

October 02, 2020

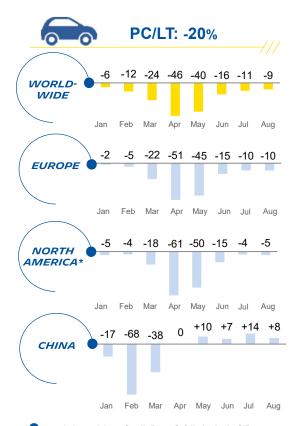
### 5th Annual Auto Credit Day Crédit Agricole CIB

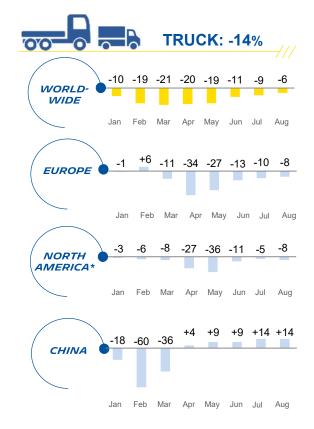
# **2020 H1 results and August YTD market**





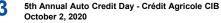
## August 2020 YTD: demand recovery in most of the markets, particularly strong in China.







Source: Michelin





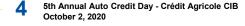
<sup>\*</sup> Including Central America for OE



## 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<sub>2</sub> reduction pathways and objectives approved by the Science Based Targets initiative\*\*
- Expanded CSR governance within the Supervisory Board

<sup>\*\*</sup> 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





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<sup>\*</sup> Segment Operating Income



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



Production shutdowns, home office solutions introduced

1

Necessary health precautions deployed to support the reopening of production lines

1

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

<u>.</u>

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



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

4

Mask production lines built with our Imeca subsidiary

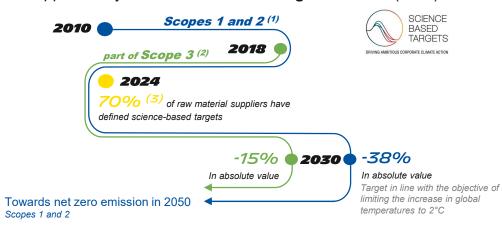




#### Michelin sees its CO<sub>2</sub> emissions reduction targets validated by SBTi, and strengthens CSR Governance within the Supervisory Board



Michelin's CO<sub>2</sub> emissions reduction targets have been approved by the Science Based Targets initiative (SBTi)



- (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



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A Corporate Social Responsibility Committee (CSRC) has been created within the Supervisory Board



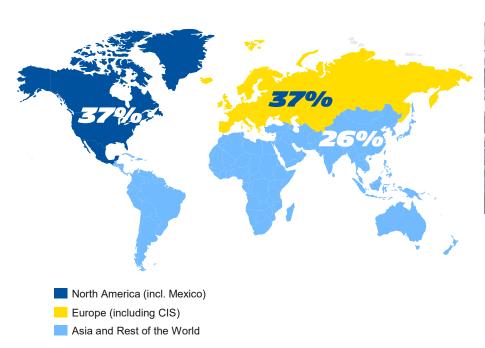
Election of two Supervisory Board members representing employees, effective December 2020, approved by shareholders at the June 23, 2020 **AGM** 





# A resilient multidimensional Group in an unprecedented systemic crisis

2019 sales by region



#### 5th Annual Auto Credit Day - Crédit Agricole CIB

#### • 2019 sales by growth driver

CONSUMPTION



MANUFACTURING



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



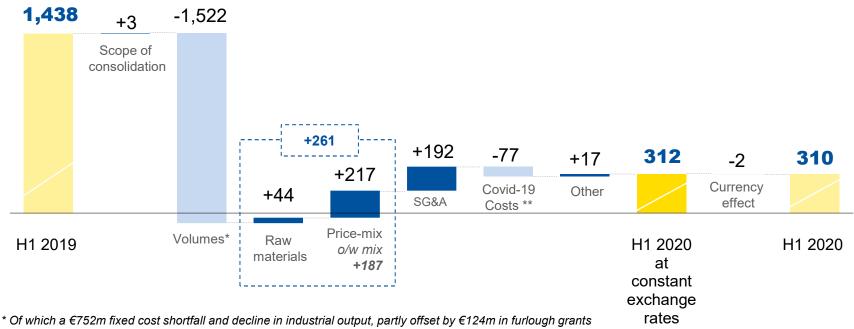






#### H1 2020 SOI: deep fixed cost shortfall due to the drop in volumes, partially offset by a robust price-mix and lower SG&A expenses

#### YoY change in SOI (in € millions)





October 2, 2020

<sup>\*\*</sup> supply and manufacture of masks and gels 5th Annual Auto Credit Day - Crédit Agricole CIB



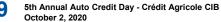
## At a time of plunging global demand, margin was slightly negative in RS1 and RS2, but highly resilient in RS3

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

<sup>\*</sup> 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.







# 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

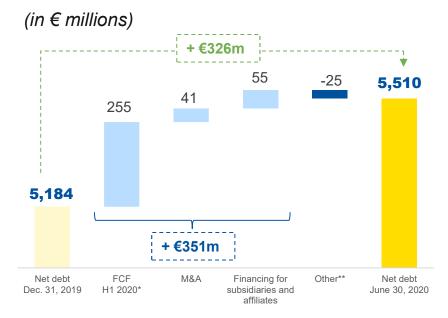




# Despite the crisis, net debt remains under control, thanks to management discipline recognized by the rating agencies

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#### 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

<sup>\*\*</sup> 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



<sup>\*</sup> Free cash flow excluding M&A and financing for subsidiaries and affiliates

<sup>\*\*</sup> Mainly translation adjustments, share buyback and the impact of new leases



