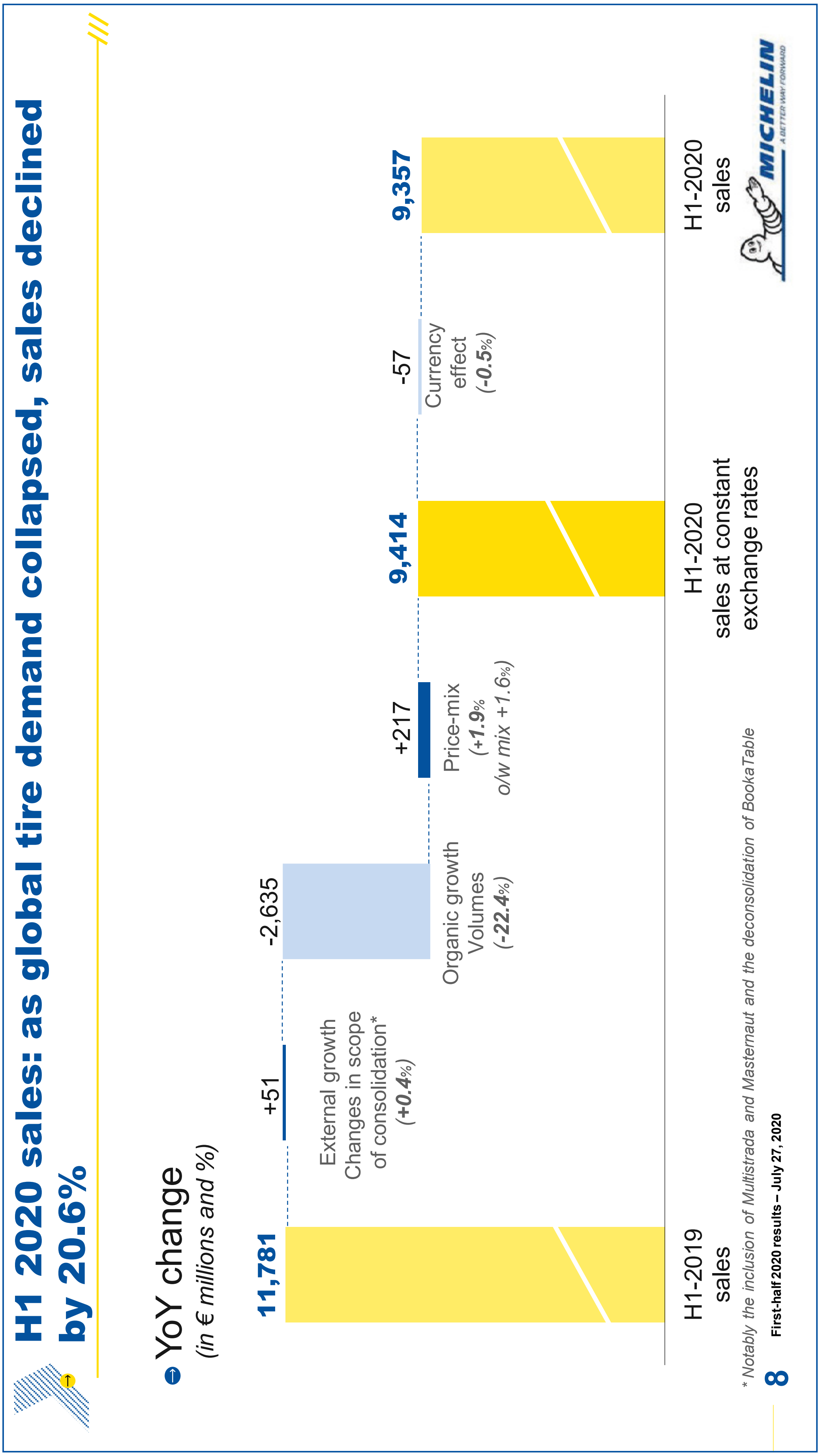
MANUFACTURING

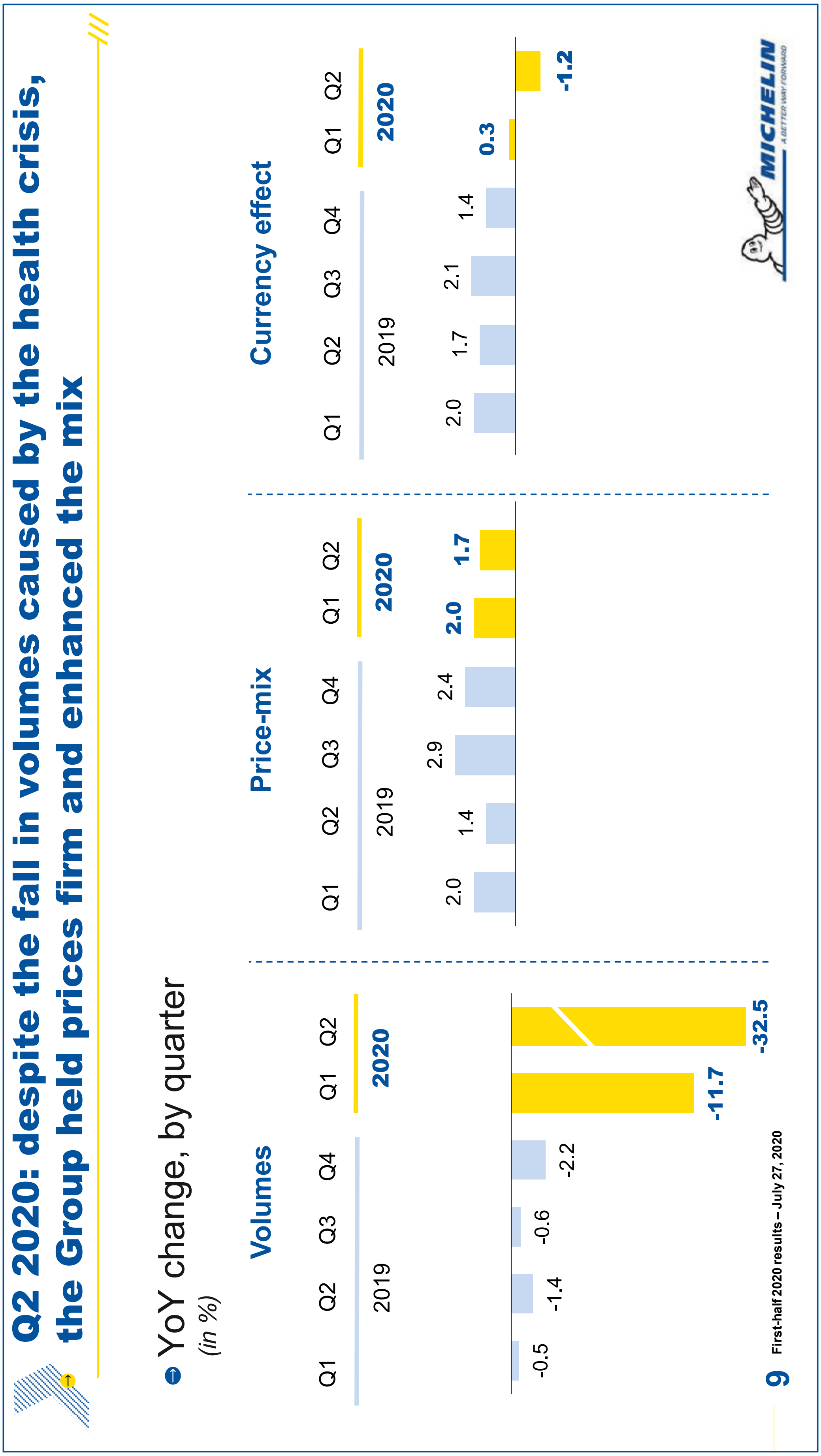
AUTO*

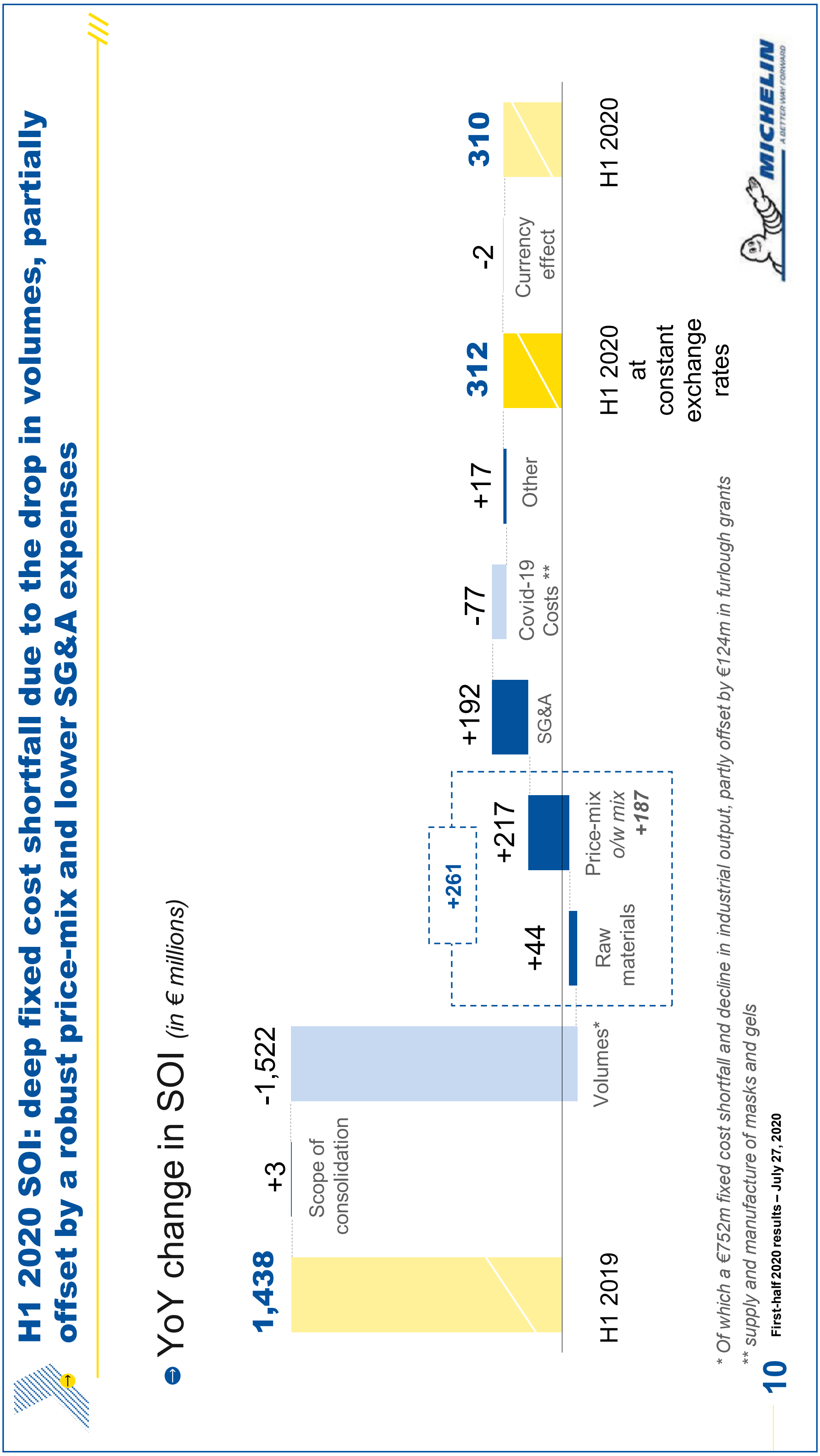
* Auto (PC/LT OE): Passenger car and Light truck tires sold to vehicle manufacturers as Original Equipment

MICHELIN A BETTER WAY FORWARD

7 First-half 2020 results – July 27, 2020


H1 2020 sales: as global tire demand collapsed, sales declined by 20.6%
YoY change
(in € millions and %)
11,781
+51
-2,635
+217
9,414
-57
9,357
H1-2019 sales
External growth
Changes in scope of consolidation*
(+0.4%)
Organic growth
Volumes
(-22.4%)
Price-mix
(+1.9%
o/w mix +1.6%)
H1-2020 sales at constant exchange rates
Currency effect
(-0.5%)
H1-2020 sales
* Notably the inclusion of Multistrada and Masternaut and the deconsolidation of BookaTable
8
First-half 2020 results – July 27, 2020
MICHELIN
A BETTER WAY FORWARD


Q2 2020: despite the fall in volumes caused by the health crisis, the Group held prices firm and enhanced the mix
YoY change, by quarter
(in %)
Volumes
Q1 Q2 Q3 Q4 Q1 Q2
2019 2020
-0.5 -1.4 -0.6 -2.2 -11.7 -32.5
Price-mix
Q1 Q2 Q3 Q4 Q1 Q2
2019 2020
2.0 1.4 2.9 2.4 2.0 1.7
Currency effect
Q1 Q2 Q3 Q4 Q1 Q2
2019 2020
2.0 1.7 2.1 1.4 0.3 -1.2
9 First-half 2020 results – July 27, 2020
MICHELIN
A BETTER WAY FORWARD


H1 2020 SOI: deep fixed cost shortfall due to the drop in volumes, partially offset by a robust price-mix and lower SG&A expenses
YoY change in SOI (in € millions)
1,438
H1 2019
+3
Scope of consolidation
-1,522
Volumes*
+261
+44
Raw materials
+217
Price-mix o/w mix +187
+192
SG&A
-77
Covid-19 Costs **
+17
Other
312
H1 2020 at constant exchange rates
-2
Currency effect
310
H1 2020
* Of which a €752m fixed cost shortfall and decline in industrial output, partly offset by €124m in furlough grants
** supply and manufacture of masks and gels
10
First-half 2020 results – July 27, 2020
MICHELIN
A BETTER WAY FORWARD

At a time of plunging global demand, margin was slightly negative in RS1 and RS2, but highly resilient in RS3

(in € millions)	**H1 2020**	H1 2019	*Change*
RS1 sales	**4,394**	5,658	*-22.3%*
Operating income*	***-35***	*585*	*-106.0%*
Operating margin*	-0.8%	10.3%	*-11.1 pts*
RS2 sales	**2,411**	3,144	*-23.3%*
Operating income*	***-30***	*279*	*-110.8%*
Operating margin*	-1.3%	8.9%	*-10.2 pts*
RS3 sales	**2,552**	2,979	*-14.3%*
Operating income*	***375***	*574*	*-34.7%*
Operating margin*	14.7%	19.3%	*-4.6 pts*

** For the segment*

Despite the collapse in volumes, the Group continued to enhance the mix across every reporting segment and maintained an assertive pricing policy that more than compensated for the negative impact of indexation clauses, which were applied in particular in the Automotive OE business.

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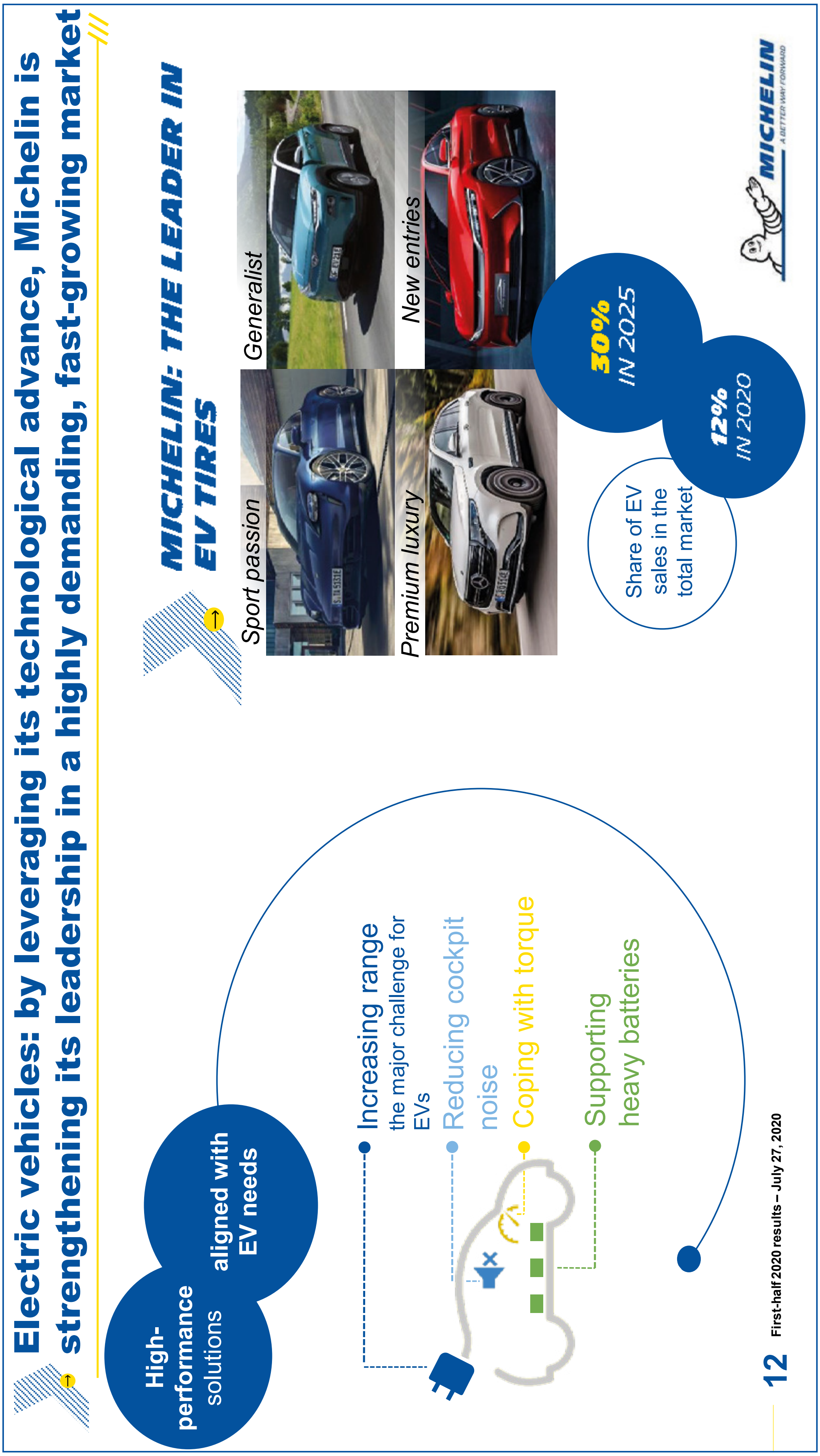
MICHELIN A BETTER WAY FORWARD


Electric vehicles: by leveraging its technological advance, Michelin is strengthening its leadership in a highly demanding, fast-growing market
High-performance solutions
aligned with EV needs
Increasing range
the major challenge for EVs
Reducing cockpit noise
Coping with torque
Supporting heavy batteries
MICHELIN: THE LEADER IN EV TIRES
Sport passion
Generalist
Premium luxury
New entries
Share of EV sales in the total market
30% IN 2025
12% IN 2020
MICHELIN
A BETTER WAY FORWARD
12
First-half 2020 results – July 27, 2020

Michelin is deploying its circular economy strategy, notably in urban and highway transportation

LOW ENVIRONMENTAL IMPACT TIRES

REDUCE

Launch of the **MICHELIN AGILIS 3**

For light commercial vehicles

On average **1KG LIGHTER** than the previous generation

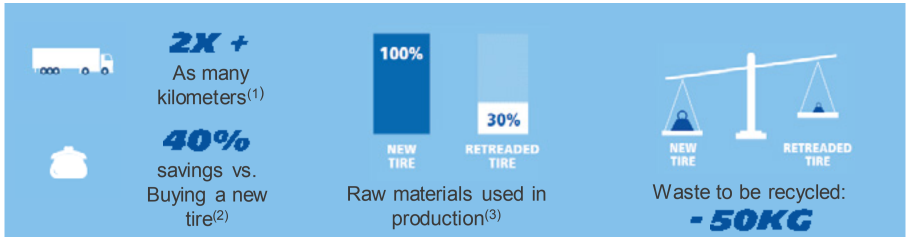
Demonstrating the **LLP* PROMISE**

* *Long Lasting Performance*

MICHELIN: THE LEADER IN RETREADING

REUSE REDUCE

/// environment /// economy /// safety

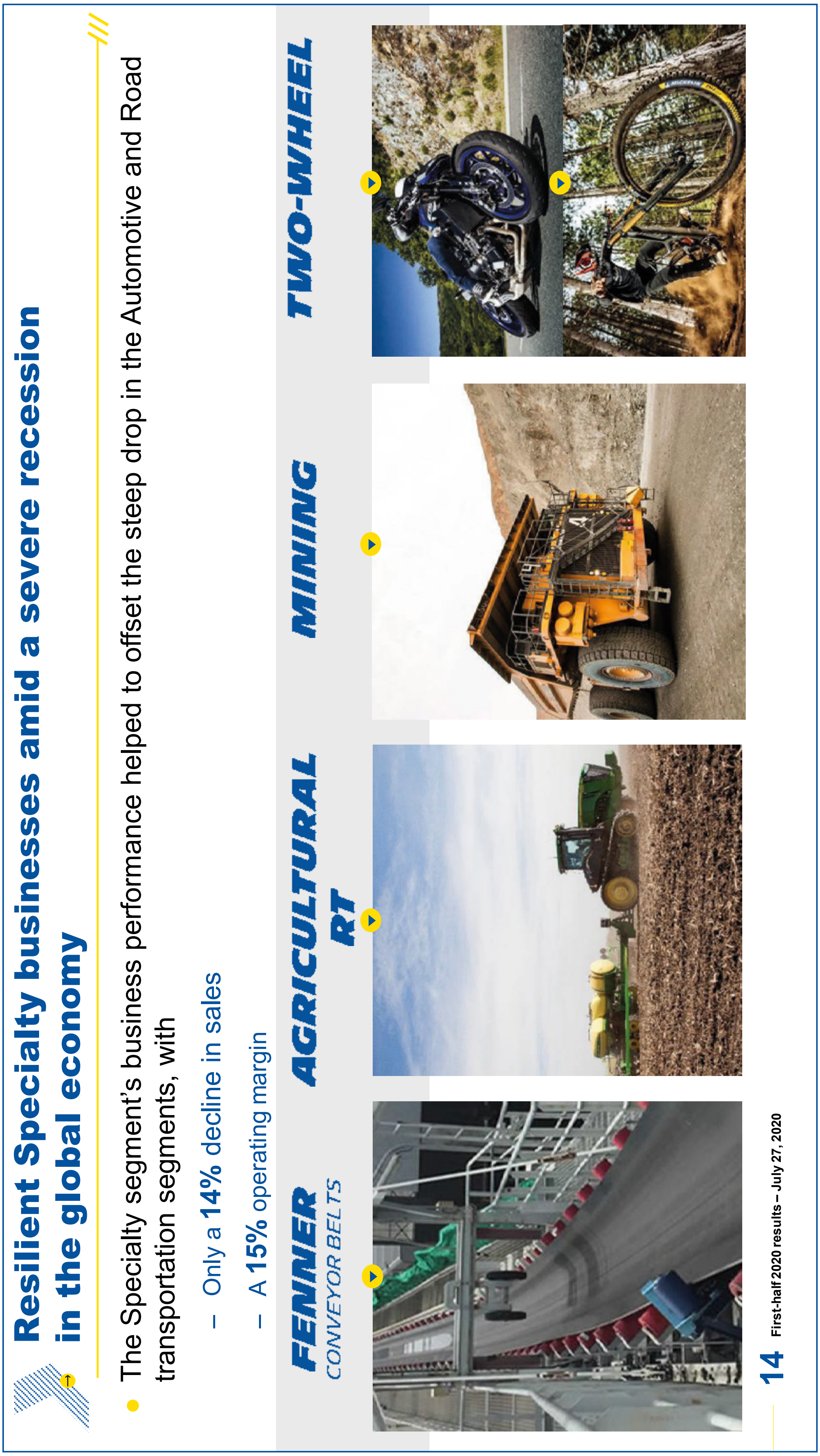


(1) With the same casing. In-house Michelin tests in 2013. The lifespan of a MICHELIN Remix® tire = 97% of the lifespan of a new, same-size MICHELIN tire.
(2) European average, in-house price surveys in 2014 and Internet price surveys conducted by an outside organization in 2014.
(3) MICHELIN Remix® retreading requires only an average 20 kg of raw materials, i.e. 70% less than to make a new tire

- Growth driver for the Group's Road transportation tire business
- Supports Michelin's "All Sustainable" strategy
- Unmatched solutions, thanks to Michelin's robust tire casings
- A profitable business that is more recession-proof than new tires

MICHELIN A BETTER WAY FORWARD

13 First-half 2020 results – July 27, 2020


Resilient Specialty businesses amid a severe recession in the global economy
The Specialty segment's business performance helped to offset the steep drop in the Automotive and Road transportation segments, with
– Only a 14% decline in sales
– A 15% operating margin
FENNER CONVEYOR BELTS
AGRICULTURAL RT
MINING
TWO-WHEEL
14
First-half 2020 results – July 27, 2020

Optimized cash management strengthening the Group's robust financial position and enabling it to deal with the crisis calmly

Change in free cash flow

(in € millions, including acquisitions and JV financing)

H1 2019 free cash flow	-592
Change in EBITDA	-1,104
Change in trade working capital	+285
Change in tax and interest paid	+281
Change in capital expenditure	+120
Change in M&A and financing for subsidiaries and affiliates	+400
Change in other	+259
H1 2020 free cash flow	**-351**

A solid cash position at June 30, 2020

- €2.8bn in cash and cash equivalents
- €1.4bn in commercial paper issued out of a maximum €3.1bn
- €1.5bn in confirmed, undrawn lines of credit
- No significant bonds falling due before 2022

The Group's available sources of financing enabled it to easily pass the stress tests conducted for a period 18 months out

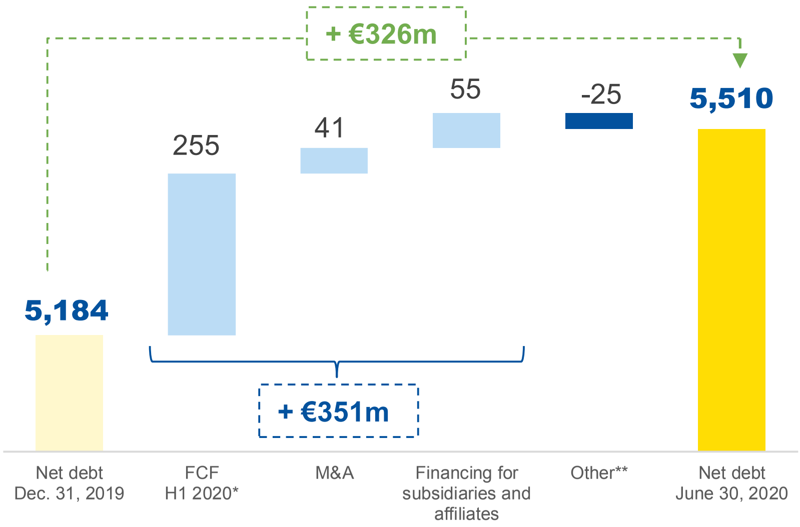
15 First-half 2020 results – July 27, 2020

MICHELIN A BETTER WAY FORWARD

Despite the crisis, net debt remains under control, thanks to management discipline recognized by the rating agencies

- Net debt

(in € millions)



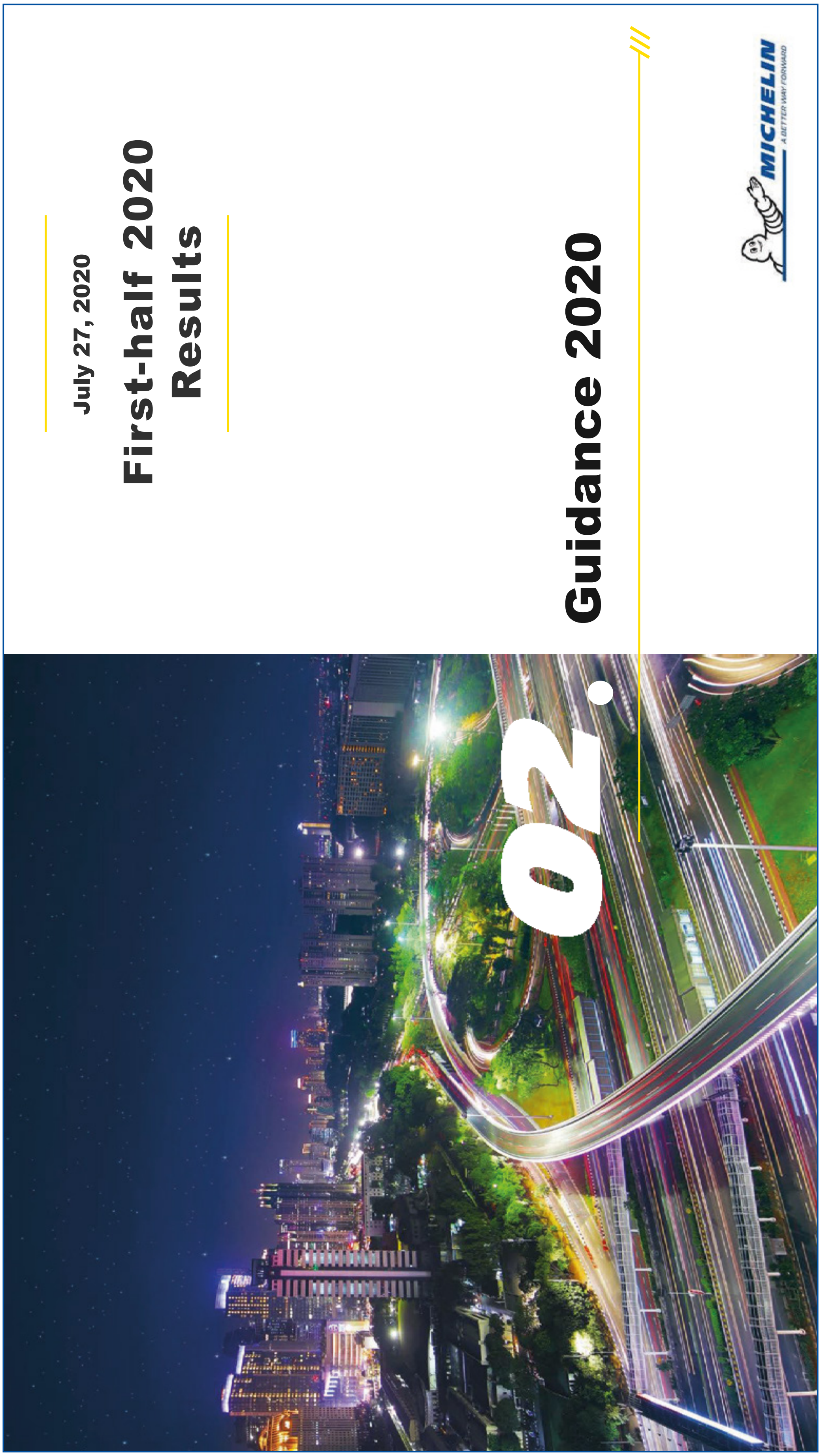
** Free cash flow excluding M&A and financing for subsidiaries and affiliates*
*** Mainly translation adjustments, share buyback and the impact of new leases*

- Credit ratings reaffirmed in first-half 2020

Short term	S&P Fitch	A-2 F-2
Long term	S&P Fitch Moody's**	A- A- A3
Outlook	S&P Fitch Moody's**	Negative Stable Stable

*** Moody's, whose rating is no longer solicited as of July 1, 2020, affirmed the long-term credit ratings of CGEM and CFM on May 14, 2020*

16 **First-half 2020 results – July 27, 2020**


July 27, 2020
First-half 2020 Results
Guidance 2020
02.
MICHELIN
A BETTER WAY FORWARD

2020 market scenario: gradual recovery in demand for PC/LT and Truck tires, vulnerable to a high risk of a major recession

PC/LT : - 20% / -15%

- OE: trend-line improvement in H2 vs. H1, led by China's recovery and the effect of government incentives
- RT: post-lockdown upturn in demand occurring at different speeds depending on the region, in a very fragile economic environment

TRUCK: -17% / -13%

- OE: continued decline in global demand in a very uncertain environment
- RT: demand still significantly depressed in every market except China, which is returning to modest growth

SPECIALTIES : -17% / -13%

- Mining: lower demand in a global economy hurt by Covid-19
- Off-the-road: demand relatively resilient in Agricultural RT tires, but down sharply in Agricultural OE and Infrastructure tires
- Two-wheel: market lifted by its image as a safe form of transportation amid the health crisis
- Collapse in demand for Aircraft tires

18 First-half 2020 results – July 27, 2020

MICHELIN A BETTER WAY FORWARD

2020 scenario*

	2020
Volumes	**Growth in line with markets excluding the geomix effect**
Cost impact of raw materials prices and customs duties	**Positive**
Currency effect	**Slightly negative** based on June 2020 rates**
Net price-mix/raw materials effect	**Positive** Price / Raw materials: positive

** Based on the following average prices and exchange rates for 2020: natural rubber: $1.267/kg; butadiene (US, Europe and Asia): $611/t; Brent: $39.8/bbl; EUR/USD: 1.092*

*** See slide 54*

19 First-half 2020 results – July 27, 2020

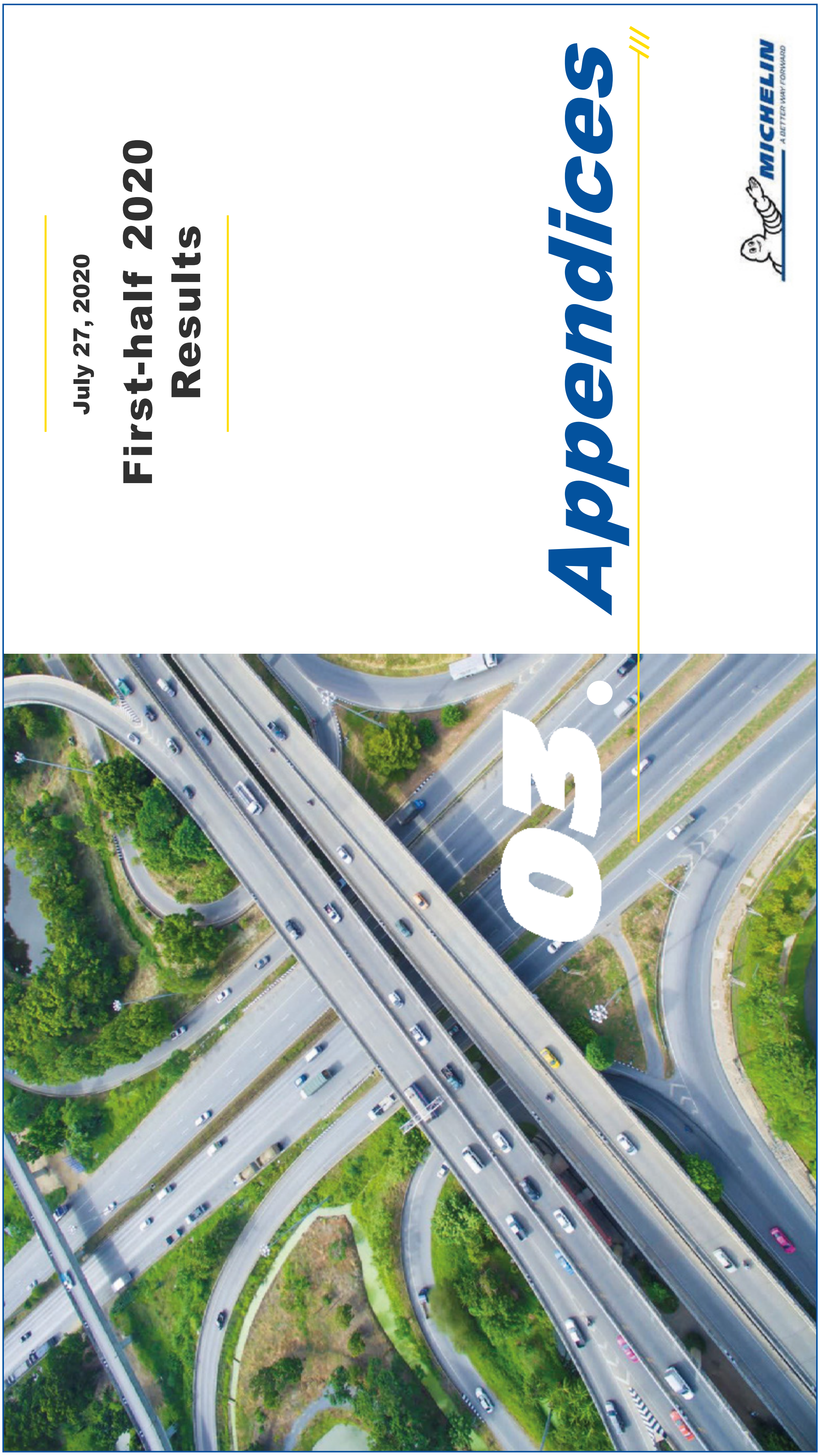
MICHELIN A BETTER WAY FORWARD

2020 guidance excluding any new systemic effect from Covid-19

	2020
Segment Operating Income at constant exchange rates	> €1,200m
Structural FCF	> €500m

20 First-half 2020 results – July 27, 2020


MICHELIN IS EQUIPPING THE EVs OF THE FUTURE
From left to right: BMW Inext, Buick SUV China, Ford Mustang Mach-E, Mercedes EQC, Jaguar XJ-Type, Nissan Ariya, Human Horizon HIPHI 1 and Polestar 2
21
First-half 2020 results – July 27, 2020
MICHELIN
A BETTER WAY FORWARD


July 27, 2020
First-half 2020
Results
03.
Appendices
MICHELIN
A BETTER WAY FORWARD

Investor Calendar

- **Coming events:**
  - **October 22, 2020 (after close of trading)** : Third-quarter and 9 months 2020 sales
  - **February 15, 2021 (after close of trading)** : 2020 Annual Results
  - **April 8, 2021**: Investor Day

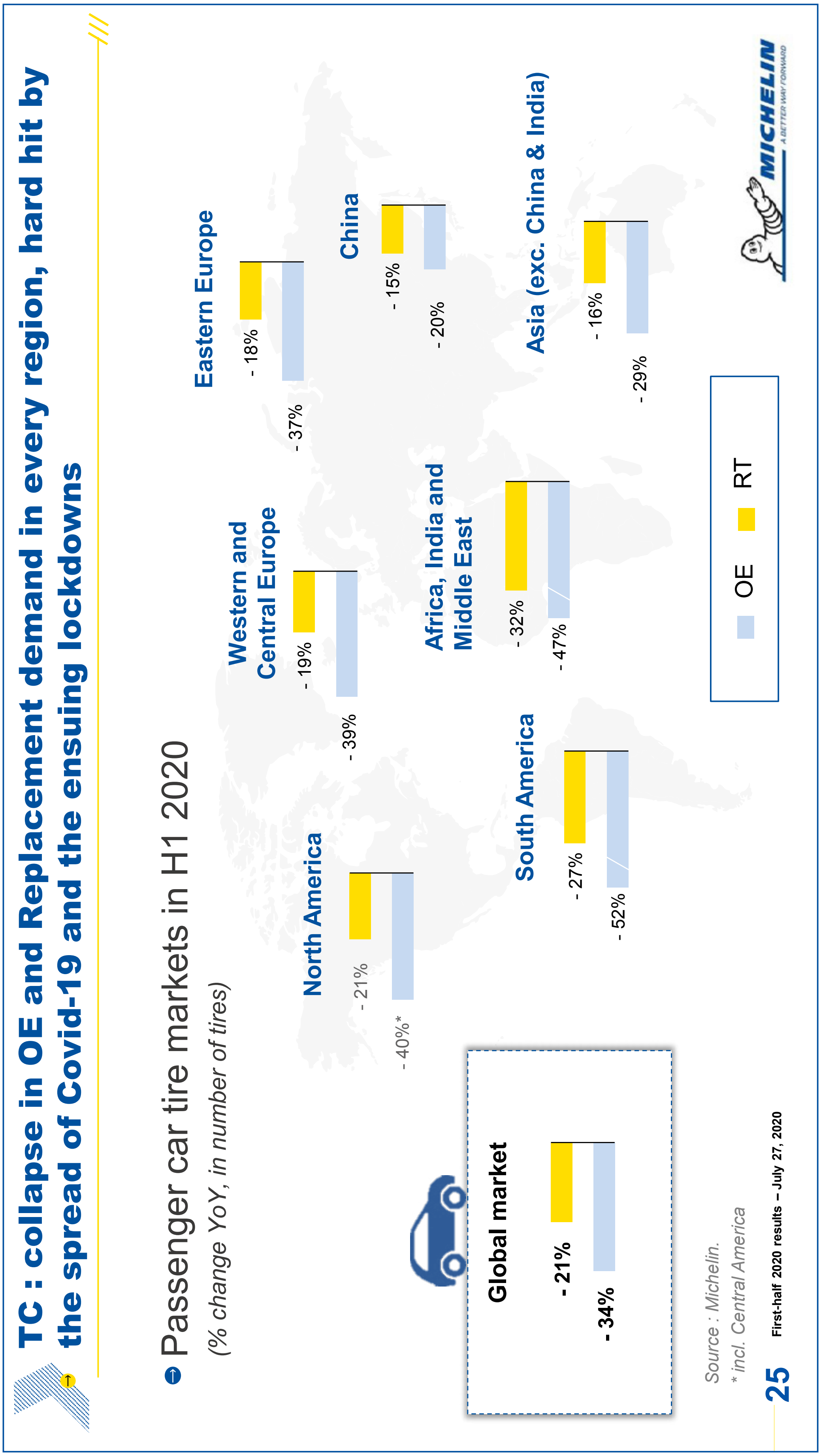
23 First-half 2020 results – July 27, 2020

Reported H1 2020 and H1 2019 financial highlights

	H1 2020	H1 2019
Sales	9,357	11,781
Segment EBITDA	1,192	2,296
Segment EBITDA margin	12.7%	19.4%
Segment Operating income	310	1,438
Segment Operating margin	3.3%	12.2%
Other Operating income and expenses	(133)	(97)
Net income	(137)	844
Basic earnings per share (in €)	(0.75)	4.74
Capital expenditure	490	665
Free cash flow*	(351)	(592)
Gearing	45 %	54%

* Net cash from operating activities less net cash used in investing activities less net cash from other current financial assets, before distributions.

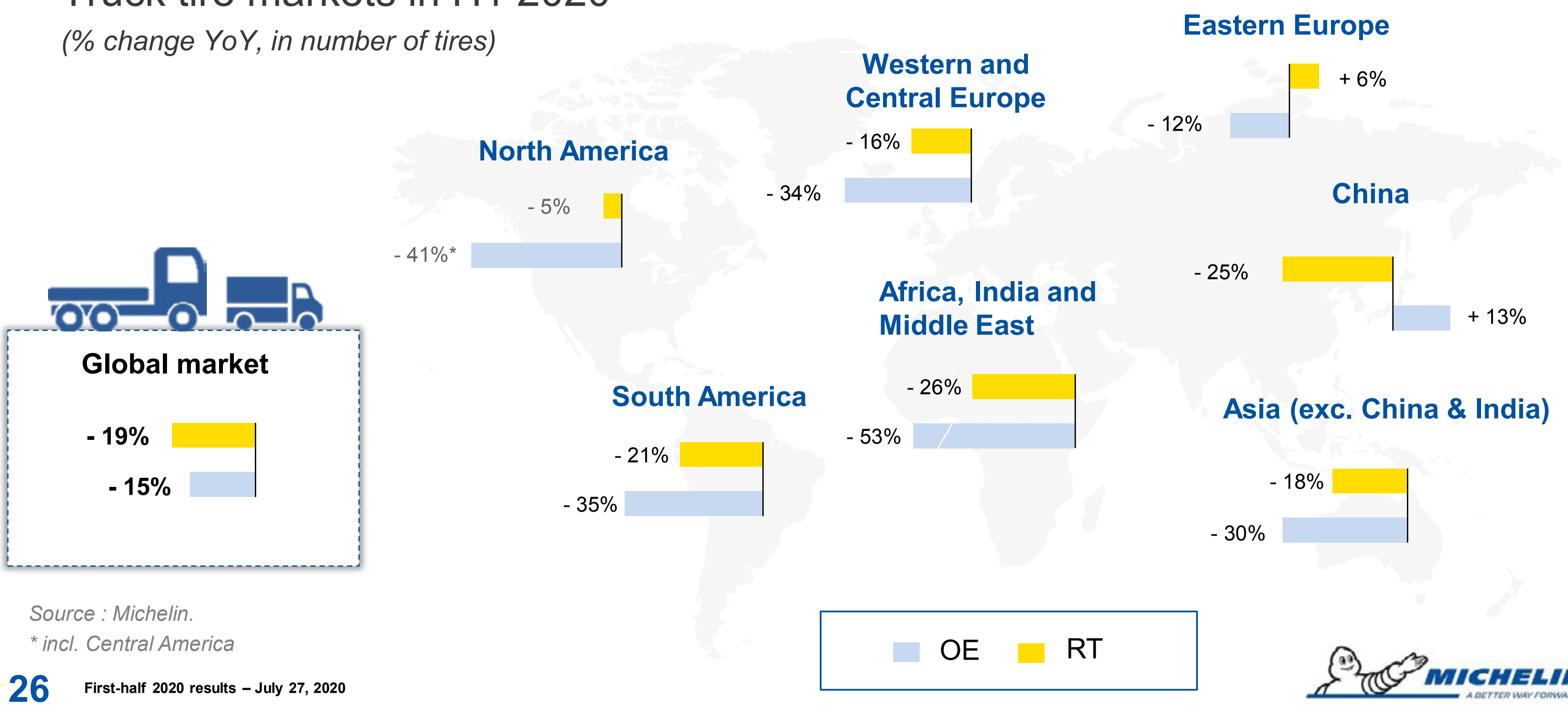
24 First-half 2020 results – July 27, 2020


TC : collapse in OE and Replacement demand in every region, hard hit by the spread of Covid-19 and the ensuing lockdowns
Passenger car tire markets in H1 2020
(% change YoY, in number of tires)
Global market
- 21%
- 34%
North America
- 21%
- 40%*
Western and Central Europe
- 19%
- 39%
Eastern Europe
- 18%
- 37%
China
- 15%
- 20%
South America
- 27%
- 52%
Africa, India and Middle East
- 32%
- 47%
Asia (exc. China & India)
- 16%
- 29%
OE
RT
Source : Michelin.
* incl. Central America
25
First-half 2020 results – July 27, 2020
MICHELIN
A BETTER WAY FORWARD

PL : collapse in OE and Replacement demand in every region, hard hit by the spread of Covid-19 and the ensuing lockdowns

- Truck tire markets in H1 2020

(% change YoY, in number of tires)

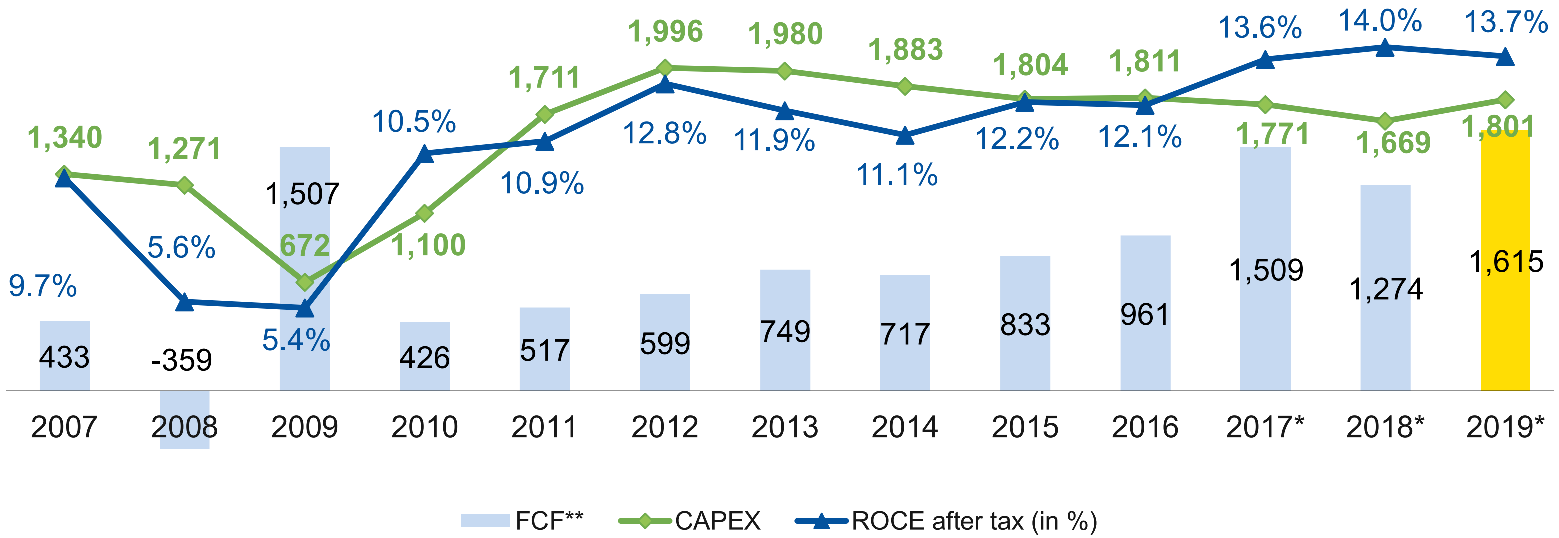


Source : Michelin.
** incl. Central America*

26 First-half 2020 results – July 27, 2020

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

2007 - 2019 Free Cash Flow, CAPEX & ROCE*



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

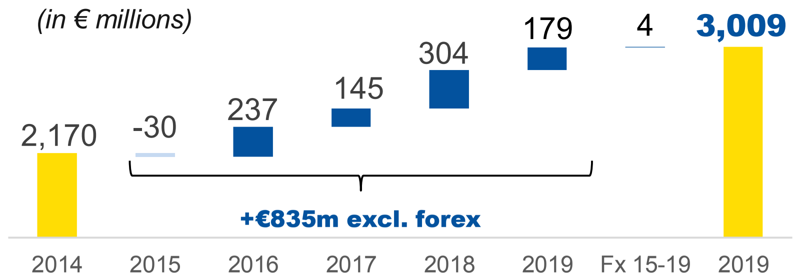
** Reported FCF from 2007 to 2010, Structural FCF from 2011 onwards.

27 First-half 2020 results – July 27, 2020

Resilient margins, underlying strengths and robust drivers support confidence in sustainable FCF growth

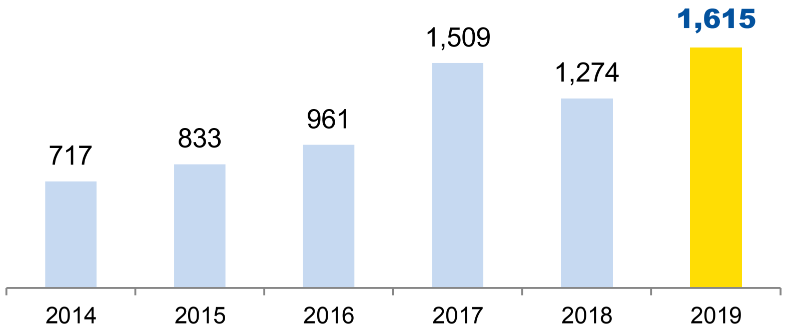
- Change in segment operating income 2014 – 2019

(in € millions)



- Structural free cash flow 2014 – 2019

(in € millions)



- Beyond 2019: Michelin's strengths and drivers for more value creation
  - A powerful **brand** operating in structurally growing markets
  - **Innovation** for better performing, more environmentally friendly products
  - Tires becoming more **technology** rich
  - Business **expansion** leveraging our customer base and our unique expertise
  - **Competitiveness** plan deployment
  - **Working capital** optimization

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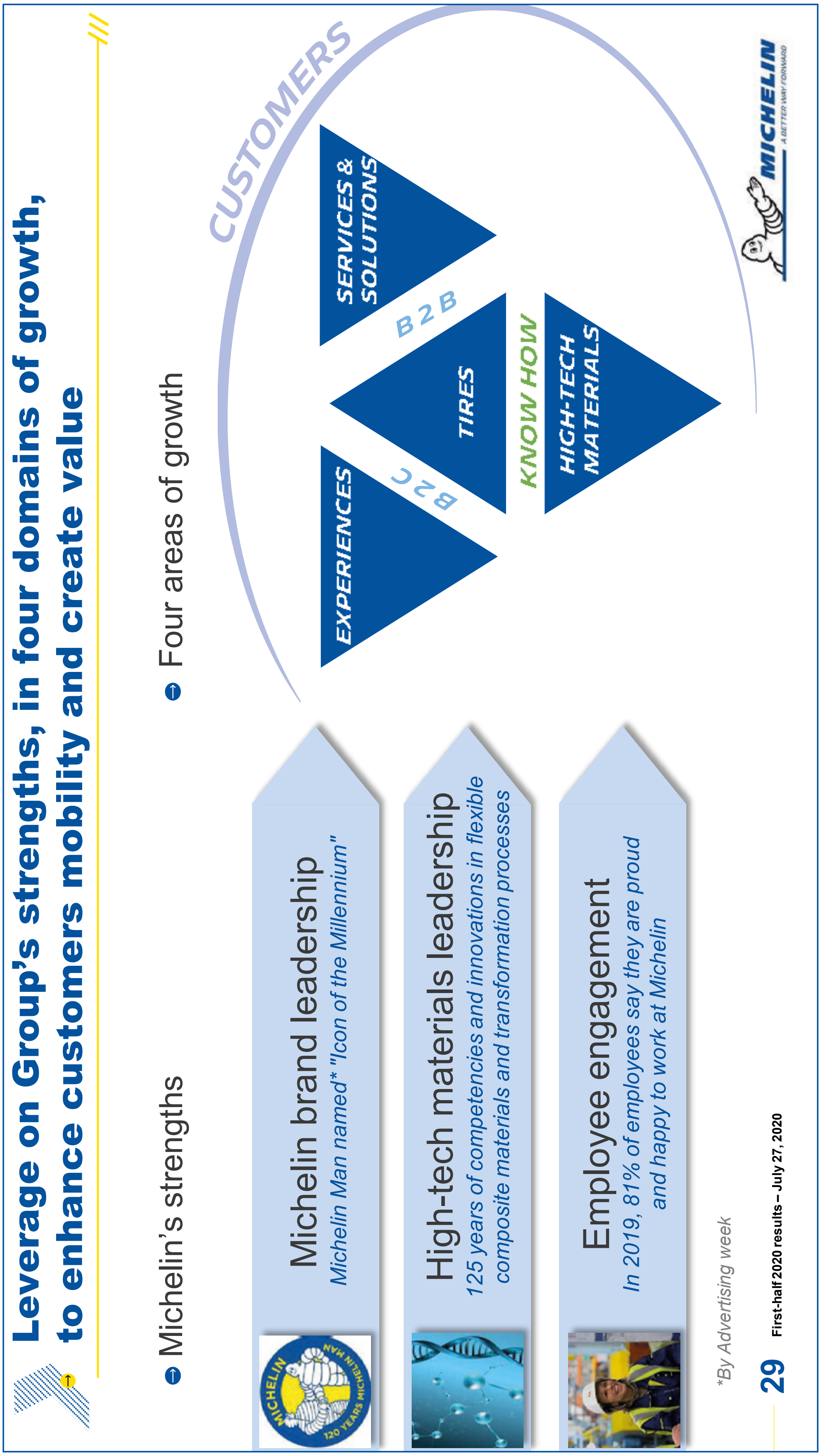
Leverage on Group's strengths, in four domains of growth, to enhance customers mobility and create value
Michelin's strengths
Michelin brand leadership
Michelin Man named* "Icon of the Millennium"
High-tech materials leadership
125 years of competencies and innovations in flexible composite materials and transformation processes
Employee engagement
In 2019, 81% of employees say they are proud and happy to work at Michelin
*By Advertising week
Four areas of growth
CUSTOMERS
SERVICES & SOLUTIONS
B2B
TIRES
B2C
EXPERIENCES
KNOW HOW
HIGH-TECH MATERIALS
MICHELIN
A BETTER WAY FORWARD
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First-half 2020 results – July 27, 2020

Recognition for the economic and environmental benefits of Michelin tires' long-lasting performance

- By offering customers tires that deliver high performance until 1.6mm wear indicators appear

Michelin is improving the tire industry's environmental footprint

- *by avoiding raw material waste*
- *by reducing carbon emissions*

Michelin is improving consumer purchasing power

- *by increasing the time between tire changes*
- *by improving, with worn tires, the fuel efficiency**

* *Up to a 20% reduction in rolling resistance*

- Michelin's approach is supported by:
  - The automotive industry
  - The European Parliament

2019

The European Parliament approves worn tire testing

2024-2026

In Europe, long-lasting performance will be a prerequisite for every tire

MICHELIN A BETTER WAY FORWARD

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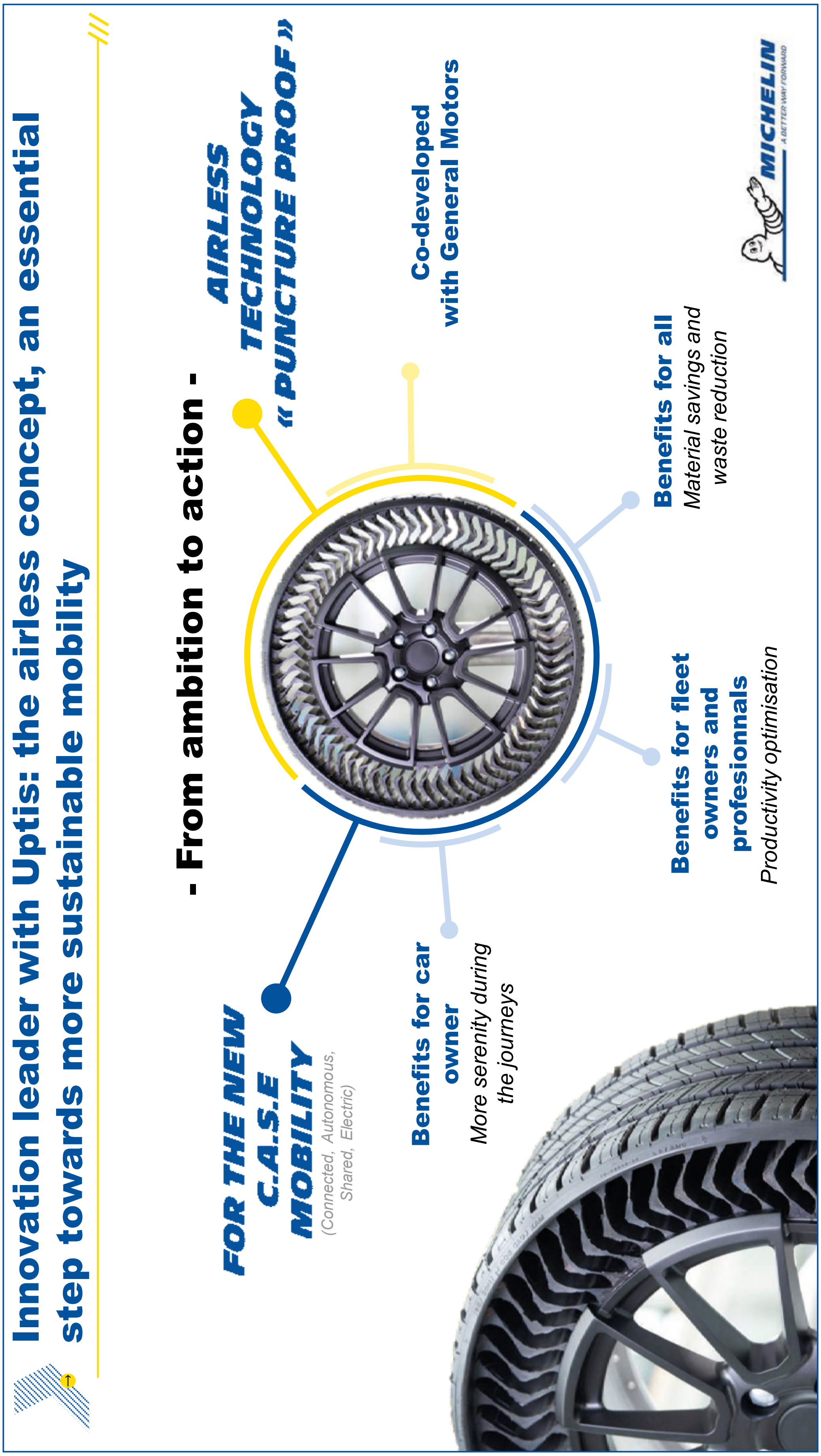
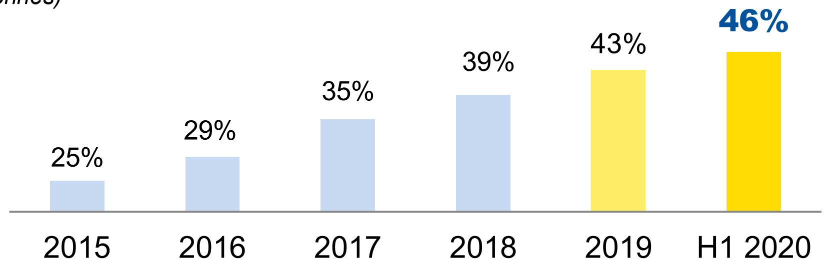
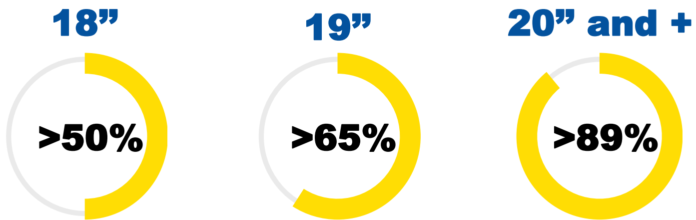

Innovation leader with Uptis: the airless concept, an essential step towards more sustainable mobility
- From ambition to action -
AIRLESS TECHNOLOGY « PUNCTURE PROOF »
Co-developed with General Motors
FOR THE NEW C.A.S.E MOBILITY
(Connected, Autonomous, Shared, Electric)
Benefits for car owner
More serenity during the journeys
Benefits for fleet owners and profesionnals
Productivity optimisation
Benefits for all
Material savings and waste reduction
MICHELIN
A BETTER WAY FORWARD

Automotive: market share gains in 18 inch and above, recognition of Michelin's technological leadership

Percentage of ≥18" tires in total MICHELIN-brand sales
(in tonnes)



MICHELIN OE/RT loyalty rate in Europe*:



* 1st replacement

MICHELIN A BETTER WAY FORWARD

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Michelin's OE position is unique

	SPORT PASSION	LUXURY PREMIUM	GENERALISTS	NEW ENTRANTS (OEM & Mobility)
OEM BRANDS (examples)				
Who are they	Extreme emotions & passionate drivers	Premium brand focus on consumer experience	WW players mass-market oriented	New OEMs & new offers of mobility
Market weight (Volumes of tires)	2% > in € and image	13% > in € and image	65% =	20% < in €
Main competitors	Pirelli	Continental Pirelli	Bridgestone, Goodyear, Continental, Dunlop, Hankook	All
Michelin position	**Leader**	**Amongst the Top 3**	**Amongst the Top 3 Overall & WW presence**	**Leadership Position amongst non Chinese**

… with the overall objective of achieving

- a benchmark position in each segment & each geography
- sales growth at least in line with the market
- profitability on a par with the best auto suppliers

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The new challenges facing road transportation: opportunities to showcase the value added of Michelin solutions

NEW ENVIRONMENTAL STANDARDS

- Reducing CO_2 emissions
  - Vecto UE 2020 standard for new vehicles
    Cut CO_2 emissions by 15% by 2025
    Cut CO_2 emissions by 30% by 2030
  - Greenhouse Gas Protocol applied to company upstream/downstream operations
- Circular economy
  Preference for retreaded or retreadable tires in government contracts (French legislation)

BUSINESS ISSUES

- Focus on fuel efficiency
- Shortage of drivers and rising wages
- Optimizing asset use

A HIGHLY DIVERSIFIED LINE-UP

- Tires offering the lowest TCO over time
- Innovative solutions to improve the productivity and environmental footprint of trucking companies
- Products with low environmental impact to support truckers in transitioning to zero-emission operation

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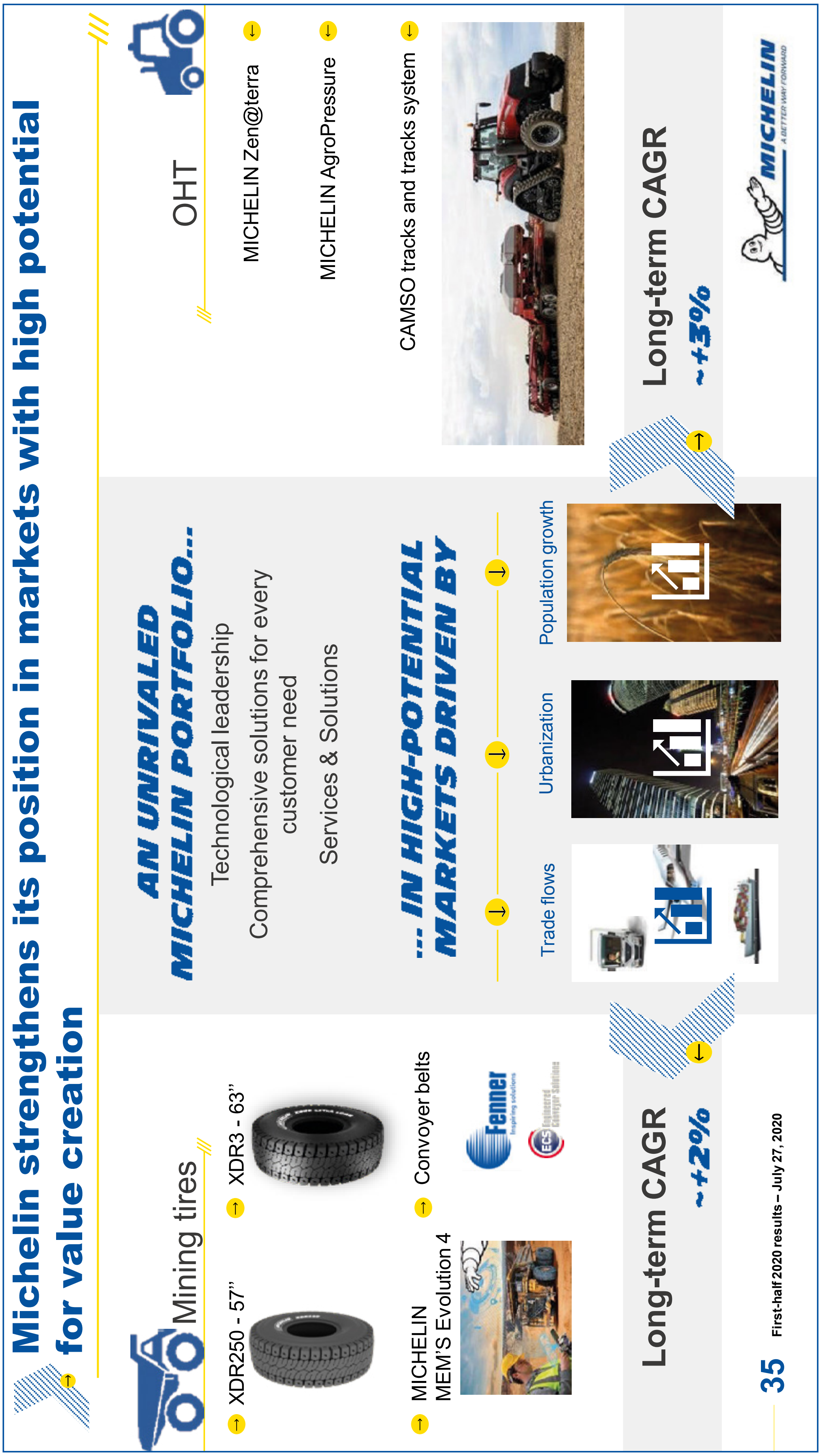
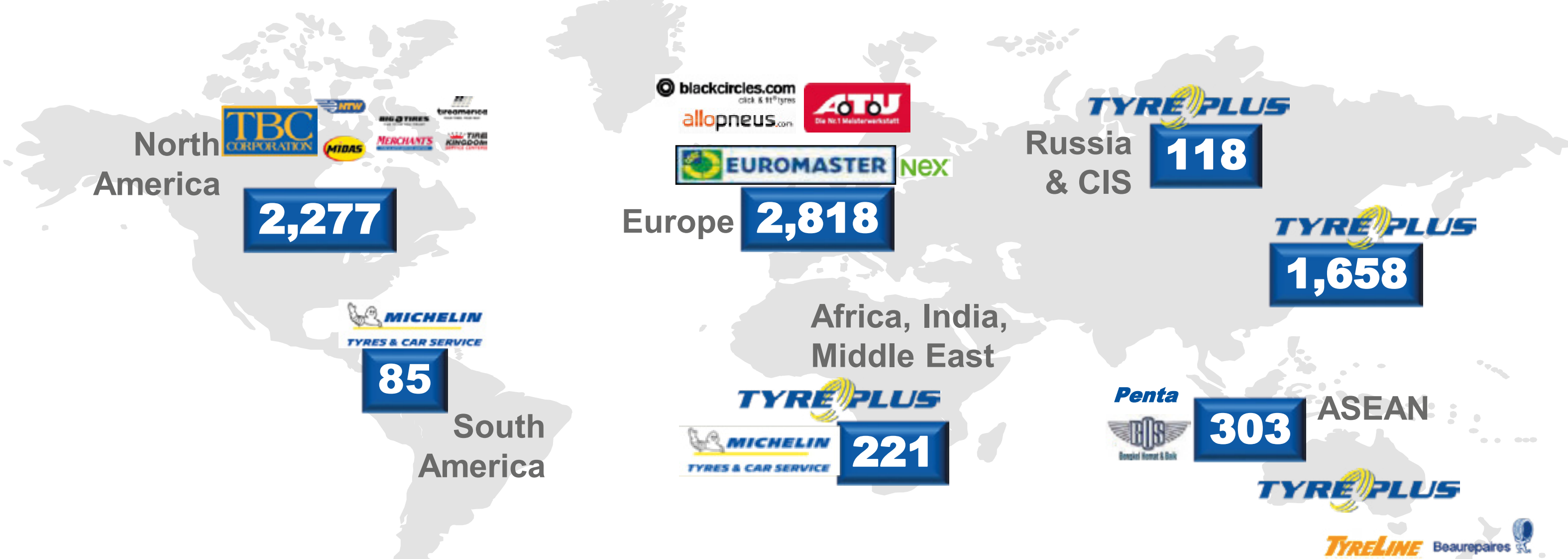

Michelin strengthens its position in markets with high potential for value creation
Mining tires
XDR250 - 57"
XDR3 - 63"
MICHELIN MEM'S Evolution 4
Conveyor belts
Fenner
Long-term CAGR
~+2%
AN UNRIVALED MICHELIN PORTFOLIO...
Technological leadership
Comprehensive solutions for every customer need
Services & Solutions
... IN HIGH-POTENTIAL MARKETS DRIVEN BY
Trade flows
Urbanization
Population growth
OHT
MICHELIN Zen@terra
MICHELIN AgroPressure
CAMSO tracks and tracks system
Long-term CAGR
~+3%
MICHELIN
35
First-half 2020 results – July 27, 2020

Partner dealership chains* that showcase the Group's products

- Michelin boasts industry-leading global coverage



- Partner wholesalers: NTW, Ihle, Meyer Lissendorf
- A vast network of strategic retailers* as of late 2019: ~ 7,500 including Penta in Indonesia following the acquisition of Multistrada

*Proprietary or franchised dealers, plus minority stakes in partners

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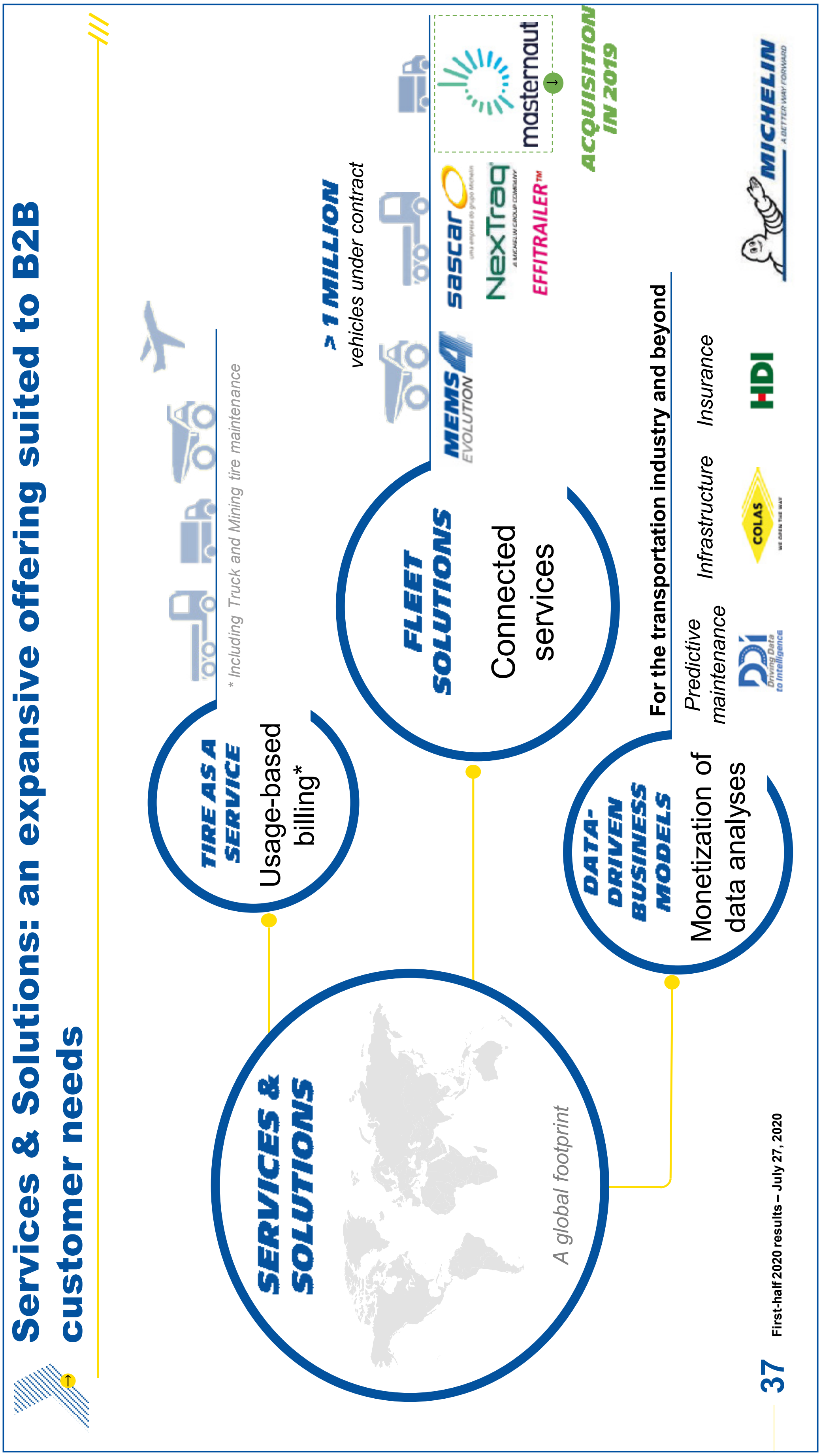
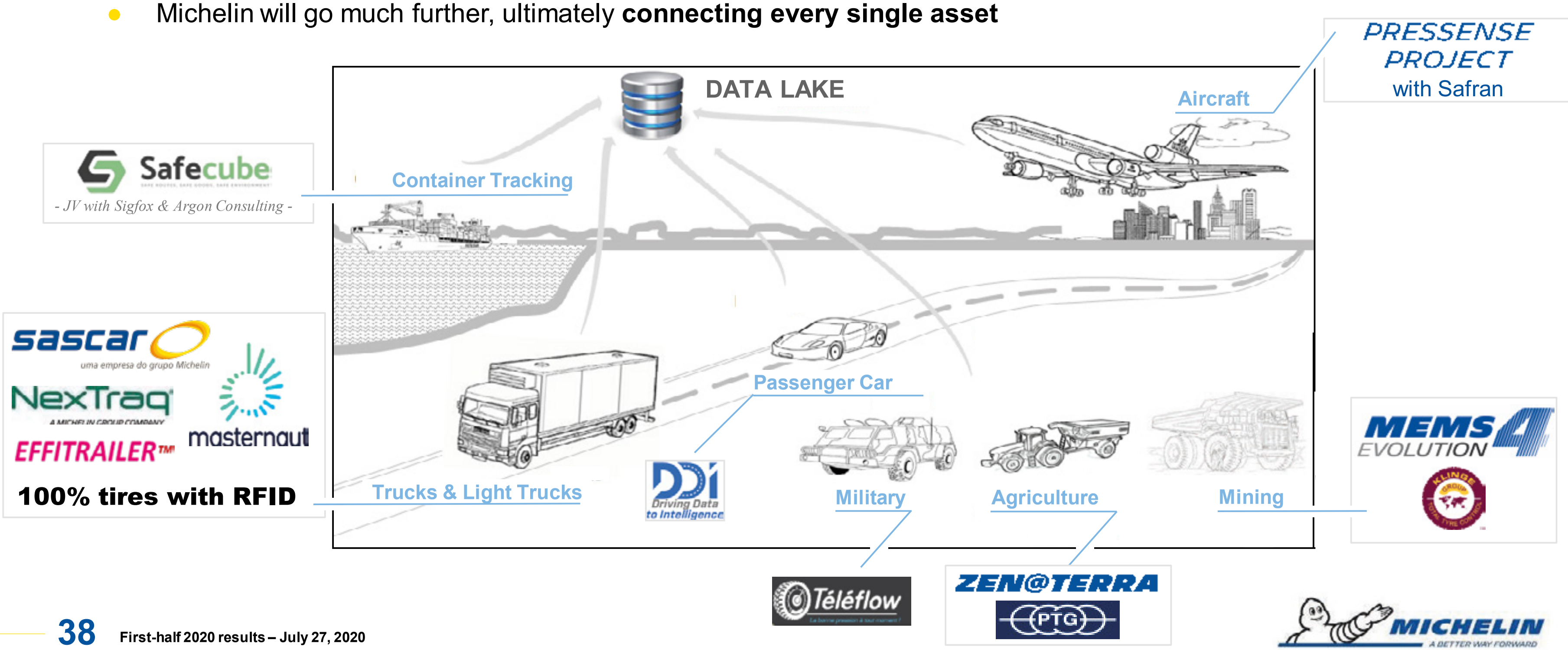

Services & Solutions: an expansive offering suited to B2B customer needs
SERVICES & SOLUTIONS
A global footprint
TIRE AS A SERVICE
Usage-based billing*
* Including Truck and Mining tire maintenance
FLEET SOLUTIONS
Connected services
> 1 MILLION
vehicles under contract
ACQUISITION IN 2019
DATA-DRIVEN BUSINESS MODELS
Monetization of data analyses
For the transportation industry and beyond
Predictive maintenance
Infrastructure
Insurance
37
First-half 2020 results – July 27, 2020

Our aim: deeply understand our customers to provide solutions that create greater value for all

- Data collection: a pre-requisite to building **predictive** capabilities
- Michelin begins this journey with a data lake that merges **unique historical data sets**
- Michelin will go much further, ultimately **connecting every single asset**



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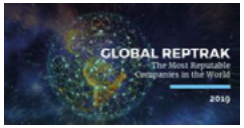
Maintaining our brand leadership and strengthening our B2C connection

NURTURING OUR STATUS AS A PREMIUM BRAND

8th most reputable company worldwide
Ranked **no.1** in the automotive sector
*BY 2019 GLOBAL REPTRACK®100**



DEVELOPING CURATION ACTIVITIES
that enable our customers to enjoy a unique mobility experience and make Michelin a trusted partner

Tablet.