# 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





	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

<sup>\*</sup> 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



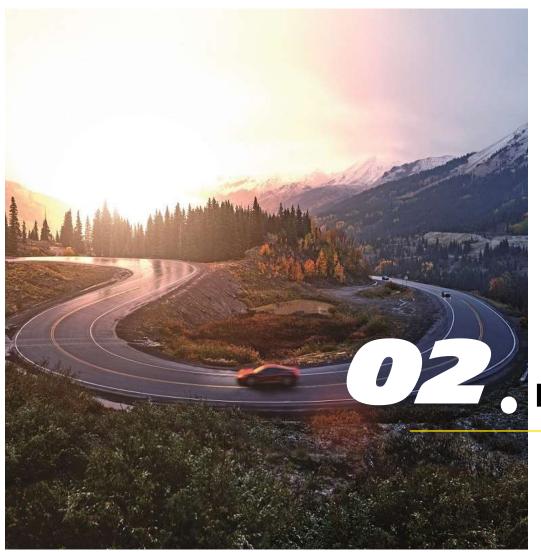
<sup>\*\*</sup> See slide 54



### 2020 guidance excluding any new systemic effect from Covid-19

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





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### **Drivers for growth**







## Leverage on Group's strengths, in four domains of growth, to enhance customers mobility and create value

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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

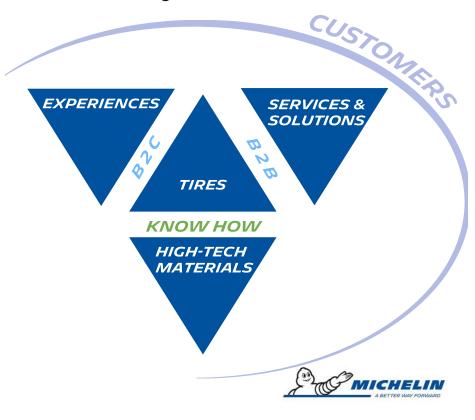


#### Employee engagement

In 2019, 81% of employees say they are proud and happy to work at Michelin

\*By Advertising week

Four areas of growth



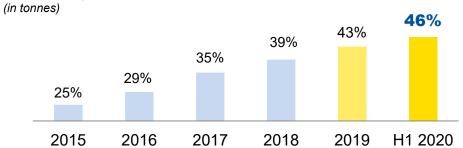
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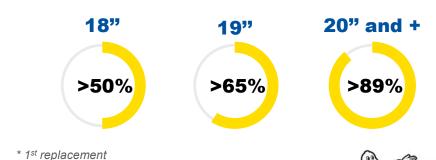
# Automotive: market share gains in 18 inch and above, recognition of Michelin's technological leadership



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

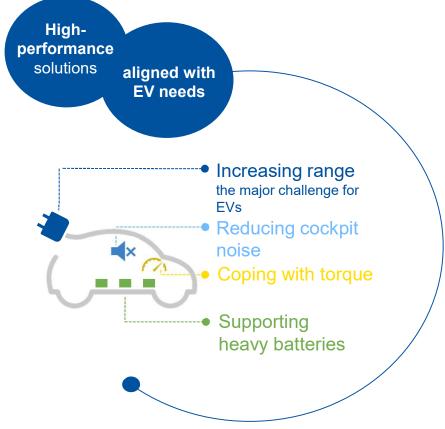


MICHELIN OE/RT loyalty rate in Europe\*:





## Electric vehicles: by leveraging its technological advance, Michelin is strengthening its leadership in a highly demanding, fast-growing market







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





### LOW ENVIRONMENTAL IMPACT TIRES



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

Demonstrating the **LLP\* PROMISE** 

\* Long Lasting Performance

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### MICHELIN: THE LEADER IN RETREADING



(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 arm wateriate, it. C70% 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 strengthens its position in markets with high potential for value creation







→ XDR3 - 63"



→ MICHELIN MEM'S Evolution 4



→ Convoyer belts





#### 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

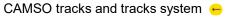


MICHELIN Zen@terra -



MICHELIN AgroPressure 🕒







Long-term CAGR

~+3%





~+2%



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## 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