"BY MICHELIN"

In 2019, a strategic international partnership agreement was signed with the aim of combining:

- *The gastronomic selection expertise of the **Michelin Guide***
- *The power of **TripAdvisor**'s global customer audience*
- ***TheFork**'s leading online restaurant booking platform*

tripadvisor · THE MICHELIN GUIDE · lafourchette a TripAdvisor company · MICHELIN A BETTER WAY FORWARD

** Reputation Institute*

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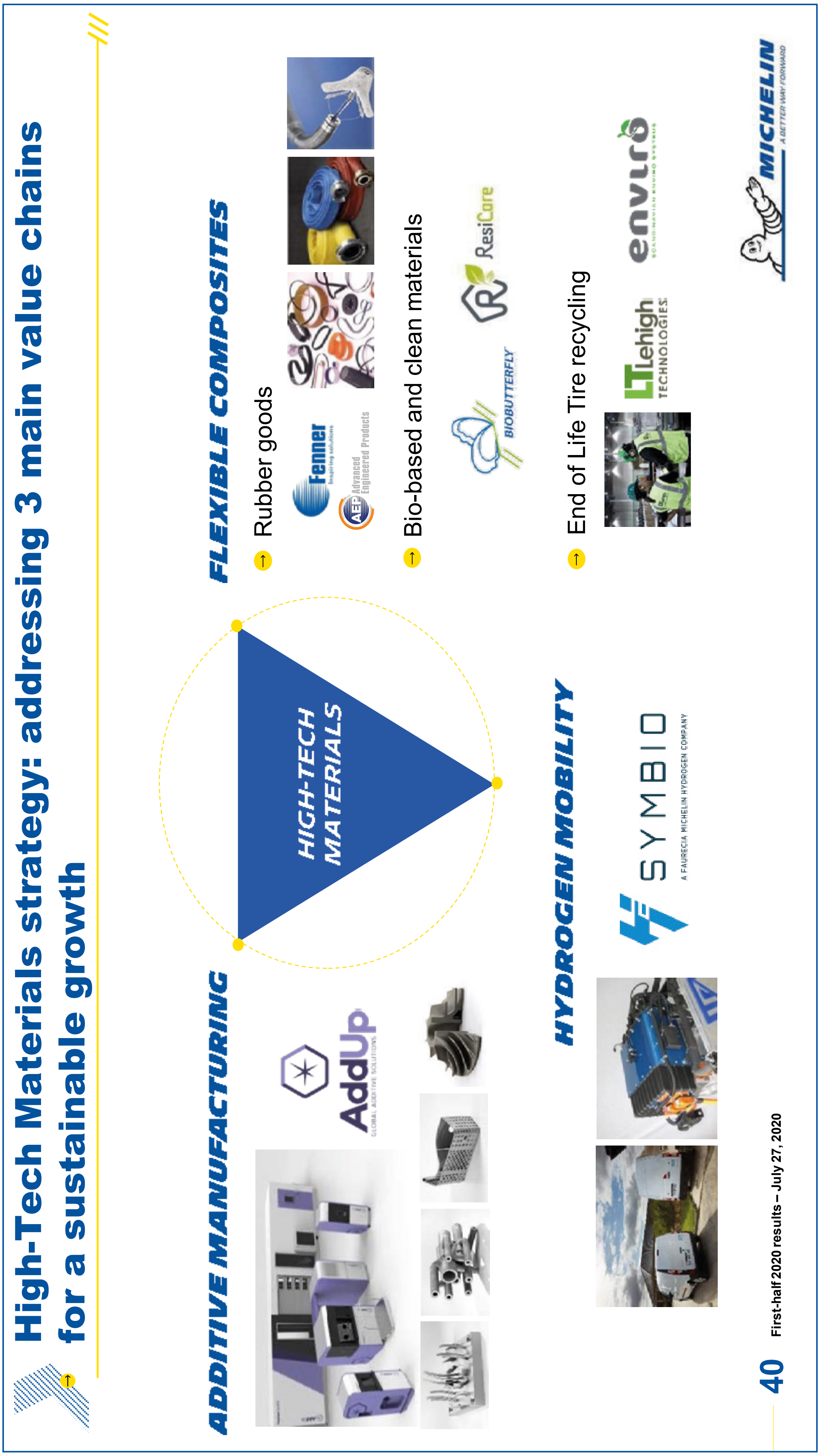
High-Tech Materials strategy: addressing 3 main value chains for a sustainable growth
ADDITIVE MANUFACTURING
AddUp
GLOBAL ADDITIVE SOLUTIONS
HIGH-TECH MATERIALS
HYDROGEN MOBILITY
SYMBIO
A FAURECIA MICHELIN HYDROGEN COMPANY
FLEXIBLE COMPOSITES
Rubber goods
Fenner
AEP Advanced Engineered Products
Bio-based and clean materials
BIOBUTTERFLY
ResiCare
End of Life Tire recycling
Lehigh TECHNOLOGIES
enviro
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First-half 2020 results – July 27, 2020

Michelin aims to become a world leader in hydrogen systems

- With its expertise in the hydrogen fuel cell technology, notably with Symbio, Michelin is accelerating the deployment of zero-emission mobility:
  - by partnering with Faurecia to create a leading hydrogen fuel cell system
  - by participating in the Zero Emission Valley project (Hympulsion) in France, involving public-private partners
  - by being a key stakeholder playing and a trusted third party in hydrogen mobility (Hydrogen Europe, Hydrogen Council, MOVIN'ON…)

SYMBIO
A FAURECIA MICHELIN HYDROGEN COMPANY

230
employees in 2020

€140M
will be committed by Michelin and Faurecia

3
Production facilities eventually: Europe, Asia and USA

÷ 20
the price of a battery + components in the future, (due to growing demand)

2030 outlook

25%
market share

€1.5BN
in sales

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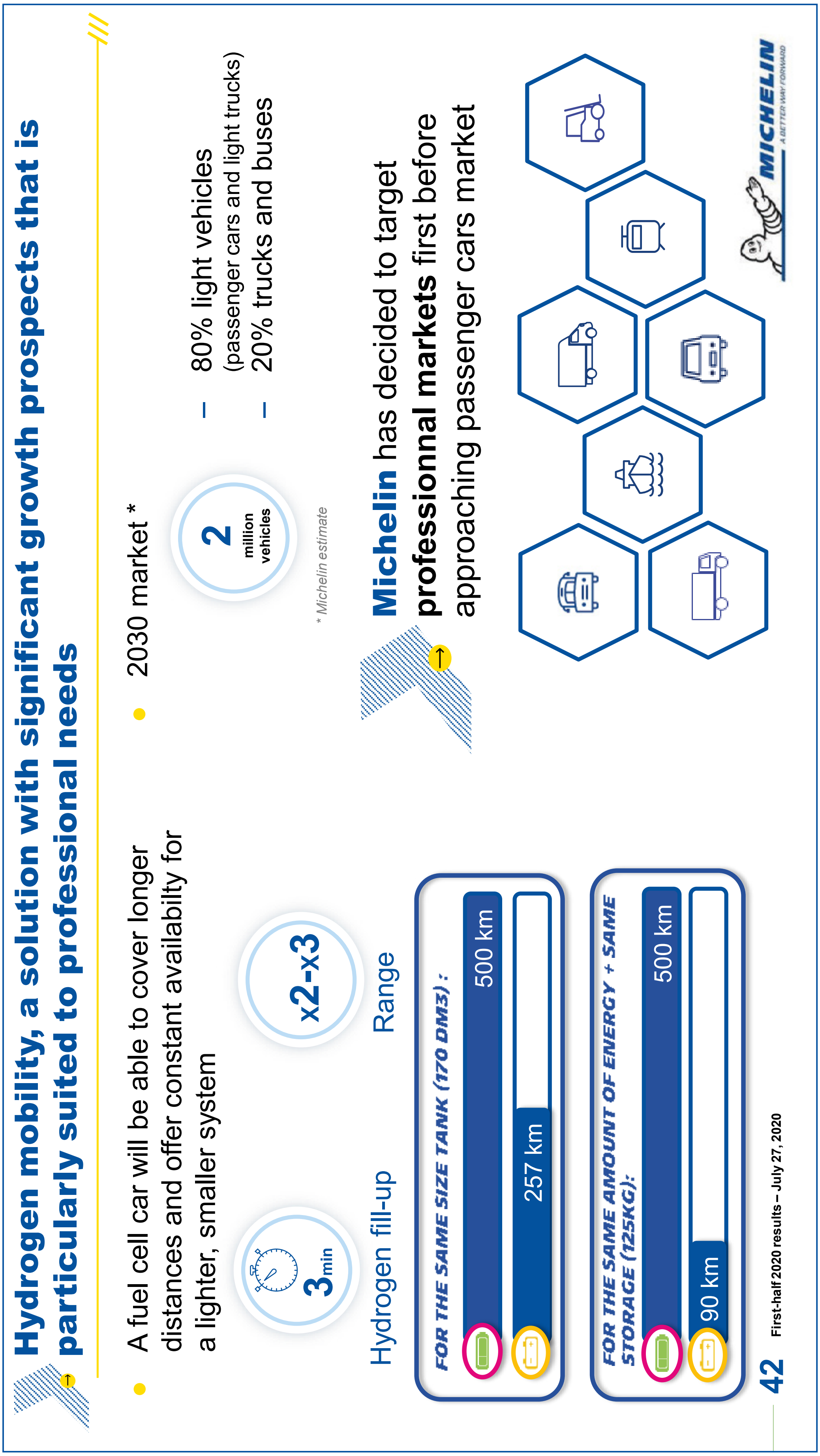
Hydrogen mobility, a solution with significant growth prospects that is particularly suited to professional needs
A fuel cell car will be able to cover longer distances and offer constant availabilty for a lighter, smaller system
3min
x2-x3
Hydrogen fill-up
Range
FOR THE SAME SIZE TANK (170 DM3) :
500 km
257 km
FOR THE SAME AMOUNT OF ENERGY + SAME STORAGE (125KG):
500 km
90 km
2030 market *
2 million vehicles
– 80% light vehicles (passenger cars and light trucks)
– 20% trucks and buses
* Michelin estimate
Michelin has decided to target professional markets first before approaching passenger cars market
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First-half 2020 results – July 27, 2020

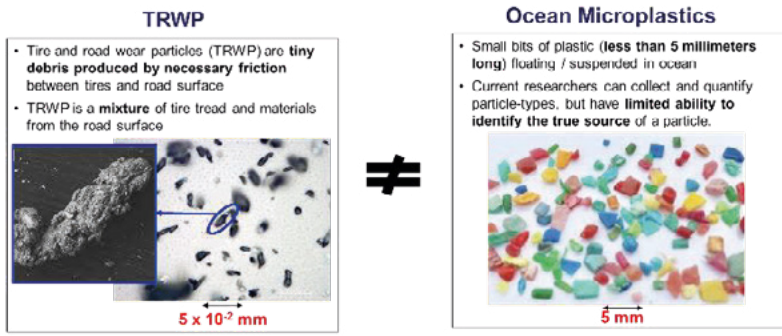
Michelin's non-financial ratings: a leading, and recognized player in sustainable mobility

- Major sustainability rating (As of June 30, 2020)

	CDP 2019	ECOVADIS 2019	ISS-OEKOM 2019	MSCI 2019	VIGEO EIRIS 2018	SUSTAINALYTICS 2018
Status	LEADERSHIP A- CLIMATE CHANGE A- WATER SECURITY CDP DISCLOSURE INSIGHT ACTION LEADERSHIP	GOLD GOLD 2019 ecovadis CSR Rating	PRIME Corporate Responsibility Prime rated by ISS-oekom	AA MSCI MSCI ESG RESEARCH LLC	A1+ A1+ vigeo eiris	OUTPERFORMER
Rating	A-	78/100	B-	7.4/10	68/100	77/100
Ranking / *Distribution of ratings*	*Climate change* A- MICHELIN score; C Light manufacturing; C Europe; C Global Average *Water security* A- MICHELIN score; B Light manufacturing; B Europe; B- Global Average	*Top 1%(natural rubber)*		CCC 8%; B 21%; BB 24%; BBB 16%; A 24%; AA 5%; AAA 3%	*1[er] of 31 in the sector* Company performance; Sector average performance Environment 71; Social 71; Governance 61	*7[ème] of 54 in the sector*

What are Tire and Road Wear Particles (TRWPs) ?

- TRWPs are tiny debris produced by the friction between tires and the road; this friction is what ensures grip and safety on the road
- The particles are a mixture of rubber and road surface minerals
- They have specific characteristics and behaviors
  - High density: 1.8
  - Big diameter: average size 100 µm
  - High degradability rate



- Scientific studies conducted to date at the request of TIP and ETRMA have shown that 2% to 5% of TRWPs reach estuaries and that around 1% of PM10 and PM2.5 present in the air would be from TRWPs

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The Group is strongly engaged on the topic of TRWP

The Michelin Group has a dual commitment to reducing abrasion:

- **Individually**, by reducing the abrasion of its own products:
  - by leveraging its materials expertise and a design culture/strategy focused on optimizing the use of raw materials and reducing their quantities (less wear, less raw materials) ;
  - by already working to define an ambitious target for reducing TRWP emissions from its tires in the coming years.
- **Collectively,** by collaborating with industry and public authority stakeholders to help introduce maximum abrasion limits and support deeper scientific understanding of TRWPs.

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Life cycle impact: taking action throughout the life cycle of our products

MANUFACTURING

Michelin strives to continuously reduce the environmental impact of manufacturing through its environmental management system and performance targets.

RAW MATERIALS

Michelin is responsibly developing its natural rubber supply and other sustainable materials.

LOGISTICS

Michelin leverages a variety of solutions to reduce its carbon footprint for transporting semi-finished and finished products

MATERIALS RECYCLING

Lehigh Technologies, a Michelin company, produces high-performance materials from end-of-life tires and other post-industrial rubber.

USE OF PRODUCTS AND SERVICES

REPRESENTS 63 % to 96% OF THE LIFE CYCLE IMPACT*

Michelin's innovations mean longer distances and higher performance with fewer materials and a smaller carbon footprint. Our services and solutions optimize tire use.

*depending on type of vehicle and environmental impact category

ENERGY RECOVERY

END OF LIFE

Michelin actively supports resource recovery and recycling systems for end-of-life tires with its stakeholders and industry partners around the world.

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Focus on circular economy

4R CIRCULAR ECONOMY

REDUCE

- Tire performances
- Services & Solutions
- Hydrogen fuel cell development
- Uptis & Vision projects
- Coal exit strategy
- Renewable energy purchasing ramp-up
- Global engagement & partnership (SBTi, Movin'On…)
- Biodiversity commitments
- Less transport, better transport and transport in a different way

REUSE

- Repair, regroove and retread tires
- Vision project

RECYCLE

- Recycle energy
- Collective approach: collect and recover tires
  - TIP
  - Regional associations
  - ELT companies
- Individual approach :
  - Recycle tires: Lehigh Technologies
  - Use tires into tires: Enviro, Lehigh Technologies
- Vision project

RENEW

- Biodiversity commitments
- Renewable materials projects
  - BioButterfly
  - BioImpulse
  - Natural rubber
- Vision project

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Proven ability to improve unit margin in a highly competitive market environment
Net impact of changes in the price-mix and raw material prices
(in € millions)
+264
+1,133
+103
+118
-93
+159
-70
+286
+324
2011
2012
2013
2014
2015
2016
2017
2018
2019
48
First-half 2020 results – July 27, 2020
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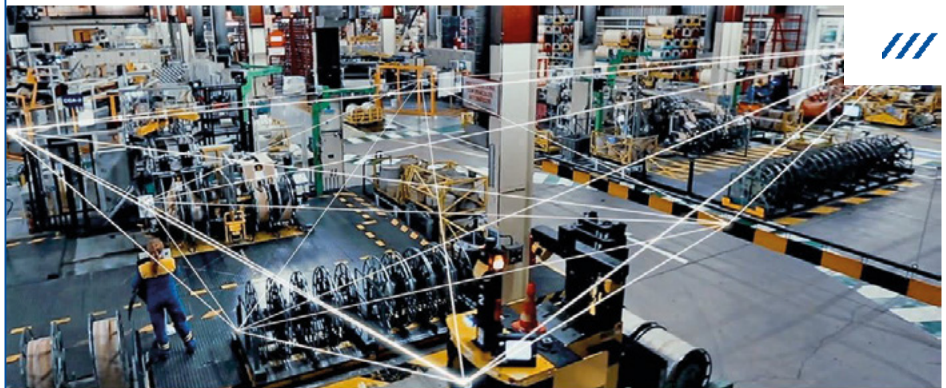
Beyond 2020: set up our manufacturing efficiency, boosting competitiveness gains

/// INDUSTRIAL FOOTPRINT

- Produce locally and increase flexibility
- Multistrada conversion from Tier 3 to Tier 2 production
- Increase the number and utilization of large plants (>100k tonnes)



/// PRODUCTIVITY GAINS

- Process standardization
- Empowerment deployment
- Simplexity
- Digital manufacturing

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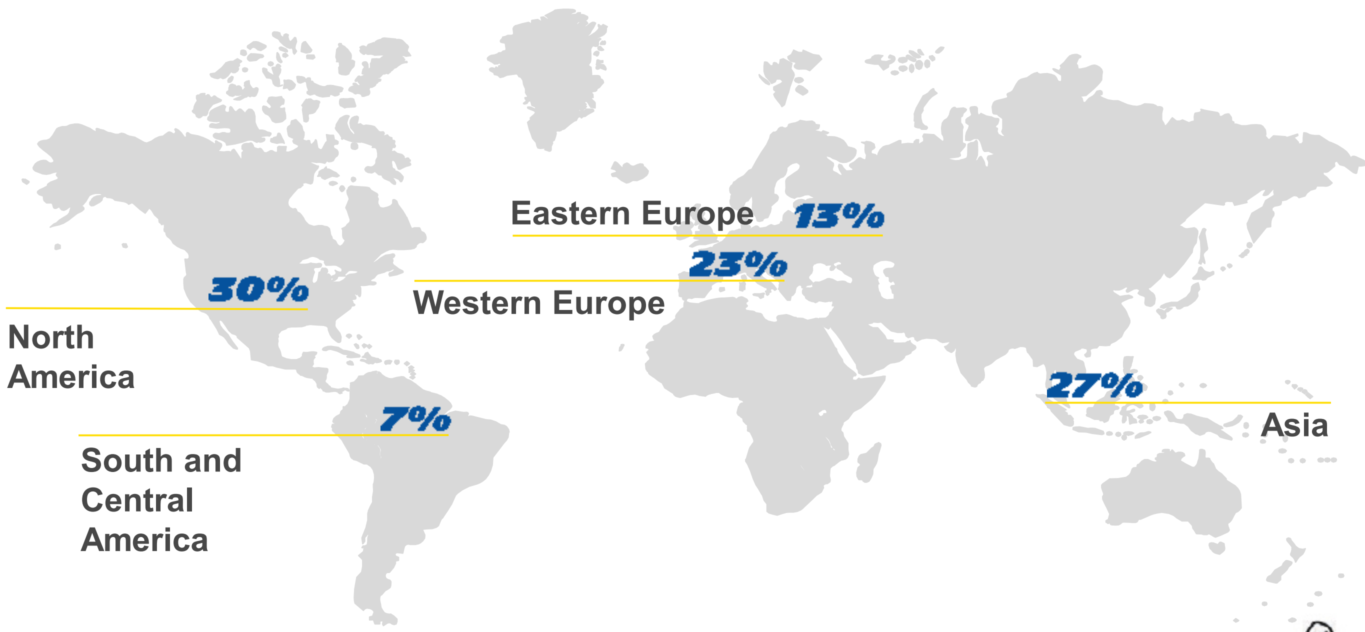
Continuing to rightsize Michelin's manufacturing footprint

- 2023 production capacity by region (in kt)

  Including Camso and Multistrada



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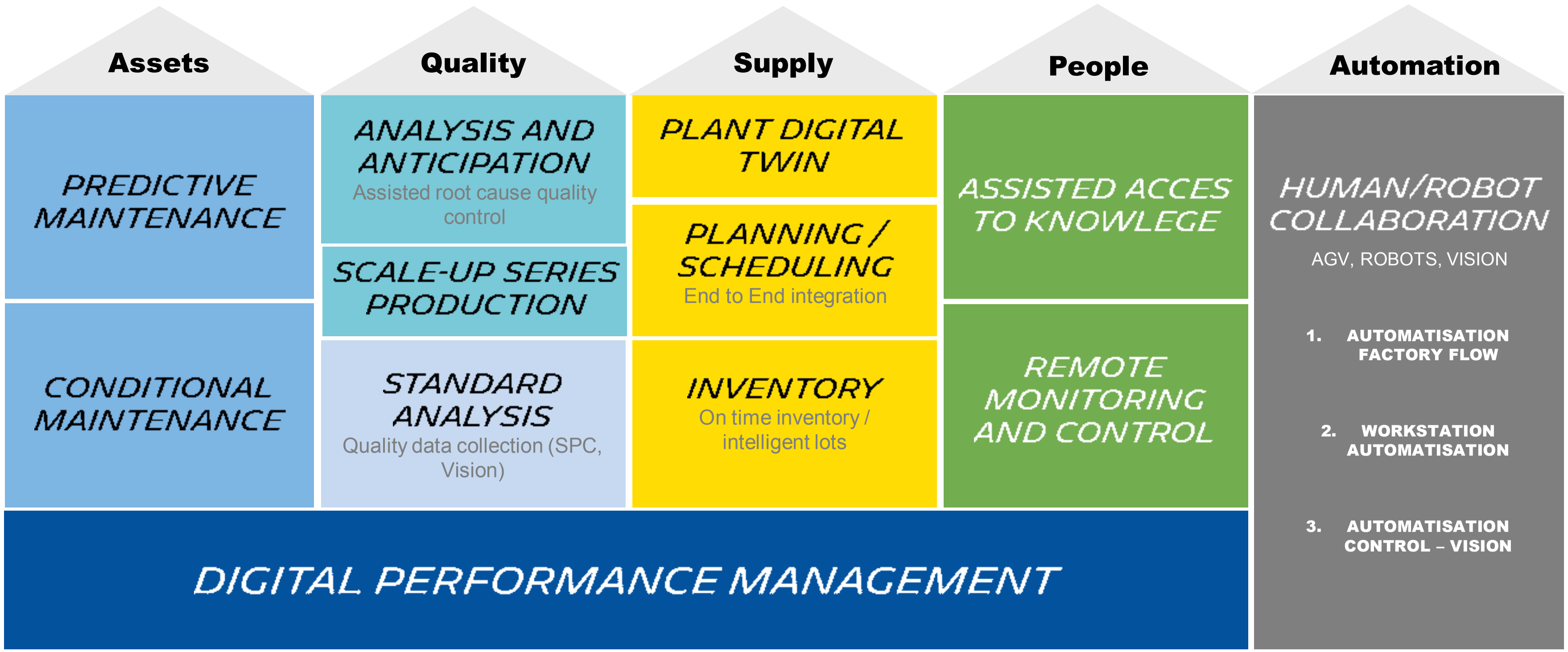
Digital manufacturing: 50 demonstrators launched



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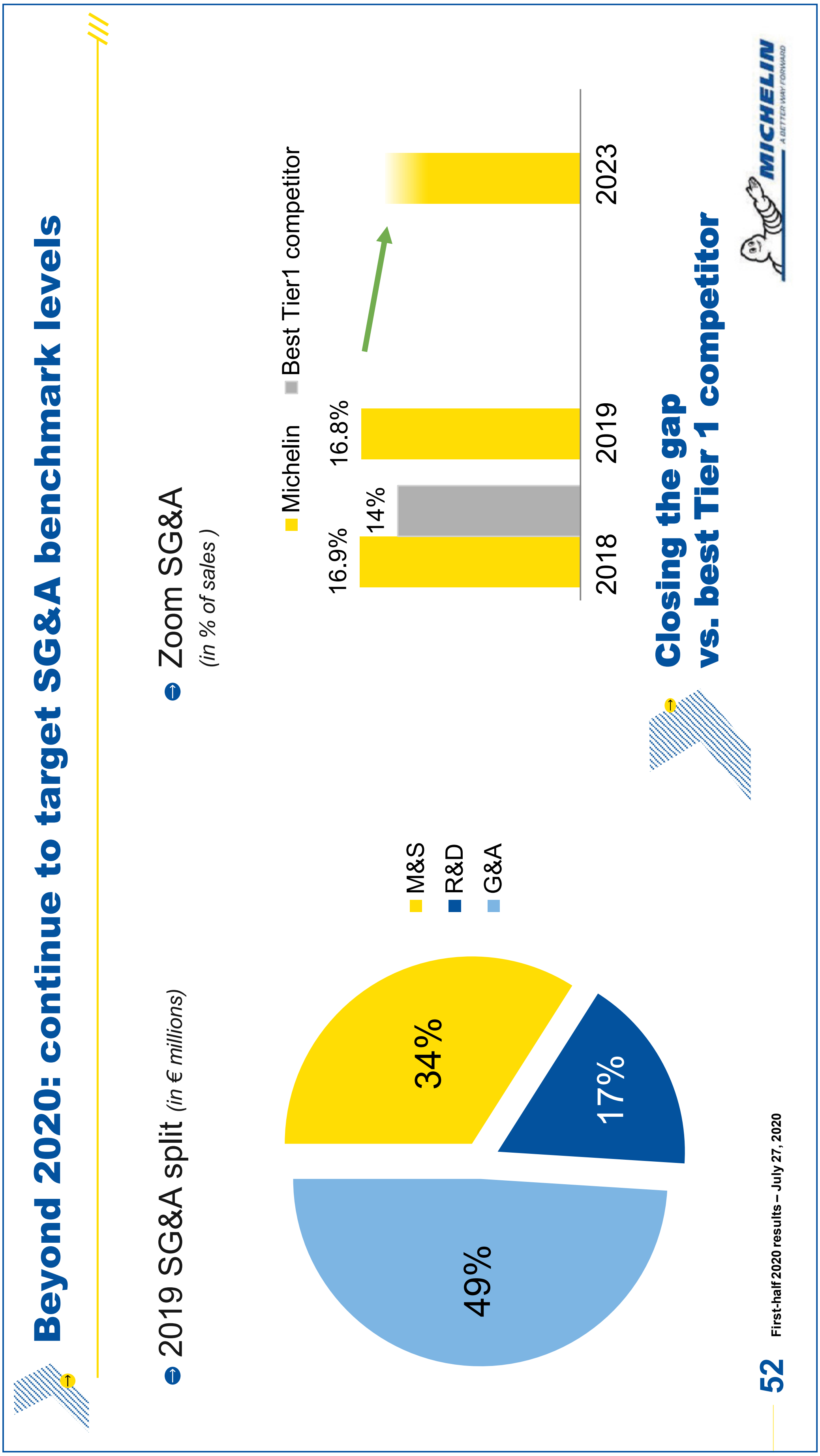
Beyond 2020: continue to target SG&A benchmark levels
2019 SG&A split (in € millions)
49%
34%
17%
M&S
R&D
G&A
Zoom SG&A
(in % of sales)
Michelin
Best Tier1 competitor
16.9%
14%
16.8%
2018
2019
2023
Closing the gap
vs. best Tier 1 competitor
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Levers to improve our SG&A structure
CORPORATE BUSINESS SERVICE IN BUCHAREST (EUROPE), QUERETARO (AMERICAS) AND, SHENYANG AND BANGKOK (ASIA)
CULTURAL TRANSFORMATION: SIMPLIFICATION AND FRUGALITY
COMPLETE THE DEPLOYMENT OF OUR BUSINESS MANAGEMENT PROGRAM (OPE)
CREATION OF MICHELIN TECHNOLOGY AND INNOVATION CENTER IN PUNE (INDIA)
STRENGTHENING OF OUR PURCHASING ORGANIZATION AND PROCESSES
VALUE STREAM MAPPING FOR LARGE CROSS-FUNCTIONAL PROCESSES
DIGITIZATION OF HR AND CRM PROCESSES
inTouch
ENGAGE
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First-half 2020 results – July 27, 2020
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Sales by currency and SOI impact

Currency	% of sales (June 30th LTM)	2020 H1 € change vs. currency	*Dropthrough* sales / ROS*
USD	37%	-2%	40% / 50%
EUR	31%	-	-
CNY	6%	1%	25% / 30%
AUD	3%	5%	80% / 85%
GBP	3%	0%	25% / 30%
BRL	3%	23%	-30% / -20%
CAD	3%	0%	25% / 30%
RUB	2%	3%	25% / 30%
JPY	1%	-4%	80% / 85%

Currency	% of sales (June 30th LTM)	2020 H1 € change vs. currency	*Dropthrough* sales / ROS*
CLP	1%	17%	80% / 85%
MXN	1%	9%	25% / 30%
THB	1%	-3%	-130% / -100%
TRY	1%	12%	80% / 85%
SEK	1%	1%	80% / 85%
TWD	0.6%	-6%	80% / 85%
ZAR	0.4%	13%	80% / 85%
ARS	0.4%	52%	80% / 85%
COP	0.2%	12%	80% / 85%
Others	4.4%	-	-

*actual dropthrough linked to the export/manufacturing/sales base

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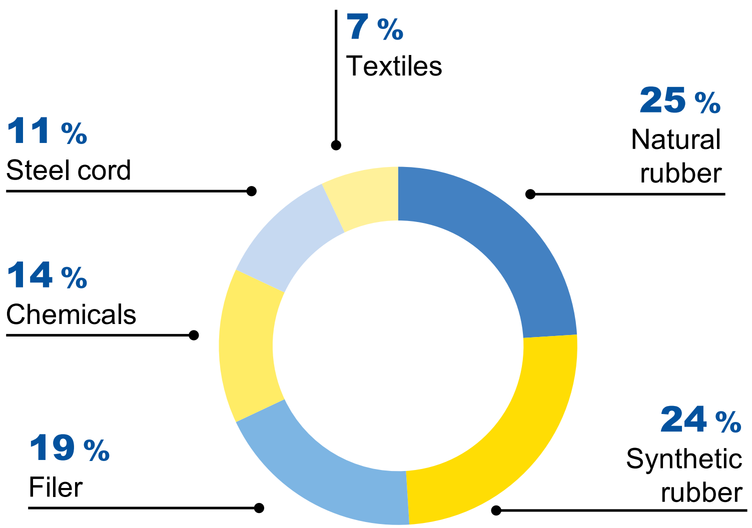
Raw materials

Raw material purchases in H1 2020 *(€1.8bn)*

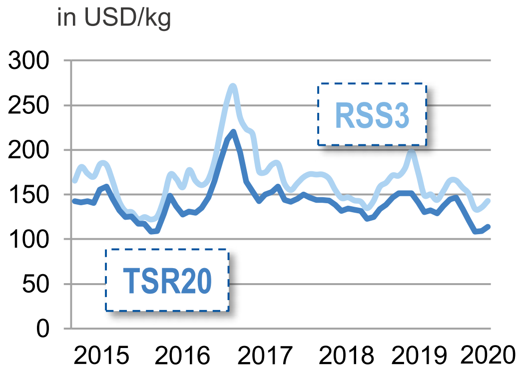


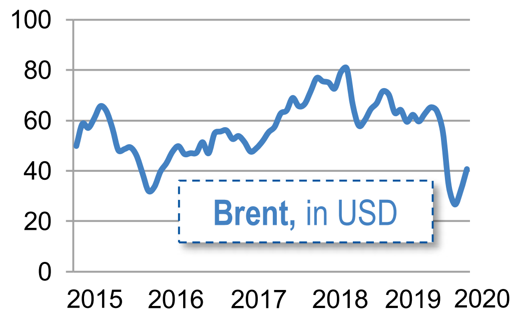
€/$ exchange rate:

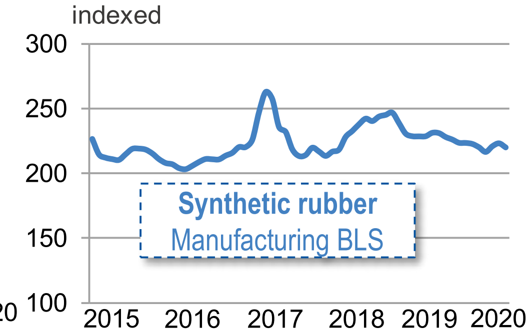
Average H1 2019 : **1.130**

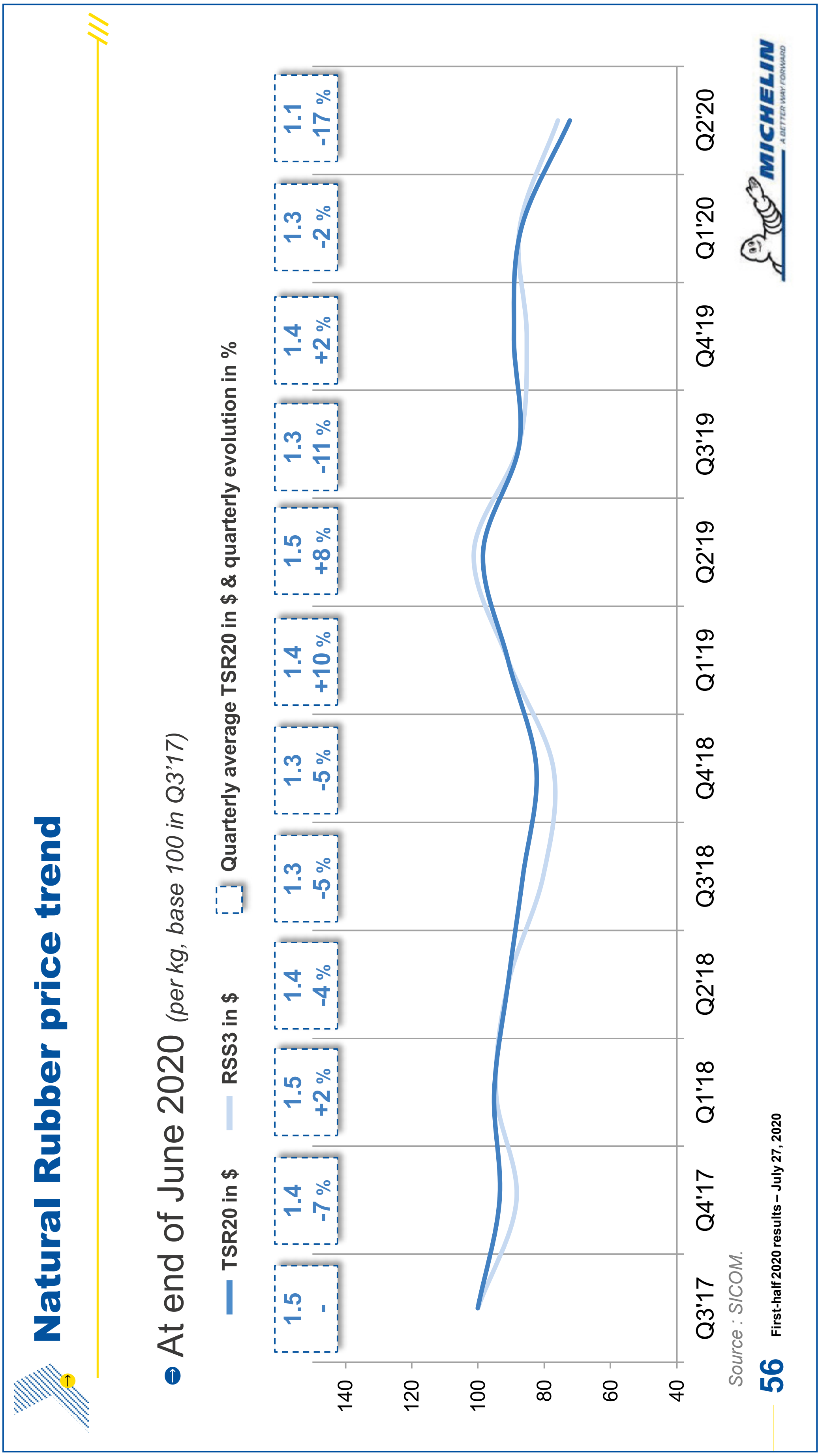
-2.5 %

Average H1 2020 : **1.102**








Natural Rubber price trend
At end of June 2020 (per kg, base 100 in Q3'17)
TSR20 in $
RSS3 in $
Quarterly average TSR20 in $ & quarterly evolution in %
1.5 -
1.4 -7 %
1.5 +2 %
1.4 -4 %
1.3 -5 %
1.3 -5 %
1.4 +10 %
1.5 +8 %
1.3 -11 %
1.4 +2 %
1.3 -2 %
1.1 -17 %
140
120
100
80
60
40
Q3'17
Q4'17
Q1'18
Q2'18
Q3'18
Q4'18
Q1'19
Q2'19
Q3'19
Q4'19
Q1'20
Q2'20
Source : SICOM.
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First-half 2020 results – July 27, 2020
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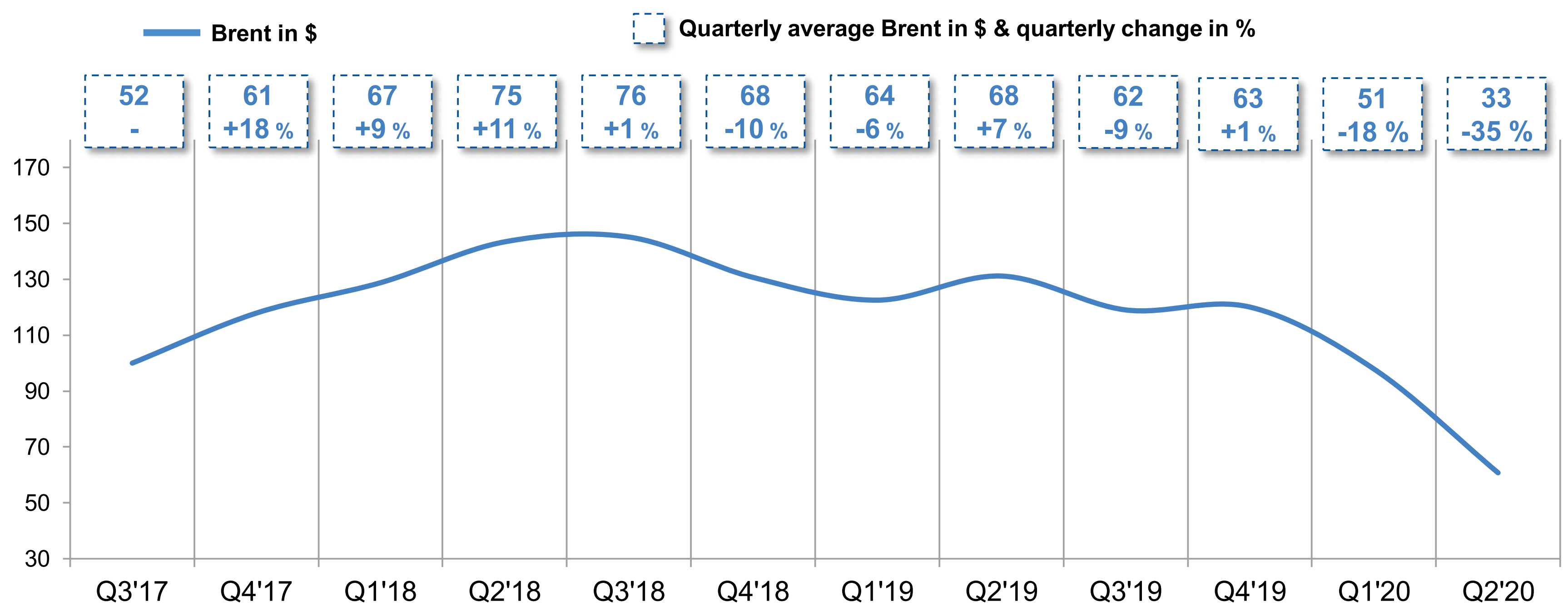
Brent price trend

At end of June 2020 *(per barrel, base 100 au Q3'17)*



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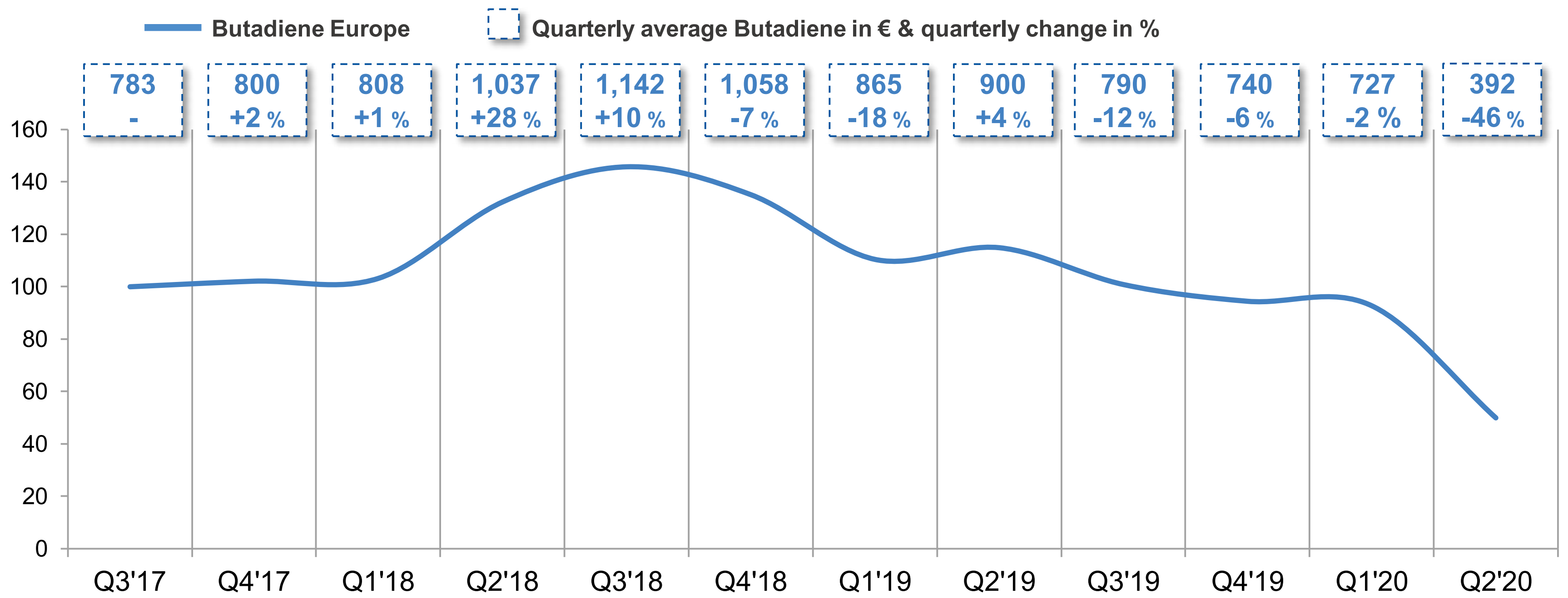
Butadiene price trend

- At end of June 2020 *(per ton, base 100 in Q3'17)*



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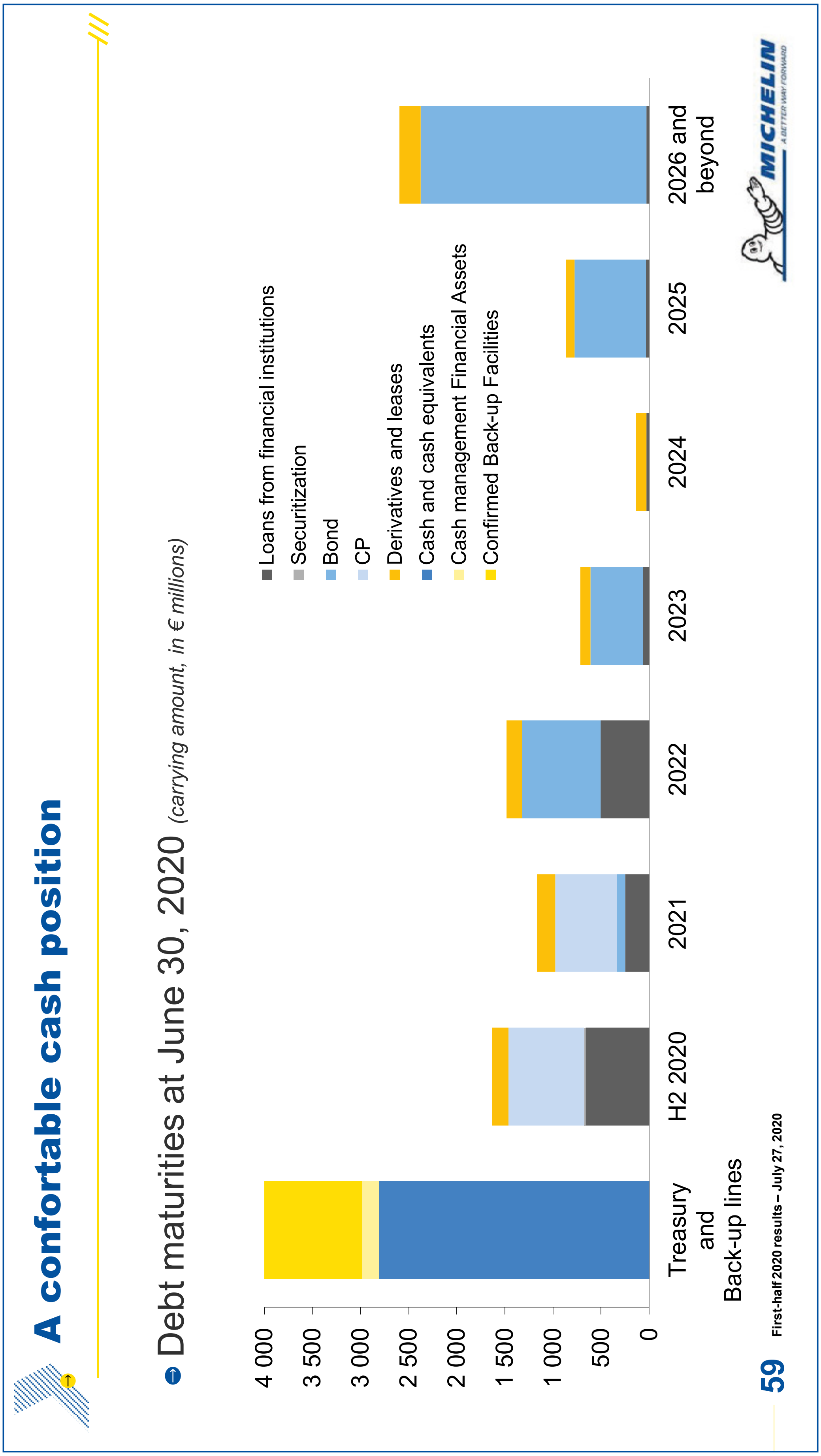
A confortable cash position
Debt maturities at June 30, 2020 (carrying amount, in € millions)
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
Treasury and Back-up lines
H2 2020
2021
2022
2023
2024
2025
2026 and beyond
Loans from financial institutions
Securitization
Bond
CP
Derivatives and leases
Cash and cash equivalents
Cash management Financial Assets
Confirmed Back-up Facilities
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First-half 2020 results – July 27, 2020
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A BETTER WAY FORWARD

Outstanding bond issues (as of June 30, 2020)

Issuer	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg	MICHELIN Luxembourg
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Bond	Bond	Bond	Convertible	Convertible	Bond	Bond	Bond
Principal Amount	€ 750 mn	€ 1'000 mn	€ 750 mn	$ 600 mn	$ 500 mn + TAP $100 mn	€ 209 mn + TAP € 93 mn	€ 300 mn	€ 300 mn
Offering price	99,099%	99,262%	99,363%	95,50%	100% & 103,85%	98.926% & 118.66 %	99,967%	99,081%
Rating corporation at Issuance date	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	at issuance : BBB+ (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)
Current corporation rating	A- (S& P) ; A3 (Moody's) ; A- (Fitch) --- as of 01/July/2020, S& P and Fitch are sollicitated agencies							
Coupon	0,875% p.a	1,75% p.a	2,50% p.a	ZERO Conv premium 130%	ZERO Conv premium 128%	3,25% p.a	1,125% p.a	1,75% p.a
Issue Date	3-Sept.-18	3-Sept.-18	3-Sept.-18	05/Jan/2018	05/Jan/2017 & 25/Apr/2017	21/Sep/2015 & 27/Sep/2016	19-May-15	19-May-15
Maturity	3-Sept.-25	3-Sept.-30	3-Sept.-38	10-Nov.-23	10-Jan.-22	30-Sept.-45	28-May-22	28-May-27
Interest payment	Annual Sept 03	Annual Sept 03	Annual Sept 03	N/A	N/A	Annual Sept 30	Annual May 28	Annual May 28
ISIN	FR0013357845	FR0013357852	FR0013357860	FR0013309184	FR0013230745	XS1298728707	XS1233732194	XS1233734562
Denomination	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	$ 200'000 with min. tradable amount $ 200'000	$ 200'000 with min. tradable amount $ 200'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000

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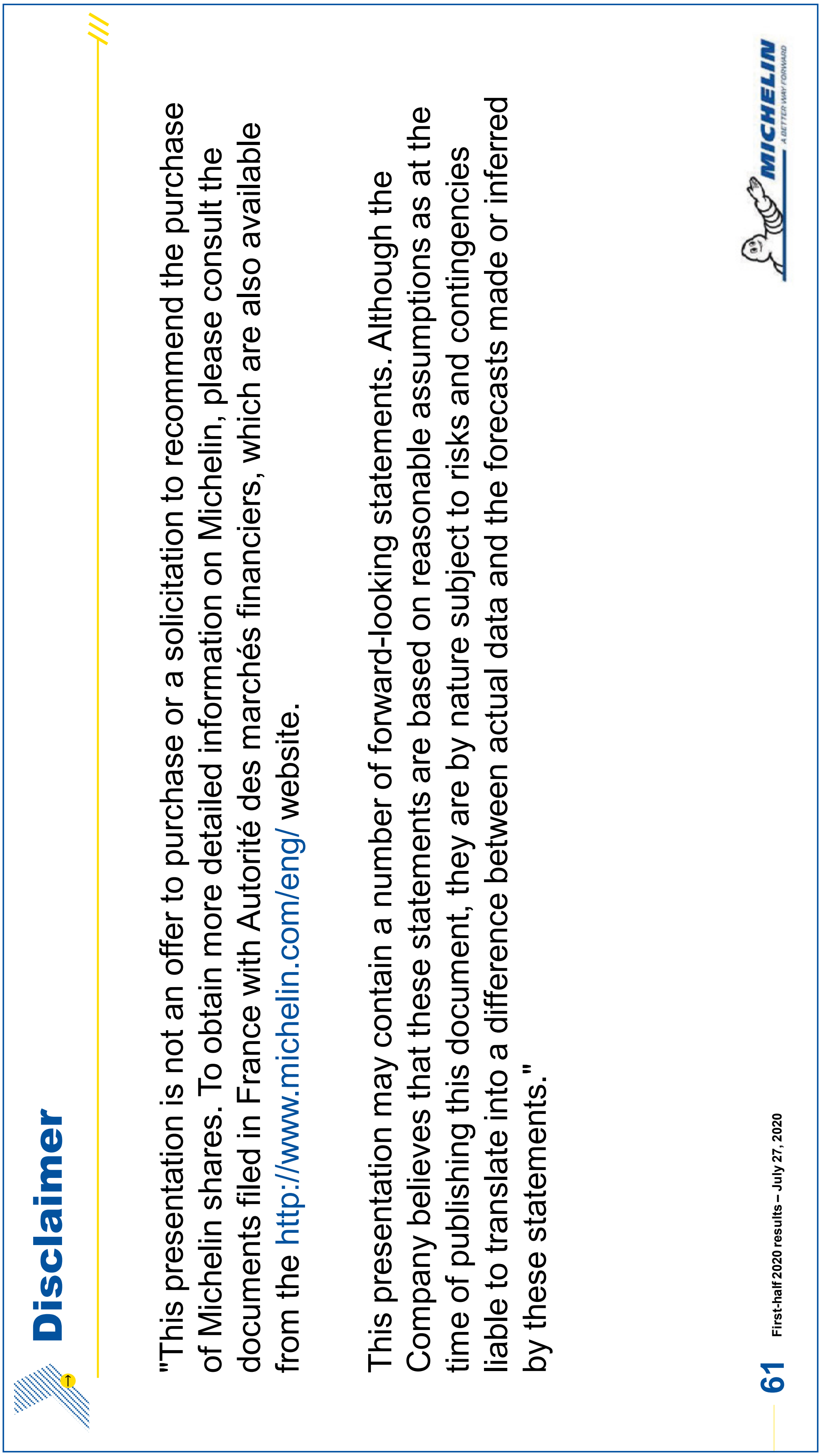
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Contacts

Edouard de PEUFEILHOUX
Humbert de FEYDEAU
Pierre HASSAÏRI

+33 (0)4 63 21 56 90

27, cours de l'île Seguin
92100 Boulogne-Billancourt – France

23, place des Carmes Dechaux
63040 Clermont-Ferrand Cedex 9

investor-relations@michelin.com

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03. REPORT OF THE MANAGERS

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S FINANCIAL POSITION AT JUNE 30, 2020

Background

/ Review of the information released by the Group during the first six months of the year

When presenting its 2019 results on February 10, 2020, the Group issued its guidance for 2020 excluding any impacts from a systemic crisis caused by Covid-19 (see section 3.1.7 "Outlook" in the 2019 Annual Results Guide, issued at the same time as the results).

On March 18, 2020, at 6:10 pm CET, the Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility, at that time, of assessing the potential impact, and consequently, the financial ambitions of its 2020 plan.

The March 18 press release read in part as follows(1):

"Covid-19 Health Crisis: The Michelin Group is responding to prevailing market conditions and deploying the measures required to attenuate the impact of this systemic crisis.

Tire market data as of end-February 2020, released today by the Michelin Group, show the initial impact of the Covid-19 public health crisis, with the global Passenger car and Light truck tire market down 9% year-on-year and the Truck tire market down 16%.

First of all, the Group is taking all the measures required to safeguard the health of its employees, in close cooperation with local authorities in every host country. The Group has decided to close, for at least one week, its production facilities located in the European countries most affected so far by the pandemic.

When presenting its 2019 results, the Group issued its guidance for 2020 excluding the systemic effects of the Covid-19 crisis. Now that the global economy is in the midst of a systemic crisis, the Group's 2020 guidance is no longer relevant, without any possibility at present of assessing the potential impact. The Group is taking all of the initiatives required to attenuate as much as possible the negative consequences of the crisis on segment operating income and free cash flow. In addition, the Group has the sources of financing in place to deal with the uncertainty surrounding the crisis. […]"

On April 1, 2020, the Group issued a press release announcing that the dividend to be submitted to shareholder approval at the Annual Shareholders' Meeting, which had been postponed until June 23, 2020, would be reduced to €2.00 from the initially recommended €3.85.

The April 1 press release read in part as follows(1):

"Michelin will hold its Annual Shareholders Meeting behind closed doors on June 23, 2020 and is reducing the amount of the proposed 2019 dividend to €2 versus €3.85 initially. […]

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. […]

In a commitment to optimally balance the interests of all its stakeholders, the Group has decided to reduce the amount of the proposed 2019 dividend to €2, compared with the initially announced €3.85, with payment scheduled for July 3, 2020. […]"

When it released its first-quarter sales figures, after close of trading on April 29, the Group described the initial impact of the health crisis on its business and presented the initiatives undertaken to protect the health of its employees and attenuate the impact of the crisis on segment operating income and free cash flow. At the same time, the Group reaffirmed that its finances remained robust, noting that it had sufficient cash and cash equivalents to weather the crisis without having to draw down its confirmed lines of credit, even if demand were to collapse by 35% over the year. As of late April, the future direction of the health crisis remained too uncertain to issue any reliable market forecasts and a related profit scenario.

The April 29 press release read in part as follows(1):

"In the first quarter of 2020, at a time of systemic crisis due to Covid-19, Michelin saw an 8.3% decline in sales and deployed the measures needed to attenuate the impact of the crisis on employee health and the Group's business.

In response to the pandemic, Michelin first focused on safeguarding the health of its employees and their families by implementing all of the recommended precautions. The Group is actively engaging with its host communities in every country, offering its technological expertise, repurposing its production capacity and donating both equipment and funding.

Global tire demand dropped in the first quarter, as lockdown policies gradually spread around the world, impacting every business segment.

- *Passenger car and Light truck tire markets dropped 15% after carmakers suspended production and consumers went into isolation.*
- *Truck tire markets fell by 17% year on year.*
- *In the Specialty businesses, certain mining markets and the Replacement agricultural tire markets showed some signs of resilience.*

First-quarter sales declined by 8.3% year on year at current exchange rates [...].

To mitigate the financial impact of the impending deep recession, in mid-March the Group implemented the following measures:

- *tracking supply and demand on a weekly basis to keep inventory under control;*
- *reducing capital expenditure by €500 million;*
- *reducing the dividend submitted to shareholder approval by €330 million;*
- *suspending the share buyback program, except for the firm commitments outstanding for 2020;*
- *reducing overhead costs.*

In addition, the Group reaffirms that it has the sources of financing in place 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 confirmed back-up lines of credit.

[…]

So far, the direction of the pandemic and its economic impacts remain too uncertain to issue any reliable market forecasts and a related profit scenario. […]"

(1) The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.

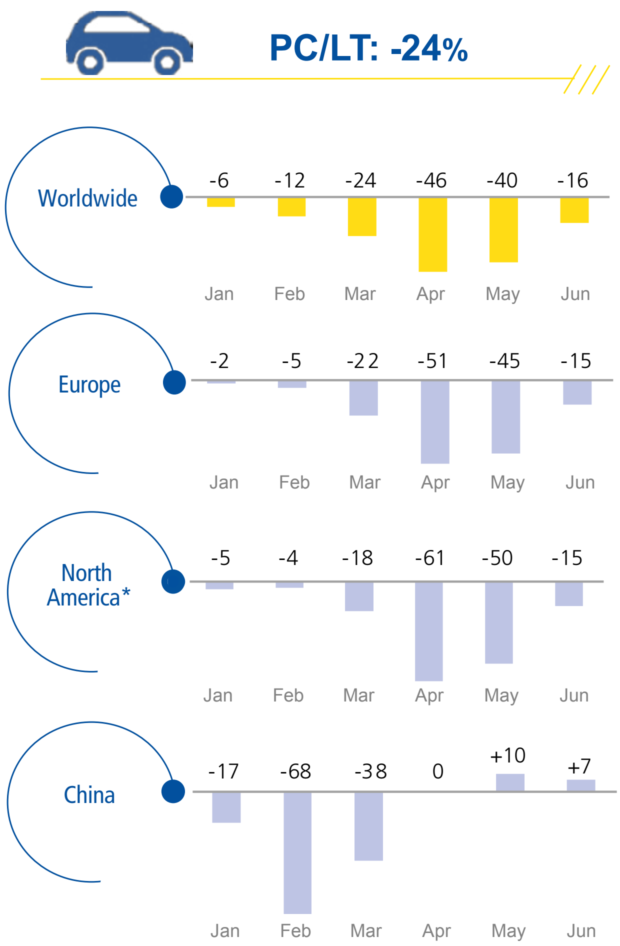
On June 23, the Group's Annual Shareholders' Meeting was held behind closed doors and broadcast live on the ag2020.michelin.com website. During the Meeting, Yves Chapot, Manager and Chief Financial Officer, again emphasized the strength of the Group's finances, noting in particular that the three leading credit rating agencies – S&P, Fitch Ratings and Moody's – had all confirmed the Group's ratings on May 14, 19 and 29, 2020 respectively[(1)].

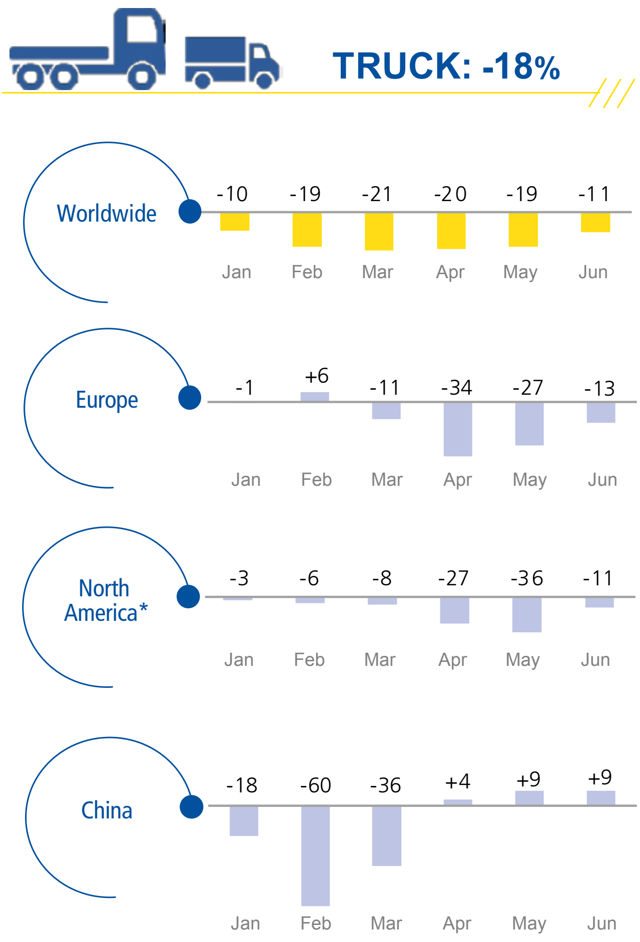
/ Market review for the six months ended June 30, 2020

The health crisis and the lockdown policies applied by governments in most countries around the world led to an unprecedented slowdown in economic activity in the first half of the year, resulting in a steep plunge in tire demand in every geography and most of the business segments.

Worldwide, business in the Passenger car and Light truck and Road transportation segments hit a low point in the first quarter in China but in the second quarter in Europe and North America. Details of demand in each market may be found in section 3.1 Tire markets below.

The following charts summarize the change in demand in the Passenger car and Light truck and Road transportation businesses in the first-half 2020, month by month, in the leading geographies, as well as the general trend in the Specialty businesses.





Source: Michelin.
** Including Central America for OE.*

(1) *Details of the Group's ratings by S&P, Fitch Ratings and Moody's may be found on page 104 below.*

Initiatives undertaken to attenuate the impact of the crisis on current and future performance

From the very first signs of the Covid-19 pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees, and doing everything in its power to ensure business continuity.

/ Protecting the health and safety of employees

Very quickly, the Group responded by implementing effective health and safety protocols to protect its employees and curb the spread of the virus.

In mid-March, for example, the Group decided, in liaison with international and host country authorities, to temporarily suspend part of its manufacturing operations in India, Europe and North America.

By early April, some of these operations were able to reopen, particularly in Italy and France, so as to meet customer demand and ensure continuity of the public services that were playing a critical role in fighting the pandemic. In this way, the Group could help to restart the economy, without in any way compromising the absolute priority focus on safeguarding everyone's health.

Beginning in mid-April, all of the European plants gradually resumed their manufacturing operations to meet demand. Capacity utilization varied significantly by business, with the lowest rates in Aircraft tires and the highest in Surface Mining and Agricultural tires.

A lack of demand forced a number of North American Passenger car and Light truck tire plants to shut down in late April, but they have since restarted production.

As of the end of June, all of the Group's production plants were up and running.

In the case of the facilities in Dundee, Scotland and La Roche-sur-Yon in France, which were scheduled to close in mid-2020 and end-2020 respectively, the Group chose not to reopen them for such a short period after the health-related shutdown ended.

Health precautions were tightened in every plant and workshop. Employees were instructed to wear a mask whenever appropriate, equipment was installed to enable everyone to wash their hands frequently (with soap or sanitizer), premises and workspaces were regularly disinfected and social distancing rules were applied when necessary.

Supported by the exceptional commitment of its employees, the Group was also able to quickly produce surgical masks and hand sanitizer at many manufacturing facilities in Europe, thereby adding to its purchased stocks.

All these protective measures resulted in additional costs during the first half.

The cost of purchasing and producing masks and sanitizer amounted to €77 million for the period[1]. In the plants, the distancing rules prohibiting, for example, people from physically mingling during shift changes, had an adverse impact on productivity by slowing the pace of production.

When combined with the period's generally weak output, which fell to the point where certain normally variable costs became irreducible, this decline in productivity hindered the Group's ability to cover its fixed costs and thereby increased the sensitivity of segment operating income to changes in volumes. As of June 30, the sensitivity of segment operating income to a one percentage point change in volumes has been estimated at an annualized €136 million. In "normal" times, i.e., when overall volumes are expanding by 1% to 3% a year, this sensitivity is closer to €80 million for each percentage point of change.

(1) *See section 3.3.1.*

While the plants were closed, the Group received financial support from governments to help fund employee furloughing programs. These grants, which totaled €140 million for the first half[(1)], were factored into the above-mentioned sensitivity calculations.

The Group has not requested any other form of public support to get through the crisis, such as government-backed loans or longer payment deadlines.

Michelin also took steps to make a portion of its masks more widely available, through a donations program to support health authorities and emergency services in all of its host communities. Thanks to Michelin's expertise in metal and plastic 3D printing, the Group was also able to launch production of parts for ventilators, thousands of sterilizable polycarbonate visors, as well as hospital beds to enhance breathing for Covid-19 patients.

Moreover, hundreds of outreach initiatives were organized around the world, including tire donations, free maintenance services for emergency vehicles, financial contributions and individual support.

/ Protecting the sustainability of Group operations by limiting the impact of the crisis on segment operating income and free cash flow

In addition to the financial measures described in the first-quarter sales press release[(1)], the Managers decided to reduce their April, May and June 2020 fixed compensation and their 2019 variable compensation by 25%. The Chairman and the independent members of the Supervisory Board have donated 25% of their 2019 compensation to foundations dedicated to fighting Covid-19. Lastly, depending on local situations, wage increases for employees have been frozen.

The capital expenditure budget has been reduced by €500 million, or around 30% of the initially planned outlays for the year. This decision was taken in a commitment to striking the right balance between preserving the Group's cash holdings for the year and maintaining its ability to support innovation and development projects. For example, a large portion of the projects designed to increase plant productivity and efficiency were maintained, as were projects to improve safety and ergonomics. On the other hand, capacity expansion projects were suspended in response to the sharp slowdown in demand[(2)].

Moreover, from the beginning, the Group chose to honor its commitments to all its partners, with a constant concern for protecting the most vulnerable.

In the case of suppliers, this initiative involved, for example, supporting the natural rubber value chain by maintaining order volume in excess of what was needed to meet demand.

These measures have mitigated the impact of the crisis on the bottom line of smallholders and other rubber tree farmers, so that they have been able to stay in business. As of the day before this document was published, the Group has not identified any supply continuity risks[(3)].

In addition, Michelin has supplied masks and safety equipment to its customers and distributors, enabling them to conduct their activities in the best possible conditions.

/ Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of June 30, 2020:

- €2.8 billion in cash and cash equivalents (note 12.3 to the condensed interim consolidated financial statements);
- €0.2 billion in cash management instruments (note 12.3 to the condensed interim consolidated financial statements);
- a €2.5 billion commercial paper program, drawn down by €1.4 billion at June 30, 2020 (note 12.3 to the condensed interim consolidated financial statements);
- a $0.7 billion commercial paper program, drawn down by $50 million at June 30, 2020 (note 12.3 to the condensed interim consolidated financial statements);
- a €0.5 billion factoring program, activated when there are sufficient trade receivables of high enough quality, and drawn down by €15 million as of June 30, 2020 (note 12.3 to the condensed interim consolidated financial statements);
- €1.5 billion in undrawn confirmed lines of credit (note 12.3 to the condensed interim consolidated financial statements).

To manage liquidity and counterparty risks as diligently as possible, the Financial Risks Committee met once a week in March and April, and then every two weeks in May and June, as the decisions taken early the crisis began to have an impact. This organization made it possible to agilely manage and optimize routine outlays, capital expenditure and working capital. These exceptional liquidity risk management measures were deployed in addition to the ongoing systems described in note 33.2 to the consolidated financial statements in the 2019 Universal Registration Document.

Moreover, the stress tests based on a deep, prolonged market downturn, whose results were published by the Group on April 29, 2020, were updated to assess the Group's ability to meet its financial commitments given its sources of financing. The worst-case scenario assumed a 20% decline in demand in the second half of 2020 followed by a 4% upturn in 2021.

The tests demonstrated that with all the financing mechanisms described above and the measures introduced to attenuate the negative impact of the crisis on segment operating income and free cash flow, the Group will be able to withstand any developments as the crisis unfolds, without withdrawing on its confirmed lines of credit.

(1) Details of these financial measures may be found in the April 29 press release presented on page 78 above.
(2) See section 3.5.2.
(3) See the section on the "Impact of the health crisis on the risk factors specific to the Group", page 82 below.

In May, at the Group's request, the S&P and Fitch Ratings agencies confirmed their short-term and long-term credit ratings for CGEM and CFM, attesting to the Group's financial strength. Moody's, whose ratings have not been solicited since July 1, 2020, also confirmed CGEM and CFM's long-term credit ratings on May 14, 2020.

Rating	Agency	CGEM	Updated on
Short term	Standard & Poor's	A-2	May 19, 2020
	Fitch Ratings	F2	May 29, 2020
Long term	Standard & Poor's	A-	May 19, 2020
	Fitch Ratings	A-	May 29, 2020
	Moody's	A3	May 14, 2020
Outlook	Standard & Poor's	Negative	May 19, 2020
	Fitch Ratings	Stable	May 29, 2020
	Moody's	Stable	May 14, 2020

In conclusion, the Group is not exposed to any particular liquidity risk and the Group's going concern status is not in doubt.

Impact of the health crisis on the risk factors specific to the Group

To a certain extent, the current health crisis and the way it has unfolded has exacerbated a number of risks or classes of risks specific to the Group, such as business interruption or continuity of supply. On the other hand, the crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in section 2 "Risk Management" of the 2019 Universal Registration Document.

The supply chain encountered disruptions during the first half, but they did not prevent the delivery of critical components, semi-finished products and finished products even as the situation evolved very quickly and required the entire chain to respond accordingly.

The Group was also able to capitalize on the feedback from its teams in China to organize the resumption of operations around the world, as soon as the health situation and regulations allowed. In China, the Group's manufacturing operations restarted on February 10, 2020, a week after the end of the official Chinese New Year holidays.

The current crisis has shown that the main risk that has arisen so far concerns the sudden collapse in global demand and its impact on the economy, which by nature is not specific to the Group.

As of the day before this document was published, the business continuity procedures prepared by the Group have kept its manufacturing, sales and administrative operations up and running around the world. In addition, the Group has not identified any supply continuity risks.

Impact of the pandemic on the Group's strategic vision

As it emerges from the health crisis, the Group remains convinced of the validity of its strategic model and, with the underpinnings of its business still robust, reaffirms that its "All Sustainable" vision represents the keystone of its future performance.

The sudden, unprecedented nature of the health crisis has led governments in most countries to order exceptional lockdowns, which sharply reduced global economic activity and with it, in the short term, demand for mobility-related goods and services.

In the medium to long term, the need for mobility remains robust, led by two main factors: population growth, with the world's population expected to increase by more than 25% by 2050[(1)], and urbanization, with the percentage of people living in cities forecast to rise by more than 10 points to nearly 70% by 2050[(2)].

As the population rises and lives in larger urban communities, the need to transport people and goods will inevitably increase in the decades ahead. To support this development, the farming, mining and construction industries will also be called upon to meet the additional needs for food, materials and facilities.

So far, the greatest uncertainty concerns future passenger demand for air travel, in as much as it is too soon to say whether the crisis will have a lasting impact on travel spending and practices. As far as Michelin is concerned, however, this uncertainty is relative, since commercial aviation accounts for only about half of Aviation tire revenue, which itself represents less than 10% of the Specialty businesses.

(1) Source: United Nations, 2019 World Population Prospects.
(2) Source: United Nations, 2018 Revision of World Urbanization Prospects.

In addition to meeting the greater tire demand spurred by population growth and urbanization, the development of service solutions for retail and B2B customers will become increasingly business-critical. These are the solutions that will enable us to optimize tire use and smooth the flow of interaction with customers and users, which enhances intimacy and supports the development of effective new offerings.