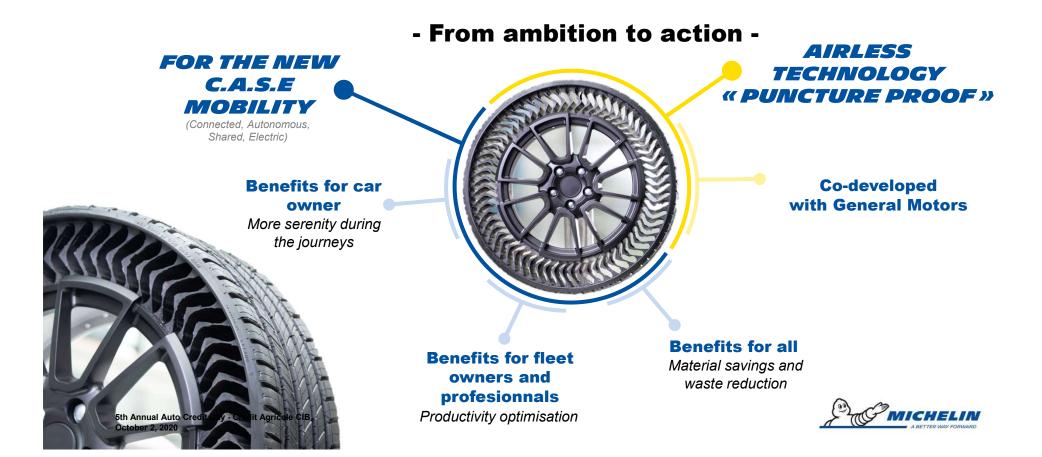
#### 2024-2026

In Europe, longlasting performance will be a prerequisite for every tire



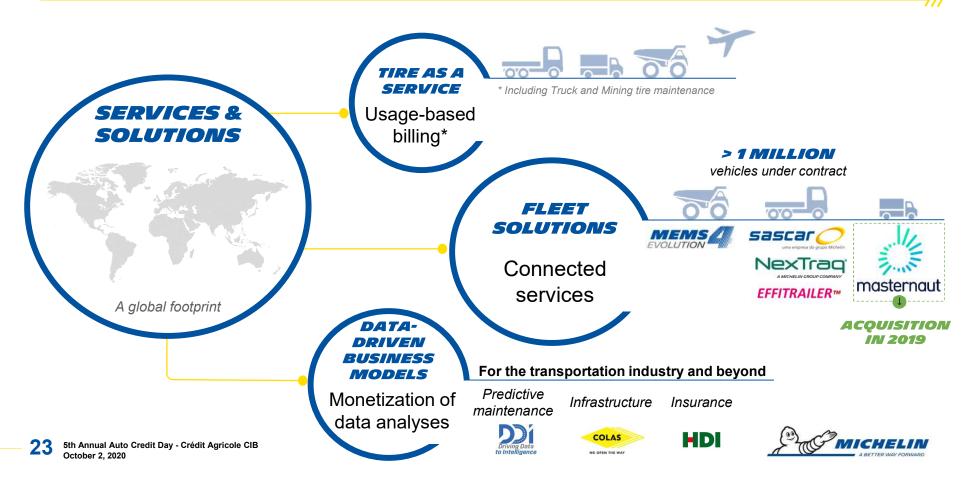


# Innovation leader with Uptis: the airless concept, an essential step towards more sustainable mobility





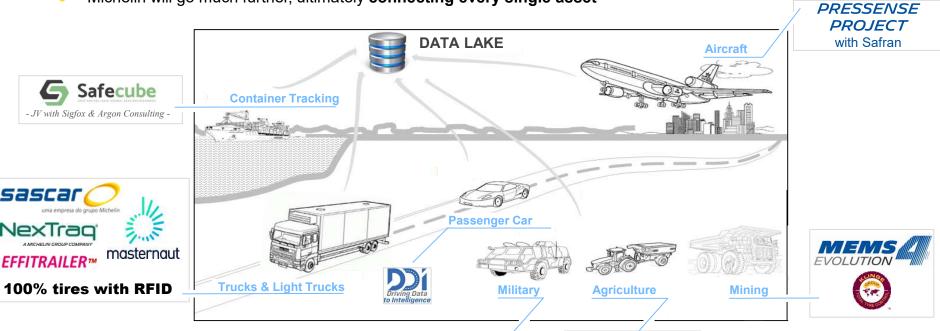
## Services & Solutions: an expansive offering suited to B2B customer needs





### 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











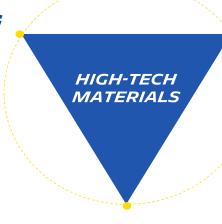
# High-Tech Materials strategy: addressing 3 main value chains for a sustainable growth

#### **ADDITIVE MANUFACTURING**









#### **FLEXIBLE COMPOSITES**

→ Rubber goods









→ Bio-based and clean materials





**HYDROGEN MOBILITY** 







End of Life Tire recycling











#### Michelin aims to become a world leader in hydrogen systems

# WITH its expertise in the hydrogen fuel cell technology, notably in the coated membranes technology, Michelin is accelerating the deployment of zero-emission mobility:

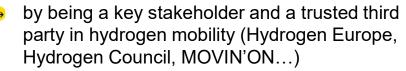
by partnering with Faurecia to create a leading hydrogen fuel cell system





by participating in the Zero Emission Valley project (Hympulsion) in France, involving public-private partners

by being the major player in hydrogen competition, a solution accelerator, with Mission H24 partnership



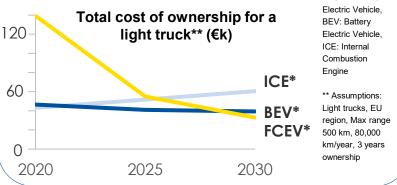


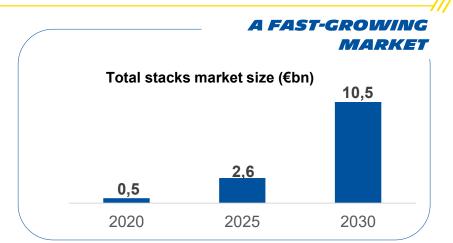


## Symbio strong ambitions on a growing and high value creative market

\* FCEV: Fuel Cell

### FCEV TCO ON PAR WITH BEV FROM 2027







SYMBIO

A FAURECIA MICHELIN HYDROGEN COMPANY

*250* 

€140M

employees in 2020 will be committed by Michelin and Faurecia

3

Production facilities eventually: Europe, Asia and USA ÷ 10

the price of a fuel cell stack + components in the future, (due to growing demand)

2030 outlook

market share

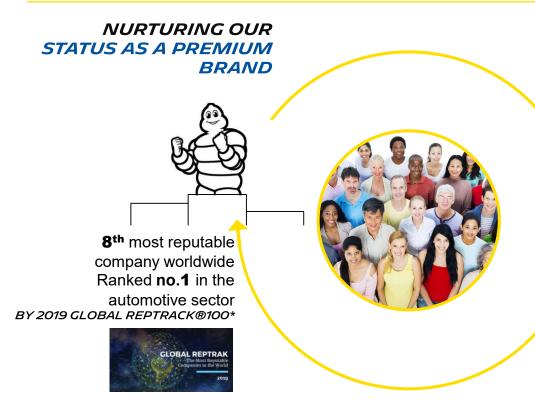
~*€1,5BN* 

in sales



# Maintaining our brand leadership and strengthening our B2C connection

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#### **DEVELOPING CURATION ACTIVITIES**

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





"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

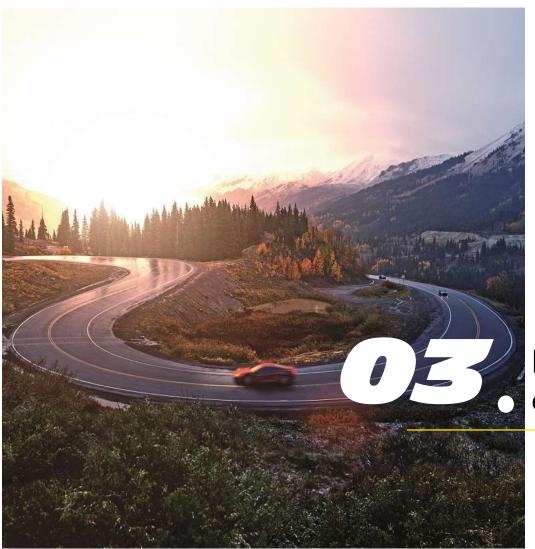








\* Reputation Institute



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# **Drivers for competitiveness**