Michelin already enjoys a broad, deep presence in both these areas – tires and mobility services and solutions – and intends to strengthen its leadership by continuing to innovate to sustain its technological advance, delivering long-lasting performance and further expanding its connected mobility solutions[(1)].

At this stage, however, it is too soon to assess the impact of the crisis on the emergence of new, potentially sustainable consumer spending patterns. On the other hand, it appears that some trends that were already emerging before the crisis have now gained significant momentum.

For example, given the numerous public and private-sector initiatives announced in recent weeks, mobility will almost certainly be electrified over the short to medium term. The Group views this development as a twofold opportunity.

First, in the tire business, because electric vehicle tires must deliver higher technical performance than tires for conventional vehicles, which is good news for premium manufacturers, and for Michelin in particular.

Second, in the market for electrifying modes of transportation, with the development of hydrogen-powered mobility, which is highly compatible with battery technology. For more than 15 years, Michelin has been building R&D expertise in hydrogen fuel cells, nurturing its credibility and a reputation that are now widely recognized. The Group is present in this market, which offers the promise of significant growth, through Symbio, a joint venture created with Faurecia in 2019.

In addition, the fact that the climate emergency and the need to address it in a joint, coordinated manner are now accepted by a growing number of institutions and other stakeholders underscores the validity of the Michelin 4R strategy[(2)], which the Group is deploying to improve its use of resources, from product design to end-of-life recycling. This strategy is activating four levers: Reduce, Reuse, Recycle and Renew.

Reduce the amount of raw materials used to make tires, the volume of CO_2 emissions inherent in their production, and the energy consumed by vehicles in use; Reuse our products, by offering tires that can be repaired and retreaded to extend their service lives, all while delivering the same safe driving experience and ever-improved performance; Recycle, by innovating to devise more effective solutions for recycling end-of-life tires as materials for new products or as fuel; Renew by using renewable or recycled materials to manufacture products for the tire market or other industries requiring highly technology-intensive solutions.

In the high-tech materials segment[(3)], the Group has built up unrivaled capabilities and expertise, which are already key to delivering the performance of its tires and which it can now deploy to develop applications for such industries as aerospace, energy, industrial equipment and medical devices. In 2018, the Group gained a foothold in these profitable, high growth markets by acquiring Fenner.

Over the short and medium term, Michelin will continue to expand its portfolio of flexible composites and sustainable materials. As part of this dynamic, the partnership announced on April 15, 2020 with Enviro is designed to develop a technology to reuse end-of-life tires as raw materials[(4)].

In addition, during the first half, the international, UN-backed Science Based Targets Initiative validated the Group's targets for reducing its greenhouse gas emissions, which are in line with the objective of keeping the global temperature increase below 2°C. The validation is further recognition of the effectiveness of the initiatives the Group has undertaken to implement its "All Sustainable" strategy.

During this crisis, Michelin teams around the world remarkably demonstrated their dedication in a myriad of ways: by constantly being there for customers, by organizing the fast restart of production operations, by producing massive quantities of masks and sanitizer, and by undertaking hundreds of outreach initiatives in every host community to donate tires, personal protective equipment for healthcare providers and other products.

Their individual and collective commitment illustrates the success of Michelin's "All Sustainable" strategy, whose deployment will continue to gain momentum.

Outlook

In 2020, after a first half shaped by the effects of the health crisis, notably the various restrictions on freedom of movement, global tire demand is expected to be impacted in the second half of the year by the economic recession ensuing from the pandemic. Passenger car and Light truck tire markets are expected to decline by between 15% and 20% over the year and Truck tire markets by between 13% and 17%. The Specialty markets should remain relatively resilient, with a 13% to 17% decline.

In this still highly uncertain market scenario, Michelin's objectives are to deliver full-year segment operating income in excess of €1.2 billion at constant exchange rates and structural free cash flow[(5)] of more than €500 million, barring any new systemic impact from COVID-19.

Based on the trends observed to date, the Group expects business to return to 2019 levels in the second half of 2022.

(1) See chapter 1 of the 2019 Universal Registration Document, section "Four areas of growth," pages 16 to 25.
(2) See chapter 4 of the 2019 Universal Registration Document, section 4.1.4.2 a) "The Michelin 4R strategy for a circular economy," pages 176 to 178.
(3) See chapter 1 of the 2019 Universal Registration Document, section "Four areas of growth," pages 16 to 25.
(4) See section Highlights (3.11.2).
(5) Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.

3.1 TIRE MARKETS

In the first six months of 2020, tire demand was severely depressed by the Covid-19 health crisis and the related lockdown measures.

In the Passenger car and Light truck segment, Original Equipment demand dropped after vehicle manufacturers suspended production as the different regions went into lockdown, while the Replacement market saw a historic collapse due to restrictions on vehicle use in light of the pandemic.

In Truck tires, OE demand had started its expected cyclical downturn when the health crisis pushed it into a steeper decline, while Replacement markets were hit hard by the sharp decrease in demand for freight services.

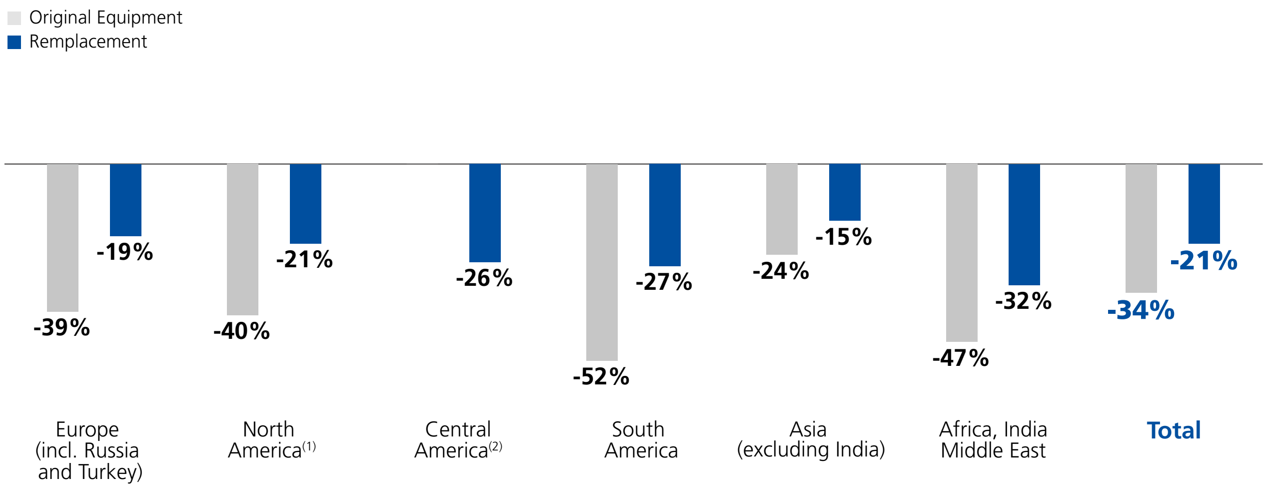
In the midst of this systemic crisis, the Specialty businesses proved to be relatively resilient, particularly in the Mining tire, Replacement Agricultural tire and Conveyor Belt segments.

Methodological note: Tire market estimates reflect sell-in data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and are expressed in the number of tires sold. They are regularly adjusted and may be updated following their initial publication.

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

In the first half of 2020, the global Original Equipment and Replacement **Passenger car and Light truck** tire market contracted by 24% in number of tires sold.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2020 VS. FIRST-HALF 2019



Michelin estimates.
(1) For Original Equipment, North America is: United States, Canada and Central America.
(2) Replacement data only.

3.1.1 a) Original Equipment

Worldwide unit sales of Original Equipment tires collapsed 34% in the first half of 2020, with a steep downturn in the last two weeks of March. This caused global tire demand to end the second quarter alone down 45%, after bottoming out at a 62% drop in April.

After a first quarter in which global demand fell by 22%, dragged down by the 46% drop in China due to the impact of the Covid-19 pandemic, the second quarter (down 45%) was shaped by the closure of carmaker plants as the pandemic spread across the European and US markets. In all, demand fell by 62% in Europe (with a low point of a 94% decline in April), by 70% in North America (with a low point of 99% in April), and by 84% in South America (with a low point of 100% in April). Over the same period, demand in China continued to recover, with a gain of 8%.

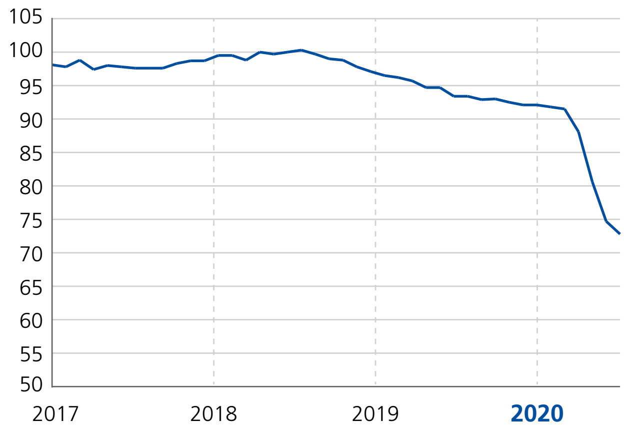
The other regions (Africa-India-Middle East and Southeast Asia) were also hard hit by the lockdown policies enforced in response to the pandemic.

Passenger car and Light truck tire markets Original Equipment *(in millions of tires)*	First half 2020	First half 2019	First half 2020/2019	Second quarter 2020/2019	First quarter 2020/2019
Europe[(1)]	32.6	53.3	-39%	-62%	-15%
North America[(2)]	24.5	41.2	-40%	-70%	-11%
South America	3.9	8.2	-52%	-84%	-18%
Asia (excluding India)	72.2	95.1	-24%	-16%	-31%
Africa/India/Middle East	8.6	16.3	-47%	-76%	-22%
TOTAL	**141.8**	**214.0**	**-34%**	**-45%**	**-22%**

(1) Including Russia and Turkey.
(2) United States, Canada and Central America.
Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

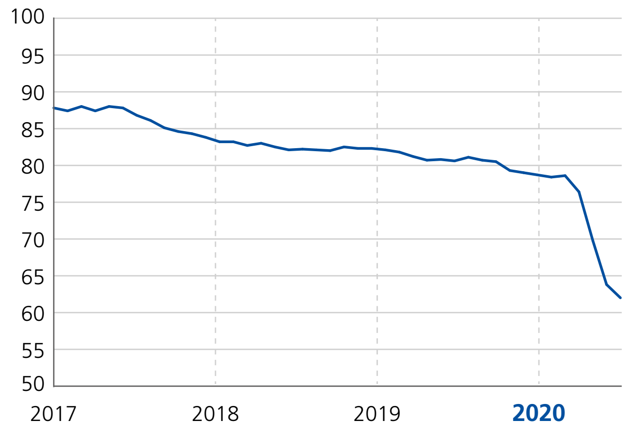
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

3.1.1 b) Replacement

The global Replacement tire market ended the first half of 2020 down a historic 21%. While demand declined by just 11% in the first quarter, given that the health crisis was only impacting China and certain neighboring countries, it dropped by 30% in the second quarter, buffeted by the lockdowns ordered in Europe and North America to deal with the pandemic.

In Europe, the initial effects of the health crisis were felt in March, with demand falling 18%, and the full impact of lockdown measures took its toll on the second quarter, causing a 30% collapse in demand. The falloff was more pronounced in France, Spain and Italy, which implemented the region's tightest lockdowns. There was a clear improvement in June, with the decline easing to 12%.

In North America, the collapse in demand was particularly steep in April and May, for a total 33% drop in the second quarter. In a difficult economy, consumers shifted to more entry-level tires.

After passing **South American** markets by in the first quarter, which saw just a 1% decline in demand, the pandemic hit hard in the second quarter, causing demand to plummet by 52%. There were no signs of recovery in June.

After losing 31% in the first quarter due to the health crisis, the **Chinese** market returned to growth in the second quarter, with a 3% gain. The market is still being lifted as strong growth in the OE market in recent years steadily feeds through to Replacement demand.

In Africa-India-Middle East, Replacement demand suffered both from the health crisis and the collapse in oil prices, which is increasing economic instability in the region.

After showing some resilience to the pandemic in the first quarter (down 8%), demand in **Southeast Asia** was more adversely impacted in the second, losing 25%.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Europe[1]	149.2	184.0	-19%	-30%	-9%
North America[2]	102.4	130.3	-21%	-33%	-9%
Central America	13.0	17.5	-26%	-48%	-4%
South America	22.7	31.1	-27%	-52%	-1%
Asia (excluding India)	116.7	138.0	-15%	-11%	-20%
Africa/India/Middle East	37.3	54.5	-32%	-48%	-13%
TOTAL	**441.3**	**555.3**	**-21%**	**-30%**	**-11%**

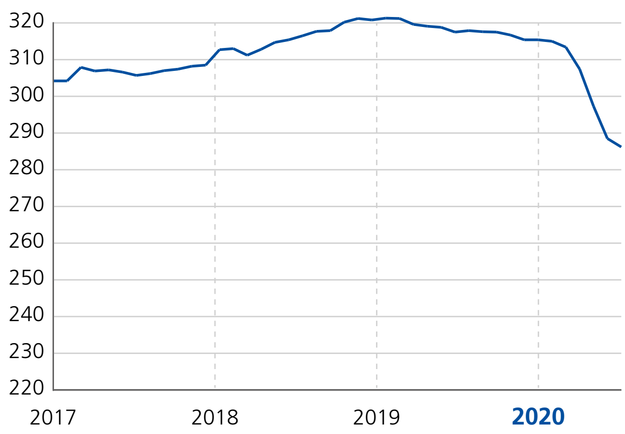
(1) Including Russia and Turkey.
(2) United States and Canada.
Michelin estimates.

The following table shows the change in demand by major European country in first-half 2020, with growth varying in the non-euro geographies depending on export sales.

Passenger car and Light truck tires Replacement	**2020 vs. 2019**
Western Europe	**-19%**
▶ of which France	-22%
▶ Spain	-35%
▶ Italy	-30%
▶ United Kingdom	-25%
▶ Germany	-17%
▶ Poland	-24%
▶ Turkey	+7%
Eastern Europe	**-18%**
▶ Russia	-21%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

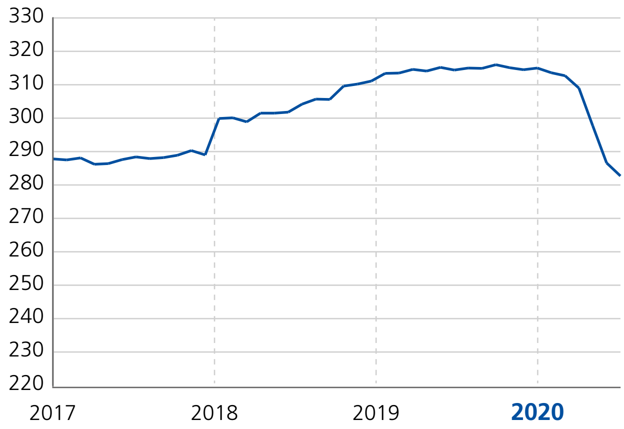
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)

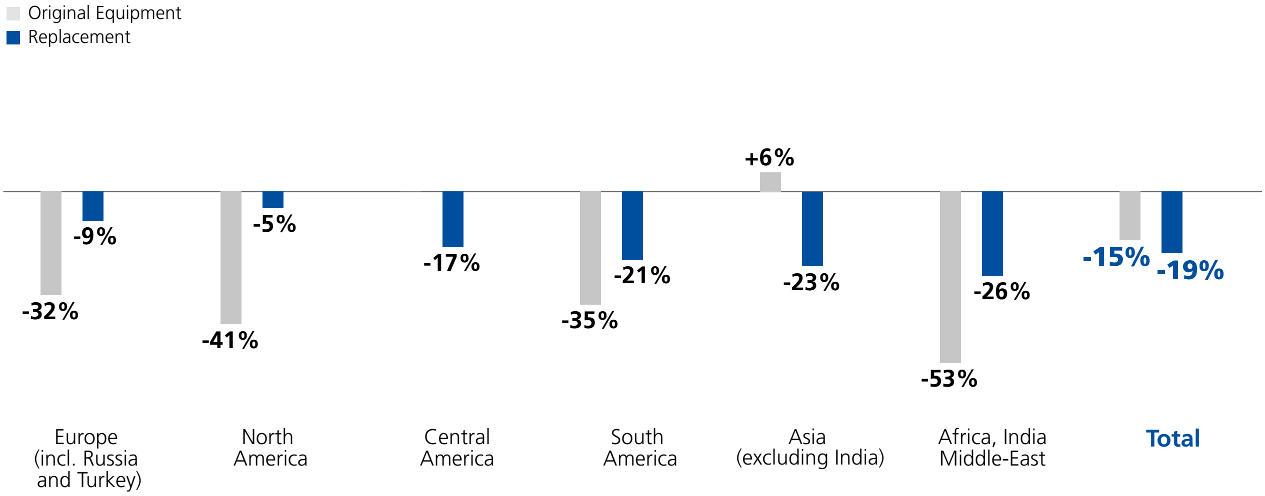


Michelin estimates.

3.1.2 TRUCK TIRE MARKETS

The number of new **Truck** tires sold worldwide declined by 18% in the period ended June 30, 2020, hit by the collapse in freight demand at a time of deep economic distress. The second quarter performance was in line with first-quarter trends.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2020 VS. FIRST-HALF 2019



Michelin estimates – new tire market only.

3.1.2 a) Original Equipment

The global Original Equipment Truck tire market, as measured by the number of new tires sold, contracted by 15% in the first half of 2020.

The cyclical downturn that began in late 2019 in Europe and North America continued apace in the first quarter of 2020, leading to a 22% decline in demand, while the health crisis caused the Chinese market to plunge 18% over the period.

The second quarter (down 7%) saw a very strong 45% rebound in OE demand in China, but markets in the other regions sank under the weight of the health crisis and its economic impact. In June, there were signs of recovery in Europe (down 18%) and, to a lesser extent, North America (down 36%).

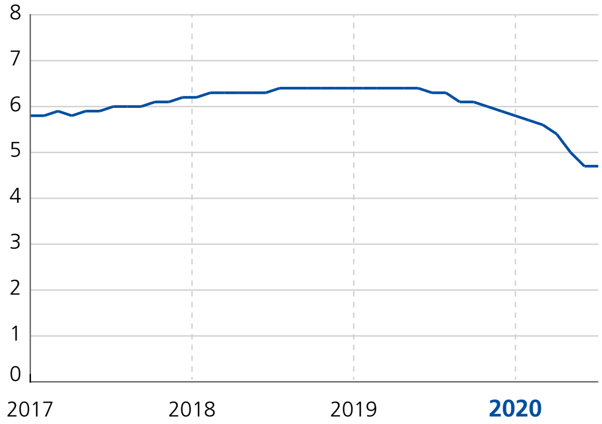
Demand in the other regions is also being dragged steeply down by the health crisis and the ensuing economic impact, aggravated in the Africa-India-Middle East region by the collapse in oil prices.

Truck tire markets* **Original Equipment** *(in millions of tires)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Europe[(1)]	2.5	3.6	-32%	-45%	-19%
North America[(2)]	2.2	3.7	-41%	-60%	-21%
South America	0.6	1.0	-35%	-59%	-8%
Asia (excluding India)	15.2	14.4	+6%	+31%	-18%
Africa/India/Middle East	1.5	3.3	-53%	-59%	-49%
TOTAL	**22.0**	**25.9**	**-15%**	**-7%**	**-22%**

* *Radial and bias.*
(1) *Including Russia and Turkey.*
(2) *United States, Canada and Central America.*

THE OE TRUCK TIRE MARKET IN EUROPE

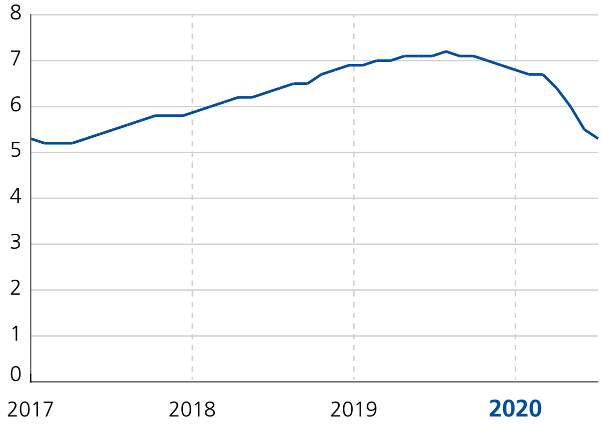
(in millions of new tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

3.1.2 b) Replacement

In the midst of an unprecedented health crisis, the global Replacement market fell by 19% in the first half of 2020, with the first quarter down 18% and the second down 20%.

In Europe, after emerging relatively unscathed from the crisis in the first quarter, Replacement demand plunged 19% in the second quarter of the year. The impact of the crisis was somewhat cushioned by the return of Asian tires made in countries other than China, after customs duties on Chinese tires were introduced in May 2018.

In North America, after a stable first quarter (up 1%), the impact of the health crisis was partially offset in the second quarter (down 11%) by favorable prior-year comparatives, reflecting deep drawdowns of dealer inventory in 2019 after the massive buildup in late 2018 ahead of new import duties.

In South America, Replacement demand was relatively unaffected by the health crisis in the first quarter (down 6%) but plummeted 35% in the second quarter of the year.

In Africa-India-Middle East, Replacement markets fell steadily over the half, to end the six-month period down 26% overall.

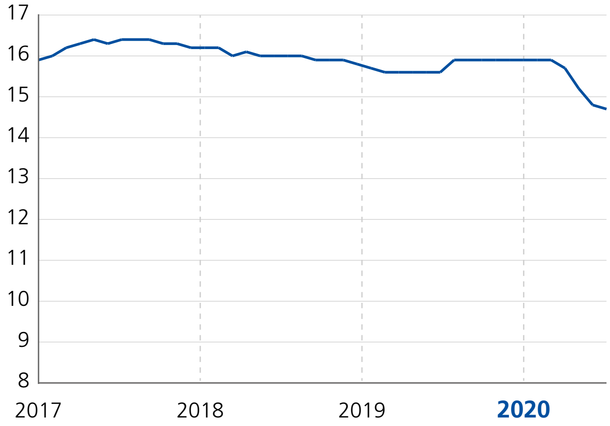
Demand **in Southeast Asia** contracted by 18%. After shedding 11% in the first quarter, the market downturn gained momentum in the second quarter (down 26%) as the pandemic spread throughout the region.

Truck tire markets* Replacement *(in millions of tires)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Europe(1)	10.3	11.3	-9%	-19%	+2%
North America(2)	9.0	9.5	-5%	-11%	+1%
Central America	2.4	2.9	-17%	-34%	+1%
South America	4.9	6.2	-21%	-35%	-6%
Asia (excluding India)	27.6	35.8	-23%	-16%	-29%
Africa/India/Middle East	11.8	16.0	-26%	-27%	-25%
TOTAL	**66.0**	**81.6**	**-19%**	**-20%**	**-18%**

* *Radial and bias.*
(1) *Including Russia and Turkey.*
(2) *United States and Canada.*

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

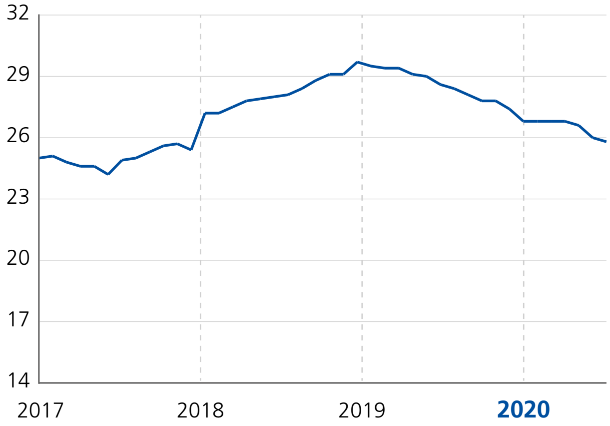
(in millions of new tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

3.1.3 SPECIALTY TIRE MARKETS

Mining tires: the mining tire market reflects the activity of mining companies, which is generally well oriented for the first half, while the Quarries and Underground Mining tire segments are shrinking in line with the economic situation.

The market for conveyor belts for the mining sector shows contrasting trends depending on the geographic area. Mining activity remains well oriented in Australia, while in North America some coal mines are closed and the economic slowdown penalizes industrial customers.

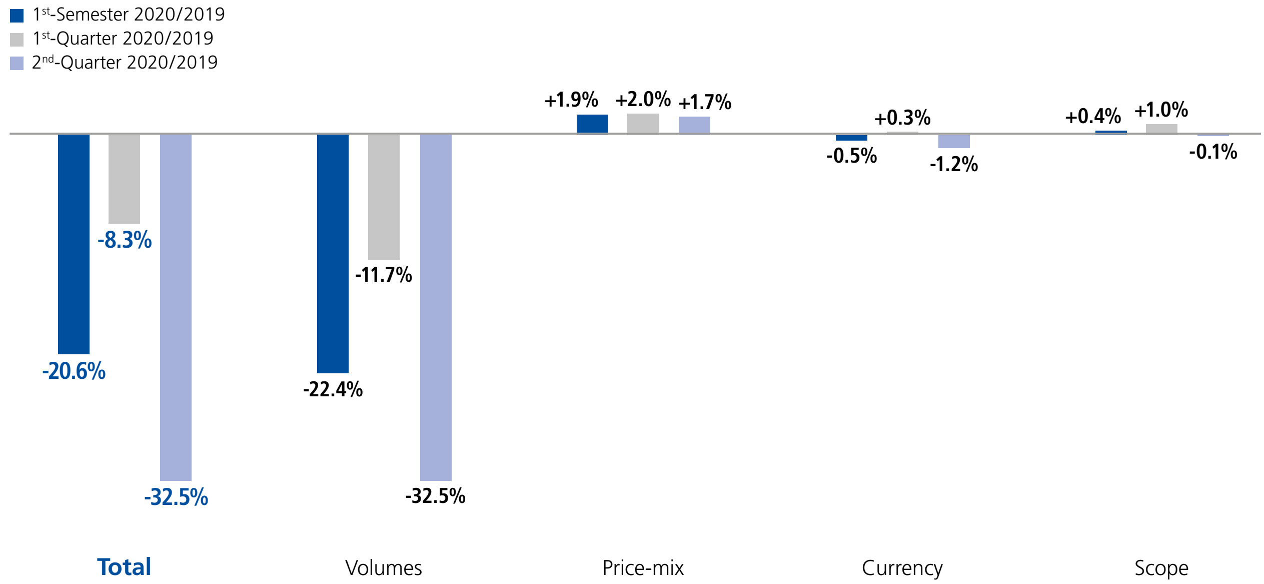
Agricultural and Construction tires: the withdrawal from the Agricultural market in the first half masks a rebound in May and June in replacement. The Construction segments, more sensitive to the economic slowdown, fell sharply.

Two-wheel tires: the covid-19 crisis and confinements weighed on mobility both in the Leisure segment and in the Commuting segment, particularly in Europe and Brazil. With the gradual resumption of mobility, the two-wheel tire market is rebounding, benefiting from its status as a safer alternative to public transport.

Aircraft tires: the market for commercial aircraft tires is experiencing a collapse in the context of the health crisis and lockdowns decided by governments, with a low point of around -75% in April in terms of the number of global landings for airplanes for Commercial and Regional segments.

3.2 SALES

3.2.1 ANALYSIS OF SALES



Michelin estimates.

Sales for the first six months of 2020 totaled €9,357 million, a decline of 20.6% from the year-earlier period that was attributable to the net impact of the following factors:

- the steep 22.4% decrease in volumes caused by the worldwide collapse in demand in the wake of the Covid-19 health crisis, particularly in the Passenger car and Light truck and Truck tire markets, with the Specialty businesses – notably in the Surface Mining and Replacement Agricultural tire segments – demonstrating their resilience during the period;
- the 1.9% positive price-mix effect (2.0% in the first quarter and 1.7% in the second), with: the €30 million positive price effect resulting from the Group's sustained price discipline at a time of declining raw materials prices and highly volatile exchange rates; the €187 million positive mix effect reflecting the sustained success of the MICHELIN brand's premium strategy, the resilience of the mining tire businesses, and the more pronounced slowdown in the OE segment than in Replacement tire sales;
- the 0.5% negative currency effect, mainly due to the collapse in the currencies of countries hard hit by the health crisis, such as Brazil, Argentina and Turkey, which was only partially offset by the US dollar's rise against the euro over the period;
- the 0.4% positive impact from changes in the scope of consolidation, reflecting the acquisitions of Multistrada on March 6, 2019 and of Masternaut on May 22, 2019. The positive effect of these acquisitions was partially offset during the period by the sale of Book-a-Table, which was completed in December 2019.

Sales of tire-related services and solutions declined to €485 million in first-half 2020 from €627 million a year earlier, dragged down by the impact of the crisis and the closure of a large number of service centers during the lockdowns. However, the decline masks the resilience of the fleet services and telematics businesses.

(in € millions and %)	First half 2020	Second quarter 2020	First quarter 2020
SALES	**9,357**	**4,030**	**5,327**
Change, year on year	**(2,424)**	**(1,942)**	**(482)**
Volumes	(2,635)	(1,958)	(677)
Price-mix	+217	+100	+117
Currency effect	(57)	(76)	+19
Changes in scope of consolidation	+51	(8)	+59
% change, year on year	**-20.6%**	**-32.5%**	**-8.3%**
Volumes	-22.4%	-32.5%	-11.7%
Price-mix	+1.9%	+1.7%	+2.0%
Currency effect	-0.5%	-1.2%	+0.3%
Changes in scope of consolidation	+0.4%	-0.1%	+1.0%

3.2.2 SALES BY REPORTING SEGMENT

Segment information is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities as well as the Conveyor Belts and High-Tech Materials activities.

Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

(in € millions)	First half 2020	Second quarter 2020	First quarter 2020
GROUP	**9,357**	**4,030**	**5,327**
Automotive and related distribution	4,394	1,797	2,597
Road transportation and related distribution	2,411	1,051	1,360
Specialty businesses and related distribution	2,552	1,182	1,370
% change, year on year	**-20.6%**	**-32.5%**	**-8.3%**
Automotive and related distribution	-22.3%	-37.4%	-6.9%
Road transportation and related distribution	-23.3%	-34.1%	-12.3%
Specialty businesses and related distribution	-14.3%	-21.6%	-6.9%

3.2.2 a) Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution segment declined by 24.3% in the first six months of 2020, in line with the markets, in a context where demand fell sharply following the lockdown measures enforced by most of the world's governments.

In **Original Equipment,** the Group strengthened its positions worldwide during the period, despite an unfavorable geographic mix, mainly by leveraging its technological leadership and powerful brand. Growth in the electric vehicle segment also had a positive impact.

On the **Replacement** side, the Group further increased its market share in the buoyant 18-inch and larger tire segment and maintained its leadership in the all-season tire segment, with the MICHELIN Cross Climate line-up in the regions where it is sold. In addition, in line with recent-year trends, dealers continued to draw down inventory over the first half.

In **North America,** the premium segment suffered more, as in every recession, than the intermediate and entry-level segments, where the UNIROYAL range, launched in first-half 2019, is enjoying strong sales. This phenomenon is usually temporary and should fade once the crisis is over, as each segment's weighting has been relatively stable over the long term.

In **Europe,** the Group was adversely impacted by a negative geographic mix stemming from its strong exposure to Southern European countries, where lockdown measures were stricter than in Northern Europe. However, since emerging from lockdown, Southern European markets have regained encouraging momentum.

In **Asia (excluding India),** and particularly in China, the Group capitalized on the robust recovery from the crisis and the overhaul of its market access in 2018 and 2019, to strengthen its positions during the first half of the year.

Business in **South America** was hard hit by the health crisis, but also by the introduction of import quotas in Argentina. The Group broadened its market access during the period via online retailing, in a climate where sales through conventional channels were seriously challenged.

In the **Africa-India-Middle East** region, the Group maintained its positions despite the difficulties arising from health crisis and the drop in oil prices.

The **Michelin Experiences** business, which primarily operates in the fine dining, hospitality and travel segments, was particularly impacted by the lockdowns and border closures implemented during the first half. In this environment, projects underway to digitize the portfolio of services were pursued during the crisis.

In all, sales in the Automotive and related distribution segment declined by 22.3% to €4,394 million in the first half of 2020, from €5,658 million in the prior-year period. Even as volumes plunged 24.3% over the period, the price-mix effect was positive, led by market share gains in the 18-inch and larger segment, disciplined price management despite highly volatile raw material prices and exchange rates, and a favorable mix between Original Equipment and Replacement sales. The impact from changes in the scope of consolidation, which was slightly positive over the period, resulted from the acquisition of Indonesian tiremaker Multistrada on March 6, 2019.

3.2.2 b) Road transportation and related distribution – Analysis of sales

Volumes in the Road transportation and related distribution reporting segment declined by 24.7% in the first half of 2020, dragged down in particular by a negative geographic mix.

In steeply declining **Original Equipment** markets, the Group's positions were severely impacted in the first quarter as the health crisis exacerbated the cyclical downturn that began in late 2019 in North America, with an unfavorable geographic mix affecting the second quarter due to the very sharp rebound in Chinese demand and the Group's overexposure to Southern Europe.

In the **Replacement** segment, demand for new tires was seriously dampened by the slowdown in economic activity around the world. In line with recent-year trends, dealers continued to draw down inventory over the first half. In this environment, the Group continued to place a priority on its value-added offerings, led by the MICHELIN brand and retreading solutions, while the resilience of Services & Solutions business helped to mitigate some of the impact from the slowdown in tire demand.

In all, sales in the Road transportation and related distribution segment amounted to €2,411 million in the first half of 2020, a 23.3% decline from the €3,144 million reported for the same period in 2019. The decrease was primarily due to the brutal 24.7% fall in volumes, which was only partially offset by the positive price mix over the period. The latter reflected the Group's sustained price discipline and the greater slowdown in Original Equipment sales compared with Replacement sales.

3.2.2 c) Specialty businesses and related distribution – Analysis of sales

Mining tires: during the first half, the temporary closure of the Vitoria plant for health reasons restricted the Group's ability to fulfill customer orders for Surface Mining tires. Despite these slight supply chain difficulties, which were resolved by the end of June, the Group continued to gain market share in this segment over the period.

Fenner's conveyor belt business generally held firm during the first half, buoyed by strong sales in Australia.

Agricultural and Construction tires: the Replacement Agricultural tire business remained relatively resilient during the period, offsetting part of volume weakness in the Construction tire segment and the entire Original Equipment business, whose cyclical downturn that began in late 2019 was amplified by the health crisis. Despite the crisis, Camso and Michelin continued to develop cross selling synergies.

Two-wheel tires: as markets contracted in Europe and Brazil due to the Covid-19 effect, the sales performance reflected resilient market share, firm prices and the favorable mix connected with the relatively smaller decrease in the Leisure business.

Aircraft tires: sales collapsed in the first half due to the shutdown of commercial air travel. Recovery scenarios for the segment remain uncertain.

In all, sales in the Specialty businesses declined by 14.3% over the period, to €2,552 million from €2,979 million in first-half 2019. The decrease primarily reflected the 15.0% drop in volumes, led above all by the Construction tire segment and the Original Equipment business as a whole. This was only partially offset by the positive price mix stemming from the resilience of the Surface Mining and Replacement Agricultural tire segments, as well as sustained tight pricing policies.

3.2.3 CHANGES IN EXCHANGE RATES FOR THE MAIN OPERATING CURRENCIES

At current exchange rates, consolidated sales declined by 20.6% in the first six months of 2020. The decrease takes into account a slightly negative €57 million currency effect, due mainly to the collapse in the currencies of countries hard hit by the health crisis, such as Brazil, Argentina and Turkey.

Average exchange rate	First half 2020	First half 2019	Change
Euro/USD	1.102	1.130	-2.5%
Euro/CAD	1.502	1.508	-0.4%
Euro/MXN	23.570	21.660	+8.8%
Euro/BRL	5.325	4.342	+22.6%
Euro/GBP	0.874	0.873	+0.1%
Euro/JPY	119.259	124.316	-4.1%
Euro/CNY	7.751	7.666	+1.1%
Euro/THB	34.824	35.751	-2.6%
Euro/RUB	76.110	73.780	+3.2%
Euro/AUD	1.675	1.601	+4.6%
Euro/ZAR	18.127	16.042	+13.0%
Euro/ARS	70.741	46.574	+51.9%
Euro/TRY	7.110	6.338	+12.2%
Euro/CLP	893.812	763.106	+17.1%
Euro/SEK	10.662	10.507	+1.5%
Euro/TWD	33.071	35.001	-5.5%
Euro/COP	4036.890	3599.240	+12.2%

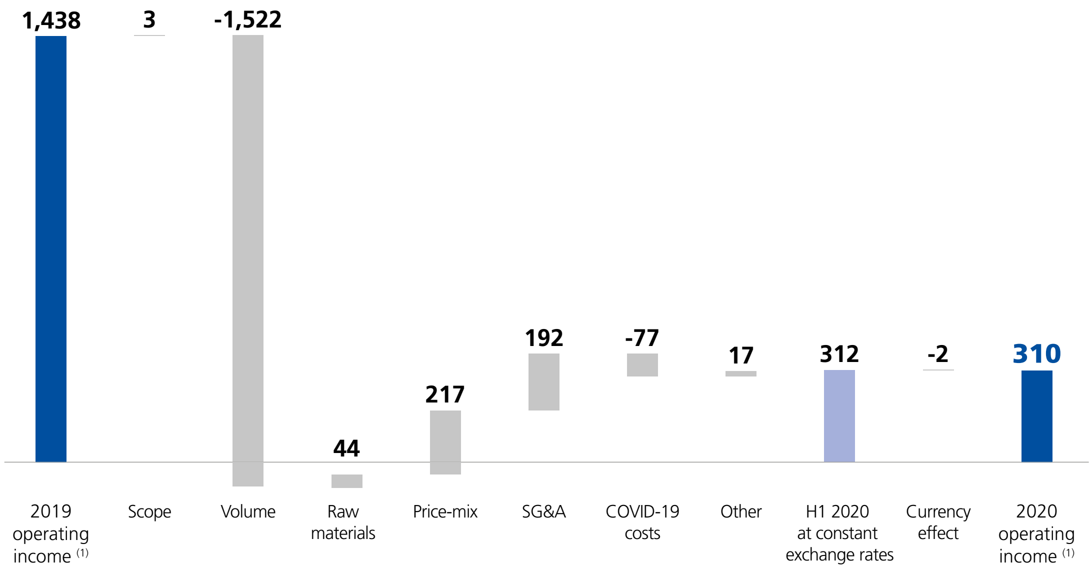
First-half 2020 sales by currency were as follows:

Currency	As a % of sales
USD	37%
EUR	31%
CNY	6%
AUD	3%
GBP	3%
BRL	3%
CAD	3%
RUB	2%
JPY	1%
MXN	1%
CLP	1%
THB	1%
TRY	1%
SEK	1%
TWD	0.6%
ZAR	0.4%
ARS	0.4%
COP	0.2%
Other	4.4%
TOTAL	**100%**

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per share data)	First half 2020	First half 2019	First half 2020/2019	First half 2020 *(as a % of sales)*	First half 2019 *(as a % of sales)*
Sales	**9,357**	**11,781**	**-20.6%**		
Cost of sales	(7,087)	(8,260)	-14.2%	75.7%	70.1%
Gross income	**2,270**	**3,521**	**-35.5%**	**24.3%**	**29.9%**
Sales and marketing expenses	(577)	(667)	-13.5%	6.2%	5.7%
Research and development expenses	(311)	(333)	-6.6%	3.3%	2.8%
General and administrative expenses	(972)	(1,059)	-8.2%	10.4%	9.0%
Segment other income and expenses	(100)	(24)	+316.7%	1.1%	0.2%
Segment operating income	**310**	**1,438**	**-78.4%**	**3.3%**	**12.2%**
Other operating income and expenses	(133)	(97)	+37.1%	1.4%	0.8%
Operating income	**177**	**1,341**	**-86.8%**	**1.9%**	**11.4%**
Cost of net debt	(160)	(187)	-14.4%	1.7%	1.6%
Other financial income and expenses	(3)	2	-250.0%	0.0%	0.0%
Net interest on employee benefit obligations	(28)	(49)	-42.9%	0.3%	0.4%
Share of profit/(loss) from equity-accounted companies	(44)	6	-833.3%	0.5%	0.1%
Income/(loss) before taxes	**(58)**	**1,113**	**-105.2%**	**-0.6%**	**9.4%**
Income tax	(79)	(269)	-70.6%	0.8%	2.3%
NET INCOME/(LOSS)	**(137)**	**844**	**-116.2%**	**-1.5%**	**7.2%**
▶ Attributable to the shareholders of the Company	(134)	858	-115.6%	-1.4%	7.3%
▶ Attributable to the non-controlling interests	(3)	(14)	-78.6%		
Earnings per share *(in €)*					
▶ Basic	(0.75)	4.74	-115.8%		
▶ Diluted	(0.75)	4.72	-115.9%		

3.3.1 ANALYSIS OF SEGMENT OPERATING INCOME



(1) Segment operating income.
(2) Mix = product, brand, customer, geographic, OE/RT, division mix.

Segment operating income amounted to €310 million or 3.3% of sales in the first six months of 2020, compared with €1,438 million and 12.2% in first-half 2019.

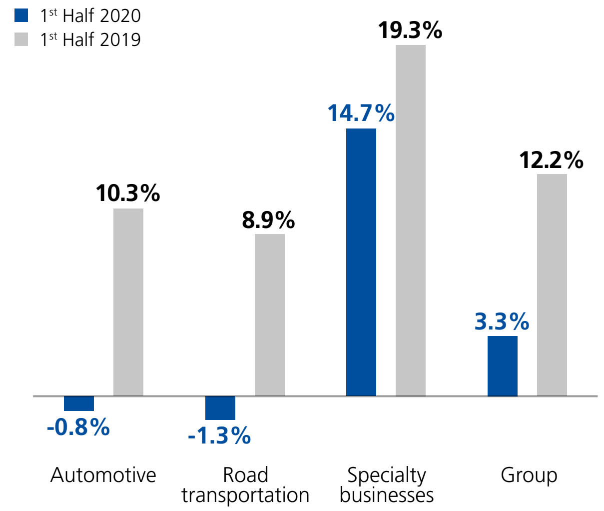
Segment operating income was impacted by the following factors:

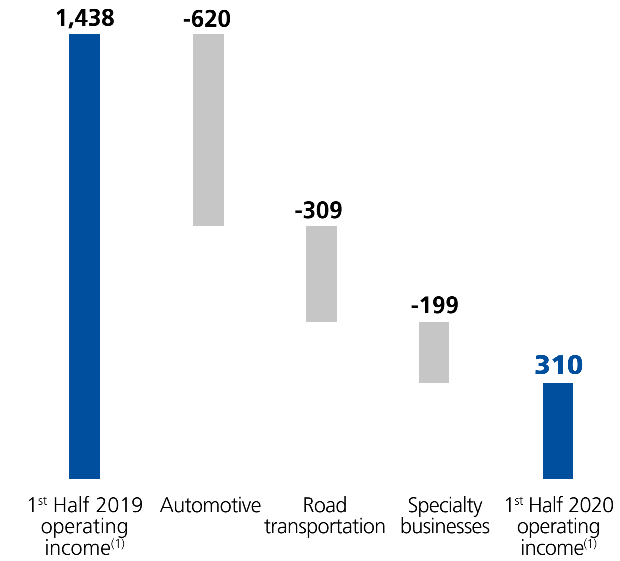
- a steep €1,522 million decrease from the fall in volumes due to the collapse in worldwide demand following the Covid-19 health crisis. This included a €752 million fixed cost under-absorption and manufacturing underperformance, partially offset by €124 million in furlough grants;
- a €217 million increase from the price-mix effect, reflecting (i) firm price discipline at a time of declining raw material prices and highly volatile exchange rates; and (ii) a favorable mix effect, supported by sustained growth in sales of 18-inch and larger tires in the Passenger car and Light truck segment, the resilience of the Specialty businesses, and the generally more pronounced slowdown in the OE segment than in Replacement tire sales;
- a €44 million increase from the decline in the cost of raw materials used in production over the first half;
- a €192 million increase from the year-on-year reduction in SG&A expenses enabled by the cost cutting measures announced on April 29 and a positive effect of €16 millions in furlough grants. These savings were partially offset by the €77 million cost of purchasing and producing masks and hand sanitizer in response to the health crisis;
- a €17 million increase from other somewhat favorable factors, which amply offset the slight year-on-year increase in depreciation and amortization charges;
- a slight €3 million increase from changes in the scope of consolidation, primarily relating to the inclusion of Multistrada and Masternaut and the disposal of BookaTable;
- a €2 million decrease from the slightly negative currency effect following declines in the currencies of countries hard hit by the health crisis, such as Brazil, Argentina and Turkey, which was partially offset by the US dollar's rise against the euro over the period.

3.3.2 SEGMENT OPERATING INCOME BY REPORTING SEGMENT

(in € millions)	First half 2020	First half 2019
Automotive and related distribution		
Sales	4,394	5,658
Segment operating income	(35)	585
Segment operating margin	**(0.8%)**	**10.3%**
Road transportation and related distribution		
Sales	2,411	3,144
Segment operating income	(30)	279
Segment operating margin	**(1.3%)**	**8.9%**
Specialty businesses and related distribution		
Sales	2,552	2,979
Segment operating income	375	574
Segment operating margin	**14.7%**	**19.3%**
Group		
Sales	9,357	11,781
Segment operating income	310	1,438
Segment operating margin	**3.3%**	**12.2%**

3.3.2 a) Segment operating margin





(1) *Segment operating income.*

3.3.2 b) Automotive and related distribution – Analysis of segment operating income

Automotive and related distribution *(in € millions)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**First half 2020** *(% of consolidated total)*	**First half 2019** *(% of consolidated total)*
Sales	4,394	5,658	-22.3%	47%	48%
Change in volumes	*-24.3%*				
Segment operating income/(loss)	(35)	585	-106.0%	-11%	41%
Segment operating margin	(0.8%)	10.3%	-11.1 pts		

The Automotive segment operating loss amounted to €35 million or a negative 0.8% of sales, versus operating income of €585 million and a positive 10.3% in first-half 2019.

The steep decline was primarily due to the 24% drop in volumes in line with the contraction in the Passenger car and Light truck tire markets, which led to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat mitigated by the positive price-mix effect stemming from the Group's disciplined price management and the growing proportion of 18-inch and larger tires in the sales mix.

3.3.2 c) Road transportation and related distribution – Analysis of segment operating income

Road transportation and related distribution *(in € millions)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**First half 2020** *(% of consolidated total)*	**First half 2019** *(% of consolidated total)*
Sales	2,411	3,144	-23.3%	26%	27%
Change in volumes	*-24.7%*				
Segment operating income/(loss)	(30)	279	-110.8%	-10%	19%
Segment operating margin	(1.3%)	8.9%	-10.2 pts		

The Road transportation segment operating loss came to €30 million or a negative 1.3% of sales, versus operating income of €279 million and a positive 8.9% in first-half 2019. The collapse in global demand, along with, to a lesser extent, an unfavorable geographic mix and more selective sales policies, led to a sharp 25% contraction in volumes, which fed through to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat cushioned by the relative resilience of the Services & Solutions businesses and the robust, positive price-mix effect stemming from the Group's selective focus on value-creating market segments.

3.3.2 d) Specialty businesses and related distribution – Analysis of segment operating income

Specialty businesses and related distribution *(in € millions)*	**First half 2020**	**First half 2019**	**First half 2020/2019**	**First half 2020** *(% of consolidated total)*	**First half 2019** *(% of consolidated total)*
Sales	2,552	2,979	-14.3%	27%	25%
Change in volumes	*-15.0%*				
Segment operating income	375	574	-34.7%	121%	40%
Segment operating margin	14.7%	19.3%	-4.6 pts		

Segment operating income in the Specialty businesses stood at €375 million or 14.7% of sales, versus €574 million and 19.3% in first-half 2019.

With a 15% decline in volumes, the Specialty businesses as a whole weathered the crisis better than the Automotive and Road transportation businesses. The most resilient segments were surface mining tires, replacement agricultural tires and conveyor belts. The sharp decline in volumes also led to a fixed cost shortfall and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. The segment also benefited from a positive price-mix effect, led by disciplined price management.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials** used in production, which has been estimated at €1.82 billion in first-half 2020, versus €2.54 billion in the year-earlier period, is recognized in the income statement under cost of sales.

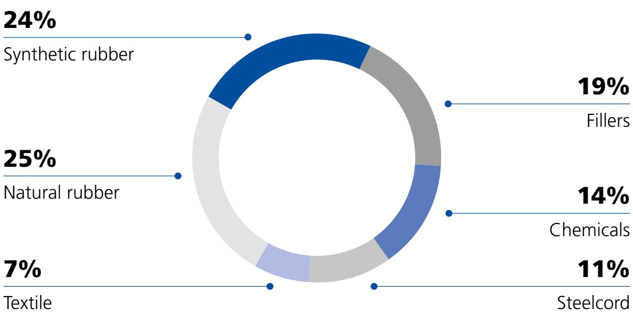
It is calculated on the basis of:

- the price and mix of raw materials purchases;
- production and sales volumes;
- the valuation of raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product;
- exchange rate movements, which correspond to (i) the impact of converting the cost of purchases made in local currencies into the consolidation currency; and (ii) an untracked residual currency effect resulting from the difference between the purchasing companies' local currency and the currency used to purchase their raw materials.

In first-half 2020, the raw material costs recognized in cost of sales included the €44 million effect of lower prices, as well as the residual currency effect.

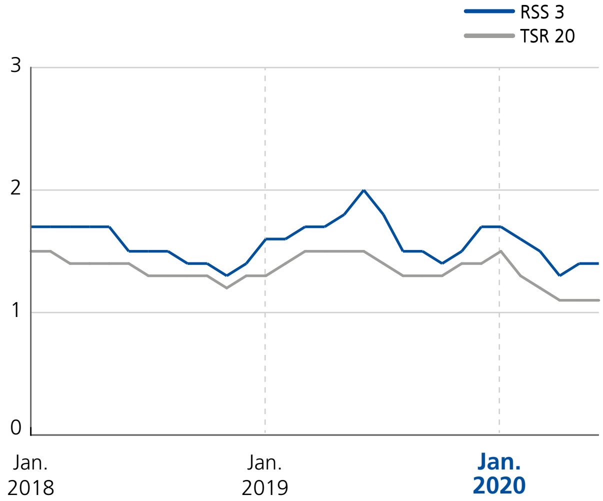
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

RAW MATERIALS COSTS RECOGNIZED IN FIRST-HALF 2020 COST OF SALES

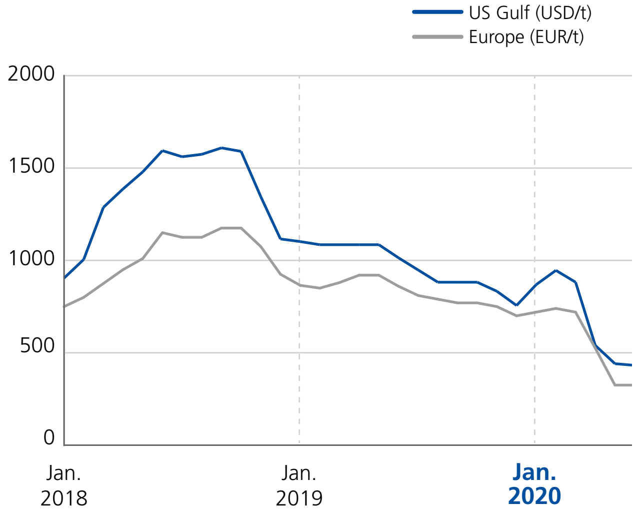


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

(in € millions and number of people)	First half 2020	First half 2019	Change
Total employee benefit costs	2,954	3,270	-9.7%
As a % of sales	*31.6%*	*27.8%*	*+3.8 pts*
Total number of employees at June 30	124,000	125,400	-1.1%
Number of full-time equivalent employees at June 30	118,400	119,300	-0.8%
Average number of full-time equivalent employees	119,900	114,000	+5.2%

At €2,954 million, **employee benefit costs** represented 31.6% of sales in first-half 2020, down €316 million from the year-earlier period. The decrease reflected the around €140 million in furlough grants received by the Group in first-half 2020. The increase as a percentage of sales was attributable to the collapse in sales over the first six months of the year.

In first-half 2020, €2,946 million of the total was recognized in segment operating income, and €8 million in other operating income and expenses (see section 3.3.3 i). In first-half 2019, €3,254 million was recognized in segment operating income, and €16 million in other operating income and expenses.

3.3.3 c) Depreciation and amortization

(in € millions)	First half 2020	First half 2019	Change
Depreciation and amortization	927	903	+2.7%
As a % of sales	*9.9%*	*7.7%*	

Depreciation and amortization charges edged up by €24 million to €927 million in the first half of the year.

In first-half 2020, €882 million was recognized in segment operating income for the period and €45 million in other operating income and expenses (see section 3.3.3 i).

3.3.3 d) Transportation costs

Transportation and logistics costs came to €490 million or 5.2% of interim sales, down €117 million from first-half 2019. The decline was attributable primarily to the steep fall-off in business. As a percentage of sales, transport costs are in fact relatively stable from one semester to the next.

(in € millions)	First half 2020	First half 2019	Change
Transportation costs	490	607	-19.3%
As a % of sales	*5.2%*	*5.1%*	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 6.2% of sales in first-half 2020, versus 5.7% in the first six months of 2019. They declined by €90 million in value, reflecting the cost reduction measures announced on April 29.

3.3.3 f) Research and development expenses

Research and development expenses stood at €311 million, down just €22 million year on year in a demonstration of the Group's commitment to maintaining its technological leadership. As a percentage of sales, R&D expenses rose by 0.5 points compared with first-half 2019.

(in € millions)	First half 2020	First half 2019	Change
Research and development expenses	311	333	-6.6%
As a % of sales	*3.3%*	*2.8%*	

3.3.3 g) General and administrative expenses

General and administrative expenses declined by €87 million year on year to €972 million, thanks to the cost reduction programs announced on April 29. However, their 1.4-point increase to 10.4% of sales for the period reflected the relatively high proportion of fixed costs in this category. The Group is also continuing its efforts to improve competitiveness by maintaining the simplification projects launched before the outbreak of the health crisis.

3.3.3 h) Segment other operating income and expenses

Segment other operating income and expenses came to a net expense of €100 million, versus a €24 million expense in first-half 2019. The €76 million increase was attributable primarily to the purchase and the production in first-half 2020 of masks and hand sanitizer due to the health crisis, in an amount of €77 million.

3.3.3 i) Other operating income and expenses

Other operating income and expenses represented a net expense of €133 million in first-half 2020, versus a net expense of €97 million a year earlier. The €36 million increase primarily reflected the recognition during the period of the €39 million impairment loss on the goodwill relating to the Tablet CGU (see note 4.1 to the condensed consolidated interim financial statements).

3.3.3 j) Cost of net debt

(in € millions)	First half 2020	First half 2019	Change
Cost of net debt	160	187	-27

At €160 million, the **cost of net debt** was down €27 million compared with first-half 2019, primarily as a result of the following factors:

- a €24 million decrease in net interest expense, reflecting the net impact of:
  - a €5 million increase due to the rise in average gross debt, to €7,555 million in first-half 2020 from €7,347 million in the year-earlier period,
  - a €32 million decrease from the lower average gross interest rate on borrowings, at 3.4% in first-half 2020 versus 4.2% in first-half 2019,
  - a €3 million increase from other factors;
- a €1 million decrease in losses on interest rate derivatives, due mainly to the decline in interest rates;
- an aggregate €2 million decrease from movements in other factors.

3.3.3 k) Other financial income and expenses

(in € millions)	First half 2020	First half 2019	Change
Other financial income and expenses	(3)	2	-5

Other financial income and expenses represented a net financial expense of €3 million, a €5 million year-on-year decline that stemmed mainly from an unfavorable mark-to-market adjustment of exchange rate derivatives in first-half 2020.

3.3.3 l) Income tax

(in € millions)	First half 2020	First half 2019	Change
Income/(loss) before taxes	(58)	1,113	-1,171
INCOME TAX	**(79)**	**(269)**	**-190**
Current tax	(77)	(253)	-176
Withholding tax	(18)	(28)	-10
Deferred tax	16	12	+4

Income tax expense declined by €190 million year on year to €79 million in the first half of 2020, due to the steep decline in income before taxes. The €77 million of current tax recognized in the first half of 2020 correspond in particular to the charge due by the companies of the Group making profits.

3.3.3 m) Consolidated net income/(loss) and earnings per share

(in € millions)	First half 2020	First half 2019	Change
Net income/(loss)	(137)	844	-981
As a % of sales	*-1.5%*	*7.2%*	*-8.7 pts*
▶ Attributable to the shareholders of the Company	(134)	858	-992
▶ Attributable to the non-controlling interests	(3)	(14)	
Earnings per share *(in €)*			
▶ Basic	(0.75)	4.74	-5.49
▶ Diluted	(0.75)	4.72	-5.47

The **net loss** for the period came to €137 million, or a negative 1.5% of sales, compared with net income of €844 million reported in first-half 2019. The €981 million decline was attributable to the following factors:

- unfavorable factors:
  - the €1,128 million decline in segment operating income,
  - the €36 million increase in net other operating expense,
  - the €50 million decline in the Group's share of profit from equity-accounted companies;
- favorable factors:
  - the €123 million decline in segment operating expense,
  - the €27 million reduction in the cost of net debt,
  - the €21 million reduction in net interest on employee benefit obligations,
  - the €190 million decrease in income tax expense.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

Methodological note: translation adjustments in the balance sheet primarily stem from the translation of prior-year assets and liabilities at closing exchange rates.

ASSETS

(in € millions)	June 30, 2020	December 31, 2019	Total change	Translation adjustments	Movement
Goodwill	2,250	2,388	-138	-124	-14
Intangible assets	2,113	2,280	-167	-91	-76
Property, plant and equipment	12,504	13,169	-665	-371	-294
Non-current financial assets and other non-current assets	995	796	+199	-12	+211
Investments in equity-accounted companies	1,035	1,087	-52	-6	-46
Deferred tax assets	794	814	-20	-25	+5
Non-current assets	**19,691**	**20,534**	**-843**	**-629**	**-214**
Inventories	4,318	4,694	-376	-127	-249
Trade receivables	2,844	3,532	-688	-83	-605
Current financial assets	476	396	+80	-5	+85
Other current assets	1,013	1,055	-42	+1	-43
Cash and cash equivalents	2,809	1,466	+1,343	-19	+1,362
Current assets	**11,460**	**11,143**	**+317**	**-233**	**+550**
TOTAL ASSETS	**31,151**	**31,677**	**-526**	**-862**	**+336**

EQUITY AND LIABILITIES

(in € millions)	June 30, 2020	December 31, 2019	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,790	2,789	+1		+1
Reserves	9,092	10,080	-988	-492	-496
Non-controlling interests	0	3	-3	0	-3
Equity	**12,239**	**13,229**	**-990**	**-492**	**-498**
Non-current financial liabilities	6,217	5,923	+294	-27	+321
Provisions for employee benefit obligations	3,858	3,873	-15	-25	+10
Provisions and other non-current liabilities	971	1,104	-133	-13	-120
Deferred tax liabilities	450	455	-5	-17	+12
Non-current liabilities	**11,496**	**11,355**	**+141**	**-82**	**+223**
Current financial liabilities	2,597	1,158	+1,439	-184	+1,623
Trade payables	1,615	2,627	-1,012	-41	-971
Trade payables under reverse factoring agreements	264	470	-206	-1	-205
Provisions and other current liabilities	2,940	2,838	+102	-65	+167
Current liabilities	**7,416**	**7,093**	**+323**	**-291**	**+614**
TOTAL EQUITY AND LIABILITIES	**31,151**	**31,677**	**-526**	**-865**	**+339**

3.4.1 GOODWILL

Goodwill before translation adjustments amounted to €2,250 million at June 30, 2020. The €14 million decrease from December 31, 2019 mainly corresponded to the reduction in the preliminary goodwill on Multistrada, acquired in March 2019, as well as the €18 million goodwill impairment loss on Tablet.

With that one exception, no impairment losses were recognized on the other CGUs or groups of CGUs at June 30, 2020.

Impairment tests were performed using a scenario based on assumptions concerning global gross domestic product (GDP). Under this scenario, a return to the 2019 activity level is expected from the second half of 2022 (see note 8 to the condensed interim consolidated financial statements).

3.4.2 INTANGIBLE ASSETS

Intangible assets stood at €2,113 million, a €76 million decrease from December 31, 2019 before translation adjustments. The decline reflected the €21 million impairment loss recognized on Tablet's intangible assets, the amortization of acquired software and the amortization of acquired trademarks and customer relationships (see note 4 to the condensed consolidated interim financial statements).

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to €12,504 million at June 30, 2020, down €294 million from December 31, 2019 before translation adjustments, reflecting the fact that overall depreciation charges exceeded capital expenditure for the period.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

Non-current financial assets and other non-current assets stood at €995 million, an increase of €212 million (before translation adjustments), that was primarily attributable to the high returns on employee benefit plan assets in the United Kingdom during the first half.

3.4.5 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments in equity-accounted companies amounted to €1,035 million at June 30, 2020, down €46 million (before translation adjustments) due to the Group's €44 million share in the losses from equity-accounted companies. The €50 million year-on-year decline in the Group's share of profit/(loss) from these entities in first-half 2020 mainly stemmed from the recognition in first-half 2019 of a €28 million disposal gain arising on the change in the method used to consolidate Symbio (see note 2.6.3 to the 2019 condensed consolidated interim financial statements).

3.4.6 DEFERRED TAX ASSETS AND LIABILITIES

Excluding translation adjustments, **net deferred tax assets** declined by €7 million compared with December 31, 2019, mainly as a result of various immaterial actuarial gains and losses on employee benefit obligations and a few timing differences.

No new material deferred tax assets were recognized for tax loss carryforwards in first-half 2020 in a context of health crisis, and no deferred tax assets were derecognized following a reassessment of the recoverability of tax loss carryforwards (see note 6 to the condensed interim consolidated financial statements).

3.4.7 TRADE WORKING CAPITAL

(in € millions)	June 30, 2020	June 30, 2019	Change	June 30, 2020 *(as a % of net sales, last 12 months)*	June 30, 2019 *(as a % of net sales, last 12 months)*
Inventories	4,318	5,115	-797	19.9%	22.0%
Trade receivables	2,844	3,847	-1,003	13.1%	16.6%
Trade payables	(1,615)	(2,535)	+920	-7.4%	-10.9%
Trade payables under reverse factoring agreements	(264)	(597)	+333	-1.2%	-2.6%
TRADE WORKING CAPITAL	**5,283**	**5,830**	**-547**	**24.3%**	**25.1%**

Trade working capital requirement decreased by €547 million compared with June 30, 2019, as business slowed sharply during first-half 2020. It represented 24.3% of moving 12-month sales, a 0.8-point improvement on June 30, 2019.

At €4,318 million, **inventories** ended the period down €797 million compared with June 30, 2019, or 2.1 points lower as a percentage of sales. The sharp reduction reflected the steep fall-off in sales volumes and the deployment, as soon as the crisis emerged, of measures to carefully manage output and inventories, so as to conserve the Group's cash. The reduction in inventories from first-half 2019 to first-half 2020 also factors in the decrease in raw material costs over the same period.

Trade receivables stood at €2,844 million at June 30, 2020, a decrease of €1,003 million in value and of 3.5 points as a percentage of sales. In addition to the natural reduction in receivables as business declined over the period, the decrease reflected the stricter customer risk tracking procedures introduced as soon as the crisis began. As of June 30, 2020, past-due receivables represented only 13% of total outstandings, or €372 million (see note 11 to the condensed interim consolidated financial statements), compared with 10% or €344 million at December 31, 2019, indicating that customer risk rose only very slightly over the first half.

Trade payables, including those **covered by reverse factoring contracts,** declined by €1,253 million year on year to €1,879 million. The steep decline reflected the very sharp slowdown in business over the first half, particularly in the second quarter, which led to a major cutback in purchases compared to first-half 2019. Outstandings were also impacted by the decline in raw material prices.

3.4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €2,809 million at June 30, 2020, a €1,362 million increase from December 31, 2019 (before translation adjustments) that was primarily due to the following factors:

- increases from:
  - the €1,736 million in new debt, of which €1,136 million in new commercial paper and €505 million in a two-year bank loan;
- decreases from:
  - the negative €351 million in free cash flow,
  - €23 million in net equity-related outlays, of which €20 million as part of the share buyback program.

3.4.9 EQUITY

Total equity decreased by €498 million before translation adjustment to €12,239 million at June 30, 2020 from €13,229 million at December 31, 2019, primarily as a result of the following factors:

- the €537 million comprehensive loss for the year, notably including:
  - the net loss of €137 million,
  - the negative €492 million in unfavorable translation adjustments,
  - €68 million in net actuarial gains on post-employment benefit obligations,
  - a €5 million increase in the fair value of hedging instruments,
  - other unfavorable factors in an amount of €5 million;
- the recognition of €357 million in dividend payments in other liabilities (see note 13 to the condensed interim consolidated financial statements);
- other payments in an amount of €11 million;
- the €99 million impact of reclassifying the share buyback program as debt;
- €14 million in other favorable movements.

As a result, at June 30, 2020, the **share capital** of Compagnie Générale des Établissements Michelin stood at €357,282,682, comprising 178,641,341 shares corresponding to 244,967,006 voting rights.

3.4.10 NET DEBT

Net debt stood at €5,510 million at June 30, 2020, up €326 million from December 31, 2019, mainly as a result of the following factors:

- the net use of €375 million in cash, reflecting:
  - the €351 million in negative free cash flow for the period,
  - the €20 million in share buybacks during the period,
  - other outlays for €4 million;
- €50 million in other non-cash factors decreasing net debt, of which:
  - the recognition of outstanding share buyback commitments as debt, in an amount of €79 million,
  - €95 million in new leases,
  - €36 million in other non-cash decreases,
  - a negative €186 million in translation adjustments.

CHANGES IN NET DEBT

(in € million)	First half 2020	First half 2019
At January 1	**5,184**	**4,056**
Free cash flow before M&A	+255	+96
M&A	+41	+466
Financement des participations	+55	+30
Free cash flow(1)	**+351**	**+592**
Distributions and other	0	+676
Purchases of Michelin shares (actual and commitments)	+99	+70
New finance leases	+95	+81
1st application of IFRS 16	-	+815
Change in scope of consolidation	+1	+265
Other	-33	+16
Translation adjustment	-187	+93
AT JUNE 30	**5,510**	**6,664**
CHANGE	**+326**	**+2,608**

(1) Free cash flow corresponds to cash flows from operating activities less cash flows used in investing activities, adjusted for net cash flows used in cash management instruments and loan guarantees.

3.4.10 a) Gearing

Gearing stood at 45% at June 30, 2020, versus 54% a year earlier.

3.4.10 b) Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin SCmA (CFM) are as follows:

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Fitch Ratings	F2	F2
Long term	Standard & Poor's	A-	A-
	Fitch Ratings	A-	A-
Outlook	Standard & Poor's	Negative	Negative
	Fitch Ratings	Stable	Stable

- On May 19, 2020, Standard & Poor's affirmed Michelin's short-term A-2 and long-term A- credit ratings, while revising the outlook from stable to negative.
- On May 29, 2020, Fitch Ratings affirmed Michelin's short-term F2 and long-term A- credit ratings, as well as its stable outlook.

Moody's, whose rating is no longer solicited as of July 1, 2020, affirmed the long-term credit ratings of CGEM and CFM on May 14, 2020, as well as its stable outlook:

	CGEM	CFM
Long term	A3	A3
Outlook	Stable	Stable

3.4.11 PROVISIONS

Provisions and other non-current liabilities amounted to €971 million versus €1,104 million at December 31, 2019, a €120 million decrease before the currency effect. The change was led by payments out of restructuring provisions set aside in prior years and the transfer of short-term provisions to current liabilities.

3.4.12 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other defined benefit plans	First half 2020	First half 2019
At January 1 (restated)	**1,931**	**1,897**	**3,828**	**3,858**
Contributions paid to the funds	(84)	-	(84)	(178)
Benefits paid directly to the beneficiaries	(16)	(54)	(70)	(72)
Other movements	-	-	-	11
Items recognized in operating income				
Current service cost	23	32	55	55
Actuarial (gains) or losses recognized in other comprehensive income	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	-
Past service cost resulting from plan curtailments	-	-	-	6
Effect of any plan settlements	-	-	-	-
Other items	3	-	3	6
Items recognized outside operating income				
Net interest on employee benefit obligations	11	16	27	49
Items recognized in other comprehensive income				
Translation adjustments	4	(20)	(16)	29
Actuarial (gains) or losses	(136)	24	(112)	194
Unrecognized assets due to the effect of the asset ceiling	33	-	33	(42)
AT JUNE 30	**1,769**	**1,895**	**3,664**	**3,916**

The net defined benefit obligation recognized at June 30, 2020 stood at €3,664 million, a decrease of €164 million from January 1st, 2020 as reported and of €148 million excluding the negative €16 million in translation adjustments.

The decline in the net defined benefit obligation reflected the following main factors:

- €154 million in contributions and benefits paid during the period (first-half 2019: €250 million), of which:
  - €84 million in contributions paid to fund management institutions (first-half 2019: €178 million),
  - €70 million in benefits paid directly to Group employees (first-half 2019: €72 million);
- €112 million in actuarial gains recognized in equity at June 30, 2020, which may be analyzed as follows:
  - €372 million in actuarial losses on the obligation, mainly resulting from the use of lower discount rates in North America and Europe,
  - €484 million in actuarial gains on plan assets, stemming from the high real return on the assets over the period in the United States and the United Kingdom;
- an €85 million expense recognized in the income statement, of which €58 million in operating income and €27 million outside operating income;
- the recognition in the statement of comprehensive income of €33 million in assets otherwise unrecognized due to application of the asset ceiling rule to the Canadian pension plan.

In addition, contributions paid by the Group into defined contribution plans totaled €111 million in first-half 2020 (first-half 2019: €112 million).

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 NET CASH FROM OPERATING ACTIVITIES

(in € millions)	First half 2020	First half 2019	Change
Segment EBITDA	**1,192**	**2,296**	**-1,104**
Change in net inventories	+304	(283)	+587
Change in net trade receivables	+ 262	(452)	+714
Change in net trade payables	(840)	+ 176	-1,016
Restructuring cash costs	(110)	(96)	-14
Tax and interest paid	(266)	(547)	+281
Other	(52)	(325)	+273
NET CASH FROM OPERATING ACTIVITIES	**490**	**769**	**-279**

At €1,192 million, **segment EBITDA** was down €1,104 million year on year, reflecting the €1,128 million decline in segment operating income, to €310 million from €1,438 million in first-half 2019, less the €24 million increase in depreciation and amortization charges for the period.

Cash flows from operating activities contracted by €279 million, to €490 million from €769 million in first-half 2019. The €1,104 million decline in EBITDA was partially offset by the €285 million improvement in working capital items, the €281 million increase in tax and interest paid and the €273 million increase in other factors having an impact on cash flows. Restructuring cash costs were relatively stable year on year, with just a €14 million increase compared with first-half 2019.

In the first half of the year, the rigorous management of operations, in a context of a sharp slowdown in activity, made it possible to limit cash consumption due to the increase in working capital requirements to €274 million, compared to €559 million a year earlier; i.e. a favorable effect on net cash from operating activities of €285 million from first half 2019 to first half 2020.

The €273 million increase in the other factors having a favorable impact on cash flows corresponded mainly to the decline in payments to pension funds and favorable changes in various provisions.

3.5.2 CAPITAL EXPENDITURE

(in € millions)	First half 2020	First half 2019	First half 2020/2019	First half 2020 *(as a % of sales)*	First half 2019 *(as a % of sales)*
Additions to intangible assets and PP&E	**490**	**665**	**-175**	**5.2%**	**5.6%**
Investment grants received and change in capital expenditure payables	279	219	+60	3.0%	1.9%
Proceeds from sales of intangible assets and PP&E	(24)	(19)	-5	-0.3%	-0.2%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**745**	**865**	**-120**	**8.0%**	**7.3%**

Gross purchases of intangible assets and property, plant and equipment amounted to €490 million in first-half 2020, a €175 million year-on-year decrease that was in line with the targeted €500 million full-year reduction in capital expenditure announced on April 29.

The first-half reduction in capital expenditure notably included scale-backs in capital projects to increase capacity. However, projects to improve competitiveness, safety and environmental performance were maintained, as well as outlays for technological innovation projects associated with the Group's strategic expansion in high-tech materials and in services & solutions.

Note that the Group's financing depends on its ability to generate cash flow as well as on market opportunities. As a result, there is generally no direct link between financing sources and capital expenditure projects.

3.5.3 AVAILABLE CASH FLOW AND FREE CASH FLOW

Available cash flow corresponds to cash flow from recurring operations, *i.e.,* after routine capital expenditure but before growth investments.

Free cash flow, which is stated before dividend payments and financing transactions, corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash management financial assets and borrowing collaterals.

(in € millions)	2020	2019	Change
Net cash from operating activities	**490**	**769**	**-279**
Routine capital expenditure (maintenance, IT, dealership, etc.)	(296)	(386)	+90
AVAILABLE CASH FLOW	**194**	**383**	**-189**
Competitiveness and capacity investments	(142)	(203)	+61
Acquisitions de participations	(41)	(466)	+425
Other cah flows from investing activities	(362)	(306)	-56
FREE CASH FLOW	**(351)**	**(592)**	**+241**

After subtracting €296 million in routine capital expenditure, available cash flow stood at €194 million for first-half 2020.

During the period, the Group invested €41 million in acquisitions, of which Enviro and Farbi Cote (see Highlights, 3.11).

Free cash flow amounted to a negative €351 million in first-half 2020, compared to negative €592 million in first-half 2019..

3.6 OUTLOOK FOR FULL-YEAR 2020

In 2020, after a first half shaped by the effects of the health crisis, notably the various restrictions on freedom of movement, global tire demand is expected to be impacted in the second half of the year by the economic recession ensuing from the pandemic. Passenger car and Light truck tire markets are expected to decline by between 15% and 20% over the year and Truck tire markets by between 13% and 17%. The Specialty markets should remain relatively resilient, with a 13% to 17% decline.

In this still highly uncertain market scenario, Michelin's objectives are to deliver full-year segment operating income in excess of €1.2 billion at constant exchange rates and structural free cash flow[(1)] of more than €500 million, barring any new systemic impact from COVID-19.

3.7 RELATED PARTIES

There were no new material related-party transactions during the first half of 2020, nor any material changes in the related-party transactions described in the 2019 Universal Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group's main risks have been identified and are described in the 2019 Universal Registration Document, Chapter 2.

(1) Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.