### Beyond 2020: set up our manufacturing efficiency, boosting competitiveness gains

#### /// INDUSTRIAL FOOTPRIN

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







Empowerment deployment

Simplexity

Digital manufacturing

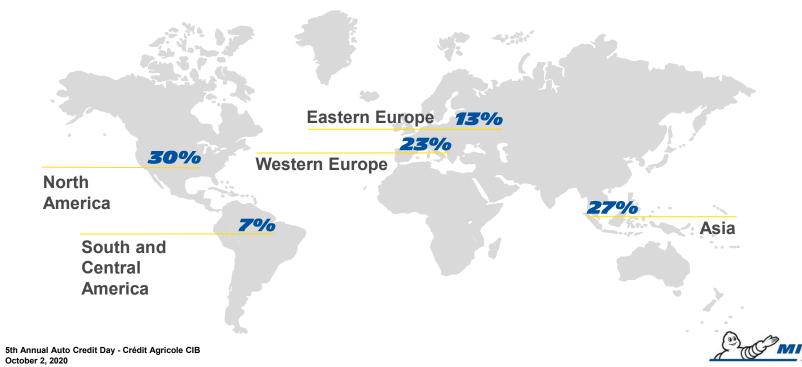






### **Continuing to rightsize Michelin's manufacturing footprint**

 2023 production capacity by region (in kt) Including Camso and Multistrada





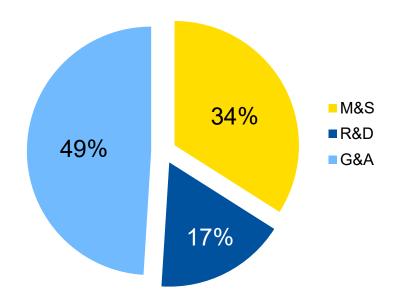
### Digital manufacturing: 50 demonstrators launched

Assets	Quality	Supply	People	Automation
PREDICTIVE MAINTENANCE	ANALYSIS AND ANTICIPATION Assisted root cause quality	PLANT DIGITAL TWIN	ASSISTED ACCES	HUMAN/ROBOT
	control PLANNING /	TO KNOWLEGE	COLLABORATION	
	SCALE-UP SERIES PRODUCTION	SCHEDULING End to End integration		AGV, ROBOTS, VISION
CONDITIONAL MAINTENANCE	STANDARD ANALYSIS Quality data collection (SPC, Vision)	INVENTORY On time inventory / intelligent lots	REMOTE MONITORING AND CONTROL	AUTOMATISATION     FACTORY FLOW      WORKSTATION     AUTOMATISATION
DIGITAL PERFORMANCE MANAGEMENT				3. AUTOMATISATION CONTROL – VISION

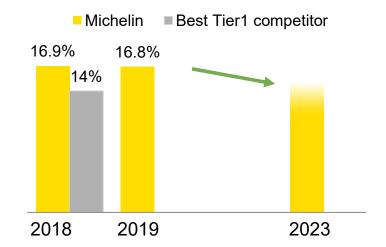


### Beyond 2020: continue to target SG&A benchmark levels

• 2019 SG&A split (in € millions)



Zoom SG&A (in % of sales )









### Levers to improve our SG&A structure



CORPORATE BUSINESS SERVICE IN BUCHAREST (EUROPE), QUERETARO (AMERICAS) AND, SHENYANG AND BANGKOK (ASIA)

STRENGTHENING OF OUR **PURCHASING ORGANIZATION** AND PROCESSES





**CULTURAL TRANSFORMATION:** SIMPLIFICATION AND FRUGALITY

VALUE STREAM MAPPING FOR LARGE CROSS-FUNCTIONAL **PROCESSES** 





COMPLETE THE DEPLOYMENT OF **OUR BUSINESS MANAGEMENT** PROGRAM (OPE)



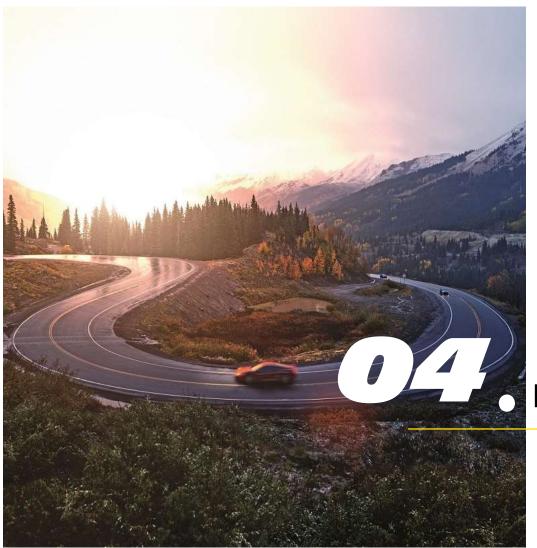
DIGITIZATION OF HR AND CRM **PROCESSES** 











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### Financial profile

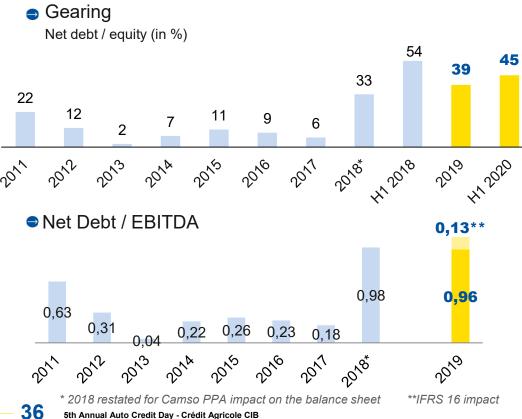






### A robust balance sheet after recent acquisitions, confirmed by the rating agencies





 Credit ratings reaffirmed in first-half 2020

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

#### Last rating actions:

- May 18, 2020 : Moody's, whose ratings is no longer solicited as of July 1, 2020
- May 19, 2020 : S&P
- May 29, 2020: Fitch



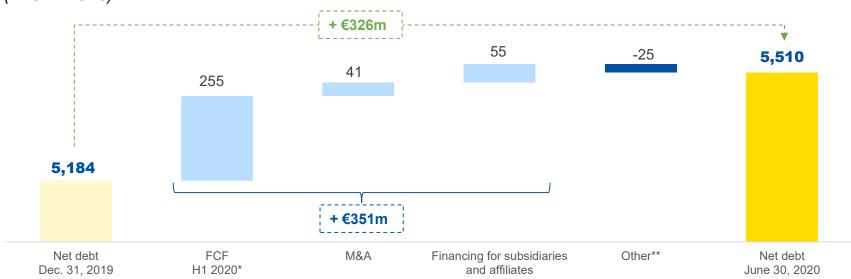


# Despite the crisis, net debt remains under control, thanks to management discipline recognized by the rating agencies

**///** 

Net debt





<sup>\*</sup> Free cash flow excluding M&A and financing for subsidiaries and affiliates

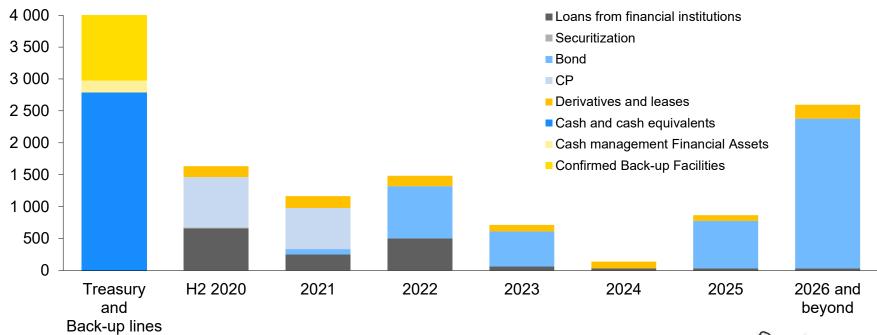


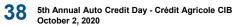
<sup>\*\*</sup> Mainly translation adjustments, share buyback and the impact of new leases



# A confortable cash position

• Debt maturities at June 30, 2020 (carrying amount, in € millions)









# 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
Туре	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-Sept18	3-Sept18	3-Sept18	05/Jan/2018	05/Jan/2017 & 25/Apr/2017	21/Sep/2015 & 27/Sep/2016	19-May-15	19-May-15
Maturity	3-Sept25	3-Sept30	3-Sept38	10-Nov23	10-Jan22	30-Sept45	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





### **Cash and Liquidity Reserve**

- Total cash @ 2'990 Millions €: 2'810 M€ of cash& cash equivalent + 180 M€ of financial assets – treasury management at June 30, 2020
- 1'500 M€ of an undrawn committed syndicated credit facility refinanced in December/2014 with 17 banks until December/2021 (in course of being refinanced for 3+1+1 years with, most probably, a significantly higher amount up to 2'000 2'500 Millions €):
  - Back-up facility
  - EUR and/or USD
  - No financial covenants
- Main short-term debt programs :
  - French Commercial Papers (NEUCP) : maximum @ 2.500 M€ (since May/2019)
  - US Commercial Papers (USCP): maximum @ 700 M\$
  - Pan- European receivables securitization program : total capacity @ 300 M€
  - US receivables securitization program : total capacity @ 150 M\$, up to 250 M\$
  - Reverse factoring program





# Systematic and Efficient Management of the Main Financial Risks under the Governance of the Financial Risk Committee

#### Liquidity risk:

- Secured financing: RCF, undrawn committed syndicated credit facility of 1'500 M€ (in course of being refinanced and increased up to 2'000-2'500 M€)
- Diversified financing sources
- Conservative approach with available short- term instruments much above our needs
- Non-risky cash investment
- Risk managed at diverse horizons: very short term (5 d), monthly on a rolling 18 months, 5 years financial plan

#### Interest rate risk:

- Managed by currency at central level only
- Defined fixed/variable thresholds

#### FX rate risk:

Accounting FX exposure systematically hedged on a daily basis

#### Counterparty risk:

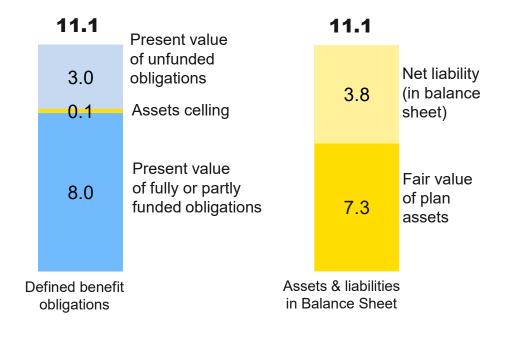
- Duly authorized counterparts (Group banks, CDS, ratings, market cap, ...) with defined thresholds in €
- Managed on a weekly basis





# **Defined benefit plans as at December 31, 2019**

#### (in € billions)



# Estimates of contributions to be paid and benefits to be paid directly

2020e: €244m 2021e: €207m 2022e: €170m 2023e: €174m 2024e: €205m

2025-2029e: €1,077m





# Reported 2019 financial highlights: P&L

(in € millions)	2019	(as a % of net sales)
Net sales	24,135	
Cost of sales	(17,053)	70.7%
Gross income	7,082	29.3%
Sales and marketing expenses	(1,380)	5.7%
Research and development expenses	(687)	2.8%
General and administrative expenses	(1,987)	8.2%
Other operating income and expenses	(19)	0.1%
Operating income from recurring activities	3,009	12.5%
Operating income/(loss) from non-recurring activities	(318)	1.3%
Operating income	2,691	11.1%
Cost of net debt	(330)	1.4%
Other financial income and expenses	(5)	0.0%
Net interest on employee benefit obligations	(98)	0.4%
Share of profits and losses from associates	(22)	0.1%
Income before taxes	2,236	9.3%
Income tax	(506)	2.1%
Net income	1,730	7.2%