3.9 FINANCIAL HIGHLIGHTS

(in € million)	First half 2020	First half 2019	2019	2018	2017	2016	2015
Sales	9,357	11,781	24,135	22,028	21,960	20,907	21,199
% change	*-20.6%*	*+11.1%*	*+9.6%*	*+0.3%*	*+5.0%*	*-1.4%*	*+8.4%*
Total employee benefit costs	2,954	3,270	6,365	6,038	5,871	5,542	5,785
as a % of sales	*31.6%*	*27.8%*	*26.4%*	*27.4%*	*26.7%*	*26.5%*	*27.3%*
Number of employees (full time equivalent)	119,900	114,000	121,300	111,100	107,800	105,700	105,800
Research and development expenses	311	333	687	648	641	718	689
as a % of sales	*3.3%*	*2.8%*	*2.8%*	*2.9%*	*2.9%*	*3.4%*	*3.3%*
Segment EBITDA[(1)]	1,192	2,296	4,763	4,119	4,087	4,084	3,934
Segments operating income	310	1,438	3,009	2,775	2,742	2,692	2,577
Segments operating margin	3.3%	12.2%	12.5%	12.6%	12.5%	12.9%	12.2%
Operating income	177	1,341	2,691	2,550	2,631	2,791	2,207
Operating margin	1.9%	11.4%	11.1%	11.6%	12.0%	13.3%	10.4%
Cost of net debt	160	187	330	200	176	203	184
Other financial income and expenses	(3)	2	(5)	16	(0)	20	(30)
Income before taxes	(58)	1,113	2,236	2,230	2,354	2,464	1,869
Income tax	79	270	506	570	661	797	706
Effective tax rate	n.c.	24.2%	22.6%	25.6%	28.1%	32.3%	37.8%
Net income	(137)	844	1,730	1,660	1,693	1,667	1,163
as a % of sales	*-1.5%*	*7.2%*	*7.2%*	*7.5%*	*7.7%*	*8.0%*	*5.5%*
Dividends paid[(2)]	0	666	666	637	585	522	463
Cash flows from operating activities	490	769	3,321	2,831	2,741	2,764	2,695
as a % of sales	*8.2%*	*6.5%*	*13.8%*	*12.9%*	*12.5%*	*13.2%*	*12.7%*
Gross purchases of intangible assets and PP&E	490	665	1,801	1,669	1,771	1,811	1,804
as a % of sales	*5.2%*	*5.6%*	*7.5%*	*7.6%*	*8.1%*	*8.7%*	*8.5%*
Net debt[(3)]	5,510	6,664	5,184	4,056	716	944	1,008
Equity	12,239	12,280	13,229	12,181	11,261	10,646	9,542
Gearing	45%	54%	39%	33%	6%	9%	11%
Net debt[(3)] / EBITDA[(1)]	4.62	2.90	1.09	0.98	0.18	0.23	0.26
Operating income before non-recurring items / Net interest charge[(4)]	2.4	9.4	10.1	13.3	15.9	13.3	12.8
Free cash flow[(5)]	(351)	(592)	1,142	(1,985)	662	1,024	653
ROE[(6)]	-	-	13.1%	13.6%	15.0%	15.7%	12.2%
ROCE[(7)]	-	-	-	-	11.9%	12.1%	12.2%
Operating ROCE[(8)]	-	-	13.7%	14.0%	13.0%	-	-
Per share data *(in €)*							
Net assets per share[(9)]	68.5	68.6	74.1	67.8	62.7	59.1	52.5
Basic earnings per share	(0.75)	4.74	9.69	9.30	9.39	9.21	6.28
Diluted earnings per share	(0.75)	4.72	9.66	9.25	9.34	9.03	6.19
Price-earnings ratio[(10)]	-	-	11.3	9.3	12.7	11.5	14.0
Dividend for the year voted in Annual General Meeting	-	-	2.00	3.70	3.55	3.25	2.85
Pay-out ratio[(11)]	-	-	19.5%	36.4%	36.0%	36.5%	37.0%
Yield[(12)]	-	-	1.8%	4.3%	3.0%	3.1%	3.2%
Share turnover rate[(13)]	91%	85%	82%	92%	71%	78%	99%

(1) As defined in note 3.7.2 to the 2019 consolidated financial statements.
(2) Including the dividends paid in shares.
(3) Net debt: financial liabilities - cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) +/- derivative assets, as defined in note 26 to the 2019 consolidated financial statements.
(4) Net interest charge: interest financing expenses - interest income from cash and equivalents.
(5) Free cash flow: cash flows from operating activities - cash flows from investing activities (excluding cash flows from cash management financial assets and borrowing collaterals), as defined in section 3.5.3.
(6) ROE: net income attributable to shareholders/shareholders' equity excluding non-controlling interests.
(7) ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement), as defined in section 3.6 of the 2019 Universal Registration Document.
(8) Operating ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement - goodwill - acquired intangible assets - associates and joint ventures), as defined in section 3.6 of the 2019 Universal Registration Document.
(9) Net assets per share: net assets/number of shares outstanding at the end of the period.
(10) P/E: Share price at the end of the period/basic earnings per share.
(11) Distribution rate: Dividend/Net income.
(12) Dividend yield: dividend per share/share price at December 31.
(13) Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.

3.10 SHARE INFORMATION

3.10.1 THE MICHELIN SHARE

Traded on the Euronext Paris stock exchange

- Compartment A;
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1.

Market capitalization

- €16,496 million at June 30, 2020.

Average daily trading volume

- 644,493 shares since January 1, 2020.

Indices

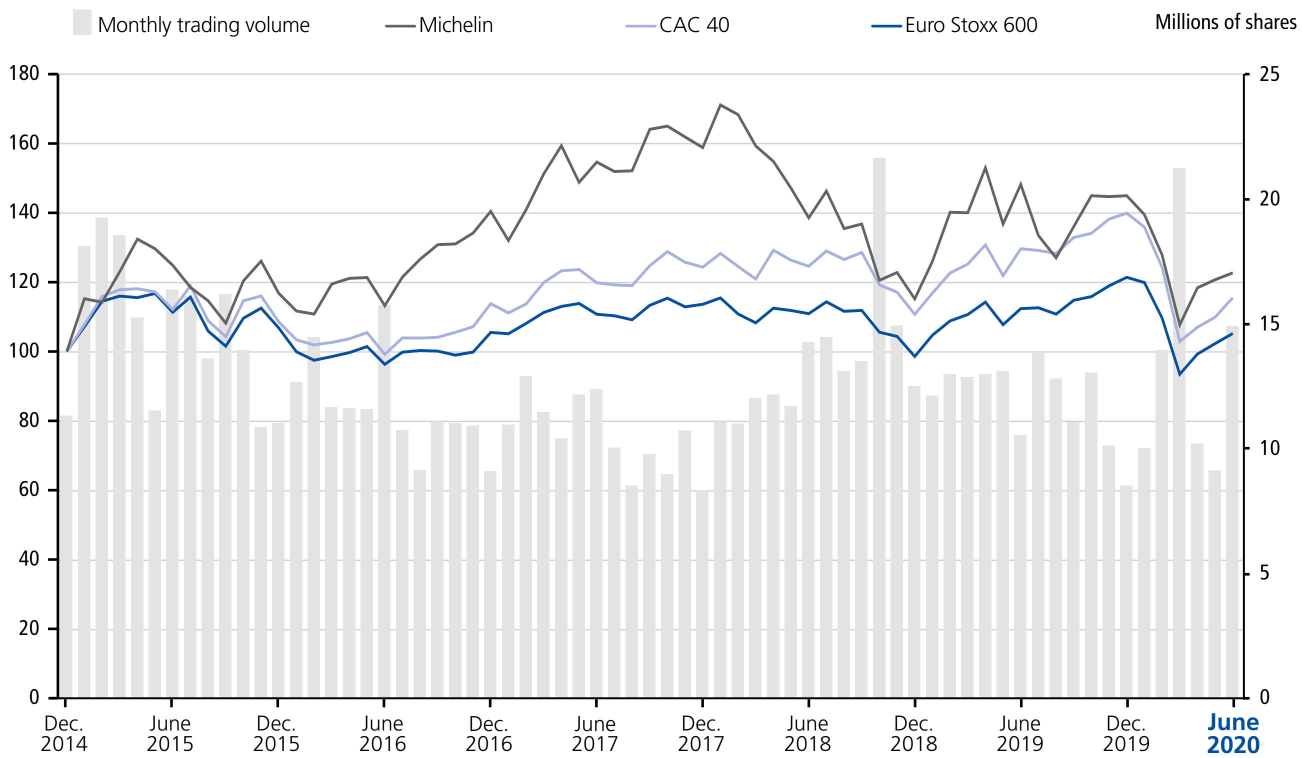
The Michelin share is included in two leading stock market indices:

- CAC 40: 1.49% of the index at June 30, 2020;
- Euronext 100: 0.61% of the index at June 30, 2020.

Michelin is also included in the main Socially Responsible Investing (SRI) indices:

- FTSE4Good;
- Ethibel Sustainability Index (ESI) Europe.

MICHELIN SHARE PERFORMANCE



3.10.2 DETAILED SHARE DATA

Share price *(in €)*	**First semester 2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Session high	112.80	119.5	130.85	128.40	106.80	103.90
Session low	68.00	83.74	82.68	98.93	77.40	71.60
High/Low ratio	1.66	1.43	1.58	1.30	1.38	1.45
Closing price, end of period	92.34	109.10	86.70	119.55	105.70	87.90
Average closing price over the period	93.59	104.36	109.40	115.65	91.97	90.26
Change in the Michelin share price over the period	-14.85%	25.84%	-27.48%	13.10%	20.25%	16.78%
Change in the CAC 40 index over the period	*-18.30%*	*26.37%*	*-10.95%*	*9.26%*	*4.86%*	*8.53%*
Market value *(at end of the period, in € billions)*	**16.50**	**19.49**	**15.59**	**21.45**	**19.03**	**15.98**
Average daily trading volume over the period	644,493	577,545	649,347	503,534	554,262	719,709
Average shares outstanding	178,636,332	179,669,608	179,384,513	180,212,806	182,122,667	185,960,394
Volume of shares traded over the period	81,206,087	147,273,882	165,583,378	128,401,095	142,445,218	184,245,619
Share turnover rate	**91%**	**82%**	**92%**	**71%**	**78%**	**99%**

3.10.3 PER SHARE DATA

(in € per share, except ratios)	**First semester 2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Net assets per share	68.5	74.1	67.8	62.7	59.1	52.5
Basic earnings per share	(0.75)	9.69	9.30	9.39	9.21	6.28
Diluted earnings per share(1)	(0.75)	9.66	9.25	9.34	9.03	6.19
PER	**-**	**11.3**	**9.3**	**12.7**	**11.5**	**14.0**
Dividend per share	-	2.00	3.70	3.55	3.25	2.85
Payout ratio (without non-recurring items)	-	19.5%	36.4%	36.0%	36.5%	37.0%
Yield per share(2)	-	1.8%	4.3%	3.0%	3.1%	3.2%

(1) Earnings per share adjusted for the impact on net income and the average number of shares of the exercise of outstanding dilutive instruments.
(2) Dividend/share price at December 31.

3.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2020, Michelin's share capital amounted to: €357,282,682.

	At June 30, 2020			**At December 31, 2019**		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**	**Number of shareholders**	**Shares outstanding**	**Voting rights outstanding**
French institutional investors	3,967	29.1%	30.8%	3,735	27.4%	29.1%
Non-resident institutional investors		59.7%	55.7%		61.3%	57.1%
Individual shareholders	146,225	9.3%	11.5%	141,628	9.5%	11.8%
Employee share ownership plan(1)	56,644	1.8%	2.0%	58,079	1.8%	2.0%
Treasury shares	1	0.1%	-	-	-	-
TOTAL	**206,836**	**178,641,341 SHARES***	**244,967,006 VOTING RIGHTS**	**203,442**	**178,627,555 SHARES***	**240,861,826 VOTING RIGHTS**

(1) Group ex-employees and retirees are now registered in the Individual shareholders category.
** All fully paid up.*

Shares held in the same name for at least four years carry double voting rights.

3.11 HIGHLIGHTS

3.11.1 STRATEGY

January 23, 2020 – Michelin plant in La Roche-sur-Yon, France – Agreement signed by a majority of employee representatives for an employee support program

The proposed support program for employees at the Michelin plant in La Roche-sur-Yon, France has been signed by the CFDT, CFE-CGC, SUD and FO trade unions. The agreement is aligned with the commitments undertaken by the Michelin Group when the closure was announced on October 10, 2019 and should enable every employee impacted by the decision to plan for their future careers with greater peace of mind.

January 27, 2020 – MICHELIN Guide France 2020 *celebrates sustainable gastronomy with a new green star pictogram*

In line with its "All Sustainable" vision, Michelin is introducing a new "Sustainable Gastronomy" selection in a commitment to highlighting chefs who are concerned with preserving the environment. In this way, the MICHELIN Guide will become an enabler of faster change and a showcase for best practices around the world.

February 3, 2020 – Fenner Precision Polymers acquires Fabri Cote

Fenner Precision Polymers has acquired Fabri Cote, a leader in the development and manufacture of custom rubber-coated fabrics for aerospace applications.

February 18, 2020 – During the third Global Ministerial Conference on Road Safety, the Group reaffirms its commitment to safer mobility

While Michelin expresses its commitment to safer mobility through the quality of its products and services, it is also involved in a wide range of global partnerships, such as: the United Nation Road Safety Collaboration, the Global Road Safety Partnership (GRSP), the FIA High Level Panel for Road Safety and Youth for Road Safety (YOURS). The signature of the Stockholm Declaration, a highlight of this third conference, reaffirms the importance of more extensive multilateral, international cooperation.

March 18, 2020 – Covid-19: the Michelin Group responds to prevailing market conditions and deploys the measures required to attenuate the impact of the systemic crisis

Tire market data as of end-February 2020 show the initial impact of the Covid-19 public health crisis, with the global Passenger car and Light truck tire market down 9% year-on-year and the Truck tire market down 16%. The Group is taking all of the initiatives required to attenuate as much as possible the negative consequences of the crisis on segment operating income and free cash flow. In addition, the Group has the sources of financing in place to deal with the uncertainty surrounding the crisis.

April 1, 2020 – Covid-19: Michelin will hold its Annual Shareholders Meeting behind closed doors on June 23, 2020 and reduce the proposed 2019 dividend to €2.00

Shareholders may vote remotely ahead of the event and follow the Meeting live as it is broadcast via video conference on the corporate website Corporate. In a commitment to optimally balance the interests of all its stakeholders, the Group has decided to reduce the amount of the proposed 2019 dividend to €2, compared with the initially announced €3.85, with payment scheduled for July 3, 2020.

April 6, 2020 – Covid-19: Michelin Group executives reduce their compensation

In a show of solidarity with the entire community of Michelin employees, the Michelin Group's Managers, Florent Menegaux and Yves Chapot, have chosen to reduce their compensation by around 25% for the months of April and May 2020. They have also decided to waive part of their variable compensation payable in 2020 in respect to 2019. The Chairman of the Supervisory Board, Michel Rollier, and the Board's independent members are joining this effort by donating 25% of their attendance fees received in 2020 to foundations in their respective countries, which are part of the fight against Covid-19.

April 8, 2020 – Covid-19: Michelin mobilizes on every front to fight the pandemic

Michelin has mobilized its teams' capacity for innovation and its expertise in research, materials, manufacturing and scientific intelligence to develop, produce and deliver several types of masks in large quantities and within extremely short timeframes. Michelin has also launched the production of sterilizable polycarbonate face shields for hospital caregivers. Lastly, the Group is involved in many other projects, such as medical device components, patient-positioning cushions and hand sanitizer.

May 21, 2020 – Michelin's CO_2 reduction targets approved by the SBTi

The international Science Based Targets initiative (SBTi[1]), a leading independent organization, has approved Michelin's CO_2 reduction targets. This milestone corroborates the effectiveness of Michelin's environmental initiatives, undertaken in particular to fight against global warming in line with the COP21 Paris Climate Agreement. It also paves the way to achieving net zero emissions in all of the Group's plants by 2050.

May 26, 2020 – Michelin welcomes the government's support plan for the automotive industry in France

The future of the automotive industry in France depends on its ability to innovate to effectively address the technological challenges associated with the environmental and digital transition. The Michelin Group naturally supports this initiative, which will safeguard, to the extent possible, capabilities, skills and jobs throughout France, while supporting the industry's necessary transformation.

(1) SBTi: Launched in 2015, several months before COP21, SBTi is a collaboration between four organizations proposing a voluntary approach to fighting climate change in the private sector.

June 4, 2020 – Michelin and Essilor unveil a joint awareness campaign during the Movin'On summit

During Movin'On, the international summit for safer, sustainable mobility inspired by Michelin, Essilor and Michelin have jointly launched a global awareness campaign, known as "Together, for safe mobility! Check your vision, check your tires." "Ensuring good vision for all road users" is now part of the official recommendations to achieve UN road safety goals around the world.

June 3-4, 2020 – Rendezvousing with the future of sustainable mobility during "Digital Meetings by Movin'On"

After the World Summit on Sustainable Mobility was postponed until 2021 due to the health crisis, the Movin'On teams organized a series of Digital Meetings. Focused on sustainable mobility and innovation, the online forums offered an opportunity to share feedback and discuss the new projects being developed by the Movin'On communities of interest. In addition, five start-ups won awards for their innovative solutions aimed at addressing the multifaceted challenges of sustainable mobility.

***June 15, 2020 – Michelin announces the publication of the first MICHELIN Guide* Slovenia *and its newly curated MICHELIN Guide* Main Cities of Europe 2020**

At its first awards event since the beginning of the health crisis, Michelin celebrated, for the first time, the Slovenian culinary scene and promoted sustainable European tourism. It also revealed the entire 2020 selection in the new MICHELIN Guide *Main Cities of Europe*, which covers 39 cities in 23 countries and recommends more than 1,850 hotels and restaurants.

June 23, 2020 – The 2020 Annual Meeting of Michelin shareholders was held behind closed doors for the first time

This year, the Annual Meeting of Michelin shareholders was held behind closed doors in Clermont-Ferrand under the chairmanship of Managing Chairman Florent Menegaux. All of the resolutions submitted to shareholders were approved. During the Meeting, Mr. Menegaux expressed Michelin's vision of itself as a "resilient Group committed to an 'All Sustainable' world." Yves Chapot, Manager and Chief Financial Officer emphasized that "the Group remains a major player in sustainable mobility recognized by non-financial ratings agencies and its balance sheet is healthy." Michelin is now leveraging these fundamentals to tackle the unprecedented crisis currently raging across the globe.

June 24, 2020 – Creation of a Corporate Social Responsibility Committee (CSRC) within the Supervisory Board and governance changes

At a meeting held after the Annual Shareholders Meeting on June 23, 2020, the Supervisory Board of Compagnie Générale des Établissements Michelin decided to create a new Corporate Social Responsibility Committee (CSRC), which will comprise two independent Supervisory Board members, Monique Leroux (Chair) and Anne-Sophie de La Bigne.

3.11.2 INNOVATION

January 17, 2020 – Michelin and HDI innovate to improve corporate fleet road safety

Michelin and HDI Global SE have formed a partnership to help prevent and reduce road risk for company vehicle fleets. Under the partnership, Michelin is enhancing its offering of connected solutions designed to support increasingly safe, efficient and sustainable mobility. Feedback from the project will enable Michelin and HDI to develop new solutions as early as 2022.

February 24, 2020 – Michelin and Total subsidiary AS 24 join forces to design and trial a new connected solution

Sustainable mobility leader Michelin is partnering with Total subsidiary AS 24 to design and trial the innovative Fleet Diag 24 solution. AS 24 is Europe's largest network of dedicated heavy truck service stations, with 986 outlets in 28 countries. The solution can automatically inspect truck tires at any AS 24 service station fitted with the device.

February 27, 2020 – Michelin is voted "Tire Manufacturer of the Year" and earns the Innovation Award for Uptis, its puncture-proof tire

At the Tire Technology Expo in Hanover, Michelin received the prestigious title of "Tire Manufacturer of the Year" for the second year in a row and earned the Tire Technology 2020 Innovation Award for Uptis, its airless tire. The award showcases the Group's ability to meet the challenge of offering increasingly affordable, efficient products and services, while significantly reducing their environmental impact. Michelin and its partner General Motors are already working to bring Uptis to market in 2024 as an option on a GM model.

March 2, 2020 – Fenner launches the new Eagle Poly-V line for roller conveyor applications

Fenner, the world leader in the manufacture of polyurethane conveyor belts, has introduced the new Eagle Poly-V line for roller conveyor applications. Manufactured using a combination of polyurethane with elastic reinforcement, the new, more efficient model reduces downtime and improves productivity.

April 8, 2020 – Covid-19: Michelin and other companies in France's Auvergne-Rhône-Alpes region step up to manufacture reusable face masks

Led and coordinated by the Grenoble-based collective VOC-COV, a collaborative ecosystem is designing and preparing the large-scale roll-out of a reusable mask. The resulting OCOV® mask will be affordable, sustainable and suitable for high-volume manufacturing. Michelin will donate a portion of masks on order to the regional health agencies.

April 15, 2020 – Michelin partners with Enviro to develop and mass produce an end-of life tire recycling technology

Michelin has partnered with Enviro to develop and mass produce an innovative pyrolysis technology to recycle end-of-life tires. For the tire industry and its customers, recycling is a major issue, with around one billion tires reaching the end of their useful lives each year. Thanks to this recycling technology, tires considered as scrap can be reused to make new, high-quality raw materials. The partnership fits seamlessly with Michelin's "All Sustainable" vision.

June 8, 2020 – All four MICHELIN Power motorcycle tire ranges entirely refreshed

At a time when mobility practices and customer expectations are shifting, the two-wheel tire business has a predominant role to play. Innovation is becoming mission-critical, in particular through the use of high-performance, sustainable materials. Thanks to Michelin's R&D commitment and hard work, all four of the MICHELIN Power motorcycle tire lines have now been refreshed.

June 10, 2020 – Michelin unveils its new MICHELIN Pilot Sport CUP2 CONNECT tire, delivering higher, longer-lasting performance and 100% connect-ready

The new MICHELIN Pilot Sport CUP2 CONNECT tire has an integrated container to hold a sensor, making it the first series-produced 100% connect-ready tire on the market. Users simply insert the sensors that come with the MICHELIN Track Connect solution. These advanced technologies enable MICHELIN Pilot Sport CUP2 CONNECT tires to enhance the driving experience and remain versatile for everyday use while offering high potential on the track. They will first be fitted as original equipment on the BMW M2 CS.

June 25, 2020 – New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life

The new MICHELIN TRAILXBIB tire is helping to improve farm profitability while preserving cropland. As the number of farms decreases and farmers need to travel farther to get to their fields, this new tire meets their growing need for a solution suitable for mixed road/field use. It offers three main benefits: robust endurance, improved self-cleaning and longer tread-life.

July 3, 2020 – Michelin joins the Coalition for the Energy of the Future

At the "Aix-en-Seine" economic forum attended by many organizations from around the world, Michelin and ten other international corporations announced they have joined forces to form a Coalition, which will be open to new members in the future. The Coalition aims to accelerate the development of energy sources and technologies to address the challenges posed by sustainable mobility in the transportation and logistics industry. It offers a further opportunity for Michelin to share its experience and expertise, particularly in hydrogen-powered mobility, and to step up the pace of the energy transition in the transportation industry.

July 8, 2020 – Michelin pledges to support the European Clean Hydrogen Alliance

Michelin has joined the European Clean Hydrogen Alliance, launched by the European Commission to support the EU's commitment to reach carbon neutrality by 2050. This objective is also compatible with Michelin's "All Sustainable" vision. Michelin is already actively involved in the development of hydrogen mobility and the Group's Managing Chairman, Florent Menegaux, has emphasized the Alliance's environmental and economic benefits.

3.11.3 MOTORSPORTS

June 10, 2020 – Michelin and Symbio: creating the future of motorsports as partners of MissionH24

Through Symbio, its joint venture with automotive equipment manufacturer Faurecia, Michelin has become a preferred partner of the MissionH24 project, which aims to accelerate the development of zero-emissions mobility by using hydrogen fuel cell technology in endurance racing. The resulting on-track experience will be leveraged by Symbio in its strategic commitment to becoming a major enabler of hydrogen mobility in the coming years. As a key player in zero-emission mobility, Michelin is investing in several initiatives to bring innovation to market more quickly, with the goal of offering solutions that are sustainable for its customers and for the planet.

June 15, 2020 – The Le Mans 24 Hours Virtual race was a compelling eSport experience for Michelin

By participating in the Le Mans 24 Hours Virtual race, Michelin did more than just highlight its commitment to eSports. It also raised its brand profile with a new demographic, while supporting further innovation in two of its many core competencies: simulation and virtual design. It was also an opportunity to introduce millions of fans around the world to the important role that tires play in motorsports. Following on from this first "virtual" victory, Michelin is looking forward to extending its record in the real race in September to 23 straight wins.

July 1, 2020 – Michelin will remain supplier of Formula E until 2022

As a founding partner of the world's leading championship race for 100% electric single-seaters since its first season in 2014/2015, Michelin has long considered Formula E motorsports as a fantastic opportunity to support its sustainable mobility vision. In addition to this pioneering motorsport, the Group is developing a wide array of innovations as part of other ambitious programs geared towards the mobility of the future, such as the MissionH24 project to introduce hydrogen technology in endurance racing, and MotoE™, a fully electric motorcycle championship organized as part of MotoGP™.

04. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – SIX MONTHS ENDED JUNE 30, 2020

DETAILED SUMMARY OF THE NOTES

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	First half 2020	First half 2019
Sales	3	9,357	11,781
Cost of sales		(7,087)	(8,260)
Gross income		**2,270**	**3,521**
Sales and marketing expenses		(577)	(667)
Research and development expenses		(311)	(333)
General and administrative expenses		(972)	(1,059)
Segment other income and expenses		(100)	(24)
Segment operating income	3	**310**	**1,438**
Other operating income and expenses	4	(133)	(97)
Operating income		**177**	**1,341**
Cost of net debt	5	(160)	(187)
Other financial income and expenses	5	(3)	2
Net interest on employee benefit obligations	15	(28)	(49)
Share of profit/(loss) from equity-accounted companies	9	(44)	6
Income/(loss) before taxes		**(58)**	**1,113**
Income tax	6	(79)	(269)
NET INCOME/(LOSS)		**(137)**	**844**
▶ Attributable to the shareholders of the Company		(134)	858
▶ Attributable to the non-controlling interests		(3)	(14)
Earnings per share *(in €)*			
▶ Basic	7	(0.75)	4.74
▶ Diluted		(0.75)	4.72

Notes 1 to 19 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	First half 2020	First half 2019
Net income/(loss)		**(137)**	**844**
Post-employment benefits	15	79	(152)
Tax effect – Post-employment benefits		(11)	55
Equity instruments at fair value through OCI – changes in fair value		5	(2)
Tax effect – equity instruments at fair value through OCI		-	9
Other comprehensive income/(loss) that will not be reclassified to the income statement		**73**	**(90)**
Cash flow hedges – changes in fair value		27	28
Currency translation differences		(492)	106
Other		(8)	(1)
Other comprehensive income/(loss) that may be reclassified to the income statement		**(473)**	**133**
Other comprehensive income/(loss)		**(400)**	**43**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(537)**	**887**
▶ Attributable to the shareholders of the Company		(534)	900
▶ Attributable to the non-controlling interests		(3)	(13)

Notes 1 to 19 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	June 30, 2020	December 31, 2019
Goodwill	8	2,250	2,388
Intangible assets	8	2,113	2,280
Property, plant and equipment (PP&E)		12,504	13,169
Non-current financial assets and other non-current assets		995	796
Investments in equity-accounted companies	9	1,035	1,087
Deferred tax assets	6	794	814
Non-current assets		**19,691**	**20,534**
Inventories	10	4,318	4,694
Trade receivables	11	2,844	3,532
Current financial assets		476	396
Other current assets		1,013	1,055
Cash and cash equivalents	12	2,809	1,466
Current assets		**11,460**	**11,143**
TOTAL ASSETS		**31,151**	**31,677**
Share capital	13	357	357
Share premiums	13	2,790	2,789
Reserves	14	9,092	10,080
Non-controlling interests		-	3
Equity		**12,239**	**13,229**
Non-current financial liabilities	12	6,217	5,923
Provisions for employee benefit obligations	15	3,858	3,873
Provisions and other non-current liabilities	16	971	1,104
Deferred tax liabilities	6	450	455
Non-current liabilities		**11,496**	**11,355**
Current financial liabilities	12	2,597	1,158
Trade payables		1,615	2,627
Trade payables under reverse factoring agreements		264	470
Provisions and other current liabilities	16	2,940	2,838
Current liabilities		**7,416**	**7,093**
TOTAL EQUITY AND LIABILITIES		**31,151**	**31,677**

Notes 1 to 19 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Share capital (note 13)	Share premiums (note 13)	Reserves (note 14)	Non-controlling interests	Total
At January 1, 2019	**360**	**2,923**	**8,875**	**23**	**12,181**
Net income/(loss)	-	-	858	(14)	844
Other comprehensive income/(loss)	-	-	42	1	43
Comprehensive income/(loss)	**-**	**-**	**900**	**(13)**	**887**
Issuance of shares	-	2	-	-	2
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	(675)	(1)	(676)
Share buybacks	-	-	(70)	-	(70)
Other	-	1	(45)	-	(44)
At June 30, 2019	**360**	**2,926**	**8,985**	**9**	**12,280**
Net income/(loss)	-	-	893	(7)	886
Other comprehensive income/(loss)	-	-	121	(1)	120
Comprehensive income/(loss)	**-**	**-**	**1,014**	**(8)**	**1,006**
Issuance of shares	-	2	-	-	2
Cancellation of shares	(3)	(138)	141	-	-
Dividends and other appropriations	-	-	-	-	-
Share buybacks	-	-	(71)	-	(71)
Other	-	(1)	11	2	12
At December 31, 2019	**357**	**2,789**	**10,080**	**3**	**13,229**
Net income/(loss)	-	-	(134)	(3)	(137)
Other comprehensive income/(loss)	-	-	(400)	-	(400)
Comprehensive income/(loss)	**-**	**-**	**(534)**	**(3)**	**(537)**
Issuance of shares	-	1	-	-	1
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	(368)	-	(368)
Share buybacks	-	-	(99)	-	(99)
Other	-	-	13	-	13
AT JUNE 30, 2020	**357**	**2,790**	**9,092**	**-**	**12,239**

Notes 1 to 19 are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	First half 2020	First half 2019
Net income/(loss)		(137)	844
Adjustments:			
▶ Cost of net debt	5	160	187
▶ Other financial income and expenses	5	3	(2)
▶ Net interest on employee benefit obligations	15	28	49
▶ Income tax	6	79	269
▶ Amortization, depreciation and impairment of intangible assets and PP&E		882	858
▶ Other operating income and expenses	4	133	97
▶ Share of loss/(profit) from equity-accounted companies	9	44	(6)
Segment EBITDA		**1,192**	**2,296**
Other operating income and expenses (cash) and change in provisions	17	(199)	(274)
Interest and other financial income and expenses received and paid, net	17	(137)	(160)
Income tax paid		(129)	(387)
Change in working capital, net of impairment	17	(237)	(706)
Net cash from operating activities		**490**	**769**
Purchases of intangible assets and PP&E	17	(769)	(884)
Proceeds from sales of intangible assets and PP&E		24	19
Equity investments in consolidated companies, net of cash acquired		(33)	(470)
Disposals of equity investments in consolidated companies, net of cash sold		(1)	2
Purchases of equity instruments at fair value		(10)	(11)
Disposals of equity instruments at fair value		3	12
Cash flows from other financial assets	17	(46)	(65)
Net cash from/(used in) investing activities		**(832)**	**(1,397)**
Proceeds from issuances of shares	13	1	2
Dividends paid to the shareholders of the Company	13	-	(665)
Cash flows relating to financial liabilities	17	1,727	603
Share buybacks	14	(20)	(18)
Other		(4)	(63)
Net cash from/(used in) financing activities		**1,704**	**(141)**
Effect of changes in exchange rates		**(19)**	**2**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,343**	**(767)**
Cash and cash equivalents at January 1		**1,466**	**2,128**
Cash and cash equivalents at June 30		**2,809**	**1,361**

Notes 1 to 19 are an integral part of the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Compagnie Générale des Établissements Michelin (CGEM or the "Company") and its subsidiaries (together the "Group") design, manufacture and sell tires throughout the world. The Group also provides its customers with tire-related services and solutions, mobility experiences and expertise in high-tech materials.

The Company is a partnership limited by shares *(société en commandite par actions)* incorporated in Clermont-Ferrand (France).

The Company is listed on Euronext Paris (Eurolist Compartment A).

After a review by the Supervisory Board, these condensed interim consolidated financial statements were authorized for issue by the Managing Chairman on July 24, 2020.

Except as otherwise stated, all amounts are presented in millions of euros (€ millions).

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union as of the reporting date and applicable to the period then ended.

2.2 Accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended December 31, 2019.

Income taxes are accrued in interim periods using the tax rate that would be applicable to projected income for the year.

The net post-retirement benefit obligation and the related net provision are measured based on the latest actuarial valuations available at the end of the previous period. For the main benefit plans (United States, Canada, United Kingdom, Germany and France), the actuarial assumptions are reviewed and the main assumptions are adjusted in the event of a material change during the six-month period. For these benefit plans, the fair value of the plan assets is measured at the interim reporting date.

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2020

The following amendments to IFRSs applied from January 1, 2020 have no material impact on the consolidated financial statements:

Amendments to IAS 1 and IAS 8 – Definition of Material

This amendment clarifies the definition of material and provides for the new definition to be applied in all IFRSs. According to this amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of those financial statements.

Amendment to IFRS 3 – Business Combinations – Definition of a Business

This amendment introduces a two-step approach to defining a business for the purpose of applying IFRS 3 to business combinations. Its purpose is to avoid differing interpretations of the definition.

Amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

This amendment provides temporary relief from applying specific hedge accounting requirements to hedging relationships, so that hedge accounting can continue to be applied during the transition to new interest rate benchmarks. EONIA, Euribor and Libor, which are based on quotes submitted by banks, will be replaced by new interest rate benchmarks calculated by reference to fixed-rate loan offers that are valid for a specified period and are available on recognized platforms.

2.4 New standards, amendments to existing standards and interpretations that are not yet effective

The following amendments to IFRSs which are not applicable at June 30, 2020 are not expected to have a material impact on the consolidated financial statements at their application date:

Amendment to IFRS 16 – Leases – Covid-19-Related Rent Concessions

This amendment specifies how lessees should account for rent concessions such as rent holidays and temporary rent reductions. Lessees may choose to account for the rent concession as variable lease payments recognized directly in the income statement of the period(s) in which the event or condition that triggers the reduced payment occurs, rather than treating it as a lease modification with the resulting obligation to remeasure the lease liability based on the revised consideration using a revised discount rate. This amendment is applicable from June 1, 2020 but has not yet been adopted for use in the European Union.

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

This amendment clarifies the principles applied to classify liabilities as current or non-current. It is applicable from January 1, 2022.

Amendment to IAS 16 – Property, Plant and Equipment – Proceeds Before Intended Use

This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, the proceeds from selling such items, and the cost of producing them must be recognized in profit or loss. The amendment is applicable from January 1, 2022.

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

This amendment specifies the costs to be taken into account when assessing whether a contract will be loss-making. It is applicable from January 1, 2022.

There are no new standards, updates and interpretations published but not yet effective whose impact could be material for the Group.

2.5 Covid-19 health crisis

The Covid-19 health crisis led most governments to impose quarantine measures to limit the spread of the virus. These measures had the effect of severely curtailing global economic activity and individual mobility.

From the very first signs of the pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees, and ensuring business continuity.

Covid 19-related expenditures, such as purchases of face masks and hand sanitizer, are reported in the consolidated income statement under "Segment other income and expenses" for €77 million. The Group's industrial output fell sharply as a result of the pandemic. The resulting under-absorption of fixed costs has been recognized as an expense for the period. Some employees were able to work from home, while others were furloughed. Furlough payments received by employees, directly or indirectly, totaled around €140 million.

The Group chose not to take advantage of any governmental aids in France or in any other country (State-guaranteed loans, subsidies, deferrals of payments in particular), which could have resulted in a gain for its subsidiaries.

Its ability to raise the short-term financing needed to weather the crisis attests to the confidence of its lenders. In all, additional financing of around €1.7 billion was raised through bank loans and commercial paper issuance. The dividend was cut to €2.00 per share (reducing the total payout by €308 million compared with the prior year) and its payment was deferred. In addition, a €79 million payment due under the share buyback program was postponed until September. More detailed information about the Group's liquidity risk management is provided in note 12 "Financial instruments".

Under these circumstances, in a show of solidarity with the entire community of employees, the Group's Managers decided to reduce their compensation by 25% for the months of April, May and June 2020, while Group employees were furloughed due to the Covid-19 health crisis. They also waived 25% of their variable compensation payable in 2020 in respect of 2019.

The effects of the pandemic are reflected in the reported values of assets at June 30, 2020. Additional information is provided in the following notes:

- note 6 "Deferred tax assets";
- note 8 "Goodwill and other intangible assets";
- note 10 "Inventories";
- note 11 "Trade receivables";
- note 12 "Financial instruments".

2.6 Critical accounting assumptions and estimates

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires that management uses assumptions and estimates to calculate the value of assets and liabilities at the date of the consolidated statement of financial position and the amount of income and expenses for the reporting period. Actual results could differ from those estimates.

The main sources of uncertainty relating to key assumptions and judgments concern impairment of non-financial assets, employee benefit obligations, income taxes, goodwill, intangible assets acquired in a business combination and the estimated useful life of such assets, and the definition of the enforceable period of a lease contract.

In light of the current uncertain environment created by the Covid-19 health crisis (note 2.5), a scenario has been developed that models the estimated duration and severity of the crisis based on global gross domestic product (GDP). A return to 2019 activity levels is expected from the second half of 2022. The scenario has been validated by the Group Executive Committee.

It served as the basis for the five-year results forecasts used to estimate the future cash flows and value in use of the cash-generating units (CGUs). These estimates were prepared with input from the Business Lines and Business Departments.

The process requires using critical estimates and judgments, especially to determine market trends, raw material costs and pricing policies. Consequently, actual cash flows may differ from the estimates used to calculate the CGUs' value in use.

Additional information is provided in note 8 "Goodwill".

2.7 Changes in the scope of consolidation

The Group's main acquisitions, joint-venture creations and disposals in 2019 and 2020 are presented below:

Entity	Transaction type	Transaction date	Purchase price allocation status at June 30, 2020	Note
Multistrada	Acquisition	March 6, 2019	final	2.7.2.1
Masternaut	Acquisition	May 22, 2019	final	2.7.2.2

2.7.1 Transactions in the first half of 2020

During the first half of 2020, the Group completed several acquisitions that were individually not material, representing a total investment of €28 million.

2.7.2 Purchase price allocation for transactions carried out in 2019

2.7.2.1 Multistrada

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at June 30, 2020 amounted to €152 million, versus provisional goodwill of €166 million recorded at December 31, 2019.