# **Reported 2019 financial highlights: Balance Sheet**

ASSETS (in € millions)	December 31, 2019
Goodwill	2,388
Intangible assets	2,280
Property, plant and equipment	13,169
Non-current financial assets and other assets	796
Investments in associates	1,087
Deferred tax assets	814
Non-current assets	20,534
I	4.604
Inventories	4,694
Trade receivables	3,532
Trade receivables	3,532
Trade receivables Current financial assets	3,532 396
Trade receivables  Current financial assets  Other current assets	3,532 396 1,055

EQUITY AND LIABILITIES (in € millions)	December 31, 2019
Share capital	357
Share premiums	2,789
Reserves	10,080
Non-controlling interests	3
Equity	13,229
Non-current financial liabilities	5,923
Employee benefit obligations	3,873
Provisions and other non-current liabilities	1,104
Deferred tax liabilities	455
Non-current liabilities	11,355
Current financial liabilities	1,158
Trade payables	2,627
Reverse factoring contracts	470
Other current liabilities	2,838
Current liabilities	7,093
TOTAL EQUITY AND LIABILITIES	31,677





October 02, 2020

# 5th Annual Auto Credit Day Crédit Agricole CIB

# **Conclusion**



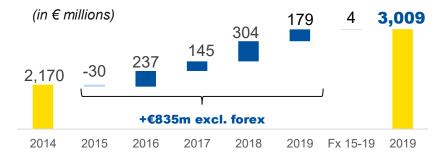
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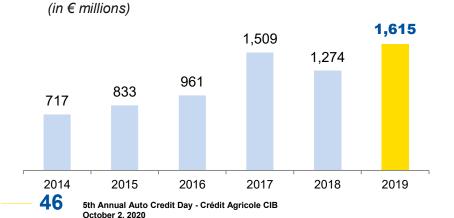
# Resilient margins, underlying strengths and robust drivers support confidence in sustainable FCF growth

///

● Change in segment operating income 2014 – 2019



Structural free cash flow 2014 – 2019



 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



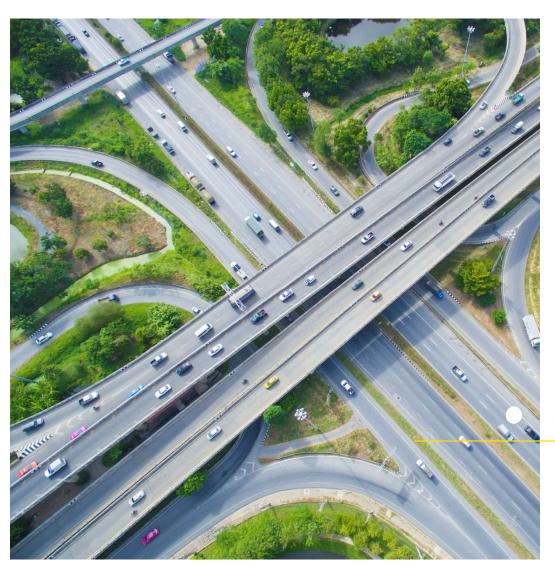


# Michelin's non-financial ratings: a leading, and recognized player in sustainable mobility

<del>/</del>//

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 WATER CHANGE SECURITY  COPP DESCRIPTION LEADERSHIP	GOLD  GOLD  2019 ecovodis  CSR  Rating	Corporate Responsibility Prime rated by ISS-oekom	MSCI SG RESEARCH LLC	A1+ vgederis	OUTPERFORMER
Rating	A-	78/100	B-	7.4/10	68/100	77/100
Ranking / Distribution of ratings	Climate change  C C C  Global  MICHELIN score manufacturing  Water security  A- B B B-  Light  Light  Light  Light  Light  MICHELIN score manufacturing  Europe  Global  Average	Top 1% (natural rubber)    MANAGEMENT FRANCES OF PRESMATQUES MECHANIS CONCUPY     100%	30 % 30 % C C C C W W M M M M M	24% 24% 24% 25% 25% 25% 25% 25% 25% 25% 25% 25% 25	1er of 31 in the sector  Company performance Sector average performance  Environment 71  Social 71  Governance 61	7 <sup>ème</sup> of 54 in the sector



October 02, 2020

### 5th Annual Auto Credit Day Crédit Agricole CIB

# Appendices





# **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



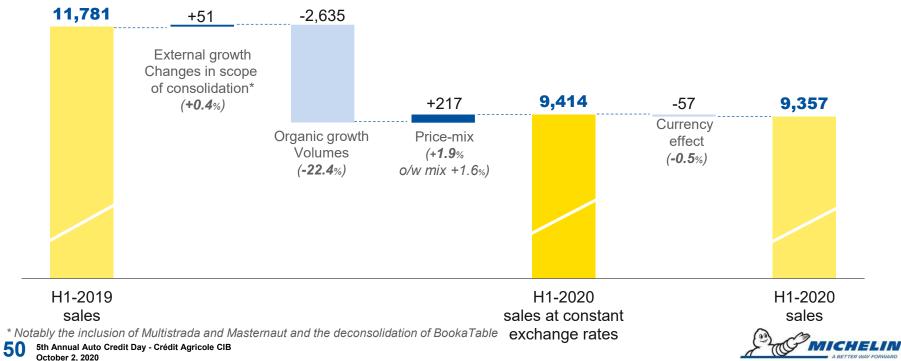


# H1 2020 sales: as global tire demand collapsed, sales declined

by 20.6%

YoY change

(in € millions and %)

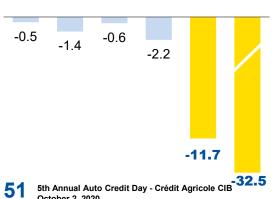




# Q2 2020: despite the fall in volumes caused by the health crisis, the Group held prices firm and enhanced the mix

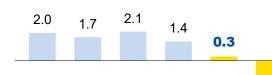
YoY change, by quarter (in %)











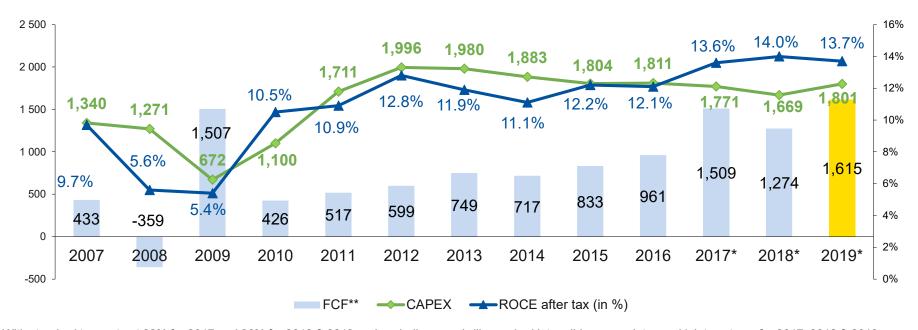
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# 2007 – 2019 : Group capacity to protect and improve its Free Cash Flow generation

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



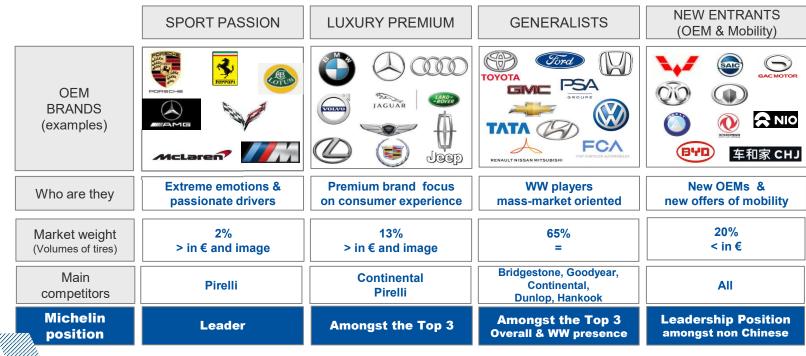
<sup>\*</sup> With standard taxe rate at 28% for 2017 and 26% for 2018 & 2019 and excluding goodwill, acquired intangibles, associates and joint ventures for 2017, 2018 & 2019



<sup>\*\*</sup> Reported FCF from 2007 to 2010, Structural FCF from 2011 onwards.



### Michelin's OE position is unique



#### ... 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





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

#### NEW ENVIRONMENTAL **STANDARDS**

- Reducing CO<sub>2</sub> emissions
  - Vecto UE 2020 standard for new vehicles Cut CO2 emissions by 15% by 2025 Cut CO<sub>2</sub> 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

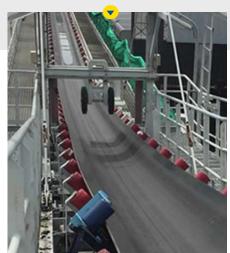
- Tires offering the lowest TCO over time
- Innovative solutions to improve the productivity and environmental footprint of trucking companies
- Products with low environmental impact to support truckers in transitioning to zero-emission operation



# 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





#### AGRICULTURAL RT



#### MINING



#### TWO-WHEEL



5th Annual Auto Credit Day - Crédit Agricole CIB October 2, 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





# Hydrogen mobility is the unique solution to meet the three challenges simultaneously: pollution, greenhouse gases and energy transition





#### **GREEN H2 PRODUCTION**

(zero CO<sub>2</sub> emission)



Renewable energy

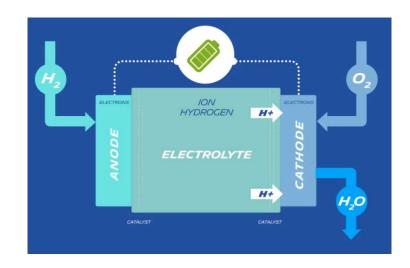
#### **MAIN USES OF H2**

- storing intermittent energies (wind, solar...) electricity production surplus, through electrolysis
- helping decarbonize transportation. Hydrogen vehicles only reject water



# 3 questions about fuel cells

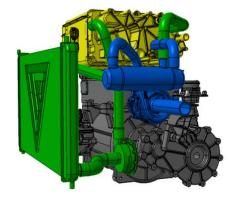
#### **HOW DOES A FUEL CELL** WORK?



#### WHAT IS A FUEL CELL ELECTRIC **VEHICULE?**



#### WHAT IS A FUEL CELL SYSTEM?



Electric transmission

Stack

Air system

Cooling system

+ transformer and controller





# The hydrogen mobility, which growth perspectives are significant, is a solution particularly adapted to the professionnal needs

 A fuel cell car will be able to cover longer distances and offer constant availability for a lighter, smaller system



FOR THE SAME SIZE TANK (170 DM3)



FOR THE SAME AMOUNT OF ENERGY + SAME STORAGE (125KG)



2030 market \*



\* Michelin estimate

- 80% light vehicles (passenger cars and light trucks)
- 20% trucks and buses



Before approaching passenger car market,

Michelin has decided to target first

professionnal markets as hydrogen is the
most appropriate enegy for heavy and long
distance transportation







### 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







# 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)
- Collectively, by collaborating with industry and public authority stakeholders to help introduce maximum abrasion limits and support deeper scientific understanding of TRWPs.