This goodwill, allocated to the Passenger car tires – regional brands CGU, corresponds primarily to the value attributed to the expected synergies, which include strengthening the Group's presence in the highly promising Indonesian market and gradually converting production from Tier 3 passenger car tires to Tier 2 Group brands with limited new investment, thereby allowing more Tier 1 production at other Asian plants and supporting growing demand for Tier 2 tires in Europe, North America and Asia.

2.7.2.2 Masternaut

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at June 30, 2020 amounted to €71 million, unchanged from the provisional amount recorded at December 31, 2019.

This goodwill, allocated to the Light truck and Truck tires CGU group, corresponds primarily to the value attributed to the expected synergies, which include increasing the pace of growth of the light truck Services and Solutions businesses in the extremely buoyant fleet market, deploying the offering in all European countries and using data to provide the best solutions to customers, improve product performance and develop data science businesses such as predictive maintenance.

2.8 Seasonality

The Group's cash position at June 30 reflects the higher working capital requirement compared with the year-end and the payment of the dividend.

NOTE 3 CONDENSED SEGMENT REPORTING

Segment information is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belts and High-Tech Materials activities.

Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

Segment information is as follows:

	First half 2020				First half 2019			
(in € millions)	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Sales	4,394	2,411	2,552	**9,357**	5,658	3,144	2,979	**11,781**
Segment operating income/(loss)	(35)	(30)	375	**310**	585	279	574	**1,438**
As a percentage of sales	*-0.8%*	*-1.3%*	*14.7%*	***3.3%***	*10.3%*	*8.9%*	*19.3%*	***12.2%***

Segment assets are as follows:

(in € millions)	June 30, 2020				December 31, 2019			
	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Segment assets	9,902	5,676	6,769	**22,347**	10,752	6,491	7,063	**24,306**

Segment assets consist of goodwill and intangible assets, property, plant and equipment, finished product inventories, and trade receivables. Segment assets reported to the Managing Chairman are determined according to the same principles as for the preparation of the consolidated statement of financial position.

No liabilities are allocated to the operating segments in the internal reports submitted to the Managing Chairman.

Corporate assets are allocated to each segment using allocation keys for each type of asset, mainly net sales by segment.

Geographic information breaks down as follows by segment:

(in € millions)	First half 2020				First half 2019			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	3,382	3,214	2,761	**9,357**	4,352	4,296	3,133	**11,781**

Sales by geographic area are based on the location of the customer.

Net sales in France for the six months ended June 30, 2020 amounted to €768 million (2019: €1,036 million).

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

(in € millions)	First half 2020	First half 2019
Amortization of trademarks and customer relationships acquired	(45)	(45)
Reorganizations and adaptation of activities	(23)	(10)
Impairment of non-current assets	(49)	(18)
Employee benefit obligations	(8)	(16)
Other[1]	(8)	(8)
OTHER OPERATING INCOME AND EXPENSES	**(133)**	**(97)**

(1) The first-half 2019 amount includes the €7 million net loss from discontinued operations that was presented separately in the income statement for the six months ended June 30, 2019.

4.1 First half 2020

"Impairment of non-current assets" corresponds mainly to write-downs of the intangible assets of the Tablet CGU for €39 million.

4.2 First half 2019

The line "Other" in the above table includes recoveries of US customs duty paid in prior years, for €28 million.

"Impairment of non-current assets" includes a €19 million partial write-down of the goodwill allocated to the BookaTable CGU.

NOTE 5 COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Cost of net debt and other financial income and expenses are broken down in the table below:

(in € millions)	First half 2020	First half 2019
Interest expense	(129)	(156)
Interest income	-	3
Interest rate derivatives	(33)	(34)
Fees on credit lines	(2)	(2)
Capitalized borrowing costs	4	2
COST OF NET DEBT	**(160)**	**(187)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	9	6
Currency remeasurement (including currency derivatives)	(11)	3
Other	(1)	(7)
OTHER FINANCIAL INCOME AND EXPENSES	**(3)**	**2**

NOTE 6 INCOME TAX

6.1 Income tax expense

The Group's income tax expense for first-half 2020 amounted to €79 million (2019: €269 million).

The difference between the effective tax expense and the theoritical tax expense can be explained as follows:

(in € millions)	First half 2020	First half 2019
Income/(loss) before taxes	**(58)**	**1,113**
Tax calculated using domestic tax rates applicable to income in the respective countries	3	(223)
Tax effect of:		
▶ untaxed transactions	(29)	(16)
▶ deferred tax assets not recognized during the period	(53)	(30)
INCOME TAX	**(79)**	**(269)**

6.2 Deferred tax

Deferred taxes in the consolidated statement of financial position are as follows:

(in € millions)	June 30, 2020	December 31, 2019
Deferred tax assets	794	814
Deferred tax liabilities	(450)	(455)
NET DEFERRED TAX ASSET	**344**	**359**

Deferred tax assets amount to €794 million, including €164 million recognized in respect of tax loss carryforwards.

Deferred tax assets have been recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The probability that unused tax losses will be utilized is assessed according to the entity and its taxable profit projections. These projections are prepared using assumptions that are consistent with the short- and medium-term budgets prepared by Group entities.

No material deferred tax assets were recognized for tax loss carryforwards in first-half 2020 and following the Covid-19 health crisis (note 2.5). No deferred tax assets were derecognized following a reassessment of the recoverability of tax loss carryforwards.

The change in the net deferred tax asset over the period is as follows:

(in € millions)	2020	2019
At January 1	**359**	**317**
Translation adjustments	(7)	2
Deferred tax benefit/(expense)	16	12
Tax recognized in other comprehensive income	(14)	62
Changes in the scope of consolidation	(10)	2
Other	-	-
AT JUNE 30	**344**	**395**

Unrecognized deferred tax assets break down as follows:

(in € millions)	June 30, 2020	December 31, 2019
Deductible temporary differences	**117**	**121**
Tax losses:		
▶ of which expiring in less than one year	34	17
▶ of which expiring in one to five years	77	80
▶ of which expiring in more than five years	65	45
▶ of which evergreen	305	336
Total tax losses	**481**	**478**
Tax credits	**4**	**5**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**602**	**604**

NOTE 7 EARNINGS PER SHARE

Components of the basic and diluted earnings per share calculations are presented in the table below:

	First half 2020	First half 2019
Net income/(loss) *(in € millions)*, excluding non-controlling interests	(134)	858
▶ Less, estimated General Partners' profit shares	-	(6)
Net income/(loss) attributable to the shareholders of the Company used to calculate basic earnings per share	**(134)**	**852**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**178,504**	**179,858**
▶ Plus, adjustment for stock option plans	-	43
▶ Plus, adjustment for performance shares	-	604
Weighted average number of shares used to calculate diluted earnings per share	**178,504**	**180,505**
Earnings per share *(in €)*		
▶ Basic	(0.75)	4.74
▶ Diluted	(0.75)	4.72

Diluted earnings per share are calculated by adjusting net income attributable to shareholders and the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has two types of financial instruments which are potentially dilutive: stock options and performance shares.

At June 30, 2020, in light of the net loss for the period, all outstanding stock options (12,787 potentially dilutive shares) and performance share rights (841,978 potentially dilutive shares) were anti-dilutive and were therefore excluded from the calculation of diluted earnings per share.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

Changes in "Goodwill" and "Intangible assets" in the consolidated statement of financial position are presented in the table below:

(in € millions)	Goodwill	Intangible assets	Total
Gross carrying amounts at January 1, 2019	**2,231**	**3,809**	**6,040**
Translation adjustments	67	77	144
Additions (including new emission rights: €20 million)	-	227	227
Disposals	-	(71)	(71)
Changes in scope of consolidation	150	59	209
Transfers and other	-	(4)	(4)
Gross carrying amounts at December 31, 2019	**2,448**	**4,097**	**6,545**
Translation adjustments	(126)	(132)	(258)
Additions (including new emission rights: €16 million)	-	93	93
Disposals	-	(13)	(13)
Changes in scope of consolidation	4	-	4
Transfers and other	1	33	34
Gross carrying amounts at June 30, 2020	**2,327**	**4,078**	**6,405**
Amortization and impairment at January 1, 2019	**(71)**	**(1,592)**	**(1,663)**
Translation adjustments	(3)	(5)	(8)
Amortization	-	(256)	(256)
Net impairment	(36)	(15)	(51)
Disposals	-	48	48
Changes in scope of consolidation	49	4	53
Transfers and other	1	(1)	-
Amortization and impairment at December 31, 2019	**(60)**	**(1,817)**	**(1,877)**
Translation adjustments	2	41	43
Amortization	-	(130)	(130)
Net impairment	(19)	(26)	(45)
Disposals	-	2	2
Changes in scope of consolidation	-	-	-
Transfers and other	-	(35)	(35)
Amortization and impairment at June 30, 2020	**(77)**	**(1,965)**	**(2,042)**
NET CARRYING AMOUNTS AT JUNE 30, 2020	**2,250**	**2,113**	**4,363**
Net carrying amounts at December 31, 2019	**2,388**	**2,280**	**4,668**

Goodwill

At June 30, 2020, goodwill allocated to the CGUs or groups of CGUs breaks down as follows:

(in € millions)	June 30, 2020	December 31, 2019
Passenger car tires – global brands CGU group	374	382
Passenger car tires – regional brands CGU	163	177
Light truck and Truck tires CGU group	601	680
Mining CGU group	241	254
Two-wheel tires CGU	18	25
Off-the-road tires CGU	694	698
High-Tech Materials CGU group	159	154
Other CGUs	-	18
GOODWILL	**2,250**	**2,388**

Where the Group considers that the economic consequences of the Covid-19 pandemic (note 2.5) are an indicator of impairment of goodwill, other intangible assets and property, plant and equipment, the assets' recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is defined as the higher of its fair value less costs of disposal and its value in use.

To take into account the uncertainty surrounding the pandemic's overall impact on global economic activity (duration and severity of the global recession), the Group considered a scenario that modeled the projected change in global gross domestic product (GDP). A return to the 2019 activity level is expected from the second half of 2022. The resulting future cash flow estimates were used to calculate the value in use of the different CGUs and groups of CGUs. The perpetual growth rates used to estimate terminal values were broadly the same as those applied at December 31, 2019 and were based on the assumption that the Covid-19 crisis has not affected the long-term growth outlook reflected in the terminal values. Due to the decline in interest rates but also the increased volatility of market premiums over the period, the weighted average costs of capital (WACC) used for the tests at June 30, 2020 were also stable compared with December 31, 2019.

The discount rates and perpetual growth rates used to calculate the CGUs' terminal values are presented in the table below:

(as a percent)	WACC	Perpetual growth rate
Passenger car tires – global brands CGU group	7.6	1.6
Light truck and Truck tires CGU group	8.1	1.7
Passenger car tires – regional brands CGU	7.4	1.7
Mining CGU group	9.4	1.9
Two-wheel tires CGU	7.7	1.6
Off-the-road tires CGU	7.4	1.6
High-Tech Materials CGU group	7.9	2.0

With the exception of the Tablet CGU mentioned below, based on the assumptions described above, the recoverable amounts of the CGUs and groups of CGUs are all greater than their carrying amounts. Consequently, no impairment losses were recognized for these CGUs or groups of CGUs at June 30, 2020.

A 50-basis point increase in the discount rate combined with a 100-basis point decrease in the perpetual growth rate would not lead to the recognition of any impairment loss on any CGU or group of CGUs.

The results of the impairment test performed on the Tablet CGU led to the recognition of an impairment loss of €39 million, corresponding to the total net carrying amount of the CGU's non-current assets at June 30, 2020.

NOTE 9 EQUITY-ACCOUNTED COMPANIES AND RELATED-PARTY TRANSACTIONS

9.1 Investments in equity-accounted companies

Changes in investments in equity-accounted companies are as follows:

(in € millions)	Investments in associates	Investments in joint ventures	Total investments in equity-accounted companies
At January 1, 2019	**294**	**659**	**953**
Share of profit/(loss) from equity-accounted companies	(11)	(36)	(47)
Impairment	-	-	-
Dividends	(4)	(7)	(11)
Change in scope of consolidation/capital increases	25	146	171
Currency translation differences	4	16	20
Other/reclassifications	(97)	98	1
At December 31, 2019	**211**	**876**	**1,087**
Share of profit/(loss) from equity-accounted companies	(9)	(35)	(44)
Impairment	-	-	-
Dividends	(3)	-	(3)
Change in scope of consolidation/capital increases	4	1	5
Currency translation differences	(2)	(4)	(6)
Other	-	(4)	(4)
AT JUNE 30, 2020	**201**	**834**	**1,035**

There were no material new transactions between related parties during the first half of 2020 or other material changes in the nature of related-party transactions described in the notes to the 2019 consolidated financial statements.

9.2 Joint venture with Sumitomo Corporation of Americas (TBC)

Summarized financial data for the TBC joint venture are set out in the table below:

(in € millions)	June 30, 2020	December 31, 2019
Dividends received	-	-
Current assets	1,315	1,543
of which cash and cash equivalents	43	49
Non-current assets	1,874	1,949
Total assets	**3,189**	**3,492**
Current liabilities	800	1,037
of which other current financial liabilities	323	294
Non-current liabilities	1,320	1,341
of which non-current financial liabilities	1,182	1,190
Total liabilities	**2,120**	**2,378**
Sales	1,899	4,401
Interest income	1	1
Interest expense	(41)	(53)
Depreciation and amortization	(102)	(164)
Income tax expense	5	14
Net income/(loss) from continuing operations (a)	(35)	(32)
Elimination of profit from downstream transactions (net of tax) (b)	8	6
Share of net income of the joint venture 50% x (a) + (b)	**(10)**	**(10)**
Share of other comprehensive income/(loss)	(2)	-
Share of comprehensive income/(loss) of the joint venture	(12)	(10)
Net assets (excluding goodwill)	931	974
Goodwill	138	140
Net assets (including goodwill)	**1,069**	**1,114**
Share of net assets (including goodwill) = 50%	534	557
Elimination of profit from downstream transactions (net of tax)	(21)	(29)
Carrying amount	**513**	**528**

The Group considered that the Covid-19 crisis was an indicator of impairment and the TBC CGU was therefore tested for impairment at June 30, 2020. The test showed that the joint venture's recoverable amount is greater than its carrying amount and, consequently, no impairment loss was recorded in the condensed interim consolidated financial statements at June 30, 2020.

NOTE 10 INVENTORIES

Inventories include the following:

(in € millions)	June 30, 2020	December 31, 2019
Raw materials and supplies	1,291	1,333
Work in progress	428	467
Finished goods	2,690	2,994
Total gross inventory	**4,409**	**4,794**
Impairment of raw materials and supplies	(35)	(42)
Impairment of work in progress	(1)	(1)
Impairment of finished goods	(55)	(57)
Total impairment	**(91)**	**(100)**
NET INVENTORY	**4,318**	**4,694**

NOTE 11 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € millions)	June 30, 2020	December 31, 2019
Gross trade receivables	2,951	3,629
Impairment	(107)	(97)
TRADE RECEIVABLES	**2,844**	**3,532**

All trade receivables are due within 12 months.

The following table presents an aging analysis of trade receivables at June 30, 2020:

(in € millions)	Gross	Impairment	Net
Trade receivables not yet due	**2,484**	**(12)**	**2,472**
Overdue			
▶ by less than three months	262	(6)	256
▶ by three to six months	87	(8)	79
▶ by more than six months	118	(81)	37
Overdue trade receivables	**467**	**(95)**	**372**
TRADE RECEIVABLES	**2,951**	**(107)**	**2,844**

Concerning credit risk, if a customer becomes insolvent or files for bankruptcy, it may default on the receivables held by the Group and this may have a negative impact on the Group's income statement.

The Credit Department, which is part of the Group Finance Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is responsible for credit and collection processes. The main policies and procedures are defined at Group level and are monitored and controlled at both regional and Group level. A monthly credit reporting system operates within the Group.

NOTE 12 FINANCIAL INSTRUMENTS

12.1 Net debt

Group net debt is analyzed in the table below:

(in € millions)	June 30, 2020	December 31, 2019
Financial liabilities	8,814	7,081
Derivatives recognized as assets	(222)	(148)
Borrowing collaterals	(93)	(103)
Cash management financial assets	(180)	(180)
Cash and cash equivalents	(2,809)	(1,466)
NET DEBT	**5,510**	**5,184**

12.2 Financial liabilities

The carrying amount of financial liabilities is presented in the table below:

(in € millions)	June 30, 2020	December 31, 2019
Bonds	4,541	4,535
Loans from financial institutions and other	662	318
Lease liabilities	848	897
Derivative instruments	166	173
Non-current financial liabilities	**6,217**	**5,923**
Bonds and commercial paper	1,430	295
Loans from financial institutions and other	919	616
Lease liabilities	225	226
Derivative instruments	23	21
Current financial liabilities	**2,597**	**1,158**
FINANCIAL LIABILITIES	**8,814**	**7,081**

The weighted average maturity of commercial paper outstanding at June 30, 2020 was 7.5 months versus 1.5 months at December 31, 2019.

In May 2020, the Group obtained a two-year bank loan bearing interest at a Libor-based variable rate and representing the equivalent of €505 million.

12.3 Liquidity risk

At the onset of the COVID-19 crisis (note 2.5), the Group performed stress tests to assess its ability to meet its financial commitments. The tests show that, as of the reporting date, based on the worst-case scenario (20% decline in demand in the second half of 2020 followed by an upturn of only 4% in 2021), and given all of the available sources of financing described above, the Group will be able to withstand the unfolding crisis, without needing to draw down its €1.5 billion in confirmed lines of credit.

At June 30, 2020, the debt repayment schedule (principal and interest) and the maturities of undrawn confirmed credit lines are as follows:

(in € millions)	2020	2021	2022	2023	2024	2025	2026 and beyond
Bonds	36	155	885	614	62	803	2,876
Commercial paper	786	644	-	-	-	-	-
Loans from financial institutions and other	687	258	506	62	31	33	31
Lease liabilities	127	234	194	159	132	109	269
Derivative instruments	(53)	6	11	(19)	5	5	11
Debt repayment schedule	**1,583**	**1,297**	**1,596**	**816**	**230**	**950**	**3,187**
Long-term undrawn confirmed credit lines	**-**	**1,500**	**-**	**-**	**-**	**-**	**-**

This table analyzes principal and interest payments on debt by payment date, as projected using available market data at the reporting date (interest is calculated in each currency on the basis of market rates, and converted into euros at period-end rates). The amounts shown are not discounted.

To meet its future cash needs, the Group had the following sources of financing in place as of June 30, 2020:

- cash and cash equivalents for €2,809 million;
- cash management financial assets for €180 million;
- a €2,500 million commercial paper program, of which €1,386 million had been utilized at June 30, 2020;
- a $700 million (€622 million) commercial paper program, of which $50 million (€44 million) had been utilized at June 30, 2020;
- two €478 million factoring programs activated when there are sufficient trade receivables of high enough quality, and drawn down by €15 million as of June 30, 2020;
- €1,500 million in confirmed, undrawn lines of credit.

12.4 Cash and cash equivalents

(in € millions)	June 30, 2020	December 31, 2019
Cash at bank and in hand	265	229
Short-term bank deposits of less than three months and other cash equivalents (primarily money market funds)	2,544	1,237
CASH AND CASH EQUIVALENTS	**2,809**	**1,466**

The Group is very careful in its choice of banks to manage its cash investments. Cash investments consist of (i) financial instruments that are subject to no risk or an insignificant risk of changes in value purchased from a sufficiently diversified group of leading banks, and (ii) unrestricted units in diversified money market funds or short-term bond funds.

Restricted deposits consist mainly of cash and cash equivalents subject to prudential rules in Ireland specific to captive insurance companies (June 30, 2020: €52 million; December 31, 2019: €82 million).

12.5 Classification of financial assets

Group financial assets break down as follows between the categories "at fair value through profit or loss (FVPL)", "at fair value through other comprehensive income (FVOCI)" and "at amortized cost" at June 30, 2020:

(in € millions)	FVPL	FVOCI	Amortized cost	Total
Trade receivables	-	-	2,844	2,844
Current financial assets	191	2	283	476
Cash and cash equivalents	1,934	-	875	2,809
Non-current financial assets	138	240	423	801
TOTAL FINANCIAL ASSETS	**2,263**	**242**	**4,425**	**6,930**

12.6 Fair value measurement hierarchy

Fair value measurements are disclosed by level in the following fair value measurement hierarchy:

- Level 1: quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. These instruments (essentially cash and cash equivalents as well as quoted unconsolidated equity investments) are included in level 1.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices). If all significant inputs required to fair value these instruments are observable, these instruments (essentially derivative instruments) are included in level 2.
- Level 3: inputs for assets or liabilities that are not based on observable market data (*i.e.*, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument (essentially non-quoted unconsolidated equity investments) is included in level 3.

The following tables present the Group's financial assets and liabilities measured at fair value at June 30, 2020 and December 31, 2019 by level in the fair value measurement hierarchy:

(in € millions)	Level 1	Level 2	Level 3	June 30, 2020	December 31, 2019
Cash and cash equivalents	1,934	-	-	1,934	973
Current financial assets	93	100	-	193	123
Non-current financial assets	23	123	232	378	365
TOTAL ASSETS	**2,050**	**223**	**232**	**2,505**	**1,461**
Financial liabilities	-	189	-	189	194
TOTAL LIABILITIES	**-**	**189**	**-**	**189**	**194**

There were no material transfers between level 1 and level 2 during first-half 2020.

NOTE 13 SHARE CAPITAL AND SHARE PREMIUMS

(in € millions)	Share capital	Share premiums	Total
At January 1, 2019	**360**	**2,923**	**3,283**
Issuance of shares upon exercise of stock options and performance share rights	-	2	2
Cancellation of shares	-	-	-
Other	-	1	1
At June 30, 2019	**360**	**2,926**	**3,286**
Issuance of shares upon exercise of stock options and performance share rights	-	2	2
Cancellation of shares	(3)	(138)	(141)
Other	-	(1)	(1)
At December 31, 2019	**357**	**2,789**	**3,146**
Issuance of shares upon exercise of stock options and performance share rights	-	1	1
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2020	**357**	**2,790**	**3,147**

(number of shares)	Shares issued	Treasury shares	Shares outstanding
At January 1, 2019	**179,847,632**	**-**	**179,847,632**
Issuance of shares upon exercise of stock options and performance share rights	37,792	-	37,792
Share buybacks	-	(179,653)	(179,653)
Sales of treasury shares	-	8,228	8,228
Cancellation of shares	-	-	-
Other	-	-	-
At June 30, 2019	**179,885,424**	**(171,425)**	**179,713,999**
Issuance of shares upon exercise of stock options and performance share rights	87,952	-	87,952
Share buybacks	-	(1,174,396)	(1,174,396)
Sales of treasury shares	-	-	-
Cancellation of shares	(1,345,821)	1,345,821	-
Other	-	-	-
At December 31, 2019	**178,627,555**	**-**	**178,627,555**
Issuance of shares upon exercise of stock options and performance share rights	13,786	-	13,786
Share buybacks	-	(216,935)	(216,935)
Sales of treasury shares	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2020	**178,641,341**	**(216,935)**	**178,424,406**

The shares have a par value of €2 (unchanged from 2019). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

The dividend approved at the Annual Shareholders Meeting of June 23, 2020 was €2.00 per share (2019: €3.70 per share, note 2.5). The cash-only dividend was paid on July 3, 2020 for a net amount of €357 million (2019: €665 million).

NOTE 14 RESERVES

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2019	**(512)**	**-**	**51**	**9,336**	**8,875**
Dividends and other appropriations	-	-	-	(675)	(675)
Share buybacks	-	(70)	-	-	(70)
Sale/cancellation of treasury shares	-	-	-	-	-
Other	-	-	-	(45)	(45)
Transactions with the shareholders of the Company	**-**	**(70)**	**-**	**(720)**	**(790)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	858	858
Post-employment benefits	-	-	-	*(152)*	*(152)*
Tax effect – Post-employment benefits	-	-	-	*55*	*55*
Equity instruments at fair value through OCI – changes in fair value	-	-	*(2)*	-	*(2)*
Tax effect – equity instruments at fair value through OCI	-	-	*9*	-	*9*
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	7	(97)	(90)
Cash flow hedges – changes in fair value	-	-	*28*	-	*28*
Currency translation differences	*105*	-	*1*	-	*106*
Other	*5*	-	*(35)*	*28*	*(2)*
Other comprehensive income/(loss) that may be reclassified to the income statement	110	-	(6)	28	132
Comprehensive income/(loss)	**110**	**-**	**1**	**789**	**900**
At June 30, 2019	**(402)**	**(70)**	**52**	**9,405**	**8,985**
Dividends and other appropriations	-	-	-	-	-
Share buybacks	-	(71)	-	-	(71)
Sale/cancellation of treasury shares	-	141	-	-	141
Other	-	-	-	11	11
Transactions with the shareholders of the Company	**-**	**70**	**-**	**11**	**81**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	893	893
Post-employment benefits	-	-	-	*21*	*21*
Tax effect – Post-employment benefits	-	-	-	*(39)*	*(39)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*22*	-	*22*
Tax effect – equity instruments at fair value through OCI	-	-	*(3)*	-	*(3)*
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	19	(18)	1
Cash flow hedges – changes in fair value	-	-	*18*	-	*18*
Currency translation differences	*99*	-	*(4)*	-	*95*
Other	*16*	-	*(7)*	*(2)*	*7*
Other comprehensive income/(loss) that may be reclassified to the income statement	115	-	7	(2)	120
Comprehensive income/(loss)	**115**	**-**	**26**	**873**	**1,014**
At December 31, 2019 – carried forward to next page	**(287)**	**-**	**78**	**10,289**	**10,080**

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At December 31, 2019 – brought forward from previous page	**(287)**	**-**	**78**	**10,289**	**10,080**
Dividends and other appropriations	-	-	-	(368)	(368)
Share buybacks	-	(99)	-	-	(99)
Sale/cancellation of treasury shares	-	-	-	-	-
Other	-	-	-	13	13
Transactions with the shareholders of the Company	**-**	**(99)**	**-**	**(355)**	**(454)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	(134)	(134)
Post-employment benefits	-	-	-	*79*	*79*
Tax effect – Post-employment benefits	-	-	-	*(11)*	*(11)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*5*	-	*5*
Tax effect – equity instruments at fair value through OCI	-	-	-	-	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	5	68	73
Cash flow hedges – changes in fair value	-	-	*27*	-	*27*
Currency translation differences	*(492)*	-	-	-	*(492)*
Other	-	-	*(5)*	*(3)*	*(8)*
Other comprehensive income/(loss) that may be reclassified to the income statement	(492)	-	22	(3)	(473)
Comprehensive income/(loss)	**(492)**	**-**	**27**	**(69)**	**(534)**
AT JUNE 30, 2020	**(779)**	**(99)**	**105**	**9,865**	**9,092**

Under the share buyback program authorized at the May 17, 2019 Annual Shareholders Meeting, an agreement was signed on January 7, 2020 with an investment service provider, under which the Group undertook to buy back a certain number of shares before November 21, 2020 for a maximum amount of €100 million. Shares totaling €100 million were reclassified as "current financial liabilities" in the consolidated statement of financial position at the date the agreement was concluded. This liability is reduced by the value of the shares bought back from the investment service provider. Buybacks in the period ended June 30, 2020 amounted to €20 million, corresponding to 216,935 shares acquired at an average unit price of €90.04.

On May 29, 2020, the investment services provider exercised its option to accelerate the program by proposing to deliver a further 880,605 shares valued at €79 million. In order to bolster its cash position during the Covid-19 crisis (note 2.5), the Group subsequently reached an agreement with the investment services provider to defer delivery and settlement of the remaining shares until September 30, 2020. The €79 million buyback debt is reported under "Current financial liabilities" in the consolidated statement of financial position at June 30, 2020.The €1 million remaining balance was reclassified to equity at that date.

All of the shares bought back under the agreement will be canceled.

Under the share buyback program authorized at the May 19, 2018 Annual Shareholders Meeting, two agreements were signed in February 2019 and August 2019 with an investment services provider, under which the Group undertook to buy back a variable number of shares for a maximum total amount of €140 million. Under the first agreement, capped at €70 million, the Group bought back 665,642 shares at an average price per share of €105.16. Under the second agreement, also capped at €70 million, the Group bought back 680,044 shares at an average price per share of €102.93. All of these shares were canceled in 2019.

NOTE 15 EMPLOYEE BENEFIT OBLIGATIONS

Movements in net defined benefit obligations recognized in the consolidated statement of financial position are shown below:

(in € millions)	Pension plans	Other plans	2020	2019
At January 1	**1,931**	**1,897**	**3,828**	**3,858**
Contributions paid to the funds	(84)	-	(84)	(178)
Benefits paid directly to the beneficiaries	(16)	(54)	(70)	(72)
Other movements	-	-	-	11
Items recognized in operating income				
Current service cost	23	32	55	55
Actuarial (gains) or losses recognized on other long-term benefit plans	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	-
Past service cost resulting from plan curtailments	-	-	-	6
(Gains) or losses on plan settlements	-	-	-	-
Other items	3	-	3	6
Items recognized outside operating income				
Net interest on employee benefit obligations	11	17	28	49
Items recognized in other comprehensive income				
Translation adjustments	4	(21)	(17)	29
Actuarial (gains) or losses	(136)	24	(112)	194
Unrecognized assets due to the effect of the asset ceiling	33	-	33	(42)
AT JUNE 30	**1,769**	**1,895**	**3,664**	**3,916**
Recognized in the consolidated statement of financial position as follows:				
Non-current financial assets and other non-current assets			*194*	*60*
Employee benefit obligations			*3,858*	*3,976*

Actuarial gains and losses recorded in equity are primarily explained by changes in discount rates and by the experience adjustments to plan assets located in the following countries:

(in € millions)	Euro zone	United Kingdom	United States	Canada	Total
Discount rate at June 30, 2020	0.87%	1.70%	2.68%	2.62%	n/a
Discount rate at December 31, 2019	0.78%	1.95%	3.18%	3.00%	n/a
Inflation rate at June 30, 2020	1.72%	2.80%	2.50%	2.00%	n/a
Inflation rate at December 31, 2019	1.77%	2.90%	2.50%	2.00%	n/a
Actuarial (gains)/losses arising from changes in assumptions	(38)	118	225	67	372
Experience (gains)/losses on plan assets	(5)	(233)	(155)	(91)	(484)
ACTUARIAL (GAINS) OR LOSSES	**(43)**	**(115)**	**70**	**(24)**	**(112)**

Rates and amounts shown in the above table relate to benefit plans for which an actuarial valuation has been carried out for the interim period (note 2.2).

NOTE 16 PROVISIONS AND OTHER LIABILITIES

Movements on provisions included in "Provisions and other non-current liabilities" and "Provisions and other current liabilities" are as follows:

(in € millions)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2020	**414**	**436**	**850**
Additional provisions	14	59	73
Provisions utilized during the period	(92)	(40)	(132)
Unused provisions reversed during the period	(8)	(3)	(11)
Translation adjustments	(4)	(7)	(11)
Other effects	(1)	1	-
AT JUNE 30, 2020	**323**	**446**	**769**
Of which short-term portion	*231*	*66*	*297*

"Provisions and other non-current liabilities" and "Provisions and other current liabilities" include the above provisions, deferred discounts payable to customers, the 2019 dividend payable in 2020 (note 13), accrued payroll taxes, income taxes and other taxes, and the contract liabilities described in note 3.8 to the consolidated financial statements for the year ended December 31, 2019.

NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	First half 2020	First half 2019
Investment grants recognized in profit or loss	(5)	(5)
Change in employee benefit obligations	(105)	(199)
Change in litigation and other provisions	13	2
Restructuring costs	(110)	(96)
Other	8	24
Other operating income and expenses (cash) and change in provisions	**(199)**	**(274)**
Interest and other financial expenses paid	(155)	(180)
Interest and other financial income received	11	16
Dividends received	7	4
Interest and other financial income and expenses received and paid, net	**(137)**	**(160)**
Change in inventories	304	(283)
Change in trade receivables and advances	262	(452)
Change in trade payables and advances	(665)	12
Change in trade payables under reverse factoring agreements	(175)	164
Change in other receivables and payables	37	(147)
Change in working capital, net of impairment	**(237)**	**(706)**
Purchases of intangible assets	(77)	(94)
Purchases of PP&E	(413)	(571)
Government grants received	4	9
Change in capital expenditure payables	(283)	(228)
Purchases of intangible assets and PP&E	**(769)**	**(884)**
Increase in other non-current financial assets	(51)	(17)
Decrease in other non-current financial assets	6	6
Net cash flows from cash management financial assets	-	-
Net cash flows from borrowing collaterals	9	(35)
Net cash flows from other current financial assets	(10)	(19)
Cash flows from other financial assets	**(46)**	**(65)**
Increase in non-current financial liabilities	505	153
Decrease in non-current financial liabilities	(145)	(267)
Repayment of lease liabilities	(114)	(113)
Net cash flows from current financial liabilities	1,537	786
Derivatives	(56)	44
Cash flows relating to financial liabilities, net	**1,727**	**603**
Details of non-cash transactions:		
▶ New leases	95	81
▶ New emission rights	11	9

NOTE 18 LITIGATION AND CONTINGENT LIABILITIES

18.1 Tax audit in Germany

Following a tax audit covering the years 2005 to 2009, a German subsidiary was notified in 2015 of certain proposed reassessments. The tax inspectors' final report was received in 2018 along with the final tax reassessment notice.

In these documents, the subsidiary was notified of a €382 million reassessment of its corporate income tax base, determined by estimating its taxable income for the audited period by reference to the Group's average margin. The reassessment includes an amount of €298 million corresponding to the effects on the subsidiary of the Group's transfer pricing policy, which was challenged by the tax administration. The transfer pricing issue had previously been raised in the notification of proposed reassessments received in 2015. The tax administration considered in its final report that the subsidiary had not provided all the requested information justifying the transfer prices paid by the subsidiary.

The Group has challenged all of the German tax administration's arguments.

On July 17, 2018, the Group initiated the following procedures with the German tax authorities:

- an application to defer payment of the tax deficiency and late interest while the dispute procedure was in progress; as a result of this application, the payments made were not material;
- a procedure challenging the methodology used by the tax administration and based on the Group's average margin.

On December 16, 2019, the Group filed a Mutual Agreement Procedure (MAP) under the EU Arbitration Convention or the respective Double Tax Treaties, for the total reassessment amounting to €382 million. The Group considers that it has strong arguments in support of its position and that it is more likely than not that it will be successful in each of the actions initiated or about to be initiated.

On that basis, the Group considers that the estimated financial risk is not material.

In 2016, a new tax audit covering the years 2010 to 2014 was launched but no conclusion could be drawn in its respect at the date of these consolidated financial statements were published. The Group considers that there was no evidence of a risk of reassessment at June 30, 2020 in connection with this audit.

18.2 Other contingencies

No new litigation or claim that could have a material impact on the Group's financial or cash position occurred during the first half of 2020.

NOTE 19 SUBSEQUENT EVENTS

The dividend decided at the Annual Shareholders Meeting of June 23, 2020 was paid entirely in cash on July 3, 2020, for a total net amount of €357 million.

No other material events occurred between the reporting date and the date when the condensed interim consolidated financial statements were authorized for issue by the Managing Chairman.

05. STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

(Half year ended June 30, 2020)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2-III of the French monetary and financial Code *(code monétaire et financier),* we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Compagnie Générale des Établissements Michelin, for the six-month period ended June 30, 2020;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements have been prepared under the responsibility of the Managing Chairman on July 24, 2020 based on the information available on that date in an evolving context of the crisis linked to COVID-19 and difficulties in understanding its impacts and prospects. Our role is to express a conclusion on these financial statements based on our review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A limited review primarily consists of inquiries with members of the management responsible for accounting and financial aspects and implementing analytical procedures. A review is substantially less in scope than an audit carried out in accordance with professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, do not contain any significant anomalies, obtained within the framework of a limited review is a moderate assurance, lower than that obtained within the framework of an audit.

Based on our limited review, we did not identify any significant anomalies likely to call into question the compliance of the condensed half-year consolidated financial statements with IAS 34, the IFRS standard as adopted in the European Union, relating to interim financial information.

II. SPECIFIC VERIFICATION

We have also verified the information given in the half-year activity report prepared on July 24, 2020 commenting on the condensed interim consolidated financial statements on which our limited review was based. We have no observations to make as to their fairness and their consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 27, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte et Associés**
Jean-Christophe Georghiou	Frédéric Gourd

06. STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST HALF 2020 FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, (i) the condensed financial statements for the past six-month period have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and (ii) the first-half business review on pages 76 to 113 presents a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

Florent Menegaux

Design and production: **côté**corp.
Tel.: +33 (0)1 55 32 29 74

COMPAGNIE GÉNÉRALE
DES ÉTABLISSEMENTS MICHELIN
+ 33 (0) 4 73 32 20 00 – 23, place des Carmes
63000 Clermont-Ferrand, France
www.michelin.com

INVESTOR RELATIONS
EDOUARD DE PEUFEILHOUX
HUMBERT DE FEYDEAU
PIERRE HASSAIRI
+ 33(0) 4 63 21 56 90 – 27, cours de l'Île Seguin
92100 Boulogne-Billancourt, France
23, place des Carmes – 63000 Clermont-Ferrand, France
investor-relations@michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS
EDOUARD DE PEUFEILHOUX
CLEMENCE RODRIGUEZ
ISABELLE MAIZAUD-AUCOUTURIER
+ 33 (0) 4 73 32 23 05 – 23, place des Carmes
63000 Clermont-Ferrand, France
Toll-free calls in France : 0 800 716 161
actionnaires-individuels@michelin.com

SUSTAINABLE DEVELOPMENT AND MOBILITY
NICOLAS BEAUMONT
+ 33 (0)4 73 32 20 00 – 23, place des Carmes
63000 Clermont-Ferrand, France

MEDIA RELATIONS
PAUL-ALEXIS BOUQUET
+ 33 (0) 1 45 66 22 22 – 27, cours de l'Île Seguin
92100 Boulogne-Billancourt, France

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