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

#### **RAW MATERIALS**

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



#### **MANUFACTURING**

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



RECOVERY

#### **MATERIALS** RECYCLING

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





#### **END OF LIFE**

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



#### **LOGISTICS**

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



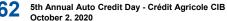
#### **USE OF PRODUCTS AND SERVICES**

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









### Focus on circular economy





- 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



- Repair, regroove and retread tires
- Vision project





- 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



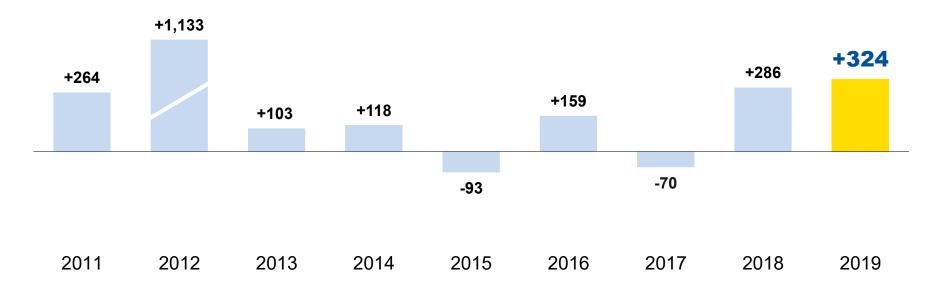
- Biodiversity commitments
- Renewable materials projects
  - BioButterfly
  - BioImpulse
  - Natural rubber
- **Vision project**





# 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)







# Sales by currency and SOI impact

% 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%

% 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%
СОР	0.2%	12%	80% / 85%
Others	4.4%	-	-

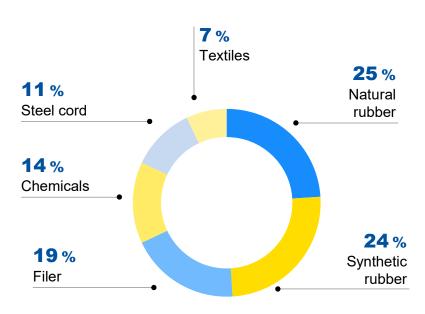


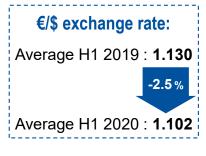
<sup>\*</sup>actual dropthrough linked to the export/manufacturing/sales base

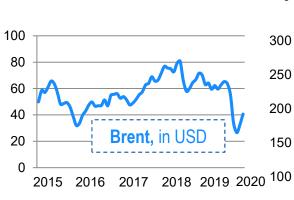


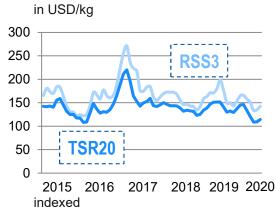
### **Raw materials**

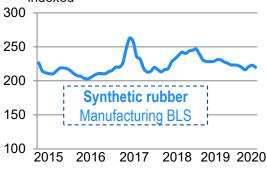
Raw material purchases in H1 2020 (€1.8bn)









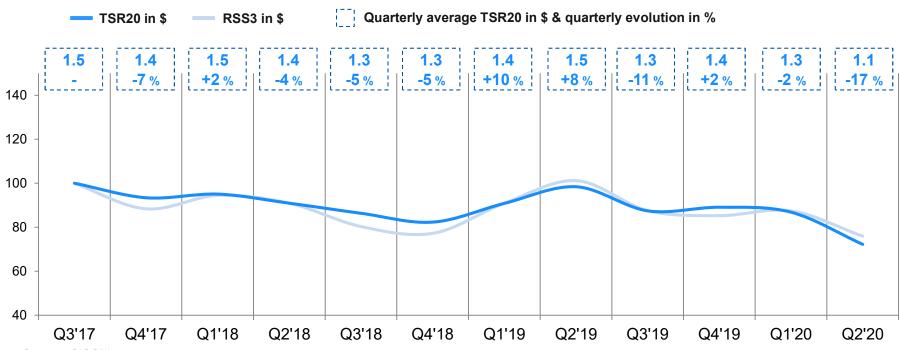






# **Natural Rubber price trend**

• At end of June 2020 (per kg, base 100 in Q3'17)



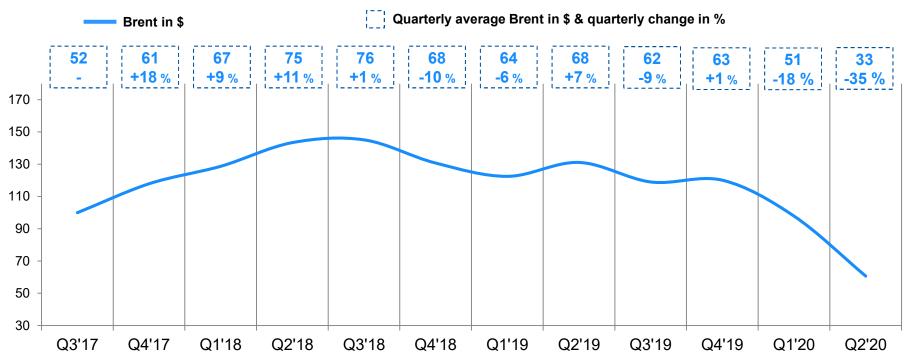
Source : SICOM.





# **Brent price trend**

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



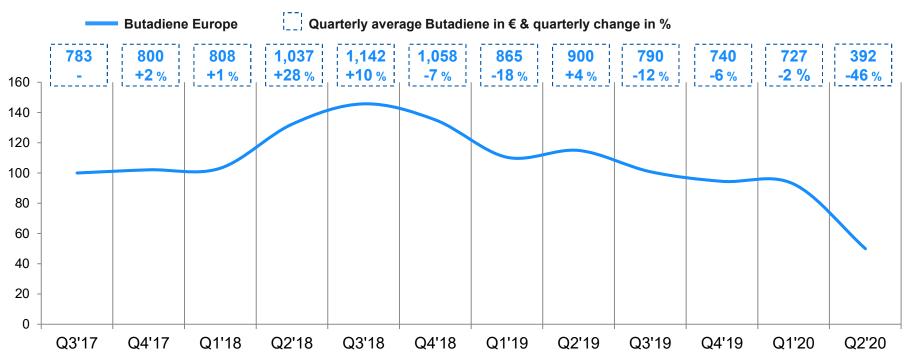






# **Butadiene price trend**

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







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This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as 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."





# 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

